

**ATTESTATION REPORT  
OF THE  
NEBRASKA STATE TREASURER**

**JULY 1, 2016, THROUGH DECEMBER 31, 2017**

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

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

**Issued on August 14, 2018**

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

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

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

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

### **Audit Staff Working On This Examination**

Philip Olsen, CPA, CISA – Assistant Deputy Auditor

Kris Kucera, CPA, CFE – Audit Manager

Joan Arnold, CPA – Senior Auditor-In-Charge

Sara Leber, CPA – Auditor-In-Charge

Erica Kellogg, CPA – Auditor-In-Charge

Patrick Andriano – Auditor

Rob Giraud – Auditor

Tyler Rump – Auditor

Our reports can be found electronically at: <http://www.auditors.nebraska.gov>

Additionally, you may request them by contacting us at:

**Nebraska Auditor of Public Accounts**

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

# NEBRASKA STATE TREASURER

## TABLE OF CONTENTS

	<u>Page</u>
<b>Background Information Section</b>	
Background	1 - 3
Key Officials and Agency Contact Information	4
<b>Comments Section</b>	
Summary of Comments	5 - 7
Comments and Recommendations	8 - 39
<b>Financial Section</b>	
Independent Accountant's Report	40 - 42
Schedule of Revenues, Expenditures, and Changes in Fund Balances	43 - 47
Nebraska Educational Savings Plan Trust – Statements of Net Position Available for Benefits as of December 31, 2017	48
Nebraska Educational Savings Plan Trust – Statements of Changes in Net Position Available for Benefits for the Year Ended December 31, 2017	49
State Farm Nebraska College Savings Plan – Statements of Net Position as of December 31, 2017	50
State Farm Nebraska College Savings Plan – Statements of Operations for the Year Ended December 31, 2017	51
State Farm Nebraska College Savings Plan – Statements of Changes in Net Position for the Year Ended December 31, 2017	52
Nebraska Achieving a Better Life Experience Program Trust Enable Savings Plan – Statement of Net Position Available for Benefits as of December 31, 2017	53
Nebraska Achieving a Better Life Experience Program Trust Enable Savings Plan – Statement of Changes in Net Position Available for Benefits for the Year Ended December 31, 2017	54
Notes to the Schedule	55 - 62
Nebraska Educational Savings Plan Trust – Notes to the Financial Statements	63 - 97
Nebraska Achieving a Better Life Experience Program Trust Enable Savings Plan – Notes to the Financial Statements	98 - 104
<b>Supplementary Information</b>	105
<b>Exhibit A</b> – Revenues, Expenditures, and Changes in Fund Balances for the Period July 1, 2016, through June 30, 2017	106 - 110
<b>Exhibit B</b> – Revenues, Expenditures, and Changes in Fund Balances for the Period July 1, 2017, through December 31, 2017	111 - 115
<b>Attachment A</b> – Attorney General Opinion 18-003 (July 18, 2018)	116 - 125

## NEBRASKA STATE TREASURER

### BACKGROUND

As a constitutional officer, the Nebraska State Treasurer (State Treasurer) is elected to a term of four years and can be reelected for a second consecutive term. The State Treasurer receives and keeps money of the State, as designated by law. The State 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, the Nebraska College Savings Plan, and the Enable Savings Plan, and overseeing the Nebraska Child Support Payment Center are the primary functions of the State Treasurer.

#### **Treasury Management**

The Treasury Management Program is the primary cash management function of the State Treasurer and performs banking functions for the State in the most efficient and cost-effective manner 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 State 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 State Treasurer the opportunity to make investment decisions throughout the day.

The Treasury Management Cash Fund is used for the treasury management functions of the State Treasurer and for the administration of the Nebraska Achieving a Better Life Experience (ABLE) Program. The ABLE Program allows Nebraskans with certain disabilities to create tax-advantaged savings accounts to use for qualified disability-related expenses. The cash funds are determined by prorating the cash fund appropriation amount against all funds invested in cash held by the State, in accordance with statute.

#### **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). The Nebraska Department of Health and Human Services (DHHS) is responsible for the distribution function and has a customer service center located in Wausa, Nebraska, which responds to all questions regarding child support, except those related to receipting and disbursement. The State Treasurer has a centralized operation for the receipt, processing, and disbursement of over \$300 million in child support payments each year in Nebraska.

#### **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 are also tax-free at the State and Federal level. Additionally, Nebraska taxpayers receive a State tax deduction of up to \$10,000 every year a contribution is made.

## NEBRASKA STATE TREASURER

### BACKGROUND

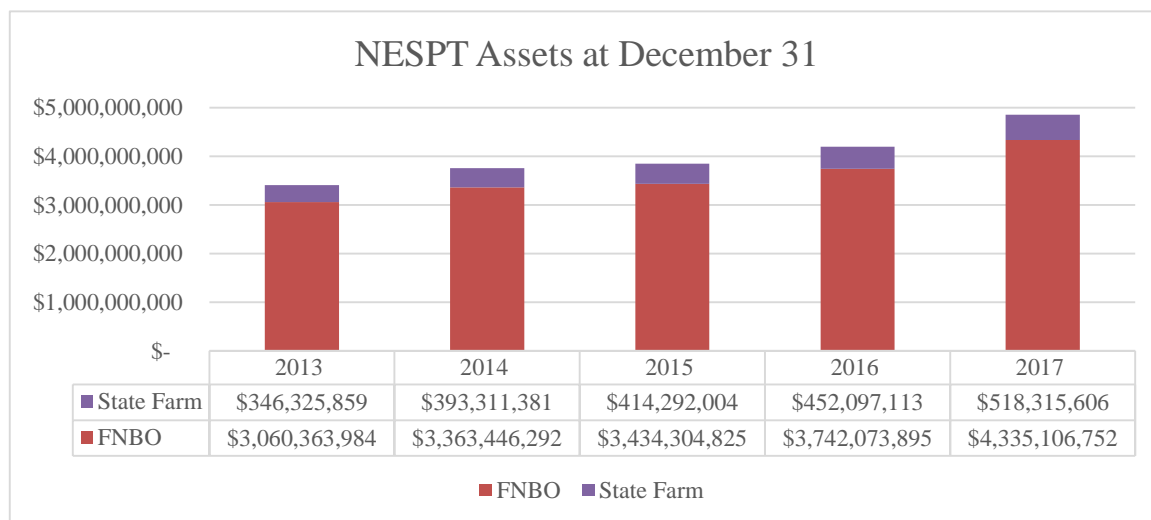
(Continued)

The Nebraska State Treasurer is the Trustee of the Nebraska Educational Savings Plan Trust (NEST), which includes four plans intended to operate as qualified tuition programs, pursuant to section 529 of the U.S. Internal Revenue Code:

- NEST Direct College Savings Plan
- NEST Advisor College Savings Plan
- TD Ameritrade 529 College Savings Plan
- The State Farm College Savings Plan

The State Treasurer has entered into a Program Management Agreement with First National Bank of Omaha for administrative, record keeping, and marketing services related to the NEST. The Nebraska Investment Council oversees the overall investment structures of the plans within the Trust.

At the end of calendar year 2001, the NESPT had net assets of \$55 million. That amount increased significantly and, at the end of calendar year 2017, the NESPT had net assets of \$4.85 billion.



Source: Nebraska Investment Council Performance Reports

### Unclaimed Property

The Unclaimed Property 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, holders possessing 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 State Treasurer makes a concerted effort to locate the rightful owner. This is accomplished by mailings

## NEBRASKA STATE TREASURER

### **BACKGROUND**

(Concluded)

to the last known address, advertising names of owners in local newspapers and cable access channels, matching with drivers' license files and other databases, providing county treasurers and city treasurers with 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. Unclaimed property transactions are accounted for using a computer application known as Wagers.

NEBRASKA STATE TREASURER

**KEY OFFICIALS AND AGENCY CONTACT INFORMATION**

<b>Name</b>	<b>Title</b>	<b>Term Ending</b>
Don Stenberg	State Treasurer	January 9, 2019
Jason Walters	Deputy State Treasurer	

Nebraska State Treasurer  
State Capitol, Room 2005  
P.O. Box 94788  
Lincoln, NE 68509  
[treasurer.nebraska.gov](http://treasurer.nebraska.gov)

## NEBRASKA STATE TREASURER

### SUMMARY OF COMMENTS

During our examination of the State Treasurer, we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comments #2, “Unclaimed Property Division Holder Reports Not Timely Entered into Wagers,” and #3, “Wagers to E1 Reconciliation,” which are considered to be significant deficiencies, and Comment #1, “Outside Bank Account,” which is considered to be material noncompliance and a material weakness.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Outside Bank Account:*** In 2010, the former State Treasurer, Shane Osborn, entered into a program management agreement with First National Bank of Omaha (FNBO) for management of the Nebraska Educational Savings Trust. One of the provisions of that agreement provided for a fee account at FNBO, in which State administrative fees were deposited. The State Treasurer’s office continued to control the fee account (Outside Bank Account) with a \$2.6 million balance at December 31, 2017, which was not recorded in the State accounting system, EnterpriseOne (E1). The account was not reflected in the State budget or State Comprehensive Annual Financial Report. Numerous concerns with this Outside Bank Account were identified, including the use of the account to avoid budgetary limits, the non-interest bearing nature of the account, and the authorization of \$173,136 in expenditures directly out of the account during the period tested.

In connection with this examination, the State Auditor and State Treasurer agreed to seek an Attorney General’s opinion regarding whether the fee account was authorized by State statute. Op. Att’y Gen. No. 18-003 (July 18, 2018) concluded in part, “[T]he State Treasurer does not have the requisite legal authority to establish, maintain and use the Fee Account to hold a portion of assessed administrative fees outside of the State Treasury and the State of Nebraska’s official accounting system.” See **Attachment A**.

On July 23, 2018, as a result of the Attorney General’s opinion, the State Treasurer transferred \$2,718,681, the funds remaining in the Outside Bank Account, to the Nebraska Educational Savings Trust Expense Account.

2. ***Unclaimed Property Division Holder Reports Not Entered Timely into Wagers:*** For 22 of 25 unclaimed property holder reports tested, properties were not entered into Wagers timely, over a year late in some cases. The untimely entry of unclaimed property prolonged notification to potential owners, often beyond the 120 days required by State statute.
3. ***Wagers to E1 Reconciliation:*** The State Treasurer failed to deposit \$874,349 in Unclaimed Property receipts for months, or 105 days past the statutorily required date.
4. ***Outdated Approval for Outside Legal Counsel:*** The State Treasurer utilized the services of an outside law firm, but the Attorney General’s approval granting the outside counsel was 17 years old.



## NEBRASKA STATE TREASURER

### SUMMARY OF COMMENTS

(Continued)

5. ***Unclaimed Property Trust Fund Expenditures:*** The State Treasurer expended \$52,227 out of the Unclaimed Property Trust Fund when funds from the Unclaimed Property Cash Fund should have been used.
6. ***Unclaimed Property Claims:*** For two unclaimed property claims tested, adequate proof of identity was not obtained prior to payment.
7. ***Payroll Issues:*** Issues noted during payroll testing included an incorrect payroll deduction, no substantiating evidence for large sick leave usage, end-of-year sick leave balances incorrectly adjusted, compensation time balances outside of allowable limits, and no substantiating evidence for a negative leave balance.
8. ***Noncompliance Issues:*** The State Treasurer was not in compliance with State statutes regarding required documentation to support Mutual Finance Organization allocations, demutualization claims paid out of the wrong fund, and International Registration Plan distributions being performed by another agency.
9. ***Inadequate Supporting Documentation for Travel:*** One hotel expenditure for \$3,271 did not have itemized documentation to support the number of rooms booked, the room rate, or which employees used the lodging.
10. ***Prior-Year Obligations Not Appropriately Identified:*** During testing of 14 expenditures paid after the fiscal year ended, it was observed that 7 were not identified as prior-period obligations when they should have been. As a result, \$68,209 was charged to the incorrect fiscal year and was not included as accounts payable in the State's Comprehensive Annual Financial Report.
11. ***Spending Authority Exceeded:*** The State Disbursement Unit's (SDU) general fund expenditure appropriation was exceeded by \$26,544 for the fiscal year ended June 30, 2017.
12. ***Unidentified Receipts:*** The SDU had 62 unidentified child support receipts, totaling \$12,526, as of April 10, 2018. All five receipts tested were not worked in a timely manner to identify the payee.
13. ***Inadequate Procedures Over Bad Debt:*** The SDU had 444 accounts that had not been collected or written off, with an original balance of \$185,445, as of April 12, 2018. Fifteen of these accounts were tested, and 11 had not been worked in years.
14. ***Misapplied Payments:*** The SDU paid out monies in error due to receipting the funds under the incorrect noncustodial parent – even though, in multiple cases, enough information was available to apply the receipt correctly.
15. ***Information Technology (IT) Change Management Control Issue:*** The State Treasurer did not have a formal change management process with procedures to request, evaluate, develop, test, and implement changes to the office's applications and systems.

## NEBRASKA STATE TREASURER

### **SUMMARY OF COMMENTS**

(Concluded)

More detailed information on the above items is provided hereinafter. It should be understood that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the State Treasurer.

Draft copies of this report were furnished to the State Treasurer to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

## NEBRASKA STATE TREASURER

### COMMENTS AND RECOMMENDATIONS

#### 1. Outside Bank Account

In 2010, while administering the Nebraska Educational Savings Plan Trust (NESPT), the former State Treasurer, Shane Osborn, caused a bank account – referenced hereinafter as the “Outside Bank Account” – to be opened. The Outside Bank Account continued to be held in trust by First National Bank of Omaha (FNBO) for the current State Treasurer to use for administering the NESPT. Of particular concern to the Auditor of Public Accounts (APA) is the fact that the Outside Bank Account existed completely apart from the State of Nebraska’s official accounting system, EnterpriseOne (E1), State budgetary reporting and spending controls in E1, and legislative oversight.

The APA discovered this Outside Bank Account on April 30, 2018, during a meeting with the State Treasurer, the Chief Deputy State Treasurer, and the NESPT Program Director. At that time, the APA questioned why a particular NESPT quarterly fee amount deposited in E1 was always a static \$150,000. That amount was expected to be larger and to vary from quarter to quarter, as the particular fee from which it was derived was supposed to equal 0.03% of the fluctuating plan assets. The State Treasurer then provided the Outside Bank Account information and records.

As of December 31, 2017, the Outside Bank Account contained more than \$2.6 million dollars. The account balance had not been subject to the statewide Comprehensive Annual Financial Report (CAFR) audits or any other independent audit or attestation. Furthermore, the balance of the Outside Bank Account had not been disclosed to the Nebraska Investment Council.

In connection with this examination, the State Auditor and State Treasurer agreed to seek an Attorney General’s opinion regarding whether the fee account was authorized by State statute. Op. Att’y Gen. No. 18-003 (July 18, 2018) concluded in part, “[T]he State Treasurer does not have the requisite legal authority to establish, maintain and use the Fee Account to hold a portion of assessed administrative fees outside of the State Treasury and the State of Nebraska’s official accounting system.” See **Attachment A**.

On July 23, 2018, as a result of the Attorney General’s opinion, the State Treasurer transferred \$2,718,681, the funds remaining in the Outside Bank Account, to the Nebraska Educational Savings Trust Expense Account.

During the examination, the APA noted several concerns with the State Treasurer’s utilization of this Outside Bank Account, which lead to the Attorney General’s opinion request, including the following:

#### **Lack of Authority to Direct Bank to Hold State Fees in the Outside Bank Account**

Neb. Rev. Stat. § 85-1804(10) (Reissue 2014) permits the State Treasurer to collect fees and charges for administering the NESPT, as follows:

*The State Treasurer or his or her designee shall have the power to . . . [e]stablish, impose, and collect administrative fees and charges in connection with transactions of the trust, and provide for reasonable service charges, including penalties for cancellations and late payments with respect to participation agreements.*

## NEBRASKA STATE TREASURER

### COMMENTS AND RECOMMENDATIONS

(Continued)

#### 1. Outside Bank Account (Continued)

Pursuant to that statutory authorization, NESPT participants were charged an FNBO program management fee ranging from 0.17% to 0.25% and a State Treasurer administrative fee, which was generally 0.03% for the FNBO plans and 0.05% for State Farm.

The State Treasurer's administrative fees were supposed to be deposited into the Expense Fund. Section 85-1807(4) states, in part, "The expense fund shall be used to pay costs associated with the Nebraska educational savings plan trust and shall be funded with fees assessed to the program fund."

Furthermore, § 85-1807(4), provides, "Transfers may be made from the expense fund to the General Fund at the direction of the Legislature." Having more than \$2.6 million in a bank account presumably unknown to the Legislature effectively removed that amount from the statutorily authorized decision-making process.

In addition, § 85-1807(3) requires money to be moved periodically, per legislative appropriation, from the Expense Fund to the Administrative Fund, as follows:

*Money from the trust transferred from the expense fund to the administrative fund in an amount authorized by an appropriation from the Legislature shall be utilized to pay for the costs of administering, operating, and maintaining the trust, to the extent permitted by section 529 of the Internal Revenue Code. The administrative fund shall not be credited with any money other than money transferred from the expense fund in an amount authorized by an appropriation by the Legislature or any interest income earned on the balances held in the administrative fund.*

The dollar amount of fees collected grew in proportion to the NESPT balance and the NESPT asset balance increased dramatically since its inception. Section 85-1807(3) makes clear, however, that the State Treasurer is limited to transferring from the Expense Fund to the Administrative Fund only the amount authorized by the Legislature.

The Legislature, during the 2010 session, created the Expense Fund, into which all assessed administrative fees were to be deposited. During the years since the Expense Fund's creation, however, the State Treasurer has transferred to it less than the total amount of administrative fees actually collected. The full 0.05% administrative fee assessed on State Farm plan assets was transferred to the Expense Fund, but only \$150,000 of the .03% administrative fee assessed on FNBO plans was transferred quarterly from the Outside Bank Account to the Expense Fund. In fact, the State Treasurer had only been transferring \$150,000 quarterly from the Outside Bank Account since 2012.

The APA questioned the State Treasurer regarding the authority to maintain the Outside Bank Account. In a May 3, 2018, email response, the State Treasurer provided the following explanation:

*[S]tatute gives the Treasurer extremely broad authority to administer the trust. In part, Nebraska Revised Statute §85-1804 provides "The State Treasurer is the trustee of the trust and as such is responsible for the administration, operation, and maintenance of the program and has all powers necessary to carry out and effectuate the purposes, objectives, and provisions of sections 85-1801 to 85-1814 pertaining to the administration, operation, and maintenance of the trust and program[.]"*

# NEBRASKA STATE TREASURER

## COMMENTS AND RECOMMENDATIONS (Continued)

### 1. **Outside Bank Account** (Continued)

Though granting the State Treasurer broad discretionary authority to administer the trust, § 85-1804 goes on to say, immediately after the portion quoted above, the following:

*[E]xcept that the state investment officer shall have fiduciary responsibility to make all decisions regarding the investment of the money in the administrative fund, expense fund, and program fund, including the selection of all investment options and the approval of all fees and other costs charged to trust assets except costs for administration, operation, and maintenance of the trust as appropriated by the Legislature, pursuant to the directions, guidelines, and policies established by the Nebraska Investment Council. The State Treasurer may adopt and promulgate rules and regulations to provide for the efficient administration, operation, and maintenance of the trust and program. The State Treasurer shall not adopt and promulgate rules and regulations that in any way interfere with the fiduciary responsibility of the state investment officer to make all decisions regarding the investment of money in the administrative fund, expense fund, and program fund.*

Related thereto, under subsection § 85-1804(10), the authority of the Nebraska Investment Council to adopt rules and regulations governing the investment of the trust assets is spelled out as follows:

*The Nebraska Investment Council may adopt and promulgate rules and regulations to provide for the prudent investment of the assets of the trust. The council or its designee also has the authority to select and enter into agreements with individuals and entities to provide investment advice and management of the assets held by the trust, establish investment guidelines, objectives, and performance standards with respect to the assets held by the trust, and approve any fees, commissions, and expenses, which directly or indirectly affect the return on assets.*

Reading the statute as a whole, therefore, it appears that directing FNBO to place and hold the money in an account completely separate from the Expense Fund created under § 85-1807(4), which is expressly required to “be funded with fees assessed to the program fund,” would effectively preclude the State Investment Officer from carrying out the fiduciary duties designated to him in § 85-1804.

A review of the relevant statutes reveals the repeated emphasis – in five separate parts of § 85-1804, including subsections (1), (9), and (10); and § 85-1807(1), (2), (3), and (4) – placed upon the inviolable authority of the investment officials to carry out their duties with regard to the trust assets and related funds. To deposit those monies in a non-interest bearing account about which the State Investment Officer has little, if any, actual knowledge appears inconsistent with the intent behind such statutory imperatives.

As mentioned previously, on July 23, 2018, as a result of the Attorney General’s opinion, the State Treasurer transferred \$2,718,681, the funds remaining in the Outside Bank Account, to the Nebraska Educational Savings Trust Expense Account. See **Attachment A** for Attorney General’s opinion.

### **Outside Bank Account Not Recorded in E1**

The Outside Bank Account had not been reported in E1, the official accounting system for the State of Nebraska.

NEBRASKA STATE TREASURER  
**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**1. Outside Bank Account** (Continued)

Neb. Rev. Stat. § 77-2301(1) (Reissue 2009) requires the following:

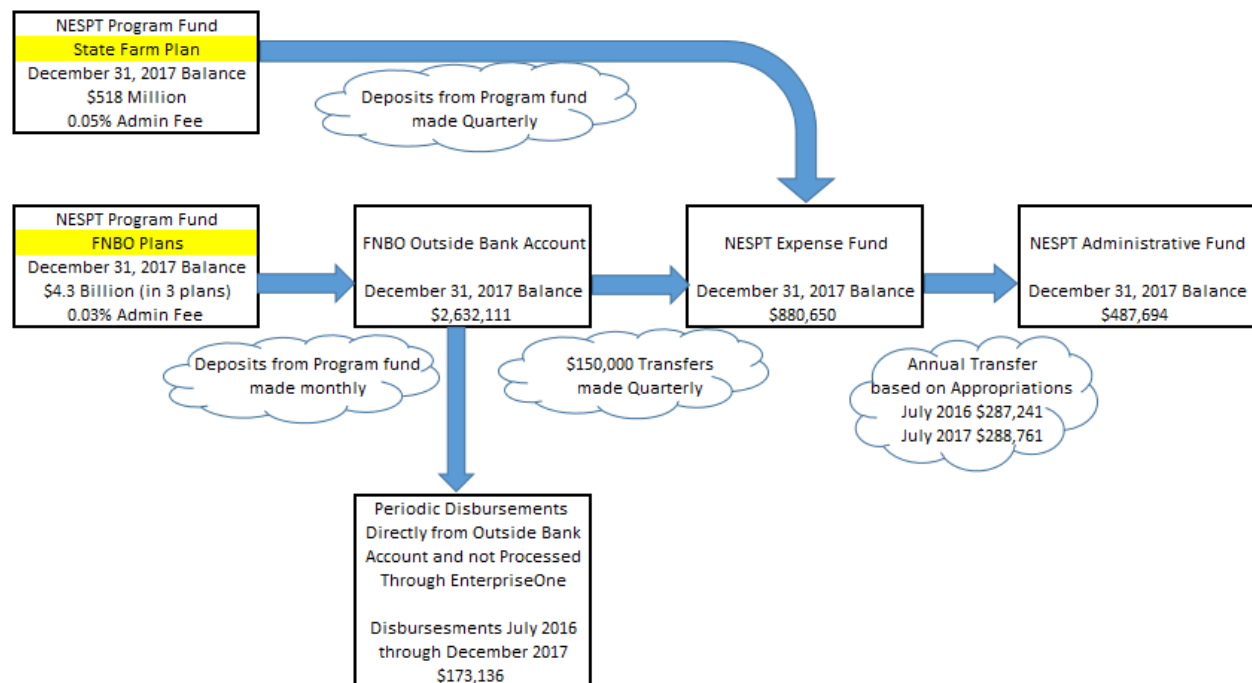
*The State Treasurer shall deposit, and at all times keep on deposit for safekeeping, in the state or national banks, or some of them doing business in this state and of approved standing and responsibility, the amount of money in his or her hands belonging to the several current funds in the state treasury. Any bank may apply for the privilege of keeping on deposit such funds or some part thereof.*

Likewise, Neb. Rev. Stat. 81-1110.01 (Reissue 2014) states the following:

*The purpose of the accounting division is to prescribe, coordinate, and administer a centralized, uniform state accounting and payroll system and personnel information system, to establish and enforce accounting policies and procedures for all state agencies, boards, and commissions, to monitor and enforce state expenditure limitations established by approved state appropriations and budget allotments, and to administer the federal Social Security Act for the state and the state's political subdivisions.*

The NESPT is comprised of four plans: the NEST Direct Plan; the NEST Advisor Plan; TD Ameritrade; and State Farm. Unlike the 0.03% administrative fee from the other three plans, which are administered by FNBO, the 0.05% fee from the State Farm plan was not deposited into the Outside Bank Account. Rather, those funds were managed appropriately, being deposited directly into the Expense Fund and appropriated to the Administrative Fund; therefore, they were recorded properly in E1.

The following diagram illustrates how the State Farm and FNBO fees were handled differently.



NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**1. Outside Bank Account** (Continued)

**Outside Bank Account not reported to DAS and the Legislature**

Having been opened without the full knowledge and approval of the State Legislature and other State officials, the Outside Bank Account remained largely unknown.

Neb. Rev. Stat. § 84-602(5) (Cum. Supp. 2016) directs the State Treasurer to do the following:

*To render a full statement to the Department of Administrative Services of all money received by him or her from whatever source, and if on account of revenue, for what year; of all penalties and interest on delinquent taxes reported or accounted for to him or her, and of all disbursements of public funds; with a list, in numerical order, of all warrants redeemed, the name of the payee, amount, interest, and total amount allowed thereon, and with the amount of the balance of the several funds unexpended; which statement shall be made on the first day of December, March, June, and September, and more often if required[.]*

Additionally, subsection (6) of that same statutes requires the State Treasurer to take the following action:

*To report electronically to the Legislature as soon as practicable, but within ten days after the commencement of each regular session, a detailed statement of the condition of the treasury and its operations for the preceding fiscal year[.]*

In addition to failing to report the money in the Outside Bank Account in E1, the State Treasurer did not include those funds on the mandatory reports made to either DAS or the Legislature.

As a result of this omission, those reports have necessarily been incomplete for much of the past decade. As noted already herein, § 85-1807(4) authorizes transfers to “be made from the expense fund to the General Fund at the direction of the Legislature.” The failure to report the money in the Outside Bank Account to DAS or the Legislature, therefore, not only conflicts with statute but also effectively hinders the full legislative appropriation process.

**Expenditures Made Directly from the Outside Bank Account Avoided Budgetary Limits**

For the period July 1, 2016, through December 31, 2017, the State Treasurer instructed FNBO to pay \$173,136 in NESPT expenditures from the Outside Bank Account via email requests. These expenditures were not processed through E1.

Section 85-1807(3) requires money transferred from the Expense Fund to the Administrative Fund to be “in an amount authorized by an appropriation from the Legislature.”

Appropriations are the authorizations granted by the Legislature to make expenditures or incur obligations for specific programs. Appropriations are made by specific program and fund type. An agency is required to operate within the established restrictions.

Article III, § 25, of the Nebraska State Constitution says the following:

*No allowance shall be made for the incidental expenses of any state officer except the same be made by general appropriation and upon an account specifying each item. No money shall be drawn from the treasury except in pursuance of a specific appropriation made by law, and on the presentation of a warrant issued as the Legislature may direct, and no money shall be diverted from any appropriation made for any purpose or taken from any fund whatever by resolution.*

NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**1. Outside Bank Account** (Continued)

The following table details the expenditures made from the Outside Bank Account:

<b>Date</b>	<b>Amount</b>	<b>Description</b>
February 10, 2017	\$ 300	NESPT Program Director travel
February 15, 2017	\$ 654	NESPT Program Director travel
March 9, 2017	\$ 529	January Birthday Baby Scholarship
March 24, 2017	\$ 1,241	NESPT Program Director travel
March 31, 2017	\$ 529	February Birthday Baby Scholarship
April 6, 2017	\$ 1,197	UNL iPads NESPT Personal Finance Challenge
April 10, 2017	\$ 100,000	EverFi Annual Contractual Payment (elementary students)
May 2, 2017	\$ 50,000	EverFi Annual Contractual Payment (high school students)
May 16, 2017	\$ 529	March Birthday Baby Scholarship
May 24, 2017	\$ 1,458	NESPT Program Director travel
June 14, 2017	\$ 529	April Birthday Baby Scholarship
June 19, 2017	\$ 529	May Birthday Baby Scholarship
August 2, 2017	\$ 529	June Birthday Baby Scholarship
September 1, 2017	\$ 529	July Birthday Baby Scholarship
November 28, 2017	\$ 1,058	August & September Birthday Baby Scholarships
December 4, 2017	\$ 12,085	Kutak Rock legal services
December 20, 2017	\$ 1,440	NESPT Program Director travel
<b>TOTAL</b>	<b>\$ 173,136</b>	

When expenditures do not go through E1, they are not subject to internal controls established by DAS – State Accounting within E1, such as batch management that allows for a proper segregation of duties or budgetary controls.

**Failure to Ensure Proper Collateralization for the Outside Bank Account**

Bank account balances greater than \$250,000 are not protected by the Federal Deposit Insurance Corporation (FDIC). Thus, Neb. Rev. Stat. § 77-2398(1) (Cum. Supp. 2016) requires public funds in excess of that amount to be secured by the appropriate pledged collateral when held in certain financial institutions, as follows:

*As an alternative to the requirements to secure the deposit of public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation pursuant to sections 77-2389 and 77-2394, a bank, capital stock financial institution, or qualifying mutual financial institution designated as a public depository may secure the deposits of one or more governmental units by providing a deposit guaranty bond or by depositing, pledging, or granting a security interest in a single pool of securities to secure the repayment of all public money or public funds deposited in the bank, capital stock financial institution, or qualifying mutual financial institution by such governmental units and not otherwise secured pursuant to law, if at all times the total value of the deposit guaranty bond is at least equal to the amount on deposit which is in excess of the amount so insured or guaranteed or the aggregate market value of the pool of securities so deposited, pledged, or in which a security interest is granted is at least equal to one hundred five percent of the amount on deposit which is in excess of the amount so insured or guaranteed.*



## NEBRASKA STATE TREASURER

### COMMENTS AND RECOMMENDATIONS

(Continued)

#### 1. **Outside Bank Account** (Continued)

The State Treasurer's Treasury Management Program Director is in charge of ensuring that adequate pledged collateral exists for all State bank accounts. However, she was unaware of the Outside Bank Account's existence and was unable to ensure sufficient pledged collateral had been obtained. Since the Outside Bank Account was not listed under the State's Federal Tax Identification Number (FTIN), it is unknown whether FNBO obtained the necessary collateral.

Consequently, at December 31, 2017, \$2,382,111 in the Outside Bank Account may have been under-collateralized and, therefore, unprotected from potential loss. Any funds held by a financial institution, whether under the control of the State or otherwise, are at a greater risk of loss when the amounts in excess of FDIC coverage are not properly secured. When State funds are involved, moreover, failure to ensure proper collateralization contravenes State statute.

#### **Non-Interest Bearing Nature of the Outside Bank Account**

The Outside Bank Account at FNBO was a non-interest-bearing account. Thus, for the approximately eight years since the State Treasurer opened that account, no interest has been earned on any of the funds maintained in it.

As pointed out previously herein, § 85-1807(4), which creates the Expense Fund from which the administrative fees at issue were withheld, states plainly, "Any money in the expense fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act."

During calendar year 2017 alone, had the \$2.6 million in the Outside Bank Account been instead properly deposited in the State bank account and recorded in the E1 Expense Fund, that money would have been invested by the Nebraska Investment Council and earned an estimated \$51,507 in interest. The APA did not calculate how much interest could have been earned during the other seven years.

#### **Use of Administrative Fees for Other Program**

As pointed out already, § 85-1804(10) authorizes the State Treasurer to do the following:

*Establish, impose, and collect administrative fees and charges in connection with transactions of the trust, and provide for reasonable service charges, including penalties for cancellations and late payments with respect to participation agreements.*

As also discussed, § 85-1807(4) directs the Expense Fund to be "funded with fees assessed to the program fund." Further, § 85-1807(3) provides, in part, the following:

*Money from the trust transferred from the expense fund to the administrative fund in an amount authorized by an appropriation from the Legislature shall be utilized to pay for the costs of administering, operating, and maintaining the trust, to the extent permitted by section 529 of the Internal Revenue Code.*

A May 3, 2018, email message from the State Treasurer's office explained that the funds in the Outside Bank Account were used "to cover all of the costs of the financial literacy program and the scholarships offered."

NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**1. Outside Bank Account** (Continued)

The statutes governing the NESPT make no mention of a “financial literacy program.” Nevertheless, the State Treasurer’s website<sup>1</sup> contains the following:

***Nebraska NEST Financial Scholars***

*The Nebraska State Treasurer’s Office offers three interactive, web-based educational programs that bring critical financial literacy to Nebraska students and their families. Powered by EverFi, Inc., these programs are all offered at no cost to schools or taxpayers. Start expanding your financial knowledge today! Get started here.*

The web site goes on to provide a more detailed description of the program, as follows:

*Nebraska NEST Financial Scholars is a new financial education program announced in 2013 that is directed at Nebraska high school students and their families. One component of the program provides an interactive, web-based educational program to Nebraska high schools at no cost to the schools. The program, developed by EverFi of Washington, D.C., includes six hours of programming, using new media technology, on financial topics including credit cards, credit scores, insurance, mortgages, savings, stocks student loans, taxes, 401k plans, and other financial topics. A second component provides Nebraska parents and grandparents with a web-based tutorial on financing their children’s higher education and on learning more about investing through 529 college savings plans.*

The direct payments from the Outside Bank Account for the financial literacy program appear to have nothing to do with the “costs of administering, operating, and maintaining the trust.”

To the contrary, aside from the title “NEST Financial Scholars,” the financial literacy program appears to be completely separate from the NESPT, which § 85-1801 describes as a “public trust” established solely for the following purpose:

*The state has limited resources to provide additional programs for higher education funding and the continued operation and maintenance of the state’s public institutions of higher education, and the general welfare of the citizens of the state will be enhanced by establishing a program which allows parents and others interested in the higher education of our youth to invest money in a public trust for future application to the payment of qualified higher education expenses.*

The financial literacy program is no doubt a worthy endeavor that stands to benefit numerous Nebraska youth. Nevertheless, it was funded with administrative fees collected for the statutorily designated purpose of “administering, operating, and maintaining” the NESPT.

**Excessive Administrative Fee Balance**

Sound accounting practices require the State Treasurer to ensure the reasonableness of all service fees charged by his office. This should be done by analyzing the actual costs of providing the underlying services.

For administering the NESPT, the State Treasurer charged a 0.03% fee for the FNBO-administered accounts and a 0.05% fee for the State Farm account. With the assets of the NESPT steadily increasing, revenues from the administrative fees have experienced a similar upsurge. However, plan expenditures have remained relatively stable.

---

<sup>1</sup> <https://treasurer.nebraska.gov/financial-literacy/>

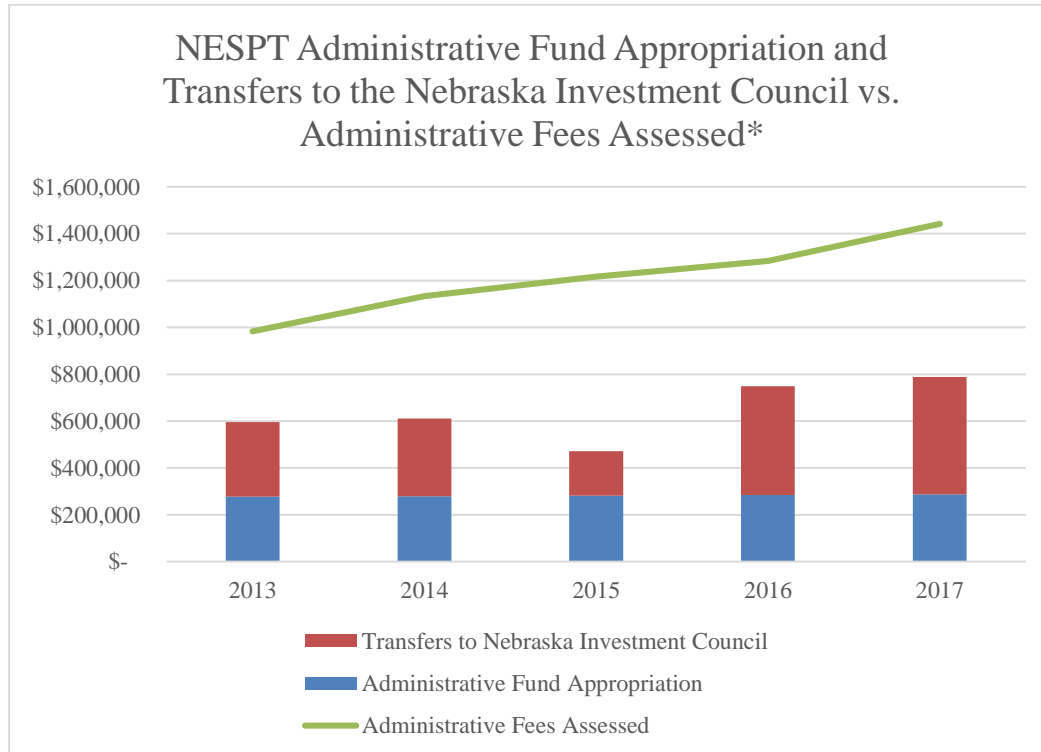
NEBRASKA STATE TREASURER  
**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**1. Outside Bank Account** (Continued)

The following table shows the administrative fee balances, as of December 31, 2017, from various sources:

Source	Balance at December 31, 2017
Outside Bank Account	\$ 2,632,111
E1 Administrative Fund	\$ 487,694
E1 Expense Fund	\$ 880,650
<b>TOTAL</b>	<b>\$ 4,000,455</b>

Expenditures paid with administrative fees during State fiscal year 2017 were \$276,417 from E1 and \$157,495 from the Outside Bank Account, and transfers for the Nebraska Investment Council's fees totaled \$520,809. Given that annual program expenditures amounted to \$954,721, the State Treasurer had an available surplus of over four years' worth of expenditures. All things being equal, the State Treasurer could reduce dramatically – to nothing, if he so chose – the State administrative fees for both the FNBO and the State Farm accounts and still have enough money to cover all program expenses for four years. The chart below illustrates our point that fees assessed are far higher than the State Treasurer's need:



\*Administrative Fees Assessed for the FNBO plans were estimated using information from Nebraska Investment Council Performance Reports.

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Outside Bank Account** (Continued)

The State Treasurer did notify the APA of plans to decrease the State administrative fee to 0.02% effective July 1, 2018. Further review of the fund balances will be needed to ensure fees are appropriate.

**State Employees Not Authorized on the Outside Bank Account's Signature Card**

The signature card for the Outside Bank Account contained the names of FNBO employees, not State employees.

Having a bank hold funds in trust on behalf of the State is, to say the least, highly unusual. Nonetheless, the funds cannot be used on behalf of anyone other than the State. Schedule F, § 2, "State Administrative Fee," of the Program Management Agreement states, "First National Bank will charge Account Owners an asset-based State Administrative Services fee of 0.03% of total First National managed plan assets. This fee will be paid quarterly and deposited into a trust account at First National Bank for the Treasurer to use in connection with the marketing and operation of the Program." (Emphasis added.)

As pointed out previously herein, § 85-1804 designates the State Treasurer as the trustee of the NESPT, making him "responsible for the administration, operation, and maintenance of the program." Likewise, Neb. Rev. Stat. § 84-602(1) (Cum. Supp. 2016) directs the State Treasurer to "receive and keep all money of the state not expressly required to be received and kept by some other person." Allowing individuals other than members of the State Treasurer's own staff to exercise sole control over the funds in the Outside Bank Account appears inconsistent with these two statutory authorizations.

**Outdated Rules and Regulations**

Section 85-1804 says, in relevant part, "The State Treasurer may adopt and promulgate rules and regulations to provide for the efficient administration, operation, and maintenance of the trust and program." Exercising this authority, the State Treasurer promulgated such administrative rules and regulations, which are found at Title 429 of the Nebraska Administrative Code (NAC), Chapter 1.

Issued on November 19, 2001, those rules and regulations do not appear to have been updated since. As a result, they are clearly outdated. Aside from making no mention of the Outside Bank Account, the rules and regulations reference statutory provisions that have not been in effect for close to a decade. In particular, at Title 429 NAC 1-011 and elsewhere, there is discussion of an "Endowment Fund."

Through LB 197 (2010), which was signed into law on February 11, 2010, the Legislature eliminated the Endowment Fund, replacing it instead with the current Expense Fund.

Such outdated rules and regulations are less than fully operative and, therefore, in need of revision to coincide with the current governing statutes.

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Outside Bank Account** (Concluded)

We recommend the State Treasurer process all NESPT cash fund expenditures through E1. Furthermore, the outdated rules and regulations applicable to the NESPT should be revised to coincide with the governing statutes. In addition to being used only as specifically designated in statute, moreover, the NESPT administrative fees should be reviewed on a periodic basis to determine whether they are appropriate.

On July 23, 2018, as a result of the Attorney General's opinion, the State Treasurer transferred \$2,718,681, the funds remaining in the Outside Bank Account, to the Nebraska Educational Savings Trust Expense Account.

*State Treasurer Response: In view of the Attorney General's opinion, all future NESPT cash fund expenditures will be made through E1. Rules and regulations will be reviewed and revised appropriately.*

*In March 2018, a decision was made to reduce administrative fees for three of the NEST plans from three one-hundredths of one percent to two one-hundredths of one percent effective in July 2018, to coincide with investment changes effective that month. Also in March 2018, a decision was made to reduce administrative fees for the State Farm Plan from five one-hundredths of one percent to two one-hundredths of one percent effective in August 2018, to coincide with First National Bank of Omaha taking over full program management of that plan. At current asset levels these two reductions will result in a revenue reduction of approximately \$600,000 per year. As a result, administrative fee income will be less than the total fees due to the Nebraska Investment Council together with the requested appropriation for the 2019-2021 biennium. As a result, the balance in the expense account will be drawn down.*

*Nebraska Statute § 85-1805 specifically recognizes that the Trust may make expenditures for advertising and promotion of the college savings plan. The Nebraska NEST Financial Scholars program is the most successful advertising and promotional activity of the Trust. Under that program, over 30,000 Nebraska high school students have had on-line instruction about NEST, how 529 college savings plan work, the tax advantages and so forth. Based on pre- and post-tests, the average knowledge gain concerning college savings plans by these students was 88%.*

*We note that most of the issues concerning the Outside Bank Account turn on the authority of the Trustee to establish the account. The reasons for the Treasurer's good faith belief that such authority existed are explained in detail in the Treasurer's letter to the Attorney General requesting the Attorney General's opinion.*

## NEBRASKA STATE TREASURER

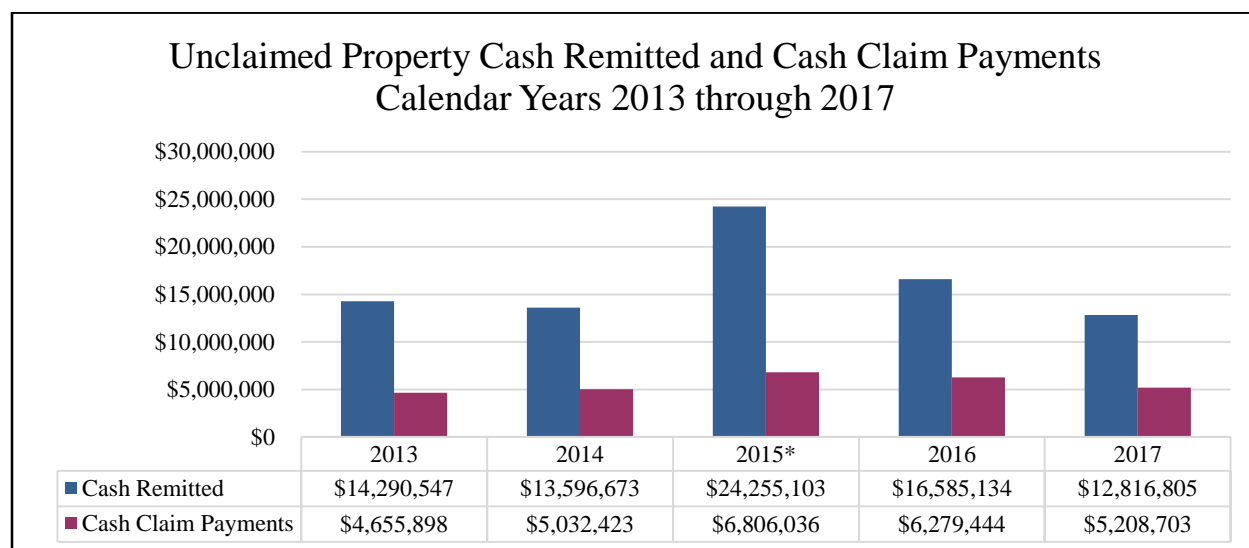
### COMMENTS AND RECOMMENDATIONS

(Continued)

#### 2. Unclaimed Property Division Holder Reports Not Entered Timely into Wagers

Per Neb. Rev. Stat. § 69-1310(d) (Reissue 2009), individuals or entities holding funds (holders) or other property presumed abandoned must report those properties to the State Treasurer annually “before November 1 of each year as of June 30 next preceding.” Life insurance corporations must report abandoned property “before May 1 of each year as of December 31 next preceding.” In all cases, that same statute requires, “The property must accompany the report unless excused by the State Treasurer for good cause.”

Below is a summary of the cash received and paid out as unclaimed property by the State Treasurer for the last five years:



\*Calendar year 2015 cash remitted includes over \$6 million in securities sales and one holder that reported over \$3 million in abandoned property.

A majority of holders report unclaimed property through the State Treasurer’s website; however, cash is actually remitted to the Unclaimed Property Division via check or ACH payment.

When received, funds are deposited and receipted in both E1, the State’s Accounting System, and Wagers, the State Treasurer’s official computer application used to record and track unclaimed property received by the State of Nebraska. In Wagers, a Report ID is created for each check or ACH received from a holder, to which a Receipt ID is added to show that money was received from the holder for a particular report. Once the Report ID is created, the file that contains the details of property reported can be imported and loaded into Wagers. A final review is then completed to ensure that all the report information is on file and properly entered into Wagers, including verifying the report was loaded to the appropriate holder, the dollar amount submitted agrees to the amount reported on the holder file, the number of properties, shares of securities, or safe deposit boxes reported agrees to actual amounts recorded, etc. Once all the information is deemed to be correct, the report is “cleared” in Wagers, and the properties from the report are then available in the system to be claimed by owners/heirs entitled thereto.

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Unclaimed Property Division Holder Reports Not Entered Timely into Wagers**

(Continued)

Through the testing of 25 unclaimed property receipts, it was noted for 22 receipts that the time between receiving holder reports, entering the property details into Wagers, and finally clearing the information to allow property to be claimed took more than a month – and, in some cases, over a year, as noted below:

	Date Received In Wagers	Date Detail Entered In Wagers	Date Cleared In Wagers	# Days Between Received and Cleared	Amount Reported
1	3/9/2017	3/25/2017	4/3/2018	390	\$ 28,299
2	10/31/2016	6/9/2017	11/17/2017	382	\$ 1,566
3	7/6/2016	3/31/2017	4/6/2017	274	\$ 13,269
4	8/18/2017	1/25/2018	4/3/2018	228	\$ 173,788
5	12/7/2016	2/3/2017	6/12/2017	222*	\$ 4,428
6	10/21/2016	3/31/2017	5/25/2017	216	\$ 20,048
7	10/26/2016	3/16/2017	5/8/2017	194	\$ 6,852
8	10/2/2017	4/4/2018	4/5/2018	185	\$ 112,788
9	11/3/2017	1/30/2018	4/5/2018	153	\$ 45,487
10	8/31/2016	12/12/2016	1/27/2017	149	\$ 101,833
11	8/25/2017	10/25/2017	1/19/2018	147	\$ 8,419
12	10/26/2016	2/28/2017	3/20/2017	145	\$ 180,688
13	12/13/2017	3/30/2018	4/5/2018	113	\$ 32,164
14	10/17/2016	1/24/2017	1/26/2017	101	\$ 53,731
15	10/18/2017	10/19/2017	1/19/2018	93	\$ 27
16	10/27/2017	1/22/2018	1/23/2018	88	\$ 11,777
17	10/23/2017	1/10/2018	1/17/2018	86	\$ 52,112
18	10/24/2017	11/6/2017	1/8/2018	76	\$ 33,358
19	10/28/2016	12/14/2016	1/3/2017	67	\$ 1,045,010
20	11/2/2017	12/12/2017	12/29/2017	57	\$ 51,037
21	12/2/2016	12/8/2016	12/22/2016	50*	\$ 348,217
22	5/1/2017	5/31/2017	6/8/2017	38	\$ 162,875

\*Check deposit date of 11/2/2016. Used deposit date instead of received date to calculate days.

During the period of July 1, 2016, through December 31, 2017, the Unclaimed Property Division deposited \$34,259,167 in abandoned property from 7,264 holder reports. The attestation period included two annual November 1 reporting deadlines. According to Unclaimed Property Division staff, holder reports were not necessarily entered in Wagers in the order they were received. Additionally, one employee was primarily responsible for entering all the holder reports into Wagers. Based on the volume of reports received and the amount of time required to enter them into Wagers, the Unclaimed Property Division appears to have been understaffed. Finally, the employee responsible for entering the holder reports into Wagers used 600 hours of paid leave and 196 hours of unpaid leave between July 1, 2016, and December 31, 2017, exacerbating the delay.

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Unclaimed Property Division Holder Reports Not Timely Entered into Wagers**

(Continued)

When a complete property owner address is provided on an unclaimed property filing of \$25 or more, a letter is mailed to the address provided by the holder. The Unclaimed Property Division refers to this as an “owner letter.” The owner letter mailing list is generated from Wagers according to the report cleared date. However, according to Neb. Rev. Stat. § 69-1311(d) (Reissue 2009), owner letters must be mailed within 120 days from the receipt of the report, as follows:

*Within one hundred twenty days from the receipt of the report required by section 69-1310, the State Treasurer shall mail a notice to each person having an address listed therein who appears to be entitled to property of the value of twenty-five dollars or more presumed abandoned under the Uniform Disposition of Unclaimed Property Act.*

As shown in the table above, not only is the owner letter generally not mailed within 120 days, but also the property information is often not even cleared during that time.

Additionally, when securities were reported by holders, the shares were not compared to the Unclaimed Property brokerage accounts with Wells Fargo Advisors, UBS Financial Services, or other applicable mutual fund account statements. Making such a comparison when loading the reports into Wagers would ensure that the shares had been deposited or electronically transferred to the proper Unclaimed Property accounts.

A good internal control plan requires policies and procedures to ensure that unclaimed property is available to be claimed within 120 days from the date the holder report is received. A good internal control plan also requires policies and procedures to ensure that shares of securities reported by holders are properly deposited or electronically transferred to the applicable Unclaimed Property accounts.

Without policies and procedures establishing a reasonable time period for receipting, entering, and clearing holder reports in Wagers, there is an increased risk that owner letters will not be mailed out within the 120 days required by statute. Furthermore, when policies and procedures are not in place to ensure that shares of securities are properly deposited or electronically transferred to the State by the holder, there is an increased risk of funds not being held in trust by the State and available to be claimed by the rightful owners.

We recommend the Unclaimed Property Division implement policies and procedures to ensure the following:

- Holder reports are receipted, entered, and cleared in Wagers in a timely manner, so owner letters can be mailed out during the 120-day period required by § 69-1311.
- Shares of securities reported by holders are properly deposited or electronically transferred to the applicable Unclaimed Property account.



NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

**2. Unclaimed Property Division Holder Reports Not Timely Entered into Wagers**

(Concluded)

*State Treasurer Response: The Treasurer's Office agrees that reports should be handled in as timely a manner as our limited staff resources allow. There are a number of reasons which can cause the delay in a holder report being entered. In many cases we receive payments without a proper report file, the file received may be corrupt and unable to import, etc. Additionally, the current process for entering holder reports is time consuming and labor intensive. The necessary timeline used by the State Treasurer's Office for entering holder reports is the 120-day requirement defined in statute.*

*The Unclaimed Property Division has been in the process of reviewing options to streamline the holder reporting process to provide greater efficiency and security. The use of technology will simplify processes for our office by allowing reports to be entered faster, receipts to reconcile to reports easier, and securities to balance to our custody account automatically or with minimal staff supervision. This in turn will allow reports to be cleared for claim and owner letter mailings faster than our current process allows.*

**3. Wagers to E1 Reconciliation**

Wagers is the computer application used to record and track unclaimed property received by the State of Nebraska. The APA completed a reconciliation of all Wagers receipts to all deposit documents in E1, the State Accounting System, for the period July 1, 2016, through December 31, 2017. The following issues were noted:

- Wagers included \$874,349 in receipts that were not deposited when received; therefore, those funds were not accounted for in E1. Checks for \$874,268 and \$81 were deposited 105 and 199 days late, respectively.

According to Unclaimed Property staff, the batch of receipts totaling \$874,268 was not completed and ready for deposit by the end of the day October 27, 2017, so it was supposed to be put in a locked file cabinet. However, the receipts were placed instead in a drawer that was not used regularly, and they were forgotten. Not until the missing receipts were discovered on February 14, 2018, were they deposited. The \$81 check was filed with the holder report instead of being included with the deposit when received.

- Receipts totaling \$6,335 were duplicated in the Wagers system. Of this amount, \$6,157 was for returned checks or reversed ACH transactions that reduced deposits in E1 but were not adjusted in Wagers.
- The Unclaimed Property Division received \$60 from another State Agency through a journal entry transaction in E1. Therefore, a cash deposit was not necessary. However, the unclaimed property was not recorded in Wagers.

NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**3. Wagers to E1 Reconciliation** (Concluded)

Neb. Rev. Stat. § 84-710 (Reissue 2014) states, in part, the following:

*It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state . . . to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars.*

A good internal control plan requires procedures to ensure that unclaimed property amounts not only agree to those receipted in Wagers but also are deposited to E1 within the timeframe required by § 84-710.

Without such procedures, there is an increased risk for misuse, theft, or fraud of unclaimed property going undetected and violation of State statute.

We recommend the Unclaimed Property Division implement policies and procedures to ensure amounts deposited in E1 agree to amounts receipted in Wagers and are deposited timely, as required by § 84-710.

*State Treasurer Response: During the holder reporting period, Unclaimed Property staff received over \$34,700,000 and processed 465 deposit batches. Out of those 465 deposit batches, one was delayed. The State Treasurer's Office recognizes the importance of depositing unclaimed property in a timely manner and has amended our procedures to ensure that all deposit batches are taken to the bank and receipted in the timeframe required by statute.*

**4. Outdated Approval for Outside Legal Counsel**

The State Treasurer utilizes the outside law firm Kutak Rock for various legal services. A State agency wishing to obtain legal services from someone other than the Attorney General (AG) must obtain permission from the AG. Neb. Rev. Stat. § 84-202 (Reissue 2014) states the following:

*The Department of Justice shall have the general control and supervision of all actions and legal proceedings in which the State of Nebraska may be a party or may be interested and shall have charge and control of all the legal business of all departments and bureaus of the state, or of any office thereof, which requires the services of attorney or counsel in order to protect the interests of the state.*

The State Treasurer has a letter certifying approval for the outside legal counsel. However, the letter is dated August 16, 2000, and was signed by the previous Attorney General Don Stenberg, the current State Treasurer. Moreover, although the approval letter references only work pertaining to the College Savings Program, an expenditure tested was for legal services rendered for the ABLE Program. Payments to Kutak Rock during the period totaled \$114,257.

When AG approval for outside legal counsel is not reviewed and updated periodically, there is an increased risk that such approval will not be current and sufficient to ensure compliance with § 84-202.

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS  
(Continued)

4. **Outdated Approval for Outside Legal Counsel** (Concluded)

We recommend the State Treasurer work with the AG's office to obtain updated approval for outside legal counsel. Any such approval should be reviewed and, if needed, renewed annually.

*State Treasurer Response: The Attorney General had not revoked approval for outside legal counsel, but the Treasurer has submitted a letter to the AG seeking renewed approval to use an outside law firm with specific expertise for CSP & ABLE business and has received the Attorney General's approval.*

5. **Unclaimed Property Trust Fund Expenditures**

The State Treasurer prepares a budget for the Unclaimed Property Cash Fund, and a reciprocate appropriation is approved by the Legislature. At the beginning of each fiscal year, the State Treasurer is supposed to transfer from the Unclaimed Property Trust Fund to the Unclaimed Property Cash Fund the amount legislatively appropriated for cash fund expenditures.

Unclaimed Property Trust Fund expenditures for the period July 1, 2016, to December 31, 2017, included \$52,227 for items other than claims and auditing services associated with the receipt of unclaimed property, as noted below.

PAYEE	OBJECT ACCOUNT	TOTAL
FIRESRING	Postage Expense	\$ 7,541
JACOB NORTH LLC	Postage Expense	1,549
	<b>Postage Expense Total</b>	<b>9,090</b>
FIRESRING	Publication & Print Expense	8,982
JACOB NORTH LLC	Publication & Print Expense	2,714
	<b>Publication &amp; Print Expense Total</b>	<b>11,696</b>
LEXIS NEXIS RISK SOLUTIONS	<b>Other Contractual Services</b>	<b>31,441</b>
	<b>Grand Total</b>	<b>\$ 52,227</b>

Unclaimed Property staff believe services being paid for – printing and mailing of owner notification letters and verification of personal information submitted on claim forms – serve as internal audit functions and comply with statutory language.

Neb. Rev. Stat. § 69-1317(a)(1) (Cum. Supp. 2016) states, in relevant part, the following:

*Except as otherwise provided in this subdivision, all funds received under the Uniform Disposition of Unclaimed Property Act, including the proceeds from the sale of abandoned property under section 69-1316, shall be deposited by the State Treasurer in a separate trust fund from which he or she shall make prompt payment of claims allowed pursuant to the act and payment of any auditing expenses associated with the receipt of abandoned property.*

Additionally, subsection (c) of that same statute provides, as is relevant, the following:

NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**5. Unclaimed Property Trust Fund Expenditures (Concluded)**

*Before making any deposit to the credit of the permanent school fund or the General Fund, the State Treasurer may deduct (1) any costs in connection with sale of abandoned property, (2) any costs of mailing and publication in connection with any abandoned property, and (3) reasonable service charges and place such funds in the Unclaimed Property Cash Fund which is hereby created.*

According to language in § 69-1317, it appears the Unclaimed Property Trust Fund should serve as the source of expenditures only for the payment of claims, and for auditing expenses associated with the receipt of abandoned property. Auditing expenses associated with the receipt of unclaimed property are common; for example, with the approval of the State Treasurer, agreements are entered into that allow auditors to find abandoned property held by businesses in the State of Nebraska. Other costs, including the various administrative expenses incurred by the Treasurer in managing unclaimed property, including “internal audit” expenses associated with the distribution of property, should be paid from the Unclaimed Property Cash Fund.

When expenditures made from the Unclaimed Property Trust Fund are for items other than claims and auditing expenses associated with the receipt of abandoned property, the State Treasurer is not in compliance with State statute § 69-1317.

We recommend the State Treasurer ensure compliance with § 69-1317 by paying only claims and auditing expenses associated with the receipt of abandoned property directly from the Unclaimed Property Trust Fund. Other costs should be paid from the Unclaimed Property Cash Fund.

*State Treasurer Response: The expenditures from the Escheat Trust Fund serve internal audit functions. Some of the payments are for the printing and mailing of owner notification letters, which are required by law. This is the first step in trying to determine if a person is the rightful owner of property that has been turned over to Unclaimed Property. This is similar to a bank auditor mailing letters to bank customers asking if the bank records accurately reflect the account balance in the customer’s account. Also, holders of Unclaimed Property report the last known address they have on file for people when they report Unclaimed Property to our office. There are often errors in the address information that is provided and part of the postage costs cover the auditing and clean-up of these addresses.*

*The remaining payments in question are for the internal auditing of names, address, social security numbers and other personal information submitted on claim forms and/or on-line claims of Unclaimed Property. The submitted information is audited by our vendor to ensure that the person making the claim is in fact the rightful owner and to reduce the risk of fraudulent claims. The failure to perform this internal audit review would result in payments to persons not legally entitled to the payment.*

## NEBRASKA STATE TREASURER

### COMMENTS AND RECOMMENDATIONS

(Continued)

#### **6. Unclaimed Property Claims**

For claims made on abandoned property greater than \$500 held in trust by the State Treasurer's Unclaimed Property Division, a notarized claim form is required, along with proof of ownership, which includes a copy of the claimant's photo ID and social security number. Claims valued at \$500 or less can be approved without the same paperwork as long as the claimant can verify information reported on the property record, including the address and last four digits of the owner's social security number. Claims can be made by phone, by mail, in person, or electronically and do not require an actual signature from the individual making the claim.

The State Treasurer's website has the functionality to fast-track claims made by the original owner that are \$500 or less using a third-party verification system. This system searches the owner information and retrieves a unique identifier. The claimant information is also searched and retrieves a unique identifier. Those two unique identifiers are then compared to either approve the claim if they match or deny the claim if they do not. These fast-track claims are automatically approved by Wagers and paid without staff approval.

During the period of July 1, 2016, through December 31, 2017, the Unclaimed Property Division paid \$862,274 for claims valued at \$500 or less that were not paid through the fast-track process.

Of the 22 claims tested that were approved by Unclaimed Property Division staff, two were less than \$500 and were manually paid without adequate proof of identity being obtained. Without using the fast-track function's third-party verification system, there are not adequate procedures to ensure that all claims of \$500 or less are paid to the rightful owners.

A good internal control plan requires procedures to ensure adequate fact checking is performed to verify the individual submitting a claim form is the rightful owner of the property.

Without such procedures, there is an increased risk of fraudulent claims being paid.

We recommend the Unclaimed Property Division implement procedures for the payment of claims to ensure the rightful owner is paid, especially for claims valued at \$500 or less. The Unclaimed Property Division should consider requiring all claims of \$500 or less to be submitted electronically through the State Treasurer's website in order to subject them to the fast-track function's third-party verification system.

*State Treasurer Response: The Treasurer's Office believes our existing policies insure that the rightful owner was paid in the two claims mentioned and these were paid in accordance with Unclaimed Property policies. One was an online claim for \$259.69, the name and social security number was verified by a member of the UP staff. The other was an heir claim for \$484 which was paid to a niece. The niece provided an obituary and other documents. This was the second claim paid to the niece this year, so we had already verified her address. The Unclaimed Property Division has considered requiring all claims under \$500 to be submitted electronically to the fast-track function, but it isn't possible to fast-track every claim. The Unclaimed Property Division processes as many claims as possible with the fast-track function, but some claims, such as when the claimant is not the original owner (for example, when the original owner is deceased), can't be fast-tracked.*

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS  
(Continued)

7. **Payroll Issues**

State Treasurer payroll for the period totaled \$4,627,019. During payroll testing, the following issues were noted:

- On the W-4 for one of six employees tested, two personal exemptions were claimed; however, payroll was calculated with zero exemptions. This caused too much in Federal and State income taxes to be withheld, resulting in the employee's net pay being \$122 lower for the month tested.

Good business practice requires that adequate documentation be maintained to support all payroll withholdings.

- Two employees had large sick leave usage during the period tested. One of the employees took off 17 days in June 2016. However, the State Treasurer did not obtain a doctor's note for the leave until the APA inquired about it in March 2018.

The Office of the State Treasurer – State of Nebraska Personnel Manual states, in part, the following:

*Substantiating evidence will be required if the sick leave absence is ten workdays or longer.*

- For five of six December 31<sup>st</sup> sick leave balances tested, the State Treasurer did not properly adjust the balance in EnterpriseOne for leave used in December and paid in January. Sick leave lost by employees ranged from 5 to 11 hours due to the oversight.

The Nebraska State Accounting Manual, "Leave Adjustment Procedure," contains the following:

*In the case of sick leave . . . the balance will be automatically rolled back to 1440 hours . . . . After the leave roll over process is completed, all agencies must examine all employees on the Leave Report for the last pay period of the calendar year just completed. Agencies are responsible for making adjustments to leave balances.*

- One of 16 compensatory time balances tested was allowed to go negative one hour, and three balances were allowed to be accrued in excess of 40 hours. Those balances were 42, 69, and 115 hours.

The Office of the State Treasurer – State of Nebraska Personnel Manual, "Compensation Time," states the following:

- *Compensation time must be earned before it can be taken. Under no circumstance, should anyone have a negative comp. time balance.*

\* \* \* \*

- *The maximum number of compensation time hours an employee may accrue is 40 hours.*

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **Payroll Issues** (Continued)

- For one of two employees with a negative leave balance tested, both the sick and vacation leave balances were calculated incorrectly. The sick and vacation leave balances in EnterpriseOne were -12.54 and -4.78, respectively. This was caused when monthly earnings for each were incorrectly recorded as -4.79 hours instead of 8 hours. The balances should have been correctly reflected as 0.25 and 8.01 hours, respectively.

The Nebraska State Accounting Manual, AM-005, General Policies, Section 30, "Payroll Adjustments to Leave Balances," states, in relevant part, the following:

*Agencies are responsible for updating their employee payroll records. When an agency determines an adjustment needs to be made to an employee's leave history record, the correction should be made in the EnterpriseOne (Payroll and Financial Center) payroll system.*

- For the other employee tested with a negative leave balance, there was no approval for the advancement of leave on file. The employee's negative leave balance was 14 hours as of November 30, 2016.

The State Treasurer's Policy and Procedure Manual contains the following:

*The State Treasurer may advance vacation and sick leave to employees in an amount not to exceed a total of 96 hours (prorated for part time employees). Employees shall reimburse the office for all used unearned vacation and sick leave upon separation.*

When documentation is not maintained for all withholdings, there is an increased risk that taxes will not be withheld, and employees will not be paid in accordance with their completed Federal tax withholding forms. When substantiating evidence is not obtained for large sick leave usage, there is an increased risk that employees will use excessive sick leave without a medical need. When sick leave balances are not properly adjusted at the end of the year, there is an increased risk that employees will lose sick leave or leave payoff amounts to which they are entitled. When compensatory time balances deviate from the established minimum (0) and maximum (40) hours, employees obtain benefits not allowed by policies and procedures. When leave balances are not properly recorded, there is an increased risk that employees will lose vacation and sick leave to which they are entitled. When approval for the advancement of leave is not obtained, employees are not in compliance with State Treasurer policies and procedures.

We recommend the State Treasurer implement procedures to ensure the following:

- Documentation is maintained to support all withholdings;
- Substantiating evidence is obtained for large sick leave usage;
- Sick leave balances are properly adjusted at the end of each calendar year;
- Compensation time balances are only accrued within the established minimum and maximum hours allowed;
- Leave balances are properly recorded; and
- Advancement of leave is properly approved.

NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**7. Payroll Issues** (Concluded)

*State Treasurer Response: The incorrect payroll deduction (wrong number of withholding allowances entered) has been corrected. Substantiating evidence for large sick leave usage (due to ankle surgery) was provided prior to the absence, but has been misplaced and can't be located. End of year sick leave balances will be properly adjusted in January, the month in which employees submit December timesheets. The negative leave balance was for a very small amount and existed for only one month.*

**8. Noncompliance Issues**

During testing, three separate areas of noncompliance were identified, as described below:

***Mutual Finance Organization (MFO) Did Not Report Prior-Year Expenditures***

An MFO is a group of rural or suburban fire protection districts, cities, or villages that enter into an agreement to cooperate for purposes of financing operational and equipment needs for fire protection, emergency response, or training within their joint areas of operation. The State Treasurer's office is responsible for administering distributions from the Mutual Finance Assistance Fund, which provides the assistance.

The State Treasurer did not have documentation to support how one of three MFOs tested, the Madison County MFO, spent its prior-year MFO allocation. Likewise, the State Treasurer could not provide support that such information was reported to the Legislature.

Neb. Rev. Stat. § 35-1207(1) (Reissue 2016) provides, in relevant part, the following:

*Any mutual finance organization making application pursuant to this section shall include with the application additional financial information regarding the manner in which any funds received by the mutual finance organization based upon the prior year's application pursuant to the act have been expended or distributed by that mutual finance organization. The State Treasurer shall provide electronic copies of such reports on mutual finance organization expenditures and distributions to the Clerk of the Legislature by December 1 of each year in which any reports are filed.*

Additionally, subsection (2) of the same statute says the following:

*The State Treasurer shall review all applications for eligibility for funds under the act and approve any application which is accurate and demonstrates that the applicant is eligible for funds. On or before August 15, the State Treasurer shall notify the applicant of approval or denial of the application and certify the amount of funds for which an approved applicant is eligible. The decision of the State Treasurer may be appealed as provided in the Administrative Procedure Act.*

Finally, subsection (4) states the following:

*No funds shall be disbursed to an eligible mutual finance organization until it has provided to the State Treasurer the financial information regarding the manner in which it has expended or distributed prior disbursements made pursuant to the Mutual Finance Assistance Act as provided in subsection (2) of this section.*



NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**8. Noncompliance Issues** (Continued)

When information regarding how MFO funds were spent is neither obtained and retained nor reported to the Legislature, the State Treasurer is not in compliance with State statute.

We recommend the State Treasurer ensure all MFO prior-year expenditure information required by State statute is obtained and retained. We further recommend the State Treasurer ensure such information is reported to the Nebraska Legislature, as also required by State statute.

*State Treasurer Response: Out of 40 MFO's, only one did not include all required documentation. Treasury Management staff has taken steps to ensure that proper documentation is kept and placed in the file for each county that applies. The Treasurer's Office does report to the Legislature each year concerning MFO expenditures.*

***Demutualization Claims Paid Out of Improper Fund***

We noted that demutualization claims were improperly paid out of the Escheat Fund rather than the Demutualization Fund. As a result, a journal entry for \$32,818 was prepared to reimburse the Escheat Fund from the Demutualization Fund.

Neb. Rev. Stat. § 69-1317(a)(1) (Cum. Supp. 2016) states, in relevant part, the following:

*All funds received under section 69-1307.05 shall be deposited by the State Treasurer in a separate life insurance corporation demutualization trust fund, which is hereby created, from which he or she shall make prompt payment of claims regarding such funds allowed pursuant to the act.*

When demutualization claims are paid out of the incorrect fund, the State Treasurer is not in compliance with State statute.

We recommend the State Treasurer implement procedures to ensure demutualization claims are paid out of the correct fund.

*State Treasurer Response: Demutualization claims are initially paid from the Escheat Trust Fund, for accounting and computer processing reasons. Twice a year an entry is made to move funds from the Demutualization Trust to the Escheat Trust Fund. Therefore, demutualization claims are paid with funds from the Demutualization Fund. Demutualization claims have been handled in this manner going back to at least 2004.*

*By running reports twice a year to review the claims paid on the demutualization properties verifies that every amount that should be paid from this fund is being noted. It also reduces the risk of error in identifying the amounts that should be transferred from the Demutualization Trust Fund. If claims were paid directly from the demutualization fund, they would need to be identified through a manual review of each claim on a weekly basis, then in most cases, the claims identified would need to be reviewed to determine how much of the claims is demutualization proceeds, and how much should be paid from the UP Trust Fund.*

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS  
(Continued)

8. **Noncompliance Issues** (Concluded)

***International Registration Plan (IRP) Distribution Not Done by State Treasurer***

We noted that the monthly IRP journal entries were performed by the Department of Motor Vehicles (DMV). The DMV initially deposits the funds with the State Treasurer into the IRP Fund and, having all the information for the statutory distributions, performs those entries in the accounting system. However, Neb. Rev. Stat. § 60-3,202(1) (Cum. Supp. 2016) directs the State Treasurer to distribute the funds, as follows:

*As registration fees are received by the Division of Motor Carrier Services of the department pursuant to section 60-3,198, the division shall remit the fees to the State Treasurer, less a collection fee of three percent of thirty percent of the registration fees collected. The collection fee shall be credited to the Department of Revenue Property Assessment Division Cash Fund. The State Treasurer shall credit the remainder of the thirty percent of the fees collected to the Motor Vehicle Tax Fund and the remaining seventy percent of the fees collected to the Highway Trust Fund.*

When State statute directs the State Treasurer to distribute certain funds, it is improper for the DMV to perform that task.

We recommend the State Treasurer work with the DMV to ensure compliance with State statute.

*State Treasurer Response: The International Registration Plan distributions have been done by the DMV for at least 20 years, as DMV has all of the information to make the entry. Going forward, DMV will gather the information and mail it to Treasury Management staff who will create the entry in the accounting system, as required by statute.*

9. **Inadequate Supporting Documentation for Travel**

A \$3,271 hotel expenditure tested for the State Treasurer's employees to work at the State Fair and Husker Harvest Days raised the following concerns:

- There was no itemized documentation to support the number of rooms booked, the room rate, or which employees used the lodging.
- Snack purchases (bottled water, apple juice, etc.), totaling \$97, were made at the hotel's gift shop and charged to the State Treasurer.
- Lodging, totaling \$272, was paid for two nights that were not used.

The Nebraska State Accounting Manual, AM-005, Travel Policies, contains the following:

**4. Lodging,** *Employees shall report only actual expenses paid for lodging. Business telephone calls (Travel Expense Policy #10. Long Distance Telephone Calls) and parking charges incurred at the lodging site may be included on the lodging bill. Lodging expenses may either be directly billed to the agency or claimed on an expense reimbursement. . . .*

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS  
(Continued)

9. **Inadequate Supporting Documentation for Travel** (Concluded)

6. **Meals, Overnight Travel** - Pursuant to Section 81-1174, employees traveling on State business shall claim only **actual** amounts paid for food/meals. Employees should not submit claims based on any per diem amount. (The Federal maximum per diem rates are only a guideline and should **NOT** be claimed). When requesting or approving food/meal costs, compare the average cost per day for the entire trip with the appropriate daily GSA rate. . . .

A June 22, 2017, memo from DAS – State Accounting entitled *Clarification Regarding Meals and Snacks* cautions as follows:

2. *Snacks expenses are being claimed along with meal expenses for reimbursement. It is State Accounting's position, based on a review and supported by statute and Attorney General Opinions, that these expenses are personal maintenance expenses not allowed by statute to be reimbursed.*

Sound business practice requires procedures to ensure that adequate documentation exists to support travel expenditures. Such procedures should also ensure that reimbursements are made only for eligible expenses, and unnecessary costs are not incurred.

Without such procedures, there is an increased risk for the loss or misuse of State funds.

We recommend the State Treasurer implement procedures to ensure adequate documentation exists to support travel expenditures. Additionally, incidentals, such as snack purchases, should not be reimbursed. Finally, unnecessary costs, such as expenses for lodging that is not used, should be avoided.

*State Treasurer Response: This expenditure was for an outreach event at the Nebraska State Fair. This bill is for hotel rooms for 11 nights over the course of this event. Each night the Treasurer's Office had 1-4 employees representing Unclaimed Property, NEST, and the Enable program. Each staff member attending has a travel request and an expense reimbursement detailing which nights they stayed in the hotel which was direct billed to the Treasurer's Office as a single expense for the office. As part of the travel approval process, the Treasurer's Office did know in advance the room rates that would be charged for staff staying at the hotel. The travel approval is put with the employee's expense report. These rooms were direct-billed by the hotel and the employee's travel approval was not filed with the statement from the hotel.*

*Ordinarily, the Treasurer's Office policy doesn't allow for employees to buy incidental items, but snack purchases for bottles of water, juice, Gatorade, etc. are allowed for the Nebraska State Fair and Husker Harvest Days as part of meal expenses. During these events, employees work holidays, weekends, weekday mornings, afternoon's evenings at outreach events at booths during the August and September heat in 8 – 10 hour shifts. This interpretation of meal expenses is in part a safety measure to provide hydration during long shifts in the heat at outreach events. These items may replace one of the employee's meals during the days, or supplement one of their meals, but these items do count toward their GSA meal allowance each day.*

*As to the two nights of lodging that weren't used, an employee scheduled to work an outreach event had a family emergency and another employee covered their shifts. However, in the rush to cover shifts at the outreach event, two nights of a hotel room weren't cancelled in time, resulting in a charge for two unoccupied nights at the hotel.*

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

**10. Prior-Year Obligations Not Appropriately Identified**

The State's accounting system has the ability to identify payments as current-period or prior-period obligations. Payments made after fiscal year end, and entered as a prior period obligation, would be included as an accounts payable for the State of Nebraska Comprehensive Annual Financial Report (CAFR) for reporting purposes.

Seven of 14 transactions tested, which were made shortly after the fiscal year ended June 30, were not identified as prior-period obligations when they should have been. As a result, \$68,209 was charged to the incorrect fiscal year and was not included as accounts payable in the CAFR. The error for June 30, 2016, was \$30,180, and the error for June 30, 2017, was \$38,029.

A good internal control plan requires procedures to ensure that expenditures are properly recorded in the correct fiscal year.

We recommend the State Treasurer ensure that all transactions are recorded properly in the State's accounting system to ensure accurate accounting of fiscal year expenditures for CAFR reporting.

*State Treasurer Response: The Treasurer's office will place a greater focus on properly recording prior year obligations. The expenditures were recorded in the State's CAFR, but not in the correct fiscal year.*

**11. Spending Authority Exceeded**

The Legislature makes appropriations for each fiscal year. An appropriation is an authorization to make expenditures and incur financial obligations. This authority is granted by the Legislature, and each agency is expected to operate within those limits.

Program 24 – State Disbursement Unit General Fund expenditures for fiscal year 2017, including expenditures obligated in fiscal year 2017 and paid in fiscal year 2018, totaled \$1,066,882. The State Treasurer exceeded its appropriated General Fund spending authority by \$26,544 for Program 24.

When expenditures and obligations exceed appropriations, the State Treasurer is not in compliance with spending limitations established by the Legislature.

We recommend the State Treasurer operate within legislative spending limitations.

*State Treasurer Response: The Treasurer's Office closely monitors the budget and has not previously exceeded spending authority during Treasurer Stenberg's tenure. During this fiscal year, due to midyear budget cuts, the Treasurer's Office lost \$135,000 in funding and had only four months to adjust its spending obligations.*

## NEBRASKA STATE TREASURER

### COMMENTS AND RECOMMENDATIONS

(Continued)

#### State Disbursement Unit Comments

The APA issued an attestation report on June 27, 2017, of the Nebraska Department of Health and Human Services Child Support Enforcement and the Nebraska State Treasurer State Disbursement Unit (SDU) Agency Funds for the period January 1, 2016, through December 31, 2016. The following comments are related to follow-up of those SDU attestation findings.

#### **12. SDU – Unidentified Receipts**

Sometimes payments received on behalf of non-custodial parents (NCPs) cannot be assigned to the proper child support case due to insufficient information. These unassigned payments are classified as “unidentified receipts,” which must be researched either to identify the correct payee or, if that is not possible, to attempt a refund.

During the previous attestation, we noted 262 unidentified receipts, totaling \$56,008, as of April 24, 2017. As of April 10, 2018, there were only 62 unidentified receipts, totaling \$12,526. Therefore, it appears the SDU has made headway during the last year in reducing unidentified receipts. Nevertheless, issues were found with all five of the unidentified receipts tested, as explained below:

- None of the receipts tested were resolved a timely manner. In fact, three of them still had not been resolved as of the date tested.

Processing Date	Receipt Amount	Receipt Resolved	Days After Processed
5/3/2017	\$ 447	4/17/2018	349
8/4/2017	\$ 226	4/24/2018	263
8/11/2017	\$ 186	Not Yet*	269
9/28/2017	\$ 201	Not Yet*	221
11/1/2017	\$ 377	Not Yet*	187

\*Not resolved as of fieldwork date of 5/7/2018.

- For both payments refunded in April 2018, the payees were from Oklahoma. Per discussion with the SDU employee who researches the unidentified receipts, he knows that misdirected payments are often the result of payees in Oklahoma inadvertently selecting Nebraska when they pay via the kiosk. However, even with this knowledge, those payments were not refunded for months.
- For four of the payments tested, the first documented work on the case was March 20, 2018, which is not timely for any of them. The work involved was attempting to run skip trace reports for each payee based on the limited information provided. None of the individuals could be located in this manner, yet the SDU still did not refund the payments.
- For one payment, the SDU identified three employers who could have sent in the information; however, as of the date tested, those employers had not been contacted to resolve the unidentified receipt.

NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**12. SDU – Unidentified Receipts** (Concluded)

Neb. Rev. Stat. § 43-3342.01(1) (Reissue 2016) provides, in relevant part, the following:

*The responsibility of the State Disbursement Unit shall include the following:*

\* \* \* \*

*(b) Accurate identification of payments;*

*(c) Prompt disbursement of the obligee's share of any payments[.]*

In 2017, the SDU updated its policies and procedures regarding unidentified items and when receipts should be refunded, as follows:

*Resolve collection exceptions . . . within one hundred and twenty (120) calendar days of receipt. If exception is not resolved within one hundred and twenty (120) calendar days, the research analyst shall refund the collection to original source utilizing the refund request form when appropriate and by submitting an adjustment request through CHARTS . . . .*

A good internal control plan requires procedures for ensuring that unidentified receipts are reviewed and researched in a timely manner.

Without such procedures, the disbursement to the custodial parent might be delayed, which could result in noncompliance with State statute.

We recommend the SDU research and resolve all unidentified receipts in a timely manner.

*State Treasurer Response: All payments are worked within the first couple days. However, if limited information is available, we were not always notating that we had looked at it because we believed that there were no steps available to us at that time. We will continue to review these payments to see if any additional payments or phone calls have been received that may help us identify the payment. Staff have been provided more direct access to tools such as Accurint and are looking into acquiring additional tools which will assist in identifying payments. Policies and procedures have been updated since this finding, but had not yet been fully being practiced; the bringing of this to our attention has made it clear how important it is to follow new policies and procedures.*

**13. SDU – Inadequate Procedures Over Bad Debt**

The SDU is responsible for the collection of any child support payments that are later returned from the bank for a multitude of reasons, including nonsufficient funds, closed accounts, or stop payment orders. As of April 12, 2018, the SDU had 444 such accounts, with an original total balance of \$185,445 that had not been collected or written off.

During the previous attestation, these same bad debts had totaled \$205,047. Therefore, it appears the SDU has made some improvements over the last year in reducing bad debts. However, of the 15 larger bad debts (at least \$1,000) tested, most had issues, as detailed below:

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

13. **SDU – Inadequate Procedures Over Bad Debt** (Continued)

- The majority of the bad debts tested – 11 – had not been followed-up on in years. See the summary below.

Processing Date	Bad Debt Remaining	Last Follow Up by SDU	Years Since Last Activity*
11/7/2003	\$ 2,500	5/19/2015	3.0
8/16/2010	\$ 1,225	7/24/2015	2.8
10/24/2011	\$ 400	4/3/2014	4.1
1/26/2012	\$ 1,090	1/13/2016	2.3
4/2/2012	\$ 477	5/10/2016	2.0
8/30/2012	\$ 1,700	3/27/2014	4.1
5/13/2013	\$ 1,250	7/11/2013	4.8
3/14/2014	\$ 2,000	4/16/2014	4.1
12/30/2014	\$ 1,000	7/8/2015	2.8
2/1/2016	\$ 1,000	6/8/2016	1.9
3/1/2016	\$ 1,200	3/9/2016	2.2

\*Calculated as of May 11, 2018

- For one case, a \$2,011 payment came back from the bank as unable to be deposited on August 8, 2017. Because the payment had already been paid out to the custodial parent, it was set up as a bad debt. On September 1, 2017, the noncustodial parent (NCP) sent in a \$400 payment, and it was also returned. The SDU should not have paid the \$400 to the custodial parent without ensuring that it would clear the bank, since the NCP still had a previous unprocessed payment. The \$400 was added to the bad debt balance.

Neb. Rev. Stat. § 81-8,297 (Reissue 2014) states, in relevant part, the following:

*The State Claims Board shall have the power and authority to receive, investigate, and otherwise carry out its duties with regard to . . . (4) all requests on behalf of any department, board, or commission of the state for waiver or cancellation of money or charges when necessary for fiscal or accounting procedures . . . .*

According to Title 466 NAC 11-005.07, moreover, the SDU “must be responsible for insufficient funds checks received or electronic payments not accepted.”

The State Treasurer did not devote adequate resources to ensuring that bad debts were pursued in a timely fashion. The SDU uses a “tickler” (reminder) process to identify cases in need of attention; however, in numerous instances, the employee responsible for pursuing the bad debts missed the “ticklers” and was unaware that the bad debts were still outstanding.

A good internal control plan requires procedures for ensuring that appropriate action is taken to recover bad debts, including a periodic review of such uncollected amounts. Those procedures should ensure also that any subsequent payment is not credited to a noncustodial parent who has an outstanding bad debt until the SDU receives notice from the bank that the payment has cleared.

NEBRASKA STATE TREASURER

COMMENTS AND RECOMMENDATIONS

(Continued)

13. **SDU – Inadequate Procedures Over Bad Debt** (Concluded)

Without such procedures, there is an increased risk of cases involving bad debt not being reviewed in a timely manner and, ultimately, the money owed going uncollected.

We recommend the SDU implement procedures for ensuring bad debts are reviewed periodically and pursued as appropriate. Such procedures should include ensuring no subsequent payment is credited to a noncustodial parent who has an outstanding bad debt until the SDU receives notice from the bank that the payment has cleared.

*State Treasurer Response: There are a total of 15,317 bank return items (BRI's) and 6,171 overpayments for a total of 21,479 accounts needing work. Of the BRI's, 14,242 of them have been collected. One hundred thirty-six of the uncollected accounts are awaiting write off, so we would not be working those. There are 292 that need to be actively worked. We have recently trained another person to help call on these active accounts. We focus on the most recent debts, as those have the highest probability of being collected. We get an average of 82 new accounts each month. We are slowly working through the older accounts, and have a goal of touching all of the older accounts within the next year.*

14. **SDU – Misapplied Payments**

Misapplied payments occur when the SDU erroneously sends money to the incorrect custodial parent. The following was noted during testing of 10 misapplied payments:

- For one item, totaling \$1,466, the SDU had not recouped the money paid out in error. This was an instance of the funds being sent to another state's SDU. The Nebraska SDU attempted to contact the other SDU one time in accordance with its policies; however, no monies have been recaptured, and the account was designated for write-off.
- For four items tested, the misapplied payment could have been avoided:
  - For the \$1,466 item noted above, the employer had sent identifying information for the wrong noncustodial parent. Because that individual no longer worked for that employer and because the dollar amount of the payment matched that of a different employee, the SDU suspected the information was incorrect. However, the employee failed to follow the SDU's policy to contact the employer in such an instance. Instead of contacting the employer, the payments were applied to the incorrect case.
  - For two items, totaling \$326, the employer sent identifying information for two employees, but the entire payment was applied to one employee. Both errors were discovered by the employer, not the SDU.
  - For one \$26 item, the SDU erroneously applied the payment to a noncustodial parent with a similar name, even though the correct name was provided by the employer.



NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**14. SDU – Misapplied Payments** (Concluded)

The U.S. Department of Health and Human Services Office of Child Support Enforcement PIQ (Policy Interpretation Question)-02-01, *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. Child support payments may be intercepted if permission is obtained from the custodial parent.

A good internal control plan requires adequate procedures for collecting overpayments, including out-of-state payments. Such procedures should require the SDU to make every possible effort to avoid misapplied payments, including through the interception of such payments.

Without such procedures, there is an increased risk of not only the loss or misuse of child support payments but also the entire balance of a misapplied payment not being repaid.

We recommend the SDU implement procedures for collecting overpayments, including out-of-state payments. Such procedures should require the SDU to make every possible effort to avoid misapplied payments, including through the interception of such payments.

*State Treasurer Response: We correctly apply 99.95% of payments every day. We do have a few misapplied payments due to human error. While we are not sure it is possible to get that number to zero, we have recently begun sending reports to highlight the errors, and are working directly with people who may repeatedly have the same errors, so they do not repeat them in the future. We work with employers to have them send information that is clearer and may be less likely to cause an error. We are getting new software, which will make the human interaction even less with payments, which will cause fewer errors. We are hoping these changes will help us get even closer to zero misapplied payments.*

**15. Information Technology (IT) Change Management Control Issue**

During the prior attestation, we reported that the State Treasurer's office did not have a written change management policy outlining the standardized procedures to request, evaluate, develop, test, and implement changes to the IT applications and systems. The State Treasurer's office responded that it would "develop a formal change management process."

As of our follow-up on April 5, 2018, the State Treasurer's office still had not developed a document that outlines a formal IT change management process. The State Treasurer's office provided evidence of working towards developing a formal change management process, but the process is not yet complete.

NITC Standards and Guidelines, Information Security Policy 8-202 (July 12, 2017), "Change control management," states the following:

*To protect information systems and services, a formal change management system must be established to enforce strict controls over changes to all information processing facilities, systems, software, or procedures. Agency management must formally authorize all changes before implementation and ensure that accurate documentation is maintained.*

NEBRASKA STATE TREASURER

**COMMENTS AND RECOMMENDATIONS**  
(Concluded)

**15. Information Technology (IT) Change Management Control Issue** (Concluded)

Additionally, good internal control requires a formal methodology to be in place to guide the development of IT applications and systems. Changes to existing applications and systems should undergo documented initial request, evaluation, development, authorization, and implementation procedures to ensure that they have met expectations and minimize user disruption. Controls should also ensure that changes are implemented after the appropriate steps and approvals have been completed. Detrimental changes could occur to the applications and systems without appropriate approvals.

We recommend the State Treasurer's office develop and implement a standardized change management process for all IT application and system changes. The process should include documented change requests, approvals, testing procedures, and approval to implement the change into production after the appropriate steps and approvals are completed.

*State Treasurer Response: The Treasurer's Office has created a formal change management policy, which went into effect on June 28, 2018.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

[Charlie.Janssen@nebraska.gov](mailto:Charlie.Janssen@nebraska.gov)

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

### 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 (State Treasurer) for the period July 1, 2016, through December 31, 2017, based on the accounting system and procedures set for in Note 1, and the Statements of Net Position Available for Benefits of the Nebraska Educational Savings Trust (NEST) Advisor College Savings Plan, the NEST Direct College Savings Plan, the TD Ameritrade 529 College Savings Plan, and the Nebraska Achieving a Better Life Experience Program Trust Enable Savings Plan as listed in the table of contents, as of December 31, 2016, and the related Statements of Changes in Net Position Available for Benefits for the year ended December 31, 2016. We have also examined the accompanying Statements of Net Position of the State Farm Nebraska College Savings Plan as listed in the table of contents, as of December 31, 2016, and the related Statements of Operations and Statements of Changes in Net Position for the year ended December 31, 2016. The State Treasurer's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances and the NEST Advisor College Savings Plan, the NEST Direct College Savings Plan, the TD Ameritrade 529 College Savings Plan, the Nebraska Achieving a Better Life Experience Program Trust Enable Savings Plan, and the State Farm Nebraska College Savings Plan. Our responsibility is to express an opinion based on our examination. We did not audit the financial statements of the NEST Advisor College Savings Plan, the NEST Direct College Savings Plan, the TD Ameritrade 529 College Savings Plan, the Nebraska Achieving a Better Life Experience Program Trust Enable Savings Plan, or the State Farm Nebraska College Savings Plan. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting

system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Other auditors reported they conducted their audits 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 NEST Advisor College Savings Plan, the NEST Direct College Savings Plan, the TD Ameritrade 529 College Savings Plan, the Nebraska Achieving a Better Life Experience Program Trust Enable Savings Plan, and the State Farm Nebraska College Savings Plan are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The other auditors reported they believed that the audit evidence they obtained was sufficient and appropriate to provide a basis for their opinion.

We did not examine portions of the following funds for the period July 1, 2016, through December 31, 2017: Capital Construction Fund (38000) expenditures of \$56,679,491 and other financing uses of \$37,021; the Highway Trust Fund (61240) revenues of \$549,718,149; the Common School Fund (61270) revenues of \$1,256,546 and expenditures of \$60; the Excess Liability Fund (62220) revenues of \$10,651,713 and expenditures of \$11,165,594; the Veterans Aid Fund (63330) revenues of \$5,448,999 and expenditures of \$69,652; the Permanent School Fund (63340) revenues of \$82,894,789, expenditures of \$1,009,368, and other financing sources of \$9,973,190; and Other Funds revenues of \$171,355 and expenditures of \$6,633.

Note 13 to the schedule discloses common funds that are shared with other State agencies in the State Accounting System. The long-term investment portion of the common fund balances, noted in the paragraph above, along with required disclosures, are periodically subject to examination by the State Auditor and are reported in those other State agency reports.

In our opinion, except for the adjustments, 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 of Revenues, Expenditures, and Changes in Fund Balances for the period July 1, 2016, through December 31, 2017, is based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as set forth in Note 1, in all material respects, and based on the opinion of other auditors, the financial statements, referred to above present fairly, in all material respects, the Statements of Net Position Available for Benefits of the NEST Advisor College Savings Plan, the NEST Direct College Savings Plan, the TD Ameritrade 529 College Savings Plan, and the Nebraska Achieving a Better Life Experience Program Trust Enable Savings Plan, and the Statements of Net Position of the State Farm Nebraska College Savings Plan as of December 31, 2017, and the related Statements of Changes in Net Position Available for Benefits, and the State Farm Nebraska College Savings Plan Statements of Operations and Statements of Changes in Net Position for the year ended December 31, 2017, presented in conformity with accounting principles generally accepted in the United States of America.

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

This report is intended solely for the information and use of the State Treasurer, management and others within the State Treasurer's office, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

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

Charlie Janssen  
Auditor of Public Accounts  
Lincoln, Nebraska

August 14, 2018

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through December 31, 2017

	State General Fund 10000	Cash Reserve Fund 11000	Treasury Management Cash Fund 21180	Convention Center Support Cash Fund 21190	Sports Arena Facility Support Cash Fund 21195	Unclaimed Property Cash Fund 21200	Education Savings Plan Administrative Cash Fund 21240	College Savings Plan Expense Cash Fund 21245
<b>REVENUES:</b>								
Appropriations	\$ 1,807,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	181,026	-	-	-	-	-	-	-
Intergovernmental	803,875	-	-	-	-	-	-	-
Sales & Charges	8,793,713	-	1,133,513	-	-	-	-	2,084,347
Miscellaneous	39,058,245	-	19,221	3,174	6,257	25,627	15,551	29,466
<b>TOTAL REVENUES</b>	<b>50,644,664</b>	<b>-</b>	<b>1,152,734</b>	<b>3,174</b>	<b>6,257</b>	<b>25,627</b>	<b>15,551</b>	<b>2,113,813</b>
<b>EXPENDITURES:</b>								
Personal Services	1,140,400	-	995,097	-	-	892,754	149,060	-
Operating	663,597	-	336,053	-	-	333,726	384,249	-
Travel	1,250	-	8,766	-	-	11,764	10,194	-
Capital Outlay	2,558	-	5,328	-	-	10,538	76	-
Government Aid	-	-	-	9,971,783	3,923,917	-	5,958	-
<b>TOTAL EXPENDITURES</b>	<b>1,807,805</b>	<b>-</b>	<b>1,345,244</b>	<b>9,971,783</b>	<b>3,923,917</b>	<b>1,248,782</b>	<b>549,537</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	48,836,859	-	(192,510)	(9,968,609)	(3,917,660)	(1,223,155)	(533,986)	2,113,813
<b>OTHER FINANCING SOURCES (USES):</b>								
Sales of Assets	385	-	549	-	-	275	275	-
Deposit to General Fund	220,302,943	-	-	-	-	-	-	-
Operating Transfers In	169,067,366	265,729	-	14,245,405	5,605,596	1,706,914	749,138	-
Operating Transfers Out	(438,207,553)	(187,215,313)	(150,000)	(4,273,622)	(1,889,383)	-	-	(1,513,328)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(48,836,859)</b>	<b>(186,949,584)</b>	<b>(149,451)</b>	<b>9,971,783</b>	<b>3,716,213</b>	<b>1,707,189</b>	<b>749,413</b>	<b>(1,513,328)</b>
Net Change in Fund Balances	-	(186,949,584)	(341,961)	3,174	(201,447)	484,034	215,427	600,485
<b>FUND BALANCES, JULY 1, 2016</b>	<b>(421,990)</b>	<b>730,655,108</b>	<b>604,426</b>	<b>45,768</b>	<b>229,115</b>	<b>285,997</b>	<b>272,267</b>	<b>2,912,277</b>
<b>FUND BALANCES, DECEMBER 31, 2017</b>	<b>\$ (421,990)</b>	<b>\$ 543,705,524</b>	<b>\$ 262,465</b>	<b>\$ 48,942</b>	<b>\$ 27,668</b>	<b>\$ 770,031</b>	<b>\$ 487,694</b>	<b>\$ 3,512,762</b>
<b>FUND BALANCES CONSIST OF:</b>								
General Cash	\$ -	\$ 543,705,524	\$ 264,122	\$ 48,942	\$ 27,668	\$ 769,178	\$ 501,172	\$ 3,512,762
Petty Cash	1,000	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	1,132	-	-	-	-	2,070	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-
Due to Vendors	(433)	-	(2,601)	-	-	(1,217)	(13,478)	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	(372,666)	-	944	-	-	-	-	-
Due to Government	(51,023)	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ (421,990)</b>	<b>\$ 543,705,524</b>	<b>\$ 262,465</b>	<b>\$ 48,942</b>	<b>\$ 27,668</b>	<b>\$ 770,031</b>	<b>\$ 487,694</b>	<b>\$ 3,512,762</b>

(Continued)

The accompanying notes are an integral part of the schedule.

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through December 31, 2017

	Treasurer Administrative Cash Fund 21270	Spirit Plate Proceeds Cash Fund 21280	State Disbursement Unit Cash Fund 21289	Mutual Finance Assistance Cash Fund 21290	Capital Construction Fund 38000	Federal Fund 40000	Life Insurance Demutualization Trust Fund 61210	Financial Responsibility Trust Fund 61220
<b>REVENUES:</b>								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	2,525,734	-	-
Sales & Charges	204,504	-	-	-	-	-	-	-
Miscellaneous	766	2	9,674	14,363	2,386,101	1,251	102,136	-
<b>TOTAL REVENUES</b>	<b>205,270</b>	<b>2</b>	<b>9,674</b>	<b>14,363</b>	<b>2,386,101</b>	<b>2,526,985</b>	<b>102,136</b>	<b>-</b>
<b>EXPENDITURES:</b>								
Personal Services	-	-	-	-	-	1,449,708	-	-
Operating	-	-	50,000	-	3,983,270	1,071,847	83,328	-
Travel	-	-	-	-	1,785	1,592	-	-
Capital Outlay	-	-	-	-	52,694,436	3,838	-	-
Government Aid	-	-	-	5,568,525	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>5,568,525</b>	<b>56,679,491</b>	<b>2,526,985</b>	<b>83,328</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	205,270	2	(40,326)	(5,554,162)	(54,293,390)	-	18,808	-
<b>OTHER FINANCING SOURCES (USES):</b>								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	9,973,704	75,215,313	-	-	-
Operating Transfers Out	(202,153)	(2)	-	(4,419,114)	(135,438)	-	(400,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(202,153)</b>	<b>(2)</b>	<b>-</b>	<b>5,554,590</b>	<b>75,079,875</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>
Net Change in Fund Balances	3,117	-	(40,326)	428	20,786,485	-	(381,192)	-
<b>FUND BALANCES, JULY 1, 2016</b>	<b>28,585</b>	<b>-</b>	<b>60,774</b>	<b>9,040</b>	<b>84,794,348</b>	<b>-</b>	<b>3,347,038</b>	<b>23</b>
<b>FUND BALANCES, DECEMBER 31, 2017</b>	<b>\$ 31,702</b>	<b>\$ -</b>	<b>\$ 20,448</b>	<b>\$ 9,468</b>	<b>\$ 105,580,833</b>	<b>\$ -</b>	<b>\$ 2,965,846</b>	<b>\$ 23</b>
<b>FUND BALANCES CONSIST OF:</b>								
General Cash	\$ 30,819	\$ -	\$ 20,448	\$ 9,468	\$ 106,187,193	\$ -	\$ 2,965,846	\$ 23
Petty Cash	-	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	(602,052)	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	883	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	(4,308)	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 31,702</b>	<b>\$ -</b>	<b>\$ 20,448</b>	<b>\$ 9,468</b>	<b>\$ 105,580,833</b>	<b>\$ -</b>	<b>\$ 2,965,846</b>	<b>\$ 23</b>

(Continued)

The accompanying notes are an integral part of the schedule.

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through December 31, 2017

	Highway Trust Fund 61240	Highway Tax Trust Fund 61250	Bessey Memorial Trust Fund 61260	Common School Fund 61270	Escheat Trust Fund 61280	Aeronautics Trust Fund 61700	Excess Liability Fund 62220	Motor Fuel Trust Fund 62460
<b>REVENUES:</b>								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	884,788,407	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Sales & Charges	125,462,557	12,856,610	-	4,176	-	-	7,989,956	-
Miscellaneous	993,099	41,035	2,893	1,309,455	33,941,427	(17,683)	3,382,423	129,359
<b>TOTAL REVENUES</b>	<b>1,011,244,063</b>	<b>12,897,645</b>	<b>2,893</b>	<b>1,313,631</b>	<b>33,941,427</b>	<b>(17,683)</b>	<b>11,372,379</b>	<b>129,359</b>
<b>EXPENDITURES:</b>								
Personal Services	-	-	-	-	-	-	-	-
Operating	-	-	31	60	20,054,194	1,301	11,282,706	-
Travel	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Government Aid	-	12,896,600	-	940,460	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>12,896,600</b>	<b>31</b>	<b>940,520</b>	<b>20,054,194</b>	<b>1,301</b>	<b>11,282,706</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,011,244,063	1,045	2,862	373,111	13,887,233	(18,984)	89,673	129,359
<b>OTHER FINANCING SOURCES (USES):</b>								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	36,269	-	-	-	1,744	-	-	859
Operating Transfers Out	(1,011,308,343)	-	(999)	-	(12,558,532)	(249,056)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,011,272,074)</b>	<b>-</b>	<b>(999)</b>	<b>-</b>	<b>(12,556,788)</b>	<b>(249,056)</b>	<b>-</b>	<b>859</b>
Net Change in Fund Balances	(28,011)	1,045	1,863	373,111	1,330,445	(268,040)	89,673	130,218
<b>FUND BALANCES, JULY 1, 2016</b>	<b>-</b>	<b>-</b>	<b>25,118</b>	<b>290,043</b>	<b>8,121,401</b>	<b>6,774,706</b>	<b>90,398,041</b>	<b>4,051,757</b>
<b>FUND BALANCES, DECEMBER 31, 2017</b>	<b>\$ (28,011)</b>	<b>\$ 1,045</b>	<b>\$ 26,981</b>	<b>\$ 663,154</b>	<b>\$ 9,451,846</b>	<b>\$ 6,506,666</b>	<b>\$ 90,487,714</b>	<b>\$ 4,181,975</b>
<b>FUND BALANCES CONSIST OF:</b>								
General Cash	\$ (28,011)	\$ 1,045	\$ 1,902	\$ 663,154	\$ 9,531,359	\$ -	\$ 23,782,233	\$ 4,181,975
Petty Cash	-	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	25,079	-	-	6,506,666	66,705,735	-
Due to Vendors	-	-	-	-	(79,513)	-	(254)	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ (28,011)</b>	<b>\$ 1,045</b>	<b>\$ 26,981</b>	<b>\$ 663,154</b>	<b>\$ 9,451,846</b>	<b>\$ 6,506,666</b>	<b>\$ 90,487,714</b>	<b>\$ 4,181,975</b>

(Continued)

The accompanying notes are an integral part of the schedule.



**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through December 31, 2017

	Normal School Endowment Fund 63280	Veterans Aid Fund 63330	Permanent School Fund 63340	Permanent University Endowment Fund 63350	Agriculture College Endowment Fund 65130	Cultural Preservation Endowment Fund 66920	Base State Fuels Fund 71210	Motor Vehicle Fee Fund 71220
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	2,925,496	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Sales & Charges	-	-	-	-	-	-	-	-
Miscellaneous	33,399	5,448,999	79,971,625	151,965	310,523	1,075,892	-	-
<b>TOTAL REVENUES</b>	<b>33,399</b>	<b>5,448,999</b>	<b>82,897,121</b>	<b>151,965</b>	<b>310,523</b>	<b>1,075,892</b>	<b>-</b>	<b>-</b>
EXPENDITURES:								
Personal Services	-	-	-	-	-	-	-	-
Operating	380	69,652	1,009,368	1,951	3,874	13,818	-	-
Travel	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Government Aid	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>380</b>	<b>69,652</b>	<b>1,009,368</b>	<b>1,951</b>	<b>3,874</b>	<b>13,818</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,019	5,379,347	81,887,753	150,014	306,649	1,062,074	-	-
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	521,572	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	9,468,275	-	-	750,000	-	-
Operating Transfers Out	(12,186)	(2,010,579)	(29,115,270)	(51,432)	(113,222)	(1,300,017)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(12,186)</b>	<b>(2,010,579)</b>	<b>(19,125,423)</b>	<b>(51,432)</b>	<b>(113,222)</b>	<b>(550,017)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	20,833	3,368,768	62,762,330	98,582	193,427	512,057	-	-
FUND BALANCES, JULY 1, 2016	296,987	47,080,161	676,112,009	1,598,478	2,766,425	9,324,102	131	-
FUND BALANCES, DECEMBER 31, 2017	<u>\$ 317,820</u>	<u>\$ 50,448,929</u>	<u>\$ 738,874,339</u>	<u>\$ 1,697,060</u>	<u>\$ 2,959,852</u>	<u>\$ 9,836,159</u>	<u>\$ 131</u>	<u>\$ -</u>
FUND BALANCES CONSIST OF:								
General Cash	\$ 12,015	\$ -	\$ 273,331	\$ 406,633	\$ 118,899	\$ -	\$ 886	\$ -
Petty Cash	-	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Long-Term Investments	305,805	50,448,929	738,601,008	1,290,427	2,840,953	9,836,159	-	-
Due to Vendors	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	(755)	(973,980)
Due to Government	-	-	-	-	-	-	-	973,980
<b>TOTAL FUND BALANCES</b>	<b>\$ 317,820</b>	<b>\$ 50,448,929</b>	<b>\$ 738,874,339</b>	<b>\$ 1,697,060</b>	<b>\$ 2,959,852</b>	<b>\$ 9,836,159</b>	<b>\$ 131</b>	<b>\$ -</b>

(Continued)

The accompanying notes are an integral part of the schedule.

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through December 31, 2017

	Credit Card Receipts Distributive Fund 71230	IV-D Support Payment Distributive Fund SDU 72640	Insurance Tax Fund 77520	Aircraft Fuels Tax Fund 77590	Severance Tax Fund 77610	Highway Allocation Fund 77640	<b>Totals (Memorandum Only)</b>
<b>REVENUES:</b>							
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807,805
Taxes	-	-	-	-	-	-	887,894,929
Intergovernmental	-	-	-	-	-	-	3,329,609
Sales & Charges	-	-	-	-	-	-	158,529,376
Miscellaneous	-	-	-	-	-	-	168,446,245
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,220,007,964</b>
<b>EXPENDITURES:</b>							
Personal Services	-	-	-	-	-	-	4,627,019
Operating	-	-	-	-	-	-	39,343,405
Travel	-	-	-	-	-	-	35,351
Capital Outlay	-	-	-	-	-	-	52,716,774
Government Aid	-	-	-	-	-	-	33,307,243
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,029,792</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	1,089,978,172
<b>OTHER FINANCING SOURCES (USES):</b>							
Sales of Assets	-	-	-	-	-	-	523,056
Deposit to General Fund	-	-	-	-	-	-	220,302,943
Operating Transfers In	-	-	-	-	-	-	287,086,312
Operating Transfers Out	-	-	-	-	-	-	(1,695,125,542)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,187,213,231)</b>
Net Change in Fund Balances	-	-	-	-	-	-	(97,235,059)
<b>FUND BALANCES, JULY 1, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,669,662,135</b>
<b>FUND BALANCES, DECEMBER 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,572,427,076</b>
<b>FUND BALANCES CONSIST OF:</b>							
General Cash	\$ 11,596	\$ 1,423,442	\$ 226,422	\$ 2,848	\$ 285	\$ 31,642,011	\$ 730,295,190
Petty Cash	-	-	-	-	-	-	1,000
NSF Items	4,987	-	-	-	-	-	4,987
Received-Not Vouchered	-	-	-	-	-	-	(602,052)
Deposits with Vendors	-	-	-	-	-	-	3,202
Accounts Receivable Invoiced	4,471	273,538	-	-	-	-	278,892
Long-Term Investments	-	-	-	-	-	-	876,560,761
Due to Vendors	39,542	-	-	-	-	-	(62,262)
Deposits	-	(1,696,980)	-	-	-	-	(1,696,980)
Due to Fund	(60,596)	-	(3,306,723)	(2,848)	(285)	(260,696,600)	(265,413,509)
Due to Government	-	-	3,080,301	-	-	229,054,589	233,057,847
<b>TOTAL FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,572,427,076</b>

(Concluded)

The accompanying notes are an integral part of the schedule.

**NEBRASKA STATE TREASURER**  
**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST**  
**STATEMENTS OF NET POSITION AVAILABLE FOR BENEFITS**  
December 31, 2017

	NEST Direct College Savings Plan	NEST Advisor College Savings Plan	TD Ameritrade 529 College Savings Plan	Total
<b>ASSETS</b>				
Cash	\$ 3,545,952	\$ 1,028,989	\$ 2,769,383	\$ 7,344,324
Investments:				
Cost	1,639,197,861	935,934,147	952,329,328	3,527,461,336
Unrealized gain/loss - investments	416,023,532	168,686,363	225,024,771	809,734,666
Total investments	2,055,221,393	1,104,620,510	1,177,354,099	4,337,196,002
Total assets	2,058,767,345	1,105,649,499	1,180,123,482	4,344,540,326
<b>LIABILITIES</b>				
Payables:				
Distributions to plan administrator	2,676,079	559,888	2,282,730	5,518,697
Program management fee	444,586	239,471	255,513	939,570
Trial fee	-	852,125	188,258	1,040,383
State fee	51,693	27,849	29,725	109,267
Total Liabilities	3,172,358	1,679,333	2,756,226	7,607,917
<b>NET POSITION</b>	<u>\$ 2,055,594,987</u>	<u>\$ 1,103,970,166</u>	<u>\$ 1,177,367,256</u>	<u>\$ 4,336,932,409</u>

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

NEBRASKA STATE TREASURER  
**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST**  
**STATEMENTS OF CHANGES IN NET POSITION AVAILABLE FOR BENEFITS**  
For the Year Ended December 31, 2017

	NEST Direct College Savings Plan	NEST Advisor College Savings Plan	TD Ameritrade 529 College Savings Plan	Total
Net Position - Beginning of Period	\$ 1,817,232,957	\$ 969,318,363	\$ 957,834,756	\$ 3,744,386,076
Receipts:				
Received from plan administrator	527,065,779	529,860,858	360,554,895	1,417,481,532
Investment income:				
Realized gain/loss	89,735,194	82,905,594	44,503,646	217,144,434
Unrealized gain/loss - investments	158,678,725	50,709,095	97,958,841	307,346,661
Total receipts	775,479,698	663,475,547	503,017,382	1,941,972,627
Disbursements:				
Administrative expenses:				
Fees				
UII management fee	5,091,281	2,734,003	2,821,078	10,646,362
State administrative fee	577,991	310,370	320,291	1,208,652
Investment trial fee	-	4,686,048	2,008,631	6,694,679
Distributions to plan administrators	531,448,396	521,093,323	278,334,882	1,330,876,601
Total disbursements	537,117,668	528,823,744	283,484,882	1,349,426,294
Net Position - End of Period	<u>\$ 2,055,594,987</u>	<u>\$ 1,103,970,166</u>	<u>\$ 1,177,367,256</u>	<u>\$ 4,336,932,409</u>

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

NEBRASKA STATE TREASURER  
**STATE FARM NEBRASKA COLLEGE SAVINGS PLAN**  
**STATEMENTS OF NET POSITION**  
December 31, 2017

	Total All Portfolios
<b>ASSETS</b>	
Investments, at value	\$ 517,706,118
Cash and cash equivalents	564,799
Receivables and other assets:	
Securities sold	66,246
Accrued income	109,756
Receivables for capital shares	278,781
Total assets	<u>518,725,700</u>
<b>LIABILITIES</b>	
Payables and other liabilities:	
Bank overdraft	76,605
Capital shares	183,312
Securities purchased	168,158
Total liabilities	<u>428,075</u>
<b>NET POSITION</b>	<u>\$ 518,297,625</u>
<b>Class A</b>	
Net position	\$ 511,487,668
Capital units outstanding (unlimited number authorized)	33,858,716
<b>Class B</b>	
Net position	\$ 6,809,957
Capital units outstanding (unlimited number authorized)	515,328
 Cost of investments	 \$ 400,758,315

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

NEBRASKA STATE TREASURER  
**STATE FARM NEBRASKA COLLEGE SAVINGS PLAN**  
**STATEMENTS OF OPERATIONS**  
For the Year Ended December 31, 2017

	Total All Portfolios
<b>INVESTMENT INCOME</b>	
Dividends	\$ 4,878,883
Total investment income	<u>\$ 4,878,883</u>
<b>EXPENSES</b>	
Distribution fees	
Class A	571,518
Class B	46,077
Management fees	833,756
State administrative fees	245,214
Total expenses	<u>1,696,565</u>
<b>NET INVESTMENT INCOME</b>	<u>3,182,318</u>
<b>REALIZED AND UNREALIZED GAIN ON INVESTMENTS</b>	
Net realized gain	22,115,208
Net change in unrealized appreciation	38,367,619
Net realized and unrealized gain on investments	<u>60,482,827</u>
<b>NET CHANGE IN NET POSITION RESULTING FROM OPERATIONS</b>	<u><u>\$ 63,665,145</u></u>

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

NEBRASKA STATE TREASURER  
**STATE FARM NEBRASKA COLLEGE SAVINGS PLAN**  
**STATEMENTS OF CHANGES IN NET POSITION**  
For the Year Ended December 31, 2017

	Total All Portfolios
<b>OPERATIONS</b>	
Net investment income	\$ 3,182,318
Net realized gain on investments	22,115,208
Net change in unrealized appreciation	<u>38,367,619</u>
Net increase in net position resulting from operations	63,665,145
 <b>CAPITAL SHARE TRANSACTIONS</b>	
 Class A	
Proceeds from sales	147,191,162
Payment for redemptions	(140,350,592)
 Class B	
Proceeds from sales	1,653,646
Payment for redemptions	<u>(5,945,557)</u>
Total increase (decrease) from share transactions	<u>2,548,659</u>
 Total change in net position	66,213,804
 <b>NET POSITION</b>	
Beginning of period	452,083,821
End of period	<u>\$ 518,297,625</u>

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

**NEBRASKA STATE TREASURER**  
**NEBRASKA ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST**  
**ENABLE SAVINGS PLAN**  
**STATEMENT OF NET POSITION AVAILABLE FOR BENEFITS**  
December 31, 2017

**ASSETS**

Cash	\$ 432,245
Investments:	
Cost	3,451,853
Unrealized gain/loss - investments	<u>175,572</u>
Total investments	3,627,425
 Miscellaneous Receivables	 <u>-</u>
Total assets	<u>4,059,670</u>

**LIABILITIES**

Payables:	
Distribution of plan administrator	1,260
Program management fee	<u>1,473</u>
Total Liabilities	<u>2,733</u>

NET POSITION	<u><u>\$ 4,056,937</u></u>
--------------	----------------------------

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



NEBRASKA STATE TREASURER  
**NEBRASKA ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST**  
**ENABLE SAVINGS PLAN**  
**STATEMENT OF CHANGES IN NET POSITION AVAILABLE FOR BENEFITS**  
For the Year Ended December 31, 2017

Net Position - Beginning of Period	\$ 1,237,580
Receipts:	
Received from plan administrator	3,625,435
Miscellaneous receipts	-
Investment income:	
Realized gain/loss	18,631
Unrealized gain/loss - investments	168,624
Total receipts	<u>3,812,690</u>
Disbursements:	
Administrative expenses:	
OII management fee	12,496
Distributions to plan administrators	<u>980,837</u>
Total disbursements	<u>993,333</u>
Net Position - End of Period	<u><u>\$ 4,056,937</u></u>

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

# NEBRASKA STATE TREASURER

## NOTES TO THE SCHEDULE

For the Period July 1, 2016, through December 31, 2017

### 1. Criteria

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

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

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

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

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the State Treasurer to record all accounts receivable and related revenues in EnterpriseOne; as such, the State Treasurer's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2017, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2017, **does not** include amounts for goods and services received before December 31, 2017, which had not been posted to the general ledger as of December 31, 2017.

Other liabilities (primarily in the Distributive Fund Type) are recorded in accounts entitled 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 period July 1, 2016, through December 31, 2017, see Notes 8, 9, and 10.

The State Treasurer had \$278,892 in accounts receivable at December 31, 2017, which primarily consisted of State Disbursement Unit (SDU) bad debts and overpayments. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NEBRASKA STATE TREASURER

**NOTES TO THE SCHEDULE**  
(Continued)

**1. Criteria** (Continued)

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

**10000 – General Fund** – accounts for activities funded by general tax dollars and related expenditures and transfers.

**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.

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

**40000 – Federal Funds** – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. 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 account classifications established by State Accounting and 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 consist of motor vehicle sales and use tax, and motor fuels tax collected by the Department of Revenue not subject to examination as part of this attestation (see Note 13), and severance tax distributed to the Permanent School Fund (63340).

**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.

# NEBRASKA STATE TREASURER

## NOTES TO THE SCHEDULE

(Continued)

### 1. **Criteria** (Concluded)

The major expenditure account classifications established by State Accounting and used by the State 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.

**Capital Outlay** – Expenditures that 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 accounting classifications and procedures established by State Accounting and used by the State 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, resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in the fund balance and are reported as recorded in the general ledger. 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 are recorded as expenditures, resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the State Treasurer's funds at December 31, 2017, included amounts recorded in Deposits, Due to Fund, and Due to Government. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures and Changes in Fund Balances. The activity processed on the general ledger through these accounts is summarized in Notes 8, 9, and 10.

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

## NEBRASKA STATE TREASURER

### NOTES TO THE SCHEDULE

(Continued)

#### **2. Reporting Entity**

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

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

#### **3. Totals**

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

#### **4. General Cash**

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

#### **5. Capital Assets**

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

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the State Treasurer takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,000 or more, at the date of acquisition. At the State Treasurer's discretion, other significant items valued below \$1,000, such as computers, monitors, printers, or other items highly susceptible to theft will be entered into the official inventory.

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

# NEBRASKA STATE TREASURER

## NOTES TO THE SCHEDULE

(Continued)

### 5. Capital Assets (Concluded)

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

Capital asset activity of the State Treasurer recorded in the State Accounting System for the period July 1, 2016, through December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 882,359	\$ 22,337	\$ 219,376	\$ 685,320
Less accumulated depreciation:				<u>\$ 650,839</u>
Total capital assets, net of depreciation				<u>\$ 34,481</u>

### 6. Investments

Long-Term Investments represent the balance reflected on EnterpriseOne. These investments are part of the Miscellaneous Trust or General Endowment Funds held by the Investment Council. The Aeronautics Trust and Excess Liability Trust Funds are part of the Miscellaneous Trust. The Bessey Memorial Trust Fund, Normal School Endowment Fund, Veterans Aid Fund, Permanent School Fund, Permanent University Endowment Fund, Agriculture College Endowment Fund, and Cultural Preservation Endowment Fund are part of the General Endowment Fund. Additional information on the Miscellaneous and Endowment Trust Funds can be found in the State of Nebraska's CAFR.

### 7. Unclaimed Property Securities Not Recorded on EnterpriseOne

The State Treasurer Unclaimed Property Division had investments not recorded on EnterpriseOne. Per Neb. Rev. Stat. Sec. 69-1305 (Reissue 2009), 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 or has not communicated with the association regarding the same. Neb. Rev. Stat. Sec. 69-1310 (Reissue 2009) requires every person holding funds presumed abandoned report said funds to the State Treasurer, and Neb. Rev. Stat. Sec. 69-1312 (Reissue 2009) 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 Wells Fargo Advisors (WFA) or mutual fund companies and are not recorded on EnterpriseOne. Wells Fargo Advisors or mutual fund companies also hold all shares that are received electronically by the Unclaimed Property Division. The State Treasurer Unclaimed Property Division had investments not recorded on EnterpriseOne as of December 31, 2017, of \$34,004,209, which consisted of:

NEBRASKA STATE TREASURER

**NOTES TO THE SCHEDULE**

(Continued)

**7. Unclaimed Property Securities Not Recorded on EnterpriseOne** (Concluded)

Mutual Funds Held by Mutual Fund Companies*	\$ 6,149,433
Cash and Sweep Balances at WFA	6,380,803
Stocks, Options, and Exchange-Traded Funds Held by WFA	18,858,497
Mutual Funds Held by WFA	2,593,981
Fixed Income at WFA	14,688
Preferreds/Fixed Rate Capital Securities Held by WFA	5,906
Other Assets	901
Total Not Recorded on EnterpriseOne	<u>\$ 34,004,209</u>

\*Information is as June 30, 2017

**8. Changes in Deposits**

Fund	Balance July 1, 2016	In	Out	Balance December 31, 2017
IV-D Support Payment Distribution Fund – SDU 72640	\$ 1,539,527	\$ 474,444,780	\$ 474,287,327	\$ 1,696,980

**9. Changes in Due to Fund**

Fund	Balance June 30, 2016	In	Out	Balance December 31, 2017
Highway Trust Fund 61240	\$ -	\$ 336,634,469	\$ 336,634,469	\$ -
Base State Fuels Fund 71210	728	27	-	755
Motor Vehicle Fee Fund 71220	886,940	87,040	-	973,980
Credit Card Receipts Distributive Fund 71230	71,993	117,945,392	117,956,789	60,596
Insurance Tax Fund 77520	2,914,554	392,169	-	3,306,723
Aircraft Fuels Tax Fund 77590	2,795	2,399,417	2,399,364	2,848
Severance Tax Fund 77610	-	5,303,007	5,302,723	284
Highway Allocation Fund 77640	209,689,178	51,007,421	-	260,696,599

**10. Changes in Due to Government**

Fund	Balance July 1, 2016	In	Out	Balance December 31, 2017
Motor Vehicle Fee Fund 71220	\$ (886,940)	\$ 34,115,270	\$ 34,202,310	\$ (973,980)
Car Line Refund Fund 71630	-	6,133,210	6,133,210	-
Insurance Tax Fund 77520	24,010,361	40,747,396	67,838,058	(3,080,381)
Highway Allocation Fund 77640	(178,081,217)	429,467,772	480,441,144	(229,054,589)

# NEBRASKA STATE TREASURER

## NOTES TO THE SCHEDULE

(Continued)

### 11. Transfers

Fund	Transfer In	Transfer Out
State General Fund	\$ 169,067,366	\$ 438,207,553
Cash Reserve Fund	265,729	187,215,313
Treasury Management Cash Fund	-	150,000
Convention Center Support Cash Fund	14,245,405	4,273,622
Sports Arena Facility Support Cash Fund	5,605,596	1,889,383
Unclaimed Property Cash Fund	1,706,914	-
Education Savings Plan Administrative Cash Fund	576,002	-
College Savings Plan Expense Cash Fund	-	1,340,192
Treasurer Administrative Cash Fund	-	202,153
Spirit Plate Proceeds Cash Fund	-	2
Mutual Finance Assistance Cash Fund	9,973,704	4,419,114
Capital Construction Fund	75,215,313	135,438
Life Insurance Demutualization Trust Fund	-	400,000
Highway Trust Fund	36,269	1,011,308,343
Bessey Memorial Trust Fund	-	999
Escheat Trust Fund	1,744	12,558,532
Aeronautics Trust Fund	-	249,056
Motor Fuel Trust Fund	859	-
Normal School Endowment Fund	-	12,186
Veterans Aid Fund	-	2,010,579
Permanent School Fund	9,468,275	29,115,270
Permanent University Endowment Fund	-	51,432
Agriculture College Endowment Fund	-	113,222
Cultural Preservation Endowment Fund	750,000	1,300,017
Total Transfers	<u>\$ 286,913,176</u>	<u>\$ 1,694,952,406</u>

The Highway Trust Fund transfers out include allocation of the tax and fee collections to the Department of Transportation, municipalities, and counties, and other miscellaneous transfers. The Permanent School Fund transfers in include Unclaimed Property receipts from the Escheat Trust Fund and transfers out include investment earnings transferred to the Department of Education, and other miscellaneous transfers. The Cash Reserve Fund transfers out include transfers to the State General Fund; transfer to the Nebraska Capital Construction Fund for projects including the State Capitol HVAC project and the Community Corrections Renovation and Expansion project and the Reception and Treatment Center project for the Nebraska Department of Correctional Services; and transfer to the Transportation Infrastructure Bank Fund to administer the Accelerated State Highway Capital Improvement Program. All other funds are due to various statutory and legislative mandated transfers.

### 12. Adjustments to Fund Balance

Adjustments to Fund Balance transactions are those recorded directly to a fund's asset account or equity account rather than through a revenue or expenditure account. The following significant adjustments were made:



# NEBRASKA STATE TREASURER

## NOTES TO THE SCHEDULE (Concluded)

### 12. Adjustments to Fund Balance (Concluded)

- The College Savings Plan Expense Cash Fund beginning balance was increased by \$1,966,830 to reflect the value of the Outside Bank Account at July 1, 2016 (see the finding “Undisclosed Multimillion Dollar Bank Account” for further information).
- The Mutual Finance Assistance Cash Fund beginning balance was increased by \$471,404 and miscellaneous revenues were decreased by the same amount to account for a prior period adjustment.

### 13. Deposits to/from Common Funds

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 State 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 State Treasurer’s office:

	Capital Construction Fund 38000	Highway Trust Fund 61240	Common School Fund 61270	Excess Liability Fund 62220	Veterans Aid Fund 63330	Permanent School Fund 63340	Other Funds 63350	Totals (Memorandum Only)
REVENUES:								
Taxes	-	548,153,939	-	-	-	2,925,496	-	551,079,435
Sales & Charges	-	1,006,319	4,176	7,989,956	-	-	-	9,000,451
Miscellaneous	-	557,891	1,252,370	2,661,757	5,448,999	79,969,293	171,355	90,061,665
TOTAL REVENUES	-	549,718,149	1,256,546	10,651,713	5,448,999	82,894,789	171,355	650,141,551
EXPENDITURES:								
Operating	3,983,270	-	60	11,165,594	69,652	1,009,368	3,633	16,231,577
Travel	1,785	-	-	-	-	-	-	1,785
Capital Outlay	52,694,436	-	-	-	-	-	-	52,694,436
TOTAL EXPENDITURES	56,679,491	-	60	11,165,594	69,652	1,009,368	3,633	68,927,798
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	521,572	-	521,572
Operating Transfers In	-	-	-	-	-	9,451,618	-	9,451,618
Operating Transfers Out	(37,021)	-	-	-	-	-	-	(37,021)
TOTAL OTHER FINANCING SOURCES (USES)	(37,021)	-	-	-	-	9,973,190	-	9,936,169

The Other Funds column consists of the Aeronautics Trust Fund (61700), the Normal School Endowment Fund (63280), the Permanent University Endowment Fund (63350), and the Agriculture College Endowment Fund (65130). These funds were not material to the financial schedule and were therefore combined for the above summary.

The Board of Educational Lands and Funds, a separate State agency, maintains investments in the form of land across the State of Nebraska. In total, approximately 1.256 million acres are held as an investment by the State. The approximate fair value of that land at June 30, 2017, totaled \$1.372 billion. Lease revenue from the land is reflected in the Permanent School fund. The fair value of the investment in land is not reflected on the financial schedule.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2017

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

The Expense Fund (Fund number 21245) and Administrative Fund (Fund number 21240) are funds recorded on the State Accounting System, EnterpriseOne (E1). The Expense Fund and Administrative Fund are included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances on pages 43 through 47 for the period July 1, 2016, through December 31, 2017.

The Program Fund is comprised of four plans: the Nebraska Educational Savings Trust (NEST) Direct College Savings Plan; NEST Advisor College Savings Plan; TD Ameritrade 529 College Savings Plan; and State Farm Nebraska College Savings Plan. Other auditors, whose reports thereon have been furnished to us, audited these plans. Only total columns for the NEST Direct, NEST Advisor, and TD Ameritrade Statements of Net Position Available for Benefits and the related Statements of Changes in Net Position Available for Benefits can be found on pages 48 through 49 of this report. Only total columns for the State Farm Statement of Net Position and the related Statement of Operations and Statement of Changes in Net Position can be found on pages 50 through 52 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:

- NEST Direct College Savings Plan – pages 63 through 69
- NEST Advisor College Savings Plan – pages 70 through 76
- TD Ameritrade 529 College Saving Plan – pages 76 through 82
- State Farm Nebraska College Savings Plan – pages 82 through 97

**NEST Direct College Savings Plan**

---

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting Entity**

The Nebraska Educational Savings Plan Trust (the Trust), established on January 1, 2001, is designed to qualify as a tax-advantaged qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended.

The NEST Direct College Savings Plan (the Plan) is part 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 education expenses at institutions of higher education. The Trust is comprised of three funds: the Expense Fund, the Administrative Fund, and the Program Fund. The Plan is a series of the Program

NEBRASKA STATE TREASURER

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity – Continued

Fund of the Trust. The TD Ameritrade 529 College Savings Plan and the NEST Advisor College Savings Plan are a separate class of accounts in the Trust and are not included in the accompanying financial statements. The State Farm College Savings Plan is a separate series of the Program Fund of the Trust and it is not included in the accompanying financial statements. The Expense Fund and the Administrative Fund are also not included in the accompanying financial statements. 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.

The financial statements presented reflect only the NEST Direct College Savings Plan Series as part of the Nebraska Educational Savings Plan Trust and are not intended to present fairly the financial position of the 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 and responsible for the overall administration of the Plan. The State Treasurer has entered into a management contract with First National Bank of Omaha (the Program Manager). Under the contract, the Program Manager provided day-to-day administrative and recordkeeping services to the Plan. The Program Manager provided separate accounting for each beneficiary. In addition, the Program Manager administers and maintains overall trust and individual accounts records.

The Plan is comprised of Age-Based Investment Options, Static Investment Options, and Individual Investment Options. The Age-Based and Static Investment options invest in specified allocations of domestic equity, real estate, international equity, fixed income and money market investment funds. The Individual Investment Options invest in a single investment fund or, in the case of the Bank Savings Individual Investment Options, an FDIC-insured savings account. The investment options and investments have been selected and approved by the Nebraska Investment Council.

Participants in the Plan may designate their accounts be invested in Aged-Based Investment Options designated to reduce the exposure to principal loss the closer in age the beneficiary is to college, Static Investment Options that keep the same asset allocation between equity, real estate, fixed income, money market securities, or in Individual Investment Options.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position available for benefits, statement of changes in net position available for benefits, investment summary and investment detail. The statement of net position available for benefits is a measure of the account's assets and liabilities at the close of the year. The statement of changes in net position available for benefits shows purchase to and redemptions from the account, as well as additions and deductions due to operations during the fiscal year. The investment summary and investment detail reports show summary of all investments at cost and market value and the detail listing of all investments, respectively.

3. Security Valuation

Investments in the Underlying Funds are valued at the closing net asset or unit value per share of each Underling Fund on the day of valuation. The Plan calculates the net asset value of its shares based upon the net asset value of the applicable Underlying Funds, as of the close of the New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the Underlying Funds are determined as of the close of the Exchange, on each day the Exchange is open for trading.

4. Security Transactions and Investment Income

Security transactions are recorded on an average cost basis unless a client requests an alternative method on the trade date. Realized gains and losses on security transaction are determined on the cost basis on the disposition of assets. Dividend income is recorded on the ex-dividend date or upon ex-dividend notification.

5. Contributions, Withdrawals, and Distributions

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 Program Disclosure Statement 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.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Contributions, Withdrawals, and Distributions – Continued

Withdrawals are based on the unit price calculated for each Portfolio on the business day on which the Program Manager processes the withdrawal request. The earnings portion (if any) of a non-qualified withdrawal will be treated as ordinary income to the recipient and may also be subject to an additional 10% federal tax, as well as partial recapture of any Nebraska state income tax deduction previously claimed.

6. Plan Expenses and Fees

Expenses included in the accompanying financial statements reflect the expenses of the Plan. The Underlying Fund expenses are factored into the daily net asset value for each respective Underlying Fund. As such, each Portfolio indirectly bears its proportional share of the fees and expenses of the Underlying Funds in which it invests.

The plan expenses and fees are as follows:

- Program management fees equal to 0.25% of the average daily net position in each Investment
- State administration fees equal to 0.03% of the average daily net position in each Investment Option except for the bank savings individual investment option in which this fee is reduced to 0.02%.
- Underlying investment fees are a weighted average Underlying Fund expense ratio, which ranges from 0.00% to 0.99% of the average daily position in each Underlying Investment.

These fees are accrued daily as a percentage of average daily net position and will be deducted from each Investment Option. This fee will reduce the value of an account.

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

NEBRASKA STATE TREASURER

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Income Taxes

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.

NOTE B. INVESTMENTS AND INVESTMENT RISKS

All investments have some degree of risks. The value of the Plan's accounts may vary depending on market conditions, the performance of the investment options selected, timing of purchases, and fees. The value of the Plan's accounts could be more or less than the amount contributed to the accounts. The Plan's investments may lose money.

Investments in the Plan are not guaranteed or insured by the FDIC, the SIPC, the State of Nebraska, the Nebraska Investment Council, the Nebraska State Treasurer, First National Bank of Omaha or its authorized agents or their affiliates, or any other federal or state entity or person.

FDIC insurance is provided for the Bank Savings Individual Investment Option only, which invests in an FDIC-insured omnibus savings account held in trust by the Plan at First National Bank of Omaha.

The Plan's Underlying Funds have the following risks:

*Custodial Credit Risk* – custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan's investments may not be returned. Because the Plan's investments are generally in mutual funds, this risk is significantly mitigated.

*Credit Risk* – credit risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as, information on the company structure and operations.

*Interest Rate Risk* – interest rate risk refers to the value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Underlying Investment's net asset value.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**NOTE B. INVESTMENTS AND INVESTMENT RISKS – CONTINUED**

*Concentration Risk* – concentration risk is the risk related to the amount of investments in any one entity. The Plan limits this risk by investing in diversified investment companies.

*Foreign Currency Risk* – foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign security. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan's Underlying Investments do invest in assets denominated in various foreign currencies. The registered Underlying Investment's prospectuses provide greater detail about the investment and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as, information on the company structure and operations.

*Market Risk* – the risk that changes in market prices will reduce the fair value of an asset, increase the fair value of a liability, or adversely affect the cash flows of an expected transaction. Market risks primarily affects stocks, but also affects high-yield bonds and, to a lesser extent, higher quality bonds.

**NOTE C. FAIR VALUE MEASUREMENT**

Accounting Standards Codification (ASC) 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements).

The three levels of the fair value hierarchy are as follows:

Level I – unadjusted quoted prices in active markets for identical assets or liabilities including securities actively traded on a securities exchange.

Level II – inputs other than unadjusted quoted prices that are observable for the asset or liability (such as unadjusted quoted prices for similar assets and market corroborated inputs such as interest rates, prepayment speeds, credit risk, etc.).

Level III – significant unobservable inputs (including management's own judgments about assumptions that market participants would use in pricing the asset or liability).

NEBRASKA STATE TREASURER

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

NOTE C. FAIR VALUE MEASUREMENT – CONTINUED

The inputs used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

The Plan classifies each of its investments in those Underlying Investments which are publicly offered and reported on an exchange as Level I, and those Underlying Investments which are not publically offered as Level II without consideration as to the classification level of the specific investment held by the Underlying Investments. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2017:

	Fair Value	Level I	Level II	Level III
Bank Savings	\$ 118,828,032	\$ 118,828,032	\$ -	\$ -
Money Market				
Funds	122,174,165	122,174,165	-	-
U.S. Equity Mutual				
Funds	801,686,813	429,903,558	371,783,255	-
U.S. Real Estate				
Mutual Funds	69,851,153	69,851,153	-	-
International Equity				
Mutual Funds	410,978,146	184,384,362	226,593,784	-
Fixed Income Mutual				
Funds	499,779,118	499,779,118	-	-
Fixed Income Mutual				
Funds TIPS	31,923,966	31,923,966	-	-
	<u>\$ 2,055,221,393</u>	<u>\$ 1,456,844,354</u>	<u>\$ 598,377,039</u>	<u>\$ -</u>

To value Level I investments: The fair value of Level I investments are determined by obtaining quoted market prices on nationally recognized securities exchanges.

To value Level II investments: The fair value of Level II investments are determined based on quoted prices that were obtained directly from the fund companies through confirmations for identical or similar assets or liabilities in markets that are not active.

NOTE D. SUBSEQUENT EVENTS

As of June 27, 2018, the date the financial statements were available to be issued, the NEST Direct College Savings Plan did not have any subsequent events affecting the amounts reported in the financial statements for the year ended December 31, 2017, or which are required to be disclosed in the notes to the financial statements for the year then ended.



NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**NEST Advisor College Savings Plan**

---

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Nebraska Educational Savings Plan Trust (the Trust), established on January 1, 2001, is designed to qualify as a tax-advantaged qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended.

The NEST Advisor College Savings Plan (the Plan) is part 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 education expenses at institutions of higher education. The Trust is comprised of three funds: the Expense Fund, the Administrative Fund, and the Program Fund. The Plan is a series of the Program Fund of the Trust. The TD Ameritrade 529 College Savings Plan and the NEST Direct College Savings Plan are a separate class of accounts in the Trust and are not included in the accompanying financial statements. The State Farm College Savings Plan is a separate series of the Program Fund of the Trust and it is not included in the accompanying financial statements. The Expense Fund and the Administrative Fund are also not included in the accompanying financial statements. 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.

The financial statements presented reflect only the NEST Advisor College Savings Plan Series as part of the Nebraska Educational Savings Plan Trust and are not intended to present fairly the financial position of the 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 and responsible for the overall administration of the Plan. The State Treasurer has entered into a management contract with First National Bank of Omaha (the Program Manager). Under the contract, the Program Manager provided day-to-day administrative and recordkeeping services to the Plan. The Program Manager provided separate accounting for each beneficiary. In addition, the Program Manager administers and maintains overall trust and individual accounts records.

The Plan is comprised of Age-Based Investment Options, Static Investment Options, and Individual Investment Options. The Age-Based and Static Investment options invest in specified allocations of domestic equity, real estate, international equity, fixed income and money market investment funds. The Individual Investment

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity – Continued

Options invest in a single investment fund or, in the case of the Bank Savings Individual Investment Options, an FDIC-insured savings account. The investment options and investments have been selected and approved by the Nebraska Investment Council.

Participants in the Plan may designate their accounts be invested in Aged-Based Investment Options designated to reduce the exposure to principal loss the closer in age the beneficiary is to college, Static Investment Options that keep the same asset allocation between equity, real estate, fixed income, money market securities, or in Individual Investment Options.

2. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position available for benefits, statement of changes in net position available for benefits, investment summary and investment detail. The statement of net position available for benefits is a measure of the account's assets and liabilities at the close of the year. The statement of changes in net position available for benefits shows purchase to and redemptions from the account, as well as additions and deductions due to operations during the fiscal year. The investment summary and investment detail reports show summary of all investments at cost and market value and the detail listing of all investments, respectively.

3. Security Valuation

Investments in the Underlying Funds are valued at the closing net asset or unit value per share of each Underling Fund on the day of valuation. The Plan calculates the net asset value of its shares based upon the net asset value of the applicable Underlying Funds, as of the close of the New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the Underlying Funds are determined as of the close of the Exchange, on each day the Exchange is open for trading.

4. Security Transactions and Investment Income

Security transactions are recorded on an average cost basis unless a client requests an alternative method on the trade date. Realized gains and losses on security transaction are determined on the cost basis on the disposition of assets. Dividend income is recorded on the ex-dividend date or upon ex-dividend notification.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Contributions, Withdrawals, and Distributions

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 Program Disclosure Statement 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.

Withdrawals are based on the unit price calculated for each Portfolio on the business day on which the Program Manager processes the withdrawal request. The earnings portion (if any) of a non-qualified withdrawal will be treated as ordinary income to the recipient and may also be subject to an additional 10% federal tax, as well as partial recapture of any Nebraska state income tax deduction previously claimed.

6. Plan Expenses and Fees

Expenses included in the accompanying financial statements reflect the expenses of the Plan. The Underlying Fund expenses are factored into the daily net asset value for each respective Underlying Fund. As such, each Portfolio indirectly bears its proportional share of the fees and expenses of the Underlying Funds in which it invests.

The plan expenses and fees are as follows:

- Program management fees equal to 0.25% of the average daily net position in each Investment Option.
- Distribution fees equal to 0.25% of the average daily net position for class A and 1.00% for class C in each Investment Option
- State administration fees equal to 0.03% of the average daily net position in each Investment Option. On the bank savings individual investment option this fee is reduced to 0.02%.
- Underlying investment fees are a weighted average Underlying Fund expense ratio, which ranges from 0.00% to 0.99% of the average daily net position in each Underlying Investment.

These fees are accrued daily as a percentage of average daily net position and will be deducted from each Investment Option. This fee will reduce the value of an account.

NEBRASKA STATE TREASURER

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

8. Income Taxes

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.

NOTE B. INVESTMENTS AND INVESTMENT RISKS

All investments have some degree of risks. The value of the Plan's accounts may vary depending on market conditions, the performance of the investment options selected, timing of purchases, and fees. The value of the Plan's accounts could be more or less than the amount contributed to the accounts. The Plan's investments may lose money.

Investments in the Plan are not guaranteed or insured by the FDIC, the SIPC, the State of Nebraska, the Nebraska Investment Council, the Nebraska State Treasurer, First National Bank of Omaha or its authorized agents or their affiliates, or any other federal or state entity or person.

FDIC insurance is provided for the Bank Savings Individual Investment Option only, which invests in an FDIC-insured omnibus savings account held in trust by the Plan at First National Bank of Omaha.

The Plan's Underlying Funds have the following risks:

*Custodial Credit Risk* – custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan's investments may not be returned. Because the Plan's investments are generally in mutual funds, this risk is significantly mitigated.

NEBRASKA STATE TREASURER

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

NOTE B. INVESTMENTS AND INVESTMENT RISKS – CONTINUED

*Credit Risk* – credit risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in Underlying Investments. The registered Underlying Investments’ prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as, information on the company structure and operations.

*Interest Rate Risk* – interest rate risk refers to the value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Underlying Investment’s net asset value.

*Concentration Risk* – concentration risk is the risk related to the amount of investments in any one entity. The Plan limits this risk by investing in diversified investment companies.

*Foreign Currency Risk* – foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign security. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan’s Underlying Investments do invest in assets denominated in various foreign currencies. The registered Underlying Investment’s prospectuses provide greater detail about the investment and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as, information on the company structure and operations.

*Market Risk* – the risk that changes in market prices will reduce the fair value of an asset, increase the fair value of a liability, or adversely affect the cash flows of an expected transaction. Market risks primarily affects stocks, but also affects high-yield bonds and, to a lesser extent, higher quality bonds.

NOTE C. FAIR VALUE MEASUREMENT

Accounting Standards Codification (ASC) 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements).

NEBRASKA STATE TREASURER

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

NOTE C. FAIR VALUE MEASUREMENT – CONTINUED

The three levels of the fair value hierarchy are as follows:

Level I – unadjusted quoted prices in active markets for identical assets or liabilities including securities actively traded on a securities exchange.

Level II – inputs other than unadjusted quoted prices that are observable for the asset or liability (such as unadjusted quoted prices for similar assets and market corroborated inputs such as interest rates, prepayment speeds, credit risk, etc.).

Level III – significant unobservable inputs (including management’s own judgments about assumptions that market participants would use in pricing the asset or liability).

The inputs used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

The Plan classifies each of its investments in those Underlying Investments which are publicly offered and reported on an exchange as Level I, and those Underlying Investments which are not publically offered as Level II without consideration as to the classification level of the specific investment held by the Underlying Investments. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2017:

	Fair Value	Level I	Level II	Level III
Bank Savings	\$ 52,731,241	\$ 52,731,241	\$ -	\$ -
Money Market Funds	63,595,088	63,595,088	-	-
U.S.Real Estate Mutual Fund	37,355,232	37,355,232	-	-
U.S. Equity Mutual Funds	478,050,301	257,039,263	221,011,038	-
International Equity Mutual Funds	164,405,063	31,414,613	132,990,450	-
Fixed Income Mutual Funds	293,735,706	293,735,706	-	-
Fixed Income Mutual Funds TIPS	14,747,879	14,747,879	-	-
	<u>\$ 1,104,620,510</u>	<u>\$ 750,619,022</u>	<u>\$ 354,001,488</u>	<u>\$ -</u>

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

NOTE C. FAIR VALUE MEASUREMENT – CONTINUED

To value Level I investments: The fair value of Level I investments are determined by obtaining quoted market prices on nationally recognized securities exchanges.

To value Level II investments: The fair value of Level II investments are determined based on quoted prices that were obtained directly from the fund companies through confirmations for identical or similar assets or liabilities in markets that are not active.

NOTE D. SUBSEQUENT EVENTS

As of June 27, 2018, the date the financial statements were available to be issued, the NEST Advisor College Savings Plan did not have any subsequent events affecting the amounts reported in the financial statements for the year ended December 31, 2017, or which are required to be disclosed in the notes to the financial statements for the year then ended.

**TD Ameritrade 529 College Savings Plan**

---

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Nebraska Educational Savings Plan Trust (the Trust), established on January 1, 2001, is designed to qualify as a tax-advantaged qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended.

The TD Ameritrade 529 College Savings Plan (the Plan) is part 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 education expenses at institutions of higher education. The Trust is comprised of three funds: the Expense Fund, the Administrative Fund, and the Program Fund. The Plan is a series of the Program Fund of the Trust. The NEST Advisor College Savings Plan and the NEST Direct College Savings Plan are a separate class of accounts in the Trust and are not included in the accompanying financial statements. The State Farm College Savings Plan is a separate series of the Program Fund of the Trust and it is not included in the accompanying financial statements. The Expense Fund and the Administrative Fund are also not included in the accompanying financial statements. 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.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity – Continued

The financial statements presented reflect only the TD Ameritrade 529 College Savings Plan Series as part of the Nebraska Educational Savings Plan Trust and are not intended to present fairly the financial position of the 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 and responsible for the overall administration of the Plan. The State Treasurer has entered into a management contract with First National Bank of Omaha (the Program Manager). Under the contract, the Program Manager provided day-to-day administrative and recordkeeping services to the Plan. The Program Manager provided separate accounting for each beneficiary. In addition, the Program Manager administers and maintains overall trust and individual accounts records.

The Plan is comprised of Age-Based Investment Options, Static Investment Options, and Individual Investment Options. The Age-Based and Static Investment options invest in specified allocations of domestic equity, real estate, international equity, fixed income and money market investment funds. The Individual Investment Options invest in a single investment fund. The investment options and investments have been selected and approved by the Nebraska Investment Council.

Participants in the Plan may designate their accounts be invested in Aged-Based Investment Options designated to reduce the exposure to principal loss the closer in age the beneficiary is to college, Static Investment Options that keep the same asset allocation between equity, real estate, fixed income, money market securities, or in Individual Investment Options.

2. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position available for benefits, statement of changes in net position available for benefits, investment summary and investment detail. The statement of net position available for benefits is a measure of the account's assets and liabilities at the close of the year. The statement of changes in net position available for benefits shows purchase to and redemptions from the account, as well as additions and deductions due to operations during the fiscal year. The investment summary and investment detail reports show summary of all investments at cost and market value and the detail listing of all investments, respectively.



NEBRASKA STATE TREASURER

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Security Valuation

Investments in the Underlying Funds are valued at the closing net asset or unit value per share of each Underling Fund on the day of valuation. The Plan calculates the net asset value of its shares based upon the net asset value of the applicable Underlying Funds, as of the close of the New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the Underlying Funds are determined as of the close of the Exchange, on each day the Exchange is open for trading.

4. Security Transactions and Investment Income

Security transactions are recorded on an average cost basis unless a client requests an alternative method on the trade date. Realized gains and losses on security transaction are determined on the cost basis on the disposition of assets. Dividend income is recorded on the ex-dividend date or upon ex-dividend notification.

5. Contributions, Withdrawals, and Distributions

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 Program Disclosure Statement 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.

Withdrawals are based on the unit price calculated for each Portfolio on the business day on which the Program Manager processes the withdrawal request. The earnings portion (if any) of a non-qualified withdrawal will be treated as ordinary income to the recipient and may also be subject to an additional 10% federal tax, as well as partial recapture of any Nebraska state income tax deduction previously claimed.

6. Plan Expenses and Fees

Expenses included in the accompanying financial statements reflect the expenses of the Plan. The Underlying Fund expenses are factored into the daily net asset value for each respective Underlying Fund. As such, each Portfolio indirectly bears its proportional share of the fees and expenses of the Underlying Funds in which it invests.

NEBRASKA STATE TREASURER

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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Plan Expenses and Fees – Continued

The plan expenses and fees are as follows:

- Program management fees equal to 0.25% of the average daily net position in each Investment Option.
- Distribution fees equal to 0.19% of the average daily net position in each Investment Option
- State administration fees equal to 0.03% of the average daily net position in each Investment Option
- Underlying investment fees are a weighted average Underlying Fund expense ratio, which ranges from 0.0175% to 0.99% of the average daily net position in each Underlying Investment.

These fees are accrued daily as a percentage of average daily net position and will be deducted from each Investment Option. This fee will reduce the value of an account.

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

8. Income Taxes

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.

NOTE B. INVESTMENTS AND INVESTMENT RISKS

All investments have some degree of risks. The value of the Plan's accounts may vary depending on market conditions, the performance of the investment options selected, timing of purchases, and fees. The value of the Plan's accounts could be more or less than the amount contributed to the accounts. The Plan's investments may lose money.

NEBRASKA STATE TREASURER

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

NOTE B. INVESTMENTS AND INVESTMENT RISKS – CONTINUED

Investments in the Plan are not guaranteed or insured by the FDIC, the SIPC, the State of Nebraska, the Nebraska Investment Council, the Nebraska State Treasurer, First National Bank of Omaha or its authorized agents or their affiliates, TD Ameritrade or its authorized agents or its affiliates, or any other federal or state entity or person.

The Plan's Underlying Funds have the following risks:

*Custodial Credit Risk* – custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan's investments may not be returned. Because the Plan's investments are generally in mutual funds, this risk is significantly mitigated.

*Credit Risk* – credit risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as, information on the company structure and operations.

*Interest Rate Risk* – interest rate risk refers to the value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Underlying Investment's net asset value.

*Concentration Risk* – concentration risk is the risk related to the amount of investments in any one entity. The Plan limits this risk by investing in diversified investment companies.

*Foreign Currency Risk* – foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign security. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan's Underlying Investments do invest in assets denominated in various foreign currencies. The registered Underlying Investment's prospectuses provide greater detail about the investment and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as, information on the company structure and operations.

NEBRASKA STATE TREASURER

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

NOTE B. INVESTMENTS AND INVESTMENT RISKS – CONTINUED

*Market Risk* – the risk that changes in market prices will reduce the fair value of an asset, increase the fair value of a liability, or adversely affect the cash flows of an expected transaction. Market risks primarily affects stocks, but also affects high-yield bonds and, to a lesser extent, higher quality bonds.

NOTE C. FAIR VALUE MEASUREMENT

Accounting Standards Codification (ASC) 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements).

The three levels of the fair value hierarchy are as follows:

Level I – unadjusted quoted prices in active markets for identical assets or liabilities including securities actively traded on a securities exchange.

Level II – inputs other than unadjusted quoted prices that are observable for the asset or liability (such as unadjusted quoted prices for similar assets and market corroborated inputs such as interest rates, prepayment speeds, credit risk, etc.).

Level III – significant unobservable inputs (including management’s own judgments about assumptions that market participants would use in pricing the asset or liability).

The inputs used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

The Plan classifies each of its investments in those Underlying Investments which are publicly offered and reported on an exchange as Level I, and those Underlying Investments which are not publically offered as Level II without consideration as to the classification level of the specific investment held by the Underlying Investments. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2017:

NEBRASKA STATE TREASURER

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

NOTE C. FAIR VALUE MEASUREMENT – CONTINUED

	Fair Value	Level I	Level II	Level III
Money Market Funds	\$ 97,483,272	\$ 97,483,272	\$ -	\$ -
U.S. Equity Mutual Funds	560,315,807	342,304,177	218,011,630	-
U.S. Real Estate Mutual Funds	44,532,077	44,532,077	-	-
International Equity Mutual Funds	183,597,618	41,869,967	141,727,651	-
Fixed Income Mutual Funds	272,822,756	272,822,756	-	-
Fixed Income Mutual Funds TIPS	18,602,569	18,602,569	-	-
	<u>\$1,177,354,099</u>	<u>\$ 817,614,818</u>	<u>\$ 359,739,281</u>	<u>\$ -</u>

To value Level I investments: The fair value of Level I investments are determined by obtaining quoted market prices on nationally recognized securities exchanges.

To value Level II investments: The fair value of Level II investments are determined based on quoted prices that were obtained directly from the fund companies through confirmations for identical or similar assets or liabilities in markets that are not active.

NOTE D. SUBSEQUENT EVENTS

As of June 27, 2018, the date the financial statements were available to be issued, TD Ameritrade 529 College Savings Plan did not have any subsequent events affecting the amounts reported in the financial statements for the year ended December 31, 2017, or which are required to be disclosed in the notes to the financial statements for the year then ended.

**State Farm Nebraska College Savings Plan**

(1) **Summary of Significant Accounting Policies**

***Organization***

The State Farm College Savings Plan (the Plan) is a qualified tuition plan pursuant to Section 529 of the Internal Revenue Code of 1986, as amended. The Plan is a separate series of the Nebraska Educational Savings Plan Trust (the Trust), which was created by the Nebraska legislature and which allows persons participating in the Plan to make cash contributions on behalf of a designated beneficiary for purposes of saving for college and other higher education expenses. The Trust is comprised of three

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**(1) Summary of Significant Accounting Policies – Continued**

***Organization – Continued***

funds: the Expense Fund, the Administrative Fund, and the Program Fund. The Plan is a series of the Program Fund of the Trust. The NEST Advisor College Savings Plan, the NEST Direct College Savings Plan and the TD Ameritrade 529 College Savings Plan are a separate class of accounts in the Plan and are not included in the accompanying financial statements. The Expense Fund and the Administrative Fund are also not included in the accompanying financial statements.

The Plan is sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. First National Bank of Omaha is the Program Manager (Program Manager). The Program Manager provides assistance with respect to implementation, maintenance, administration, and marketing of the Trust. OFI Private Investments Inc. (OFIPI or Investment Manager) is the Investment Manager, which invests the assets of the Plan at the discretion of the Nebraska State Treasurer. The Plan is distributed by OppenheimerFunds Distributor, Inc. (the Distributor), and sold by State Farm VP Management Corp. OFIPI, together with the Distributor, provides recordkeeping services for the Plan.

The Plan is comprised of nine portfolios: 13+ Years to College Portfolio, 7-12 Years to College Portfolio, 4-6 Years to College Portfolio, 1-3 Years to College Portfolio, College Now Portfolio, Growth Portfolio, Moderate Growth Portfolio, Balanced Portfolio, and Money Market Portfolio (individually Portfolio or collectively Portfolios).

The Plan offers Class A units and previously offered Class B units for new purchase through February 27, 2012. Subsequent to that date, no new purchases of Class B units are permitted. Prior to July 1, 2017, Class A units are sold at their offering price, which is normally net asset value plus a front-end sales charge, at a maximum rate of 5.5%. Class B units were sold without a front-end sales charge but may be subject to a contingent deferred sales charge (CDSC), at a maximum rate of 5%. Front-end sales charges and CDSC do not represent expenses of the Portfolios; they are deducted from the proceeds of sales of Portfolio units prior to investment or from redemption proceeds prior to remittance, as applicable. Effective July 1, 2017, front-end sales charges and CDSC were eliminated. Class B units automatically convert to Class A units after 8 years from the date of purchase.

***Plan Objectives***

Each Portfolio invests substantially all assets in a combination of registered mutual funds managed by OFI Global Asset Management, Inc. (OFI Global) an affiliate of the Investment Manager and of the Distributor, Federated Asset Management Company, and State Farm Investment Management Corp. These Underlying

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies – Continued**

***Plan Objectives – Continued***

Investments are: Oppenheimer Capital Appreciation Fund, Oppenheimer Value Fund, Oppenheimer Main Street Fund®, Oppenheimer Main Street Mid-Cap Fund®, Oppenheimer International Growth Fund, Oppenheimer Developing Markets Fund, Oppenheimer Global Strategic Income Fund, Federated U.S. Government Securities Fund: 1 – 3 Years, State Farm Bond Fund, and Oppenheimer Institutional Government Money Market Fund (individually Underlying Investment and collectively Underlying Investments). The Underlying Investments are diversified management investment companies registered under the Investment Company Act of 1940, as amended.

***Basis of Presentation***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statements of net position, statements of operations, and statements of changes in net position for the Plan. The statement of net position is a measure of the account's assets and liabilities at the close of the fiscal year. The statement of operations is a measure of the total income, expense, and gain or loss for the fiscal year. The statement of changes in net position shows purchases to and redemptions from the account, as well as additions and deductions due to operations during the fiscal period.

***Securities Valuation***

The Plan calculates the net asset value of its units based upon the net asset value of the applicable Underlying Investments, as of the close of the New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern Time, on each day the Exchange is open for business. The net asset values of the Underlying Investments are determined as of the close of the Exchange, on each day the Exchange is open for trading, except in the case of a scheduled early closing of the Exchange, in which case the Fund will calculate net asset value of the shares as of the scheduled early closing time of the exchange.

Each investment asset or liability of the Plan is assigned a level at measurement date based on the significance and source of the inputs to its valuation. Unadjusted quoted prices in active markets for identical assets or liabilities are classified as "Level 1", observable market inputs other than unadjusted quoted prices are classified as "Level 2", and significant unobservable inputs, including the Investment Manager's judgment about the assumptions that a market participant would use in pricing an asset or liability are classified as "Level 3."

NEBRASKA STATE TREASURER

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

(1) **Summary of Significant Accounting Policies – Continued**

***Securities Valuation – Continued***

The inputs used for valuing assets and liabilities are not necessarily an indication of the risks associated with investing in those assets or liabilities.

The Plan classifies each of its investments in the registered Mutual Funds as Level 1, without consideration as to the classification level of the specific investments held by the Underlying Investments.

The table below categorizes amounts that are included in the Plan's Statements of Net Position as of December 31, 2017 based on valuation input level:

	Level 1 Unadjusted Quoted Prices	Level 2 Other significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value
<b>Assets Table</b>				
Investments, at Fair Value:				
Money Market	\$ 34,072,453	\$ —	\$ —	\$ 34,072,453
Fixed Income	144,790,539	—	—	144,790,539
Equity	338,843,126	—	—	338,843,126
Total assets	<u>\$ 517,706,118</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 517,706,118</u>

***Security Transactions***

Security transactions are recorded on the trade date. Realized gains and losses on securities sold are determined on the high-cost method.

***Investment Income and Dividends***

Dividend distributions received from the Underlying Investments are recorded on the ex-dividend date. Upon receipt of notification from an Underlying Investment, and subsequent to the ex-dividend date, some of the dividend income originally recorded by the Portfolio may be reclassified as a tax return of capital by reducing the cost basis of the Underlying Investment and/or increasing the realized gain on sales of investments in the Underlying Investment. Interest income is accrued as earned. Dividends from income are included in investment income and capital gain distributions are included in net realized gain/loss.

***Allocation of Income, Expenses, Gains, and Losses***

Each Portfolio's income, expenses (other than those attributable to a specific class), gains and losses are allocated on a daily basis to each class of units based upon the relative proportion of net position represented by such class. Operating expenses directly attributable to a specific class as charged against the operations of that class.



NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

**(1) Summary of Significant Accounting Policies – Continued**

***Contributions, Withdrawals, and Distributions***

Contributions and withdrawals are recorded at the unit value determined on the valuation date following receipt of notice of the contribution or withdrawal. Contributions and withdrawals are subject to sufficient advance notifications as outlined in the Service Agreement. The Plan's unit values (net asset values) are determined daily. Net investment income is retained and reflected in the net position of the Plan.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**(2) Related-Party Information and Fees**

***Expenses and Fees***

The Plan bears a state administrative fee at an annual rate of 0.05% of the average daily net position of the Plan which is paid to the Nebraska State Treasurer for administering and marketing the Plan and the Trust. Additionally, the Investment Manager receives a management fee of 0.15% for plan administration and investment management services and the Program Manager receives a management fee of 0.02% for plan management services.

Prior to July 1, 2017, the Distributor received an annual asset-based charge of 0.25% of the average daily net position of the Plan for Class A units (except the Money Market Portfolio), and 1.00% of the daily average net position of the Plan for Class B units (except the Money Market Portfolio). Effective July 1, 2017, the Plan will no longer assess annual asset-based charges. There are also indirect fees and expenses of the Underlying Investments in which the Plan invests.

**(3) Income Taxes**

The Plan was established for the Trust, which provides that the Plan shall be exempt from income taxes. Therefore, no federal income tax provision is required.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**(4) Risks of investing in the Underlying Investments**

Each of the Underlying Investments in which the Portfolios invest has its own investment risks, and those risks can affect the value of the Portfolios' investments and therefore the value of the Portfolios' units. To the extent that each Portfolio invests more of its assets in one Underlying Investment than in another, the Portfolio will have greater exposure to the risks of that Underlying Investment. The Portfolios are uninsured and are held in the Plan's name. The Enrollment Handbook and Participation Agreement provide greater detail about the investment policies and practices of the Plan. The prospectus of each Underlying Investment provides greater detail of the investment policies and risks of each Underlying Investment. The Plan does not have formal policies for limiting its exposure to the risks noted below.

**(a) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a failure, the Plan's deposits and investments may not be returned. Because the Plan's investments are generally in mutual funds, this risk is significantly mitigated.

**(b) Credit Risk**

Credit risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as information on the company structure and operations.

**(c) Interest Rate Risk**

Interest rate risk refers to the value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Underlying Investment's net asset values. As of December 31, 2017, the Portfolios held investments in fixed-income securities totaling \$144,790,539.

**(d) Concentration Risk**

Concentration risk is the risk related to the amount of investments in any one entity. The Plan limits this risk by investing in diversified investment companies.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**(4) Risks of investing in the Underlying Investments – Continued**

**(e) Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign security. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan's Underlying Investments do invest in assets denominated in various foreign currencies. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as information on the company structure and operations.

**(f) Equity Risk**

Stocks and other equity securities fluctuate in price. The value of the Fund's portfolio may be affected by changes in the equity markets generally. Equity markets may experience significant short-term volatility and may fall sharply at times. Different markets may behave differently from each other and U.S. equity markets may move in the opposite direction from one or more foreign stock markets. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments.

The prices of individual equity securities generally do not all move in the same direction at the same time and a variety of factors can affect the price of a particular company's securities. These factors may include, but are not limited to, poor earnings reports, a loss of customers, litigation against the company, general unfavorable performance of the company's sector or industry, or changes in government regulations affecting the company or its industry.

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(5) Capital Share Transactions

The Portfolios have authorized an unlimited number of no par values of capital share transactions. Transactions are as follows:

	13+ Years to College Portfolio		7-12 Years to College Portfolio		4-6 Years College Portfolio	
	Shares	Value	Shares	Value	Shares	Value
Class A						
Contributions from plan participants	556,682	\$ 8,803,407	729,669	\$ 11,686,392	472,863	\$ 6,854,774
Transfers in from plan participants	14,419	227,264	785,221	12,830,095	1,687,081	24,858,055
Proceeds from sales	571,101	9,030,671	1,514,890	24,516,487	2,159,944	31,712,829
Distributions from plan participants	(107,116)	(1,692,680)	(218,725)	(3,499,147)	(191,663)	(2,776,530)
Transfers out to plan participants	(751,827)	(12,196,413)	(1,461,748)	(23,918,810)	(2,269,657)	(33,456,709)
Payment for redemptions	(858,943)	(13,889,093)	(1,680,473)	(27,417,957)	(2,461,320)	(36,233,239)
Net Decrease	(287,842)	\$ (4,858,422)	(165,583)	\$ (2,901,470)	(301,376)	\$ (4,520,410)
Class B						
Transfers in from plan participants	66	\$ 993	314	\$ 4,742	26,675	\$ 364,376
Proceeds from sales	66	993	314	4,742	26,675	364,376
Distributions from plan participants	—	—	(1,965)	(29,045)	(3,603)	(48,535)
Transfers out to plan participants	(547)	(8,067)	(57,931)	(862,313)	(110,616)	(1,493,062)
Payment for redemptions	(547)	(8,067)	(59,896)	(891,358)	(114,219)	(1,541,597)
Net Decrease	(481)	\$ (7,074)	(59,582)	\$ (886,616)	(87,544)	\$ (1,177,221)
Total Capital Shares Transactions:	(288,323)	\$ (4,865,496)	(225,165)	\$ (3,788,086)	(388,920)	\$ (5,697,631)

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(5) Capital Share Transactions – Continued

	1-3 Years College Portfolio		College Now Portfolio		Growth Portfolio	
	Shares	Value	Shares	Value	Shares	Value
Class A						
Contributions from plan participants	397,293	\$ 5,154,666	365,423	\$ 3,864,232	393,390	\$ 6,472,897
Transfers in from plan participants	2,619,287	34,317,445	2,038,390	21,622,252	103,835	1,714,612
Proceeds from sales	3,016,580	39,472,111	2,403,813	25,486,484	497,225	8,187,509
Distributions from plan participants	(447,586)	(5,822,561)	(1,618,087)	(17,110,039)	(376,283)	(6,227,676)
Transfers out to plan participants	(1,686,997)	(22,099,408)	(97,321)	(1,028,299)	(91,301)	(1,487,126)
Payment for redemptions	(2,134,583)	(27,921,969)	(1,715,408)	(18,138,338)	(467,584)	(7,714,802)
Net Increase	881,997	\$ 11,550,142	688,405	\$ 7,348,146	29,641	\$ 472,707
Class B						
Transfers in from plan participants	56,439	\$ 685,590	52,873	\$ 519,726	1,677	\$ 25,029
Proceeds from sales	56,439	685,590	52,873	519,726	1,677	25,029
Distributions from plan participants	(7,220)	(87,027)	(42,937)	(420,886)	(6,216)	(95,347)
Transfers out to plan participants	(102,810)	(1,241,332)	(45,081)	(441,451)	(45,354)	(683,126)
Payment for redemptions	(110,030)	(1,328,359)	(88,018)	(862,337)	(51,570)	(778,473)
Net Decrease	(53,591)	\$ (642,769)	(35,145)	\$ (342,611)	(49,893)	\$ (753,444)
Total Capital Shares Transactions:	828,406	\$ 10,907,373	653,260	\$ 7,005,535	(20,252)	\$ (280,737)

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(5) Capital Share Transactions – Continued

	Moderate Growth Portfolio		Balanced Portfolio		Money Market Portfolio	
	Shares	Value	Shares	Value	Shares	Value
Class A						
Contributions from plan participants	187,786	\$ 3,026,756	89,037	\$ 1,288,800	65,935	\$ 665,392
Transfers in from plan participants	47,175	759,218	53,426	772,938	225,248	2,271,967
Proceeds from sales	234,961	3,785,974	142,463	2,061,738	291,183	2,937,359
Distributions from plan participants	(211,976)	(3,424,337)	(138,172)	(2,010,764)	(188,959)	(1,907,740)
Transfers out to plan participants	(43,588)	(706,304)	(31,012)	(452,544)	(52,857)	(533,505)
Payment for redemptions	(255,564)	(4,130,641)	(169,184)	(2,463,308)	(241,816)	(2,441,245)
Net Increase (Decrease)	(20,603)	\$ (344,667)	(26,721)	\$ (401,570)	49,367	\$ 496,114
Class B						
Transfers in from plan participants	—	\$ —	732	\$ 9,795	4,308	\$ 43,395
Proceeds from sales	—	—	732	9,795	4,308	43,395
Distributions from plan participants	(4,201)	(62,662)	(3,627)	(49,454)	(381)	(3,850)
Transfers out to plan participants	(18,401)	(273,609)	(9,043)	(121,598)	(2,400)	(24,193)
Payment for redemptions	(22,602)	(336,271)	(12,670)	(171,052)	(2,781)	(28,043)
Net Increase (Decrease)	(22,602)	\$ (336,271)	(11,938)	\$ (161,257)	1,527	\$ 15,352
Total Capital Shares Transactions:	(43,205)	\$ (680,938)	(38,659)	\$ (562,827)	50,894	\$ 511,466

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(5) Capital Share Transactions – Continued

	Total All Portfolios	
	Shares	Value
Class A		
Contributions from plan participants	3,258,078	\$ 47,817,316
Transfers in from plan participants	7,574,082	99,373,846
Proceeds from sales	10,832,160	147,191,162
Distributions from plan participants	(3,498,567)	(44,471,474)
Transfers out to plan participants	(6,486,308)	(95,879,118)
Payment for redemptions	(9,984,875)	(140,350,592)
Net Increase	847,285	\$ 6,840,570
Class B		
Transfers in from plan participants	143,084	\$ 1,653,646
Proceeds from sales	143,084	1,653,646
Distributions from plan participants	(70,150)	(796,806)
Transfers out to plan participants	(392,183)	(5,148,751)
Payment for redemptions	(462,333)	(5,945,557)
Net Decrease	(319,249)	\$ (4,291,911)
Total Capital Shares Transactions:	528,036	\$ 2,548,659

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(6) Financial Highlights

	Class A 13+ Years to College Portfolio	Class A 7-12 Years to College Portfolio	Class A 4-6 Years College Portfolio	Class A 1-3 Years College Portfolio	Class A College Now Portfolio
Net asset value, beginning of period	\$ 14.34	\$ 14.67	\$ 13.51	\$ 12.39	\$ 10.40
Income from investment operations:					
Net investment gain (loss) <sup>1</sup>	0.07	0.19	0.12	0.02	(0.00) <sup>2</sup>
Net realized and unrealized gain	2.87	2.39	1.71	1.03	0.27
Total from investment income	2.94	2.58	1.83	1.05	0.27
Net asset value, end of period	\$ 17.28	\$ 17.25	\$ 15.34	\$ 13.44	\$ 10.67
 Total return <sup>3</sup>	 20.50%	 17.59%	 13.55%	 8.47%	 2.60%
 Ratios/Supplemental Data					
Ratios to average net assets: <sup>4</sup>					
Net investment gain (loss)	0.42%	1.19%	0.82%	0.16%	(0.03)%
Total expenses	0.35%	0.34%	0.34%	0.33%	0.33%
 Total Expenses including indirect expenses from affiliated funds were as follows:					
Period ended December 31, 2017	1.16%	1.14%	1.03%	0.83%	0.68%

<sup>1</sup> Per share amounts calculated based on average shares outstanding during the period

<sup>2</sup> Less than \$0.005.

<sup>3</sup> Assumes a \$1,000 hypothetical initial investment on the business day before the first day of the fiscal period, and redemption at the share value calculated on the last business day of the fiscal period. Total returns are not annualized for less than one full year.

<sup>4</sup> Annualized for period of less than one full year.



NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(6) Financial Highlights – Continued

	Class A	Class A	Class A	Class A
	Growth Portfolio	Moderate Growth Portfolio	Balanced Portfolio	Money Market Portfolio
Net asset value, beginning of period	\$ 14.87	\$ 14.73	\$ 13.48	\$ 10.07
Income from investment operations:				
Net investment gain <sup>1</sup>	0.09	0.20	0.12	0.06
Net realized and unrealized gain	2.96	2.39	1.72	0.00
Total from investment income	3.05	2.59	1.84	0.06
Net asset value, end of period	\$ 17.92	\$ 17.32	\$ 15.32	\$ 10.13
Total return <sup>2</sup>	20.51%	17.58%	13.65%	0.60%
Ratios/Supplemental Data				
Ratios to average net assets: <sup>3</sup>				
Net investment gain (loss)	0.52%	1.22%	0.84%	0.54%
Total expenses	0.34%	0.34%	0.34%	0.22%
Total Expenses including indirect expenses from affiliated funds were as follows:				
Period ended December 31, 2017	1.15%	1.14%	1.03%	0.38%

<sup>1</sup> Per share amounts calculated based on average shares outstanding during the period.

<sup>2</sup> Assumes a \$1,000 hypothetical initial investment on the business day before the first day of the fiscal period, and redemption at the share value calculated on the last business day of the fiscal period. Total returns are not annualized for less than one full year.

<sup>3</sup> Annualized for period of less than one full year.

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(6) Financial Highlights – Continued

	Class B 13+ Years to College Portfolio	Class B 7-12 Years to College Portfolio	Class B 4-6 Years College Portfolio	Class B 1-3 Years College Portfolio	Class B College Now Portfolio
Net asset value, beginning of period	\$ 13.31	\$ 13.64	\$ 12.55	\$ 11.52	\$ 9.67
Income from investment operations:					
Net investment gain (loss) <sup>1</sup>	(0.09)	0.01	0.01	(0.05)	(0.05)
Net realized and unrealized gain	2.75	2.32	1.64	0.98	0.26
Total from investment income	2.66	2.33	1.65	0.93	0.21
Net asset value, end of period	\$ 15.97	\$ 15.97	\$ 14.20	\$ 12.45	\$ 9.88
Total return <sup>2</sup>	19.98%	17.08%	13.15%	8.07%	2.17%
Ratios/Supplemental Data					
Ratios to average net assets: <sup>3</sup>					
Net investment gain (loss)	(0.64)%	0.07%	0.09%	(0.43)%	(0.46)%
Total expenses	0.84%	0.84%	0.79%	0.75%	0.72%
Total Expenses including indirect expenses from affiliated funds were as follows:					
Period ended December 31, 2017	1.65%	1.64%	1.48%	1.25%	1.07%

<sup>1</sup> Per share amounts calculated based on average shares outstanding during the period.

<sup>2</sup> Assumes a \$1,000 hypothetical initial investment on the business day before the first day of the fiscal period, and redemption at the share value calculated on the last business day of the fiscal period. Total returns are not annualized for less than one full year.

<sup>3</sup> Annualized for period of less than one full year.

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST  
NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(6) Financial Highlights – Continued

	Class B	Class B	Class B	Class B
	Growth Portfolio	Moderate Growth Portfolio	Balanced Portfolio	Money Market Portfolio
Net asset value, beginning of period	\$ 13.81	\$ 13.69	\$ 12.53	\$ 10.07
Income from investment operations:				
Net investment gain (loss) <sup>1</sup>	(0.07)	0.08	0.00 <sup>2</sup>	0.05
Net realized and unrealized gain	2.85	2.27	1.65	0.00
Total from investment income	2.78	2.35	1.65	0.05
Net asset value, end of period	\$ 16.59	\$ 16.04	\$ 14.18	\$ 10.12
 Total return <sup>3</sup>	 20.13%	 17.17%	 13.17%	 0.50%
 Ratios/Supplemental Data				
Ratios to average net assets: <sup>4</sup>				
Net investment gain (loss)	(0.43)%	0.54%	0.00% <sup>5</sup>	0.58%
Total expenses	0.78%	0.75%	0.79%	0.22%
 Total Expenses including indirect expenses from affiliated funds were as follows:				
Period ended December 31, 2017	1.59%	1.55%	1.48%	0.38%

<sup>1</sup> Per share amounts calculated based on average shares outstanding during the period.

<sup>2</sup> Less than \$0.005.

<sup>3</sup> Assumes a \$1,000 hypothetical initial investment on the business day before the first day of the fiscal period, and redemption at the share value calculated on the last business day of the fiscal period. Total returns are not annualized for less than one full year.

<sup>4</sup> Annualized for period of less than one full year.

<sup>5</sup> Less than 0.005%.

NEBRASKA STATE TREASURER

**NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Concluded)

**(7) Subsequent Event**

On February 8, 2018 the State of Nebraska investment council board approved the transfer of the investment manager of the State Farm Plan from Oppenheimer to First National Bank of Omaha/Ascensus effective August 3, 2018. Effective April 20, 2018, Class B units were converted to Class A units.

NEBRASKA STATE TREASURER

**ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST  
ENABLE SAVINGS PLAN  
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2017

The Achieving a Better Life Experience Program Trust (Trust) is comprised of three funds: The ABLE Program Fund, the ABLE Expense Fund, and the Treasury Management Cash Fund.

In accordance with Neb. Rev. Stat. § 77-1407(4), “Until the State Treasurer determines that the ABLE Program Fund is generating enough fees to make the program self-sustaining, the costs of establishing, administering, operating, and maintaining the program shall be paid from the Treasury Management Cash Fund . . . .” The Treasury Management Cash Fund (fund number 21180) is recorded on the State Accounting System, EnterpriseOne (E1). The ABLE Expense Fund had not yet been established in E1, as the program was not self-sustaining. The Treasury Management Cash Fund is included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances on pages 43 through 47 for the period July 1, 2016, through December 31, 2017.

The ABLE Program Fund is comprised of one plan, the Enable Savings Plan (Plan). Another auditor, whose report thereon has been furnished to us, audited the Plan. The Statement of Net Position Available for Benefits and the related Statement of Changes in Net Position Available for Benefits can be found on pages 53 through 54 of this report. Individual detail and other Plan information can be found in the separate auditor’s report 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 pages 98 through 104.

**Enable Savings Plan**

---

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting Entity**

The Nebraska Achieving a Better Life Experience Program Trust (the Trust), was established on May 27, 2015 and began enrollment on June 30, 2016. It is intended to operate as a qualified ABLE program, pursuant to Internal Revenue Code Section 529A, which was adopted as part of The Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014, as amended.

The Enable Savings Plan (the Plan) is part of the Nebraska Achieving a Better Life Experience Program Trust (the Trust). The Trust was established in accordance with Nebraska Legislative Bill 591 (the Act), as amended, to encourage the investment of funds to be used for qualified disability related expenses. The Plan is a series of the Program Fund of the Trust. The Expense Fund and the Treasury Management Cash Fund are not included in the accompanying financial statements. 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.

NEBRASKA STATE TREASURER

**ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST  
ENABLE SAVINGS PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity – Continued

The financial statements presented reflect only the Enable Savings Plan as part of the Nebraska Achieving a Better Life Experience Program Trust and are not intended to present fairly the financial position of the 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 and responsible for the overall administration of the Plan. The State Treasurer has entered into a management contract with First National Bank of Omaha (the Program Manager). Under the contract, the Program Manager provided day-to-day administrative and recordkeeping services to the Plan. The Program Manager provided separate accounting for each beneficiary. In addition, the Program Manager administers and maintains overall trust and individual accounts records.

The Plan is comprised of Target-Risk Investment Options, a Bank Savings Investment Option, and as of January 26, 2017, a Checking Investment Option. The Target-Risk options invest in specified allocations of domestic equity, international equity, fixed income, and money market investment funds. The Bank Savings Investment Option invests in an FDIC-insured savings account. The Checking Investment Option is also FDIC-insured. The investment options and investments have been selected and approved by the Nebraska Investment Council.

On November 30, 2016, the Nebraska Achieving a Better Life Experience Program Trust entered into an agreement with the State of Alabama Board of Trustees of the ABLE Trust Fund under which the Nebraska Achieving a Better Life Experience Program Trust will provide administration, operation, and maintenance of Enable Savings Plan Alabama for participants in the state of Alabama. Enable Savings Plan Alabama began operations on February 26, 2017. Enable Alabama is issued by the Nebraska Achieving a Better Life Experience Program Trust and administered by the Nebraska State Treasurer, who serves as the trustee of the Plan. The Plan offers the same series of investment options within the Nebraska Achieving a Better Life Experience Program Trust.

2. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position available for benefits, statement of changes in net position available for benefits, investment summary and investment detail. The statement of net position available for benefits is a measure of the account's assets and liabilities at the close of the year. The statement of changes in

NEBRASKA STATE TREASURER

**ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST**  
**ENABLE SAVINGS PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation – Continued

net position available for benefits shows purchase to and redemptions from the account, as well as additions and deductions due to operations during the fiscal year. The investment summary and investment detail reports show summary of all investments at cost and market value and the detail listing of all investments, respectively.

3. Security Valuation

Investments in the Underlying Funds are valued at the closing net asset or unit value per share of each Underling Fund on the day of valuation. The Plan calculates the net asset value of its shares based upon the net asset value of the applicable Underlying Funds, as of the close of the New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the Underlying Funds are determined as of the close of the Exchange, on each day the Exchange is open for trading.

4. Security Transactions and Investment Income

Security transactions are recorded on an average cost basis unless a client requests an alternative method on the trade date. Realized gains and losses on security transaction are determined on the cost basis on the disposition of assets. Dividend income is recorded on the ex-dividend date or upon ex-dividend notification.

5. Contributions, Withdrawals, and Distributions

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 Program Disclosure Statement 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.

Withdrawals are based on the unit price calculated for each Portfolio on the business day on which the Program Manager processes the withdrawal request. The earnings portion (if any) of a non-qualified withdrawal will be treated as ordinary income to the recipient and may also be subject to an additional 10% federal tax, as well as partial recapture of any Nebraska state income tax deduction previously claimed.

NEBRASKA STATE TREASURER

**ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST  
ENABLE SAVINGS PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Plan Expenses and Fees

Expenses included in the accompanying financial statements reflect the expenses of the Plan. The Underlying Fund expenses are factored into the daily net asset value for each respective Underlying Fund. As such, each Portfolio indirectly bears its proportional share of the fees and expenses of the Underlying Funds in which it invests.

The plan expenses and fees are as follows:

- Program management fees equal .50% of the average daily net position in each Investment Option except for the Checking Investment Option which has no program management fee.
- Annual account fees equal \$45, and are assessed on a quarterly basis in the amount of \$11.25 against the then-current account balance.
- Underlying investment fees are a weighted average Underlying Fund expense ratio, which ranges from 0.05% to 0.06% of the average daily position in each Underlying Investment, with the exception of the Bank Savings Investment Option and the Checking Investment Option which have a 0% underlying investment fees.

Except as stated for the Annual account fee, these fees are accrued daily as a percentage of average daily net position and will be deducted from each Investment Option. These fees will reduce the value of an account.

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

8. Income Taxes

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



NEBRASKA STATE TREASURER

**ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST  
ENABLE SAVINGS PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)**

**NOTE B. INVESTMENTS AND INVESTMENT RISKS**

All investments have some degree of risks. The value of the Plan's accounts may vary depending on market conditions, the performance of the investment options selected, timing of purchases, and fees. The value of the Plan's accounts could be more or less than the amount contributed to the accounts. The Plan's investments may lose money.

Investments in the Plan are not guaranteed or insured by the FDIC, the SIPC, the State of Nebraska, the Nebraska Investment Council, the Nebraska State Treasurer, First National Bank of Omaha or its authorized agents or their affiliates, or any other federal or state entity or person.

FDIC insurance is provided for the Bank Savings Investment Option and Checking Account Option only. The Bank Savings Investment Option invests in an FDIC-insured omnibus savings account held in trust by the Plan at First National Bank of Omaha. The Checking Investment Option invests in a checking account within the Nebraska Achieving a Better Life Experience Program trust and is maintained by Fifth Third Bank.

The Plan's Underlying Funds have the following risks:

*Custodial Credit Risk* – custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan's investments may not be returned. Because the Plan's investments are generally in mutual funds, this risk is significantly mitigated.

*Credit Risk* – credit risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as, information on the company structure and operations.

*Interest Rate Risk* – interest rate risk refers to the value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Underlying Investment's net asset value.

*Concentration Risk* – concentration risk is the risk related to the amount of investments in any one entity. The Plan limits this risk by investing in diversified investment companies.

NEBRASKA STATE TREASURER

**ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST**  
**ENABLE SAVINGS PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

NOTE B. INVESTMENTS AND INVESTMENT RISKS – CONTINUED

*Foreign Currency Risk* – foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign security. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan’s Underlying Investments do invest in assets denominated in various foreign currencies. The registered Underlying Investment’s prospectuses provide greater detail about the investment and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as, information on the company structure and operations.

*Market Risk* – the risk that changes in market prices will reduce the fair value of an asset, increase the fair value of a liability, or adversely affect the cash flows of an expected transaction. Market risks primarily affects stocks, but also affects high-yield bonds and, to a lesser extent, higher quality bonds.

NOTE C. FAIR VALUE MEASUREMENT

Accounting Standards Codification (ASC) 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements).

The three levels of the fair value hierarchy are as follows:

Level I – unadjusted quoted prices in active markets for identical assets or liabilities including securities actively traded on a securities exchange.

Level II – inputs other than unadjusted quoted prices that are observable for the asset or liability (such as unadjusted quoted prices for similar assets and market corroborated inputs such as interest rates, prepayment speeds, credit risk, etc.).

Level III – significant unobservable inputs (including management’s own judgments about assumptions that market participants would use in pricing the asset or liability).

The inputs used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

NEBRASKA STATE TREASURER

**ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM TRUST**  
**ENABLE SAVINGS PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Concluded)

NOTE C. FAIR VALUE MEASUREMENT – CONTINUED

The Plan classifies each of its investments in those Underlying Investments which are publicly offered and reported on an exchange as Level I, and those Underlying Investments which are not publically offered as Level II without consideration as to the classification level of the specific investment held by the Underlying Investments. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2017:

	Fair Value	Level I	Level II	Level III
Bank Savings	\$ 1,792,198	\$ 1,792,198	\$ -	\$ -
Money Market				
Funds	77,488	77,488	-	-
U.S. Equity Mutual				
Funds	849,186	849,186	-	-
International Equity				
Mutual Funds	362,698	362,698	-	-
Fixed Income Mutual				
Funds	545,855	545,855	-	-
	<u>\$ 3,627,425</u>	<u>\$ 3,627,425</u>	<u>\$ -</u>	<u>\$ -</u>

To value Level I investments: The fair value of Level I investments are determined by obtaining quoted market prices on nationally recognized securities exchanges.

To value Level II investments: The fair value of Level II investments are determined based on quoted prices that were obtained directly from the fund companies through confirmations for identical or similar assets or liabilities in markets that are not active.

NOTE D. SUBSEQUENT EVENTS

As of June 25, 2018, the date the financial statements were available to be issued, the Plan did not have any subsequent events affecting the amounts reported in the financial statements for the year ended December 31, 2017, or which are required to be disclosed in the notes to the financial statements for the year then ended.

NEBRASKA STATE TREASURER

**SUPPLEMENTARY INFORMATION**

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

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through June 30, 2017

**Exhibit A**

	State General Fund 10000	Cash Reserve Fund 11000	Treasury Management Cash Fund 21180	Convention Center Support Cash Fund 21190	Sports Arena Facility Support Cash Fund 21195	Unclaimed Property Cash Fund 21200	Education Savings Plan Administrative Cash Fund 21240	College Savings Plan Expense Cash Fund 21245
<b>REVENUES:</b>								
Appropriations	\$ 1,161,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	122,848	-	-	-	-	-	-	-
Intergovernmental	803,875	-	-	-	-	-	-	-
Sales & Charges	5,794,035	-	738,924	-	-	-	-	1,342,197
Miscellaneous	26,978,640	-	14,037	2,668	5,524	15,130	9,979	19,733
<b>TOTAL REVENUES</b>	<b>34,860,914</b>	<b>-</b>	<b>752,961</b>	<b>2,668</b>	<b>5,524</b>	<b>15,130</b>	<b>9,979</b>	<b>1,361,930</b>
<b>EXPENDITURES:</b>								
Personal Services	753,806	-	663,643	-	-	606,812	98,712	-
Operating	406,650	-	251,482	-	-	242,050	324,391	-
Travel	820	-	5,228	-	-	7,155	6,959	-
Capital Outlay	240	-	4,431	-	-	10,400	7	-
Government Aid	-	-	-	4,403,863	2,567,092	-	3,842	-
<b>TOTAL EXPENDITURES</b>	<b>1,161,516</b>	<b>-</b>	<b>924,784</b>	<b>4,403,863</b>	<b>2,567,092</b>	<b>866,417</b>	<b>433,911</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,699,398	-	(171,823)	(4,401,195)	(2,561,568)	(851,287)	(423,932)	1,361,930
<b>OTHER FINANCING SOURCES (USES):</b>								
Sales of Assets	385	-	549	-	-	275	275	-
Deposit to General Fund	127,044,289	-	-	-	-	-	-	-
Operating Transfers In	56,420,345	-	-	6,291,233	3,667,274	847,809	444,735	-
Operating Transfers Out	(217,164,417)	(50,000,000)	-	(1,887,370)	(1,307,886)	-	-	(945,622)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(33,699,398)</b>	<b>(50,000,000)</b>	<b>549</b>	<b>4,403,863</b>	<b>2,359,388</b>	<b>848,084</b>	<b>445,010</b>	<b>(945,622)</b>
Net Change in Fund Balances	-	(50,000,000)	(171,274)	2,668	(202,180)	(3,203)	21,078	416,308
<b>FUND BALANCES, JULY 1, 2016</b>	<b>(421,990)</b>	<b>730,655,108</b>	<b>604,426</b>	<b>45,768</b>	<b>229,115</b>	<b>285,997</b>	<b>272,267</b>	<b>2,912,277</b>
<b>FUND BALANCES, JUNE 30, 2017</b>	<b>\$ (421,990)</b>	<b>\$ 680,655,108</b>	<b>\$ 433,152</b>	<b>\$ 48,436</b>	<b>\$ 26,935</b>	<b>\$ 282,794</b>	<b>\$ 293,345</b>	<b>\$ 3,328,585</b>
<b>FUND BALANCES CONSIST OF:</b>								
General Cash	\$ -	\$ 680,655,108	\$ 451,452	\$ 48,436	\$ 26,935	\$ 288,186	\$ 316,624	\$ 3,328,585
Petty Cash	1,000	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	1,132	-	-	-	-	2,070	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	944	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-
Due to Vendors	(433)	-	(19,244)	-	-	(7,462)	(23,279)	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	(372,666)	-	-	-	-	-	-	-
Due to Government	(51,023)	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ (421,990)</b>	<b>\$ 680,655,108</b>	<b>\$ 433,152</b>	<b>\$ 48,436</b>	<b>\$ 26,935</b>	<b>\$ 282,794</b>	<b>\$ 293,345</b>	<b>\$ 3,328,585</b>

(Continued)

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through June 30, 2017

**Exhibit A**

	Treasurer Administrative Cash Fund 21270	Spirit Plate Proceeds Cash Fund 21280	State Disbursement Unit Cash Fund 21289	Mutual Finance Assistance Cash Fund 21290	Capital Construction Fund 38000	Federal Fund 40000	Life Insurance Demutualization Trust Fund 61210	Financial Responsibility Trust Fund 61220
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,647,217	-	-
Sales & Charges	132,322	-	-	-	-	-	-	-
Miscellaneous	439	2	6,884	12,441	1,412,893	241	70,607	-
<b>TOTAL REVENUES</b>	<b>132,761</b>	<b>2</b>	<b>6,884</b>	<b>12,441</b>	<b>1,412,893</b>	<b>1,647,458</b>	<b>70,607</b>	<b>-</b>
EXPENDITURES:								
Personal Services	-	-	-	-	-	957,186	-	-
Operating	-	-	50,000	-	1,664,160	688,964	50,510	-
Travel	-	-	-	-	56	948	-	-
Capital Outlay	-	-	-	-	36,060,796	360	-	-
Government Aid	-	-	-	3,744,300	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>3,744,300</b>	<b>37,725,012</b>	<b>1,647,458</b>	<b>50,510</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	132,761	2	(43,116)	(3,731,859)	(36,312,119)	-	20,097	-
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	8,149,479	-	-	-	-
Operating Transfers Out	(107,298)	(2)	-	(4,419,114)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(107,298)</b>	<b>(2)</b>	<b>-</b>	<b>3,730,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	25,463	-	(43,116)	(1,494)	(36,312,119)	-	20,097	-
FUND BALANCES, JULY 1, 2016	28,585	-	60,774	9,040	84,794,348	-	3,347,038	23
FUND BALANCES, JUNE 30, 2017	\$ 54,048	\$ -	\$ 17,658	\$ 7,546	\$ 48,482,229	\$ -	\$ 3,367,135	\$ 23
FUND BALANCES CONSIST OF:								
General Cash	\$ 54,048	\$ -	\$ 17,658	\$ 7,546	\$ 48,744,280	\$ -	\$ 3,367,135	\$ 23
Petty Cash	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	(262,051)	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 54,048</b>	<b>\$ -</b>	<b>\$ 17,658</b>	<b>\$ 7,546</b>	<b>\$ 48,482,229</b>	<b>\$ -</b>	<b>\$ 3,367,135</b>	<b>\$ 23</b>

(Continued)

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through June 30, 2017

**Exhibit A**

	Highway Trust Fund 61240	Highway Tax Trust Fund 61250	Bessey Memorial Trust Fund 61260	Common School Fund 61270	Escheat Trust Fund 61280	Aeronautics Trust Fund 61700	Excess Liability Fund 62220	Motor Fuel Trust Fund 62460
<b>REVENUES:</b>								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	576,465,597	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Sales & Charges	86,766,451	9,508,792	-	-	-	-	5,380,916	-
Miscellaneous	682,417	33,489	2,259	595,169	21,081,407	(14,218)	2,748,486	86,112
<b>TOTAL REVENUES</b>	<b>663,914,465</b>	<b>9,542,281</b>	<b>2,259</b>	<b>595,169</b>	<b>21,081,407</b>	<b>(14,218)</b>	<b>8,129,402</b>	<b>86,112</b>
<b>EXPENDITURES:</b>								
Personal Services	-	-	-	-	-	-	-	-
Operating	-	-	27	40	14,731,489	1,061	6,207,610	-
Travel	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Government Aid	-	9,542,281	-	677,083	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>9,542,281</b>	<b>27</b>	<b>677,123</b>	<b>14,731,489</b>	<b>1,061</b>	<b>6,207,610</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	663,914,465	-	2,232	(81,954)	6,349,918	(15,279)	1,921,792	86,112
<b>OTHER FINANCING SOURCES (USES):</b>								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	20,816	-	-	-	1,744	-	-	477
Operating Transfers Out	(663,935,281)	-	(595)	-	(8,801,684)	(163,720)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(663,914,465)</b>	<b>-</b>	<b>(595)</b>	<b>-</b>	<b>(8,799,940)</b>	<b>(163,720)</b>	<b>-</b>	<b>477</b>
Net Change in Fund Balances	-	-	1,637	(81,954)	(2,450,022)	(178,999)	1,921,792	86,589
<b>FUND BALANCES, JULY 1, 2016</b>	<b>-</b>	<b>-</b>	<b>25,118</b>	<b>290,043</b>	<b>8,121,401</b>	<b>6,774,706</b>	<b>90,398,041</b>	<b>4,051,757</b>
<b>FUND BALANCES, JUNE 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,755</b>	<b>\$ 208,089</b>	<b>\$ 5,671,379</b>	<b>\$ 6,595,707</b>	<b>\$ 92,319,833</b>	<b>\$ 4,138,346</b>
<b>FUND BALANCES CONSIST OF:</b>								
General Cash	\$ -	\$ -	\$ 1,754	\$ 208,089	\$ 5,672,839	\$ -	\$ 24,835,633	\$ 4,138,346
Petty Cash	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	25,001	-	-	6,595,707	67,534,200	-
Due to Vendors	-	-	-	-	(1,460)	-	(50,000)	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,755</b>	<b>\$ 208,089</b>	<b>\$ 5,671,379</b>	<b>\$ 6,595,707</b>	<b>\$ 92,319,833</b>	<b>\$ 4,138,346</b>

(Continued)

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through June 30, 2017

**Exhibit A**

	Normal School Endowment Fund 63280	Veterans Aid Fund 63330	Permanent School Fund 63340	Permanent University Endowment Fund 63350	Agriculture College Endowment Fund 65130	Cultural Preservation Endowment Fund 66920	Base State Fuels Fund 71210	Motor Vehicle Fee Fund 71220
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	1,940,739	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Sales & Charges	-	-	-	-	-	-	-	-
Miscellaneous	27,344	4,470,593	65,626,362	122,733	254,196	879,888	-	-
<b>TOTAL REVENUES</b>	<b>27,344</b>	<b>4,470,593</b>	<b>67,567,101</b>	<b>122,733</b>	<b>254,196</b>	<b>879,888</b>	<b>-</b>	<b>-</b>
EXPENDITURES:								
Personal Services	-	-	-	-	-	-	-	-
Operating	330	60,127	870,144	1,671	3,343	11,896	-	-
Travel	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Government Aid	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>330</b>	<b>60,127</b>	<b>870,144</b>	<b>1,671</b>	<b>3,343</b>	<b>11,896</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,014	4,410,466	66,696,957	121,062	250,853	867,992	-	-
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	472,572	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	7,970,532	-	-	750,000	-	-
Operating Transfers Out	(7,261)	(1,198,020)	(17,263,805)	(30,647)	(67,464)	(860,526)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(7,261)</b>	<b>(1,198,020)</b>	<b>(8,820,701)</b>	<b>(30,647)</b>	<b>(67,464)</b>	<b>(110,526)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	19,753	3,212,446	57,876,256	90,415	183,389	757,466	-	-
FUND BALANCES, JULY 1, 2016	296,987	47,080,161	676,112,009	1,598,478	2,766,425	9,324,102	131	-
FUND BALANCES, JUNE 30, 2017	<u>\$ 316,740</u>	<u>\$ 50,292,607</u>	<u>\$ 733,988,265</u>	<u>\$ 1,688,893</u>	<u>\$ 2,949,814</u>	<u>\$ 10,081,568</u>	<u>\$ 131</u>	<u>\$ -</u>
FUND BALANCES CONSIST OF:								
General Cash	\$ 11,891	\$ -	\$ 203,263	\$ 402,428	\$ 117,670	\$ -	\$ 877	\$ -
Petty Cash	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-	-
Long-Term Investments	304,849	50,292,607	733,785,002	1,286,465	2,832,144	10,081,568	-	-
Due to Vendors	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	(746)	(944,778)
Due to Government	-	-	-	-	-	-	-	944,778
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 316,740</u></b>	<b><u>\$ 50,292,607</u></b>	<b><u>\$ 733,988,265</u></b>	<b><u>\$ 1,688,893</u></b>	<b><u>\$ 2,949,814</u></b>	<b><u>\$ 10,081,568</u></b>	<b><u>\$ 131</u></b>	<b><u>\$ -</u></b>

(Continued)



**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2016, through June 30, 2017

**Exhibit A**

	Credit Card Receipts Distributive Fund 71230	IV-D Support Payment SDU 72640	Insurance Tax Fund 77520	Aircraft Fuels Tax Fund 77590	Severance Tax Fund 77610	Highway Allocation Fund 77640	Totals (Memorandum Only)
REVENUES:							
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,161,516
Taxes	-	-	-	-	-	-	578,529,184
Intergovernmental	-	-	-	-	-	-	2,451,092
Sales & Charges	-	-	-	-	-	-	109,663,637
Miscellaneous	-	-	-	-	-	-	125,145,455
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>816,950,884</b>
EXPENDITURES:							
Personal Services	-	-	-	-	-	-	3,080,159
Operating	-	-	-	-	-	-	25,565,945
Travel	-	-	-	-	-	-	21,166
Capital Outlay	-	-	-	-	-	-	36,076,234
Government Aid	-	-	-	-	-	-	20,938,461
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,681,965</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	731,268,919
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	-	-	-	-	-	474,056
Deposit to General Fund	-	-	-	-	-	-	127,044,289
Operating Transfers In	-	-	-	-	-	-	84,564,444
Operating Transfers Out	-	-	-	-	-	-	(968,160,712)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(756,077,923)</b>
Net Change in Fund Balances	-	-	-	-	-	-	(24,809,004)
FUND BALANCES, JULY 1, 2016	-	-	-	-	-	-	1,669,662,135
FUND BALANCES, JUNE 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,644,853,131</u>
FUND BALANCES CONSIST OF:							
General Cash	\$ 18,430	\$ 1,518,842	\$ 24,663,105	\$ 2,848	\$ 285	\$ 33,784,625	\$ 832,886,941
Petty Cash	-	-	-	-	-	-	1,000
Received-Not Vouchered	-	-	-	-	-	-	(262,051)
Deposits with Vendors	-	-	-	-	-	-	3,202
Accounts Receivable Invoiced	2,171	262,394	-	-	-	-	264,565
Due From Other Funds	-	-	-	-	-	-	944
Long-Term Investments	-	-	-	-	-	-	872,737,543
Due to Vendors	46,901	-	-	-	-	(219,148)	(274,125)
Deposits	-	(1,781,236)	-	-	-	-	(1,781,236)
Due to Fund	(67,502)	-	(3,141,430)	(2,848)	(285)	(243,102,584)	(247,632,839)
Due to Government	-	-	(21,521,675)	-	-	209,537,107	188,909,187
<b>TOTAL FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,644,853,131</u>

(Concluded)

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2017, through December 31, 2017

**Exhibit B**

	State General Fund 10000	Cash Reserve Fund 11000	Treasury Management Cash Fund 21180	Convention Center Support Cash Fund 21190	Sports Arena Facility Support Cash Fund 21195	Unclaimed Property Cash Fund 21200	Education Savings Plan Administrative Cash Fund 21240	College Savings Plan Expense Cash Fund 21245
<b>REVENUES:</b>								
Appropriations	\$ 646,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	58,178	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Sales & Charges	2,999,678	-	394,589	-	-	-	-	742,150
Miscellaneous	12,079,605	-	5,184	506	733	10,497	5,572	9,733
<b>TOTAL REVENUES</b>	<b>15,783,750</b>	<b>-</b>	<b>399,773</b>	<b>506</b>	<b>733</b>	<b>10,497</b>	<b>5,572</b>	<b>751,883</b>
<b>EXPENDITURES:</b>								
Personal Services	386,594	-	331,454	-	-	285,942	50,348	-
Operating	256,947	-	84,571	-	-	91,676	59,858	-
Travel	430	-	3,538	-	-	4,609	3,235	-
Capital Outlay	2,318	-	897	-	-	138	69	-
Government Aid	-	-	-	5,567,920	1,356,825	-	2,116	-
<b>TOTAL EXPENDITURES</b>	<b>646,289</b>	<b>-</b>	<b>420,460</b>	<b>5,567,920</b>	<b>1,356,825</b>	<b>382,365</b>	<b>115,626</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,137,461	-	(20,687)	(5,567,414)	(1,356,092)	(371,868)	(110,054)	751,883
<b>OTHER FINANCING SOURCES (USES):</b>								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	93,258,654	-	-	-	-	-	-	-
Operating Transfers In	112,647,021	265,729	-	7,954,172	1,938,322	859,105	304,403	-
Operating Transfers Out	(221,043,136)	(137,215,313)	(150,000)	(2,386,252)	(581,497)	-	-	(567,706)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(15,137,461)</b>	<b>(136,949,584)</b>	<b>(150,000)</b>	<b>5,567,920</b>	<b>1,356,825</b>	<b>859,105</b>	<b>304,403</b>	<b>(567,706)</b>
Net Change in Fund Balances	-	(136,949,584)	(170,687)	506	733	487,237	194,349	184,177
<b>FUND BALANCES, JULY 1, 2017</b>	<b>(421,990)</b>	<b>680,655,108</b>	<b>433,152</b>	<b>48,436</b>	<b>26,935</b>	<b>282,794</b>	<b>293,345</b>	<b>3,328,585</b>
<b>FUND BALANCES, DECEMBER 31, 2017</b>	<b>\$ (421,990)</b>	<b>\$ 543,705,524</b>	<b>\$ 262,465</b>	<b>\$ 48,942</b>	<b>\$ 27,668</b>	<b>\$ 770,031</b>	<b>\$ 487,694</b>	<b>\$ 3,512,762</b>
<b>FUND BALANCES CONSIST OF:</b>								
General Cash	\$ -	\$ 543,705,524	\$ 264,122	\$ 48,942	\$ 27,668	\$ 769,178	\$ 501,172	\$ 3,512,762
Petty Cash	1,000	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	1,132	-	-	-	-	2,070	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-
Due to Vendors	(433)	-	(2,601)	-	-	(1,217)	(13,478)	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	(372,666)	-	944	-	-	-	-	-
Due to Government	(51,023)	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ (421,990)</b>	<b>\$ 543,705,524</b>	<b>\$ 262,465</b>	<b>\$ 48,942</b>	<b>\$ 27,668</b>	<b>\$ 770,031</b>	<b>\$ 487,694</b>	<b>\$ 3,512,762</b>

(Continued)

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2017, through December 31, 2017

**Exhibit B**

	Treasurer Administrative Cash Fund 21270	Spirit Plate Proceeds Cash Fund 21280	State Disbursement Unit Cash Fund 21289	Mutual Finance Assistance Cash Fund 21290	Capital Construction Fund 38000	Federal Fund 40000	Life Insurance Demutualization Trust Fund 61210	Financial Responsibility Trust Fund 61220
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	878,517	-	-
Sales & Charges	72,182	-	-	-	-	-	-	-
Miscellaneous	327	-	2,791	1,922	973,208	1,010	31,529	-
<b>TOTAL REVENUES</b>	<b>72,509</b>	<b>-</b>	<b>2,791</b>	<b>1,922</b>	<b>973,208</b>	<b>879,527</b>	<b>31,529</b>	<b>-</b>
EXPENDITURES:								
Personal Services	-	-	-	-	-	492,522	-	-
Operating	-	-	-	-	2,319,110	382,883	32,818	-
Travel	-	-	-	-	1,729	644	-	-
Capital Outlay	-	-	-	-	16,633,640	3,478	-	-
Government Aid	-	-	-	1,824,225	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,824,225</b>	<b>18,954,479</b>	<b>879,527</b>	<b>32,818</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,509	-	2,791	(1,822,303)	(17,981,271)	-	(1,289)	-
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	1,824,225	75,215,313	-	-	-
Operating Transfers Out	(94,855)	-	-	-	(135,438)	-	(400,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(94,855)</b>	<b>-</b>	<b>-</b>	<b>1,824,225</b>	<b>75,079,875</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>
Net Change in Fund Balances	(22,346)	-	2,791	1,922	57,098,604	-	(401,289)	-
FUND BALANCES, JULY 1, 2017	54,048	-	17,657	7,546	48,482,229	-	3,367,135	23
FUND BALANCES, DECEMBER 31, 2017	\$ 31,702	\$ -	\$ 20,448	\$ 9,468	\$ 105,580,833	\$ -	\$ 2,965,846	\$ 23
FUND BALANCES CONSIST OF:								
General Cash	\$ 30,819	\$ -	\$ 20,448	\$ 9,468	\$ 106,187,193	\$ -	\$ 2,965,846	\$ 23
Petty Cash	-	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	(602,052)	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	883	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	(4,308)	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 31,702</b>	<b>\$ -</b>	<b>\$ 20,448</b>	<b>\$ 9,468</b>	<b>\$ 105,580,833</b>	<b>\$ -</b>	<b>\$ 2,965,846</b>	<b>\$ 23</b>

(Continued)

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2017, through December 31, 2017

**Exhibit B**

	Highway Trust Fund 61240	Highway Tax Trust Fund 61250	Bessey Memorial Trust Fund 61260	Common School Fund 61270	Escheat Trust Fund 61280	Aeronautics Trust Fund 61700	Excess Liability Fund 62220	Motor Fuel Trust Fund 62460
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	308,322,810	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Sales & Charges	38,696,106	3,347,818	-	4,176	-	-	2,609,040	-
Miscellaneous	310,682	7,546	635	714,286	12,860,020	(3,465)	633,937	43,247
<b>TOTAL REVENUES</b>	<b>347,329,598</b>	<b>3,355,364</b>	<b>635</b>	<b>718,462</b>	<b>12,860,020</b>	<b>(3,465)</b>	<b>3,242,977</b>	<b>43,247</b>
EXPENDITURES:								
Personal Services	-	-	-	-	-	-	-	-
Operating	-	-	4	20	5,322,705	240	5,075,096	-
Travel	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Government Aid	-	3,354,319	-	263,377	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>3,354,319</b>	<b>4</b>	<b>263,397</b>	<b>5,322,705</b>	<b>240</b>	<b>5,075,096</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	347,329,598	1,045	631	455,065	7,537,315	(3,705)	(1,832,119)	43,247
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	15,453	-	-	-	-	-	-	382
Operating Transfers Out	(347,373,062)	-	(404)	-	(3,756,848)	(85,336)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(347,357,609)</b>	<b>-</b>	<b>(404)</b>	<b>-</b>	<b>(3,756,848)</b>	<b>(85,336)</b>	<b>-</b>	<b>382</b>
Net Change in Fund Balances	(28,011)	1,045	227	455,065	3,780,467	(89,041)	(1,832,119)	43,629
FUND BALANCES, JULY 1, 2017	-	-	26,754	208,089	5,671,379	6,595,707	92,319,833	4,138,346
FUND BALANCES, DECEMBER 31, 2017	\$ (28,011)	\$ 1,045	\$ 26,981	\$ 663,154	\$ 9,451,846	\$ 6,506,666	\$ 90,487,714	\$ 4,181,975
FUND BALANCES CONSIST OF:								
General Cash	\$ (28,011)	\$ 1,045	\$ 1,902	\$ 663,154	\$ 9,531,359	\$ -	\$ 23,782,233	\$ 4,181,975
Petty Cash	-	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	25,079	-	-	6,506,666	66,705,735	-
Due to Vendors	-	-	-	-	(79,513)	-	(254)	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ (28,011)</b>	<b>\$ 1,045</b>	<b>\$ 26,981</b>	<b>\$ 663,154</b>	<b>\$ 9,451,846</b>	<b>\$ 6,506,666</b>	<b>\$ 90,487,714</b>	<b>\$ 4,181,975</b>

(Continued)

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2017, through December 31, 2017

**Exhibit B**

	Normal School Endowment Fund 63280	Veterans Aid Fund 63330	Permanent School Fund 63340	Permanent University Endowment Fund 63350	Agriculture College Endowment Fund 65130	Cultural Preservation Endowment Fund 66920	Base State Fuels Fund 71210	Motor Vehicle Fee Fund 71220
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	984,757	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Sales & Charges	-	-	-	-	-	-	-	-
Miscellaneous	6,055	978,406	14,345,263	29,232	56,327	196,004	-	-
<b>TOTAL REVENUES</b>	<b>6,055</b>	<b>978,406</b>	<b>15,330,020</b>	<b>29,232</b>	<b>56,327</b>	<b>196,004</b>	<b>-</b>	<b>-</b>
EXPENDITURES:								
Personal Services	-	-	-	-	-	-	-	-
Operating	50	9,525	139,224	280	531	1,922	-	-
Travel	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Government Aid	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>50</b>	<b>9,525</b>	<b>139,224</b>	<b>280</b>	<b>531</b>	<b>1,922</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,005	968,881	15,190,796	28,952	55,796	194,082	-	-
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	49,000	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	1,497,743	-	-	-	-	-
Operating Transfers Out	(4,925)	(812,559)	(11,851,466)	(20,785)	(45,758)	(439,491)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,925)</b>	<b>(812,559)</b>	<b>(10,304,723)</b>	<b>(20,785)</b>	<b>(45,758)</b>	<b>(439,491)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	1,080	156,322	4,886,073	8,167	10,038	(245,409)	-	-
FUND BALANCES, JULY 1, 2017	316,740	50,292,607	733,988,266	1,688,893	2,949,814	10,081,568	131	-
FUND BALANCES, DECEMBER 31, 2017	\$ 317,820	\$ 50,448,929	\$ 738,874,339	\$ 1,697,060	\$ 2,959,852	\$ 9,836,159	\$ 131	\$ -
FUND BALANCES CONSIST OF:								
General Cash	\$ 12,015	\$ -	\$ 273,331	\$ 406,633	\$ 118,899	\$ -	\$ 886	\$ -
Petty Cash	-	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Long-Term Investments	305,805	50,448,929	738,601,008	1,290,427	2,840,953	9,836,159	-	-
Due to Vendors	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	(755)	(973,980)
Due to Government	-	-	-	-	-	-	-	973,980
<b>TOTAL FUND BALANCES</b>	<b>\$ 317,820</b>	<b>\$ 50,448,929</b>	<b>\$ 738,874,339</b>	<b>\$ 1,697,060</b>	<b>\$ 2,959,852</b>	<b>\$ 9,836,159</b>	<b>\$ 131</b>	<b>\$ -</b>

(Continued)

**NEBRASKA STATE TREASURER**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Period July 1, 2017, through December 31, 2017

**Exhibit B**

	Credit Card Receipts Distributive Fund 71230	IV-D Support Payment SDU 72640	Insurance Tax Fund 77520	Aircraft Fuels Tax Fund 77590	Severance Tax Fund 77610	Highway Allocation Fund 77640	Totals (Memorandum Only)
REVENUES:							
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,289
Taxes	-	-	-	-	-	-	309,365,745
Intergovernmental	-	-	-	-	-	-	878,517
Sales & Charges	-	-	-	-	-	-	48,865,739
Miscellaneous	-	-	-	-	-	-	43,300,792
TOTAL REVENUES	-	-	-	-	-	-	403,057,082
EXPENDITURES:							
Personal Services	-	-	-	-	-	-	1,546,860
Operating	-	-	-	-	-	-	13,777,460
Travel	-	-	-	-	-	-	14,185
Capital Outlay	-	-	-	-	-	-	16,640,540
Government Aid	-	-	-	-	-	-	12,368,782
TOTAL EXPENDITURES	-	-	-	-	-	-	44,347,827
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	358,709,255
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	-	-	-	-	-	49,000
Deposit to General Fund	-	-	-	-	-	-	93,258,654
Operating Transfers In	-	-	-	-	-	-	202,521,868
Operating Transfers Out	-	-	-	-	-	-	(726,964,831)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	(431,135,309)
Net Change in Fund Balances	-	-	-	-	-	-	(72,426,054)
FUND BALANCES, JULY 1, 2017	-	-	-	-	-	-	1,644,853,130
FUND BALANCES, DECEMBER 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,572,427,076
FUND BALANCES CONSIST OF:							
General Cash	\$ 11,596	\$ 1,423,442	\$ 226,422	\$ 2,848	\$ 285	\$ 31,642,011	\$ 730,295,190
Petty Cash	-	-	-	-	-	-	1,000
NSF Items	4,987	-	-	-	-	-	4,987
Received-Not Vouchered	-	-	-	-	-	-	(602,052)
Deposits with Vendors	-	-	-	-	-	-	3,202
Accounts Receivable Invoiced	4,471	273,538	-	-	-	-	278,892
Long-Term Investments	-	-	-	-	-	-	876,560,761
Due to Vendors	39,542	-	-	-	-	-	(62,262)
Deposits	-	(1,696,980)	-	-	-	-	(1,696,980)
Due to Fund	(60,596)	-	(3,306,723)	(2,848)	(285)	(260,696,600)	(265,413,509)
Due to Government	-	-	3,080,301	-	-	229,054,589	233,057,847
TOTAL FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,572,427,076

(Concluded)



STATE OF NEBRASKA  
**Office of the Attorney General**

2115 STATE CAPITOL BUILDING  
LINCOLN, NE 68509-8920  
(402) 471-2682  
TDD (402) 471-2682  
FAX (402) 471-3297 or (402) 471-4725

**DOUGLAS J. PETERSON**  
ATTORNEY GENERAL



**SUBJECT:** Whether the State Treasurer may maintain a trust account which is not specifically provided for by statute for the purpose of paying administrative costs associated with the Nebraska Educational Savings Plan Trust, and whether the funds in that trust account, which are derived from fees charged to plan participants, are state funds.

**REQUESTED BY:** Charlie Janssen, Auditor of Public Accounts  
Don Stenberg, Nebraska State Treasurer

**WRITTEN BY:** Douglas J. Peterson, Attorney General  
Natalee J. Hart, Assistant Attorney General

**INTRODUCTION**

You have jointly requested our opinion on two questions relating to the authority of the Nebraska State Treasurer to maintain an account, which you call the "Fee Account," for the purpose of paying administrative costs related to the Nebraska Educational Savings Plan Trust (NESPT). The funds in the Fee Account come from fees charged of investors in the NESPT plans. The Fee Account established and maintained by the State Treasurer since 2010 has not been specifically provided for by statute, and prior to April 2018 was unknown to the Auditor.

You have posed the following questions:

- (1) Are the funds in the Fee Account public funds (sometimes referred to as money of the state)? and

Auditor Janssen  
Treasurer Stenberg  
Page 2

- (2) Does the State Treasurer have the legal authority to use the Fee Account outside of State Accounting and Depository financial records?

### **BACKGROUND**

In 2000, the Nebraska Legislature granted the State Treasurer duties and responsibilities to implement and administer NESPT, a public trust established for investment by individuals for future educational use. Neb. Rev. Stat. §§ 84-1801 through 85-1814 (2014). The primary duties and responsibilities of the State Treasurer relating to NESPT are found in Neb. Rev. Stat. § 85-1804 (2014), which states, in pertinent part:

The Nebraska educational savings plan trust is created. The State Treasurer is the trustee of the trust and as such is responsible for the administration, operation, and maintenance of the program and has all powers necessary to carry out and effectuate the purposes, objectives, and provisions of sections 85-1801 to 85-1814 pertaining to the administration, operation, and maintenance of the trust and program, except that the state investment officer shall have fiduciary responsibility to make all decisions regarding the investment of the money in the administrative fund, expense fund, and program fund, including the selection of all investment options and the approval of all fees and other costs charged to trust assets except costs for administration, operation, and maintenance of the trust as appropriated by the Legislature, pursuant to the directions, guidelines, and policies established by the Nebraska Investment Council. . . . The State Treasurer or his or her designee shall have the power to:

- (1) Enter into agreements with any eligible educational institution, the state, any federal or other state agency, or any other entity to implement sections 85-1801 to 85-1814, except agreements which pertain to the investment of money in the administrative fund, expense fund, or program fund;

- (2) Carry out the duties and obligations of the trust;

\* \* \*

- (9) Contract for goods and services and engage personnel as necessary, including consultants, actuaries, managers, legal counsels, and auditors for the purpose of rendering professional, managerial, and technical assistance and advice regarding trust administration and operation, except contracts which pertain to the investment of the administrative, expense, or program funds; and

- (10) Establish, impose, and collect administrative fees and charges in connection with transactions of the trust, and provide for reasonable service charges, including penalties for cancellations and late payments with respect to participation agreements.



Auditor Janssen  
Treasurer Stenberg  
Page 3

The Legislature established three separate funds for the State Treasurer to administer in relation to NESPT: (1) The College Savings Plan Program Fund ("Program Fund"), (2) the College Savings Plan Expense Fund ("Expense Fund"), and (3) the College Savings Plan Administrative Fund ("Administrative Fund"). Neb. Rev. Stat. § 85-1807.

#### Program Fund

The Program Fund receives and keeps all cash contributions from participants who wish to invest in one of the plans under NESPT, and all investment income earned on those investments. Neb. Rev. Stat. § 85-1807(2). This fund is held in trust by the State Treasurer for the participants and beneficiaries and the State has no property rights in the money held in the Program Fund. Neb. Rev. Stat. §§ 85-1804, 85-1813. NESPT participants retain ownership of the contributions made to the Program Fund "up to the date of utilization for payment of qualified higher education expenses for the beneficiary." Neb. Rev. Stat. § 85-1809(1). All investment income derived from investment of contributions is held in trust for the benefit of the beneficiary. *Id.* In addition, "the Program Fund is the source of any administrative fees charged by the State Treasurer pursuant to § 85-1804(10)." Auditor of Public Accounts ["APA"] Request Letter to Attorney General dated June 1, 2018 at 3 [hereinafter "APA Letter"].

#### Expense Fund

With respect to the Expense Fund, Neb. Rev. Stat. § 85-1807(4) expressly provides that

[t]he expense fund shall be used to pay costs associated with the Nebraska educational savings plan trust and shall be funded with fees assessed to the program fund. The State Treasurer shall transfer from the expense fund to the State Investment Officer's Cash Fund an amount equal to the pro rata share of the budget appropriated to the Nebraska Investment Council as permitted in section 72-1249.02, to cover reasonable expenses incurred for investment management of the Nebraska educational savings plan trust. Annually and prior to such transfer to the State Investment Officer's Cash Fund, the State Treasurer shall report to the budget division of the Department of Administrative Services and to the Legislative Fiscal Analyst the amounts transferred during the previous fiscal year. The report submitted to the Legislative Fiscal Analyst shall be submitted electronically. Transfers may be made from the expense fund to the General Fund at the direction of the Legislature. Any money in the expense fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act. (Emphasis added.)

Auditor Janssen  
Treasurer Stenberg  
Page 4

### Administrative Fund

The Administrative Fund contains money transferred from the Program Fund to the Expense Fund "in an amount authorized by an appropriation from the Legislature . . . to pay for the costs of administering, operating, and maintaining the trust . . ." Neb. Rev. Stat. § 85-1807(3). Money in the Administrative Fund is expressly limited to legislative appropriations and any interest income earned on the fund's balances. *Id.*

Neb. Rev. Stat. § 85-1807(1) requires "[t]he State Treasurer [to] deposit money received by the trust into the appropriate fund" and the funds "shall be separately administered." No General Fund appropriations shall be used to operate NESPT. *Id.* Money in each of the funds is to be invested by the State Investment Officer when such funds are available. Neb. Rev. Stat. § 85-1807(2)-(4). Neb. Rev. Stat. § 85-1813 provides that the assets of the Program Fund are to be held in trust for the participants and beneficiaries and no property rights exist in the State to this fund, but expressly excludes the Administrative Fund and the Expense Fund from these qualifications:

The assets of the Nebraska educational savings plan trust, including the program fund and excluding the administrative fund and the expense fund, shall at all times be preserved, invested, and expended solely and only for the purposes of the trust and shall be held in trust for the participants and beneficiaries. No property rights in the trust shall exist in favor of the state. Such assets of the trust shall not be transferred or used by the state for any purposes other than the purposes of the trust.

### Fee Account

According to Mr. Stenberg, in 2010 former State Treasurer Shane Osborn entered into a contract with the First National Bank of Omaha ("FNBO"), as program manager, and the Nebraska Investment Council. The contract contained the following provision:

First National Bank will charge Account Owners an asset-based State Administrative Services fee of 0.03% of total First National managed plan assets. This fee will be paid quarterly and deposited into a trust account at First National Bank for the Treasurer to use in connection with the marketing and operation of the program.

The 0.03% administrative fee is generally applied to three investment plans, i.e., the Nebraska Educational Savings Trust (NEST) Direct Plan; NEST Advisor Plan; and TD Ameritrade. Participants in a fourth plan, State Farm, are assessed a fee of 0.05%. However, FNBO does not handle the administrative fees for the State Farm plan, which are fully transferred to the Expense Fund.<sup>1</sup> Since 2012, the State Treasurer has

---

<sup>1</sup> In his letter to this office, the Auditor points out the incongruity in the State Treasurer's handling of the two sets of fees "since they are all collected through the same program and pursuant to the same statutory authority." APA Letter at 10.

Auditor Janssen  
Treasurer Stenberg  
Page 5

transferred, on a quarterly basis, \$150,000 from the Fee Account into the Expense Fund, an amount considerably less than the total balance in the Fee Account. As of December 31, 2017, the Auditor advises that the Fee Account contained \$2,632,111.

The State Treasurer states that “[i]n the exercise of his fiduciary duties, the Trustee also has made expenditures from the Fee Account for legal fees, promotional activities and other lawful expenses in connection with the operation and promotion of the Trust.”<sup>2</sup> State Treasurer Request Letter to Attorney General dated June 1, 2018 at 2 [hereinafter “Treasurer Letter”]. The State Treasurer credits the use of these funds in successfully doubling the assets invested in the Program Fund to \$4.9 billion, and allowing fees charged to plan participants to be reduced. The State Treasurer also notes that the State Investment Officer, on behalf of the Nebraska Investment Council, agreed to and signed the contract with FNBO which contained the Fee Account provision, suggesting that the State Investment Officer was in agreement with the ability of the State Treasurer to create and maintain this account.

However, the Auditor makes clear that his office, the Department of Administrative Services, and likely the Legislature have been unaware of the existence of this account since its creation in 2010. It has been wholly off the official books of the State and has never been subject to reporting or audit. Your two offices dispute whether the State Treasurer is authorized to maintain the Fee Account. The Auditor believes that the Fee Account is unlawful. The State Treasurer argues that the monies contained in that account are not “state funds” and, consequently, are not required to be deposited into the Expense Fund for appropriation by the Legislature into the Administrative Fund. You have jointly sought our opinion to assist in resolving this disagreement. Our responses to your questions are set out below, and we will consider your second question first.

### **ANALYSIS**

#### **Whether the State Treasurer has the legal authority to establish and use the Fee Account outside of State Accounting and Depository financial records.**

The first question to be answered is whether the State Treasurer has the authority to utilize the Fee Account outside of state accounting and depository financial records, which necessarily requires us to also answer whether the State Treasurer had the authority to establish this account.

We are guided in the examination of this question by certain principles of statutory construction. The language in statutes should be given its plain and ordinary meaning. *In re Interest of Jeremy T.*, 257 Neb. 736, 600 N.W.2d 747 (1999). Where the words of a

---

<sup>2</sup> The Auditor's letter references a May 2, 2018 email from the State Treasurer's office, which indicates that the appropriation in the Administrative Fund is insufficient to cover all of the costs relating to the financial literacy program and scholarships. In addition, the email states that “legal fees are unpredictable based on changes that occur in the plans. At times we're concerned about existing appropriation covering all legal fees, we opt to pay the legal fees from this [Fee Account].” APA Letter at 7.

Auditor Janssen  
Treasurer Stenberg  
Page 6

statute are plain, direct, and unambiguous, no interpretation is necessary to ascertain their meaning. *Governors of Knights of Ak-Sar-Ben v. Dep't of Revenue*, 217 Neb. 518, 349 N.W.2d 385 (1984); *Garreans v. City of Omaha*, 216 Neb. 487, 345 N.W.2d 309 (1984). A court will not read meaning into a statute that is not warranted by the legislative language, and it will not read anything plain, direct, and unambiguous out of a statute. *State ex rel. Douglas v. Herrington*, 206 Neb. 516, 294 N.W.2d 330 (1980). Effect must be given to every word of a statute, since the Legislature is presumed to have intended every provision of a statute to have a meaning. *Iske v. Papio Nat. Resources Dist.*, 218 Neb. 39, 352 N.W.2d 172 (1984). Different provisions of a statute must be reconciled to make them logical, harmonious, and sensible. *Ledwith v. Bankers Life Ins. Co.*, 156 Neb. 107, 54 N.W.2d 409 (1952). In determining legislative intent, it is necessary to examine the statute as a whole, in light of its objects and purposes. *See Sorensen v. Meyer*, 220 Neb. 457, 370 N.W.2d 173 (1985); *Adkisson v. City of Columbus*, 214 Neb. 129, 333 N.W.2d 661 (1983).

Neb. Rev. Stat. § 85-1804 provides that the State Treasurer "has all powers necessary to carry out and effectuate the purposes, objectives, and provisions" of NESPT, "pertaining to the administration, operation, and maintenance of the trust and program . . . ." However, that power is not unlimited. The statutes creating NESPT must be read as a whole, with meaning given to each one. Where the Legislature has provided specific guidance with respect to the administration of NESPT funds, the State Treasurer is bound to follow those statutes, over the general grant of authority in § 85-1804.

The Legislature specifically created three separate funds for the State Treasurer to administer with respect to NESPT: the Program Fund, the Expense Fund, and the Administrative Fund. The plain language of Neb. Rev. Stat. § 85-1807 creates these three specific accounts in which to deposit program funds, which controls over the State Treasurer's general authority arising out of § 85-1804, and which necessarily excludes the ability to establish additional funds for the same purposes.<sup>3</sup> "The legal principle of *expressio unius est exclusio alterius* (the expression of one thing is the exclusion of the others) recognizes the general principle of statutory construction that an expressed object of a statute's operation excludes the statute's operation on all other objects unmentioned by the statute." *Pfizer Inc. v. Lancaster Cty. Bd. of Equal.*, 260 Neb. 265, 272, 616 N.W.2d 326, 335 (2000). *See also A & D Technical Supply Co. v. Nebraska Dep't of Revenue*, 259 Neb. 24, 31, 607 N.W.2d 857, 863 (2000). "[W]here a statute or ordinance enumerates the things upon which it is to operate, or forbids certain things, it is to be construed as excluding from its effect all those not expressly mentioned, unless the legislative body has plainly indicated a contrary purpose or intention." *Nebraska City Ed.*

---

<sup>3</sup> While the State Treasurer appears to believe that the signature of the State Investment Officer on the FNBO contract containing the Fee Account provision somehow sanctions the establishment of the Fee Account, it is not persuasive to us that the State Investment Officer signed the FNBO contract. The State Investment Officer is not legal counsel for the State Treasurer and the agreement of the Nebraska Investment Council to the FNBO contract as a whole does not imply that this agency was aware that the State Treasurer would be maintaining the Fee Account outside of the legislative grant of authority of the State Treasurer and outside of state accounting and auditing procedures.

Auditor Janssen  
Treasurer Stenberg  
Page 7

*Ass'n v. School Dist. of Nebraska City, in Otoe Cty.*, 201 Neb. 303, 306, 267 N.W.2d 530, 532 (1978) (citing *Starman v. Shirley*, 162 Neb. 613, 76 N.W.2d 749 (1956)). Consequently, we believe that all assessed administrative fees must be deposited in the Program Fund, for transfer to the Expense Fund, and that the State Treasurer lacks the legal authority to establish any other account relating to the administration of NESPT, which operates outside of State Accounting and Depository financial records.

**Whether the funds in the Fee Account are public funds, or monies of the state.**

Your remaining question is whether the funds in the Fee Account are public funds or monies of the state. The State Treasurer's position is that these are not public funds and therefore are permitted to be held in the Fee Account.

Neb. Rev. Stat. § 84-602 provides, in pertinent part, that "[i]t shall be the duty of the State Treasurer: (1) To receive and keep all money of the state not expressly required to be received and kept by some other person . . . ." The phrase "money of the state" is not defined for purposes of § 84-602(1). However, we have indicated previously that similar language such as "state funds" involves monies which are generated by the operation of general state law such as state fees and state taxes. Op. Att'y Gen. No. 07016 (September 24, 2007); Op. Att'y Gen. No. 87114 (December 9, 1987); Op. Att'y Gen. No. 87001 (January 6, 1987). The Auditor strongly believes that the monies in the Fee Account are public funds; the State Treasurer equally strongly disagrees.

In support of his position that the monies in the Fee Account are not public funds, the State Treasurer relies on *Allen v. City of Omaha*, 136 Neb. 620, 286 N.W. 916 (1939) and *Sherard v. State of Nebraska*, 244 Neb. 743, 509 N.W.2d 194 (1993).<sup>4</sup> In *Allen*, the court considered whether a city pension fund for police officers was a "public fund" for purposes of awarding attorney's fees to the prevailing party. The court discussed only the fund which contained participant contributions and investment income, and discussed other similar trust funds, each of which are akin to the Program Fund of NESPT, in holding that the pension fund was not a public fund. The court stated:

---

<sup>4</sup> The State Treasurer also cites to an informal opinion of this office issued in 2013 concerning the University of Nebraska Group Health Trust Fund. The question raised in that opinion was whether those funds, which were to be used to pay University employee health care obligations, and which was funded by employee and employer health plan contributions, must be deposited with the State Treasurer. We determined that the University Trust Fund did not contain money of the state once that money was paid into the trust, as the money belonged to the health plan for the sole purpose of paying employee health claims. However, that opinion is inapplicable to the questions at issue herein. First, there was no express statutory provision requiring the University to deposit the funds with the State Treasurer. In the present instance, the Nebraska Legislature has chosen a specific statutory scheme that requires the fees paid by NESPT participants to be deposited in the Expense Fund. Second, the primary analysis related to whether the University had a legal obligation to make the health plan payments and whether the employees who participated in the plan had a legal right to the payments. Our analysis depended on the Nebraska Wage Payment and Collection Act, which has no application here.



Auditor Janssen  
Treasurer Stenberg  
Page 8

"The term 'public funds' means funds belonging to the state or to any county or political subdivision of the state; more specifically taxes, customs, moneys, etc., raised by the operation of some general law, and appropriated by the government to the discharge of its obligations, or for some public or governmental purpose; and in this sense it applies to the funds of every political division of the state wherein taxes are levied for public purposes. The term does not apply to special funds, which are collected or voluntarily contributed, for the sole benefit of the contributors, and of which the state is merely the custodian." In conformity therewith it has been held that a state hail insurance fund raised from hail insurance premiums was not a public fund. A state bonding fund raised from the collection of bond premiums was not a public fund. A state compensation fund maintained by contributions of employers is a special and not a public fund. Funds paid to the state forester for fire protection by those whose property was benefited are not state funds.

*Allen*, 136 Neb. at 625, 286 N.W. at 919 (internal citations omitted). The characteristics of the pension fund contributed to this holding: the pension fund was not raised by taxation but by employee and employer contributions, the pension fund was statutorily segregated for a specific use and could not be used for any other purpose, and the money in the pension fund was held in trust by the city treasurer. *Id.* However, there is no mention of fees charged to participants for administration of the fund, and whether those fees constitute public funds.

In *Sherard*, the court dealt with the Second Injury Fund, which provided compensation in certain workers' compensation cases, and whether a writ of execution could issue against the fund. Because state property is not subject to execution, the issue was whether the money held in the fund was state money. The statutes which established the fund made the State Treasurer the custodian of the fund and specifically provided that the funds were to be held in trust and were not money of the state. Again, the money in this fund is congruous to the money held in trust by the State Treasurer in the Program Fund of NESPT. *Sherard* also makes no mention of fees or administrative costs charged to participants of the fund; rather, administrative expenses are paid directly out of this fund pursuant to statute and not by a separate fund. See *Sherard*, 244 Neb. at 749, 509 N.W.2d at 199.

The State Treasurer asserts that applying the tests in *Allen* and *Sherard* "to the money in the Fee Account clearly demonstrate that the money is not public funds." Treasurer Letter at 4. Mr. Stenberg states that the fees (1) are charged to participants and are not raised by taxation; (2) constitute special funds collected solely for the benefit of the contributors; and (3) are segregated by operation of Neb. Rev. Stat. § 85-1813, which expressly states the State shall have no property rights in the trust, and that trust assets shall only be used for purposes of the trust. Mr. Stenberg also notes that language in § 85-1807(4), which authorizes transfers from the Expense Fund to the General Fund "would constitute taking of Trust property without just compensation and hence would be unconstitutional." Treasurer Letter at 5. Mr. Stenberg further argues that "[s]ince money in

Auditor Janssen  
Treasurer Stenberg  
Page 9

the Fee Account is not public funds, there is no requirement that it be placed in the state treasury and may be held outside the state treasury just as the money in the Program Fund is held outside the state treasury." Treasurer Letter at 5.

However, the funds in *Allen* and *Sherard* are distinguishable from the Fee Account at issue here. As noted above, neither case dealt with administrative fees assessed on fund participants or assessed on the actual funds. Under the present circumstances, under Neb. Rev. Stat. § 85-1804(10), fees are charged to each participant in the plan at a rate set by the State Treasurer. The fees are not "voluntary" as the State Treasurer suggests, but required of all plan participants in order to fund the administrative costs of the program. The State Treasurer is not merely the "custodian" of the fees. Once appropriated to the Administrative Fund, the fees are used "to pay for the costs of administering, operating, and maintaining the trust . . . ." Neb. Rev. Stat. § 85-1807(3). Those costs include, in part, marketing activities to increase participation in the trust—a purpose which is not solely for the benefit of investors and beneficiaries.

In light of our conclusion that the State Treasurer must deposit assessed administrative fees into the Expense Fund in accordance with Neb. Rev. Stat. § 85-1807, it is unnecessary to determine if these are public funds in order to ascertain where the funds at issue must be deposited. However, the plain language in § 85-1813 states that the assets of the Program Fund, but *not* the Administrative Fund and Expense Fund, "shall at all times be preserved, invested, and expended solely and only for the purposes of the trust and shall be held in trust for the participants and the beneficiaries." This evinces a legislative intent to recognize a difference between assets of the Program Fund as trust funds held solely for the benefit of plan participants, and monies held in the Administrative and Expense Funds. This is further demonstrated by the authorization of transfers from the Expense Fund to the General Fund in § 85-1807(4). In light of this statutory language, a court could well conclude that monies in the Expense Fund are public funds.

Your request letter does not assert that the funds are to be utilized for any purpose other than to pay the administrative expenses related to NESPT. Should there be any question in the future as to whether the monies deposited into the Expense Fund could be used for another purpose, our office can review the nature of these funds at that juncture.

### CONCLUSION


For the reasons set forth above, we conclude that the State Treasurer does not have the requisite legal authority to establish, maintain and use the Fee Account to hold a portion of assessed administrative fees outside of the State Treasury and the State of Nebraska's official accounting system. We further conclude that the fees paid by program participants must be deposited in accordance with the requirements of Neb. Rev. Stat. § 85-1807(4) into the Expense Fund, subject to appropriation by the Legislature into the Administrative Fund, and transfers to the State Investment Officer's Cash Fund and General Fund. While it is unnecessary to determine at this time if fees deposited in the Expense Fund are "public funds," we note a court could well reach this conclusion, given

Auditor Janssen  
Treasurer Stenberg  
Page 10

the express language of § 85-1813, which excludes assets of the Administrative and Expense Funds from the trust imposed for the benefit of plan participants and beneficiaries on assets of the Program Fund, and § 85-1807(4), which authorizes transfers from the Expense Fund to the State Investment Officer's Cash Fund and the General Fund. As there is presently no plan to utilize monies in the Expense Fund for any purpose other than to pay expenses related to NESPT, we need not definitively answer this question.

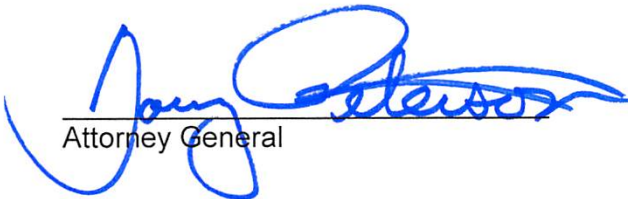
Sincerely,

DOUGLAS J. PETERSON  
Attorney General



Natalee J. Hart  
Assistant Attorney General

Approved:

  
Attorney General

02-297-29