

**AUDIT REPORT
OF THE
NEBRASKA ABSTRACTERS BOARD OF EXAMINERS**

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

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NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

BACKGROUND

The Nebraska Abstracters Board of Examiners, created in 1965, consists of five members appointed by the Governor to carry out the purposes of and enforce the Abstracters Act. The Board includes three members who shall at all times be actively registered abstracters who have engaged in the business of abstracting for at least five years, one member who shall be a lawyer experienced in the area of real estate law, and one member who shall be a representative of the public.

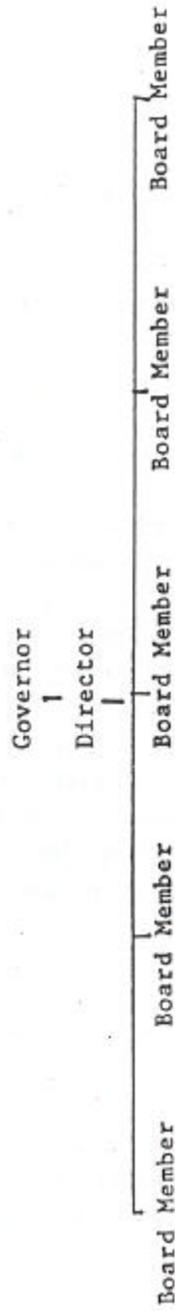
Registered abstracters compile, or certify, abstracts of title to real property and prepare written reports of titles to real property. The Abstracters Board of Examiners reviews licensees' practices under the Abstracters Act. The Board regulates the registration and certification of individual abstracters and abstracting companies in the State. The Board also supervises continuing education programs, investigates complaints, and conducts hearings. The Board's primary goal is to ensure Nebraska real estate buyers, or those making payments to be secured by property, are fully informed of that property's legal status. The Board's activities are funded by license and examination fees. The Board employed one part-time person for the fiscal year ended June 30, 2000.

MISSION STATEMENT

The Board has the responsibility of supervising, inspecting, examining, and reviewing the practices of licensees required under the abstracters licensing law, and regulating the registration and certification of individual abstracters, as well as those companies engaged in the business of abstracting.

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

ORGANIZATIONAL CHART



(The Board consists of 5 members all appointed by the Governor. Each member serves a term of 5 years.)

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Auditor of Public Accounts



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NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Abstracters Board of Examiners as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska Abstracters Board of Examiners, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Abstracters Board of Examiners as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2000, on our consideration of the Nebraska Abstracters Board of Examiners' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

September 12, 2000

A handwritten signature in cursive script that reads "Don Dunlap CPA".

Manager

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS
**STATEMENT OF ASSETS, FUND BALANCES AND
OTHER CREDITS ARISING FROM CASH TRANSACTIONS**
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 2000

	Governmental		
	Fund Type	Account Group	Totals
	Special	General	(Memorandum
	Revenue	Fixed	Assets
			Only)
Assets			
Cash in State Treasury	\$ 39,921	\$ -	\$ 39,921
Deposit with Vendors	122	-	122
Property, Plant, and Equipment	-	9,961	9,961
Total Assets	\$ 40,043	\$ 9,961	\$ 50,004
Fund Balances and Other Credits			
Other Credits,			
Investment in Fixed Assets	\$ -	\$ 9,961	\$ 9,961
Fund Balances:			
Reserved For Postage	122	-	122
Unreserved, Undesignated	39,921	-	39,921
Total Fund Balances and Other Credits	\$ 40,043	\$ 9,961	\$ 50,004

See Notes to Financial Statements.

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS
**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	<u>Special Revenue</u>
RECEIPTS:	
Sales and Charges:	
Registration Fees	\$ 9,600
Certificate of Registration	6,840
Examination Fees	1,400
Other	10
Investment Interest	<u>2,303</u>
TOTAL RECEIPTS	<u>20,153</u>
 DISBURSEMENTS:	
Personal Services	13,934
Operating	6,867
Travel	3,157
Capital Outlay	<u>3,616</u>
TOTAL DISBURSEMENTS	<u>27,574</u>
Excess of Receipts Over (Under) Disbursements	<u>(7,421)</u>
FUND BALANCE, JULY 1, 1999	<u>47,464</u>
FUND BALANCE, JUNE 30, 2000	<u><u>\$ 40,043</u></u>

See Notes to Financial Statements.

NEBRASKA ABSTRACTERS BOARD OF EXAMINIERS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	CASH FUND 2661		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Sales and Charges:			
Registration Fees		\$ 9,600	
Certificate of Registration		6,840	
Examination Fees		1,400	
Other		10	
Investment Interest		2,303	
TOTAL RECEIPTS		20,153	
DISBURSEMENTS:			
Personal Services	\$ 14,150	13,934	\$ 216
Operating	7,681	6,867	814
Travel	2,556	3,157	(601)
Capital Outlay	3,616	3,616	-
Total Budgeted	28,003	27,574	429
Over Budgeted (Note 5)	(427)	-	(427)
TOTAL DISBURSEMENTS	27,576	27,574	2
Excess of Receipts Over (Under) Disbursements		(7,421)	
FUND BALANCES, JULY 1, 1999		47,464	
FUND BALANCES, JUNE 30, 2000		\$ 40,043	

See Notes to Financial Statements.

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Abstracters Board of Examiners are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Abstracters Board of Examiners (the Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Board, or the significance of their relationship with the Board are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Board.

These financial statements present the Nebraska Abstracters Board of Examiners. No component units were identified. The Nebraska Abstracters Board of Examiners is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting records of the Board are maintained and the Board's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

- C. **Fund Accounting.** The accounts and records of the Board are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund type and account group presented on the financial statements are those required by GAAP and include:

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

General Fixed Assets Account Group. Used to account for general fixed assets of the Board.

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund type established by the Nebraska Accounting System that is used by the Board is:

2000 - Cash Funds - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

- D. Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Board and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

All State budgetary disbursements for the cash fund type are made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general, cash, construction, and revolving fund appropriations must also be approved by the Legislature as a deficit appropriations bill.

The Board utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Board's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Board's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report.

Receipts are not budgeted and therefore there are no budgeted amounts shown on the Budget and Actual Statement.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash fund on the Budgetary Statement is appropriately classified as a special revenue fund for Financial Statement purpose.

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000, have been recorded at cost by the Board. Generally, equipment which has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

F. Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer on a daily basis based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether or not a fund is considered designated for investment is done on an individual fund basis. The fund of the Board was designated for investment during fiscal year 2000.

G. Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

H. Compensated Absences. All permanent employees working for the Board earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

I. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board are:

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Receipts for the Board consist of fees for various registration and certificates issued and examinations administered.

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Miscellaneous. Receipts from sources not covered by other major categories such as investment interest.

J. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board are:

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

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

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

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character owned or held by the government.

K. Fund Balance Reservations. Reservations of fund balance are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balance are also established for assets which are not current in nature, such as postage.

2. **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 since interfund balances and transactions have not been eliminated.

3. **Contingencies and Commitments**

Risk Management. The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. The Board, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Contingencies and Commitments (Concluded)**

1. Motor vehicle liability which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage with a limit of \$1 million for each loss with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000 with a self-insured retention of \$100,000 per loss occurrence. The perils of Flood and Earthquake are covered up to \$9,000,000. Newly acquired properties are only covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Worker's compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Abstracters Board of Examiners' financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Board, if any, could not be determined at this time. However, it is the Board's opinion that final settlement of those matters should not have an adverse effect on the Board's ability to administer current programs. Any judgement against the Board would have to be processed through the State Claims Board and be approved by the Legislature.

4. **Fixed Assets**

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance <u>July 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2000</u>
Equipment	\$ 6,855	\$ 3,106	-	\$ 9,961

NEBRASKA ABSTRACTERS BOARD OF EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. Overbudgeted

Budgeted expenditures on the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual are amounts reflected in the Board’s Budget Status Report for fiscal year 2000. The difference between the legislative appropriation is based on anticipated appropriation needs two years in advance while budgeted expenditures on the Budget Status Report are based on more current information available to management.

STATE OF NEBRASKA
Auditor of Public Accounts



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**NEBRASKA ABSTRACTERS BOARD OF EXAMINERS
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Nebraska Abstracters Board of Examiners as of and for the year ended June 30, 2000, and have issued our report thereon dated September 12, 2000. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Abstracters Board of Examiners. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Abstracters Board of Examiners' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Abstracters Board of Examiners' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the

design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the agency, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

September 12, 2000

A handwritten signature in cursive script that reads "Don Dunlap CPA".

Manager