

**AUDIT REPORT  
OF THE  
NEBRASKA REAL ESTATE APPRAISER BOARD  
JULY 1, 2000 THROUGH JUNE 30, 2001**

# NEBRASKA REAL ESTATE APPRAISER BOARD

## TABLE OF CONTENTS

	<u>Page</u>
<b>Background Information Section</b>	
Background	1 - 2
Vision and Mission Statement	2
Organizational Chart	3
<b>Comments Section</b>	
Summary of Comments	4
Comments and Recommendations	5 - 6
<b>Financial Section</b>	
Independent Auditors' Report	7 - 8
Financial Statements:	
Statement of Assets and Fund Balances and Other Credits Arising from Cash Transactions – All Fund Types and General Fixed Assets Account Group	9
Statement of Receipts, Disbursements, and Changes in Fund Balances	10
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual – Cash Fund	11
Notes to Financial Statements	12 - 19
Schedules:	
Registrations, Licenses, and Certificates Issued	20
Appraiser Examinations Administered	21
<b>Government Auditing Standards Section</b>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	22 - 23

# NEBRASKA REAL ESTATE APPRAISER BOARD

## BACKGROUND

The Nebraska Real Estate Appraiser Board is a five member regulatory board, which enforces the Real Estate Appraiser Act. The composition of the Board includes three members who are licensed or certified appraisers, one from each of the congressional districts; one member who represents financial institutions; and one member who is a licensed real estate broker or salesperson. The Board issues and renews appraiser registrations, licenses, residential certificates, and general certificates to those who qualify on the basis of classroom hours, test scores, appraiser experience, and competency. The Board also investigates complaints against appraisers and takes appropriate disciplinary action. Prior to January 1, 1991, real estate appraisers were licensed by the Real Estate Commission.

Nebraska appraisers have been regulated under a mandatory law since 1974. In 1991 the Nebraska Legislature restructured Nebraska law governing appraiser regulation to bring Nebraska into compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") 12 U.S.C. Section 3348(a)(2). Nebraska Revised Statute Sections 76-2201 to 76-2250 establish specific qualification requirements and ethics provisions for appraiser registration, licensure, and certification and authorize the Real Estate Appraiser Board as an independent agency. The law was amended in 1994 to add a second certification classification and to distinguish between the two classes, identified as residential certification and general certification.

The function of this Board is regulatory. Nebraska law requires individuals to be registered, licensed, or certified to appraise real property in this State. The Board supervises appraiser practice, ensuring that those who prepare appraisals are qualified, meeting appropriate education, testing, and experience requirements. The Board enforces the law and the Uniform Standards of Professional Appraisal Practice and will discipline appropriately appraisers who are found in violation of law or fail to meet uniform standards and ethics. The Board continuously develops, encourages, and monitors a substantive, meaningful, and timely continuing education program to assist appraisers in attaining higher levels of professionalism.

There are four levels of appraisers as follows:

Registered Appraisers must complete 75 hours of approved appraisal education, including 15 hours of Uniform Standards of Professional Appraisal Practice. They must pass the Licensed Appraiser examination.

Licensed Appraisers must complete 90 hours of approved appraisal education, including 75 hours of appraisal fundamentals and 15 hours of Uniform Standards of Professional Appraisal Practice. They must pass the State-administered license examination issued or endorsed by the Appraisal Qualifications Board (AQB). The Nebraska Licensed appraiser must document a minimum of 2,000 hours of appraisal experience over a minimum 24-month period.

## NEBRASKA REAL ESTATE APPRAISER BOARD

### **BACKGROUND**

(Concluded)

Certified Residential Appraisers must complete 120 hours of courses related to specific real estate appraisal methods and techniques, including 15 hours of Uniform Standards of Professional Appraisal Practice and 105 hours of course work in appraisal fundamentals, residential appraisal practices, residential report writing, and the income approach to capitalization. They must pass the State-administered Certified Residential examination issued or endorsed by the Appraisal Qualifications Board (AQB). The appraiser must document a minimum of 2,500 hours of appraisal experience (1,500 hours must be residential appraisal) over a minimum 24-month period.

Certified General Appraisers must complete 180 classroom hours of courses related to specific real estate appraisal methods and techniques, including 15 hours of Uniform Standards of Professional Appraisal Practice and 165 hours in study of the income approach to capitalization, report writing, or commercial form preparation. They must pass the State-administered Certified General examination issued or endorsed by the Appraisal Qualifications Board (AQB). The appraiser must document a minimum of 3,000 hours of appraisal experience (1,500 hours must be in non-residential appraisal) over a minimum 30-month period.

### **VISION AND MISSION STATEMENT**

The vision of the Nebraska Real Estate Appraiser Board is to enhance on a continuing basis, the delivery and management of information in order to provide an increasingly higher level of excellence among all real estate appraisers in terms of education, regulation, and enforcement so every appraisal prepared for every citizen of this state will be performed in total compliance with the Uniform Standards of Professional Appraisal Practice and Nebraska law by appraisers who have attained significant levels of competence through education and experience and whose performance is subject to effective supervision.

The mission of this agency is to regulate and support appraisers in compliance with Nebraska law and federal mandates for the benefit of citizens needing appraisals related to real property transactions in this state. The principles by which this agency is guided include a commitment to enforcement of strict ethical standards within the agency and in support and governance of the men and women who are regulated by the agency. Further, the agency is mandated by federal law to ensure federal financial and public policy interests in real estate transactions will be protected by requiring real estate appraisals for these transactions are performed in writing, in accordance with uniform standards, by individuals with demonstrated competency and whose professional conduct is subject to effective supervision.

NEBRASKA REAL ESTATE APPRAISER BOARD

**ORGANIZATIONAL CHART**

Governor appoints members to a 5-year term. Legislative confirmation is not required.

**Appraiser - 1<sup>st</sup> Congressional District**

Danny Stoeber

Fremont

Term expires January 1, 2006

Previously held by Mathew J. Wilson. His term expired January 1, 2001.

**Appraiser - 2<sup>nd</sup> Congressional District**

John D. Bredemeyer

Omaha

Term expires January 1, 2002

Presently the Board Chairman

**Appraiser - 3<sup>rd</sup> Congressional District**

Lynne L. Heiden

Kearney

Term expires January 1, 2005

**Broker/Realtor at Large**

Doris Whipps

Max

Term expires January 1, 2003

**Financial Institutions Representative at Large**

Gary Webster

Central City

Term expires January 1, 2004

(Two of the three appraisers must be certified)

Marilyn Hasselbalch, Director, is selected by and serves at the pleasure of the Board.

Katherine Policky, Staff Assistant, is hired by the Director with Board endorsement.

## NEBRASKA REAL ESTATE APPRAISER BOARD

### SUMMARY OF COMMENTS

During our audit of the Nebraska Real Estate Appraiser Board, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. ***Excessive Fund Balance:*** The fund balance was more than one and one-half times the annual expenditures of the Board.
2. ***Written Travel Policy:*** The Board had no comprehensive written travel policies.

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

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Board declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

# NEBRASKA REAL ESTATE APPRAISER BOARD

## COMMENTS AND RECOMMENDATIONS

### 1. Excessive Fund Balance

Good fiscal policy requires fund balances to be periodically reviewed. Cash funds should be monitored to determine the amount of funds provided are appropriate.

We noted the fund balance at June 30, 2001 was \$264,598, which was approximately 20 months of operating expenses. Total disbursements for the year were \$157,187. We also noted, per 1999 Neb. Laws LB 880, section 163, \$32,000 of the appropriations were to be used only for legal services expenses. However, the fund balance would still be approximately 18 months worth of operating expenses after the \$32,000 restricted appropriation. A similar comment was noted in our previous two audits. Although it may be difficult to anticipate expenses for the ensuing fiscal years, it would appear the Board charged higher fees than required to cover the costs of administering licenses, registrations, certificates, and education.

We recommend the Board review the fund balance and reduce the balance to an acceptable level. The fee charged should be closely associated with the cost of administering the licenses, registrations, certificates, and education.

*Board's Response: First, the Appraiser Board believes the public record should show clearly that no general fund tax dollars are appropriated for the operation of this agency. The Board is funded totally by appraiser fees. The primary function of this Board is regulatory. Only two employees, the Director and Staff Assistant, serve the Board, the public, and approximately 880 appraisers.*

*The Appraiser Board wishes to respond to the comments and recommendations made by the auditors. The major concern of the auditors was the agency cash fund balance which the auditors believe is at least six months in excess. The Appraiser Board has historically demonstrated fiscal responsibility, at times adjusting a high fund balance appropriately by reducing fees. Although there is uncertainty in knowing the appraiser population from year to year, the Board will adjust the annual fee for 2002 to effect a reduction in the cash fund balance. The Board will continue to be fiscally responsible in establishing fees and in being good stewards of the funds entrusted to us by the appraisers who practice in Nebraska.*

*As Chairman of the Appraiser Board I testified before the Appropriations Committee in February 2000 regarding the proposed budget for the current biennium. The Committee was reminded that the Appraiser Board is charged by federal mandate and state law with responsibility for credentialing, supervising, and enforcing the law to ensure federal financial and public policy interests in real estate transactions, as well as interests of the public, are protected. The potential effect of inadequate funding was also addressed. Because the Board has continued to demonstrate fiscal responsibility, the Committee appeared satisfied with our actions.*

# NEBRASKA REAL ESTATE APPRAISER BOARD

## COMMENTS AND RECOMMENDATIONS

### 1. **Excessive Fund Balance** (Concluded)

*The Appraiser Board will continue to monitor the cash fund balance so that fees charged will be closely associated with the cost of administering each type of credential. We are a fiscally responsible Board with a commitment to good management. The Board has a responsibility to protect the public and also be responsive to the appraisal profession.*

### 2. **Written Travel Policies**

Sound business practices and internal controls require written policies to better ensure travel expense reimbursements are reasonable and necessary.

During testing, we noted the Board did not have written travel policies, but indicated they follow the Department of Administrative Services (DAS) guidelines.

The risk of travel expenses not being necessary and reasonable is increased without written travel policies.

We recommend the Board develop written travel policies, which should include but not be limited to, air travel, conference and meeting attendance, lodging, meals, and long-distance telephone calls.

*Board's Response: The audit noted the absence of a written travel policy. The Board adopted a written travel policy at the August 21, 2001 meeting. This policy follows the guidelines of the State Accounting Procedures manual, the written travel policy the Board has been following since its inception. The Board understands that the requirement for a written travel policy for state agencies was initiated in recent months. Since written travel policies had not been established in any other state agency, the Board used the state accounting procedures manual as the basis for its written policy in the matter of air travel, conference and meeting attendance, lodging, meals, and telephone calls. It should be noted the audit did not identify any irregularities in the Board's travel expenses.*



# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

---



P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

### NEBRASKA REAL ESTATE APPRAISER BOARD

Kate Witek  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

### INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

Don Dunlap, CPA  
Asst. Deputy Auditor  
[aud1010@vmhost.cdp.state.ne.us](mailto:aud1010@vmhost.cdp.state.ne.us)

Pat Reding, CPA  
Asst. Deputy Auditor  
[aud1008@vmhost.cdp.state.ne.us](mailto:aud1008@vmhost.cdp.state.ne.us)

Mary Avery  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

Dennis Meyer  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

Mark Avery  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

Robert Hotz, JD  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the financial statements of the Nebraska Real Estate Appraiser Board as of and for the fiscal year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Real Estate Appraiser Board, 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 Real Estate Appraiser Board as of June 30, 2001, 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 August 10, 2001, on our consideration of the Nebraska Real Estate Appraiser Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, except for that portion marked "unaudited," on which we express no opinion, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Timothy J. Chamber CPA". The signature is written in a cursive, flowing style.

Manager

August 10, 2001

NEBRASKA REAL ESTATE APPRAISER BOARD  
**STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS**  
**ARISING FROM CASH TRANSACTIONS**  
**ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP**  
June 30, 2001

	Governmental <u>Fund Type</u>	<u>Account Group</u>	
	<u>Special Revenue</u>		
	RE Appraiser Licensing <u>Fund 2531</u>	General Fixed <u>Assets</u>	<b>Totals</b> (Memorandum Only)
<b><u>Assets</u></b>			
Cash in State Treasury	\$ 264,598	\$ -	\$ 264,598
Property, Plant, and Equipment	<u>-</u>	<u>9,584</u>	<u>9,584</u>
Total Assets	<u><u>\$ 264,598</u></u>	<u><u>\$ 9,584</u></u>	<u><u>\$ 274,182</u></u>
<b><u>Fund Balances and Other Credits</u></b>			
Other Credits:			
Investment in Fixed Assets	\$ -	\$ 9,584	\$ 9,584
Fund Balances:			
Unreserved, Undesignated	<u>264,598</u>	<u>-</u>	<u>264,598</u>
Total Fund Balances and Other Credits	<u><u>\$ 264,598</u></u>	<u><u>\$ 9,584</u></u>	<u><u>\$ 274,182</u></u>

See Notes to Financial Statements.

NEBRASKA REAL ESTATE APPRAISER BOARD  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Type <u>Special Revenue</u> RE Appraiser Licensing <u>Fund 2531</u>
RECEIPTS:	
Sales and Charges:	
Certified General Renewal	\$ 55,825
Licensed Renewal	18,550
Registered Renewal	29,500
Certified Residential Renewal	17,250
Application Fees	16,100
Other	20,461
Miscellaneous:	
Investment Interest	16,784
Other	<u>4,100</u>
TOTAL RECEIPTS	<u>178,570</u>
DISBURSEMENTS:	
Personal Services	93,526
Operating	44,395
Travel	19,191
Capital Outlay	<u>75</u>
TOTAL DISBURSEMENTS	<u>157,187</u>
Excess of Receipts Over Disbursements	<u>21,383</u>
OTHER FINANCING SOURCES:	
Distributive Activity:	
Ins	14,262
Outs	<u>(14,080)</u>
TOTAL OTHER FINANCING SOURCES	<u>182</u>
Excess of Receipts and Other Financing Sources Over Disbursements	21,565
FUND BALANCE, JULY 1, 2000	<u>243,033</u>
FUND BALANCE, JUNE 30, 2001	<u><u>\$ 264,598</u></u>

See Notes to Financial Statements.

NEBRASKA REAL ESTATE APPRAISER BOARD  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE**  
 BUDGET AND ACTUAL  
 Cash Fund  
 For the Fiscal Year Ended June 30, 2001

	<u>RE APPRAISER LICENSING CASH FUND 2531</u>		
	<u>BUDGET</u>	<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
RECEIPTS:			
Sales and Charges:			
Certified General Renewal		\$ 55,825	
Licensed Renewal		18,550	
Registered Renewal		29,500	
Certified Residential Renewal		17,250	
Application Fees		16,100	
Other		20,461	
Miscellaneous:			
Investment Interest		16,784	
Other		<u>4,100</u>	
TOTAL RECEIPTS		<u>178,570</u>	
DISBURSEMENTS:			
Personal Services	97,418	93,526	3,892
Operating	88,100	44,395	43,705
Travel	18,313	19,191	(878)
Capital Outlay	<u>3,591</u>	<u>75</u>	<u>3,516</u>
TOTAL DISBURSEMENTS	<u>207,422</u>	<u>157,187</u>	<u>50,235</u>
Excess of Receipts Over Disbursements		<u>21,383</u>	
OTHER FINANCING SOURCES:			
Distributive Activity:			
Ins		14,262	
Outs		<u>(14,080)</u>	
TOTAL OTHER FINANCING SOURCES		<u>182</u>	
Excess of Receipts and Other Financing Sources Over Disbursements		21,565	
FUND BALANCES, JULY 1, 2000		<u>243,033</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ 264,598</u>	

See Notes to Financial Statements.

NEBRASKA REAL ESTATE APPRAISER BOARD

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Real Estate Appraiser Board are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Real Estate Appraiser Board (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 Real Estate Appraiser Board. No component units were identified. The Nebraska Real Estate Appraiser Board is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounting records of the Board are maintained and the Board's financial statements were prepared on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Combined Statement of Assets and Fund Balances for all funds of the Board. This differs from governmental generally accepted accounting principles (GAAP) which require all governmental funds to be accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the cash receipts and disbursement basis of accounting, 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

NEBRASKA REAL ESTATE APPRAISER BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 records 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 types and account group presented on the financial statements are those required by GAAP, and include:

**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 types established by the Nebraska Accounting System that are used by the Board are:

**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.

# NEBRASKA REAL ESTATE APPRAISER BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations 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 vote of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. The central accounting system maintains this control. A separate publication entitled "Annual Budgetary Report" shows the detail of this 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.

All State budgetary disbursements for the cash fund type are made pursuant to the appropriations which 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 cash 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



NEBRASKA REAL ESTATE APPRAISER BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 2001, 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. They are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

Receipts are not budgeted. 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 purposes.

- 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 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, 2001 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

NEBRASKA REAL ESTATE APPRAISER BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Board were designated for investment during fiscal year 2001.

**G. Distributive Activity.** Distributive Activity transactions are those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Board which are owed to some individual, organization, or other government agency, or are deposits which will be returned on completion of some specified requirement.

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

**I. Compensated Absences.** All permanent employees working for the Board earn sick and annual leave. Temporary and intermittent employees and Board 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 otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

**J. 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.

**Miscellaneous.** Receipts from sources not covered by other major categories.

**K. 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.

NEBRASKA REAL ESTATE APPRAISER BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**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.

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, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. 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:

- A. 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. State Agencies have the option to purchase coverage for physical damage to vehicles.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company. The perils of flood and earthquake are covered up to \$10,000,000.

NEBRASKA REAL ESTATE APPRAISER BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- E. State Agencies have the option to purchase building contents and inland marine coverage.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Compensation Insurance Trust Fund through a combination of employee and State contributions. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or 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 Real Estate Appraiser Board's 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 judgment against the Board would have to be processed through the State Claims Board and be approved by the Legislature.

4. **State Employees Retirement Plan (Plan)**

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Board matches the employee's contribution at a rate of 156% of the employee's contribution.

NEBRASKA REAL ESTATE APPRAISER BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **State Employees Retirement Plan (Plan) (Concluded)**

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 2001, employees contributed \$3,479 and the Board contributed \$5,427.

5. **Distributive Activity**

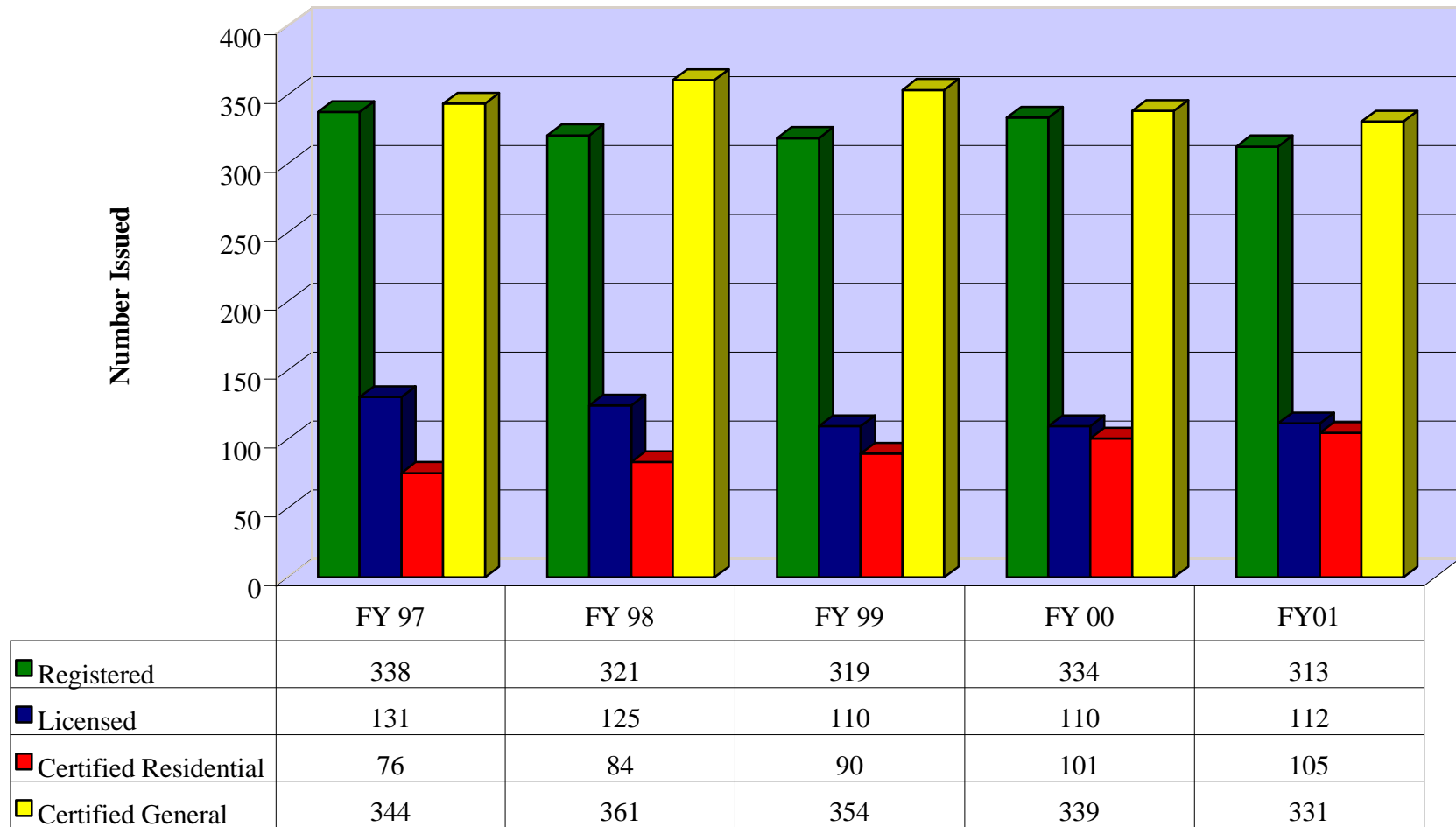
The Board's distributive activity for the audit period consisted of monies collected for federal authorities under the provisions of the Financial Institutions Reform, Recovery, and Enforcement Act. The total collected during the fiscal year was \$14,175, and of this amount \$14,000 was remitted to the federal government. The Board also collected sales tax on Uniform Standards books sold to appraisers. The total collected during the fiscal year was \$87, and of this amount \$80 was remitted to the Nebraska Department of Revenue.

6. **Fixed Assets**

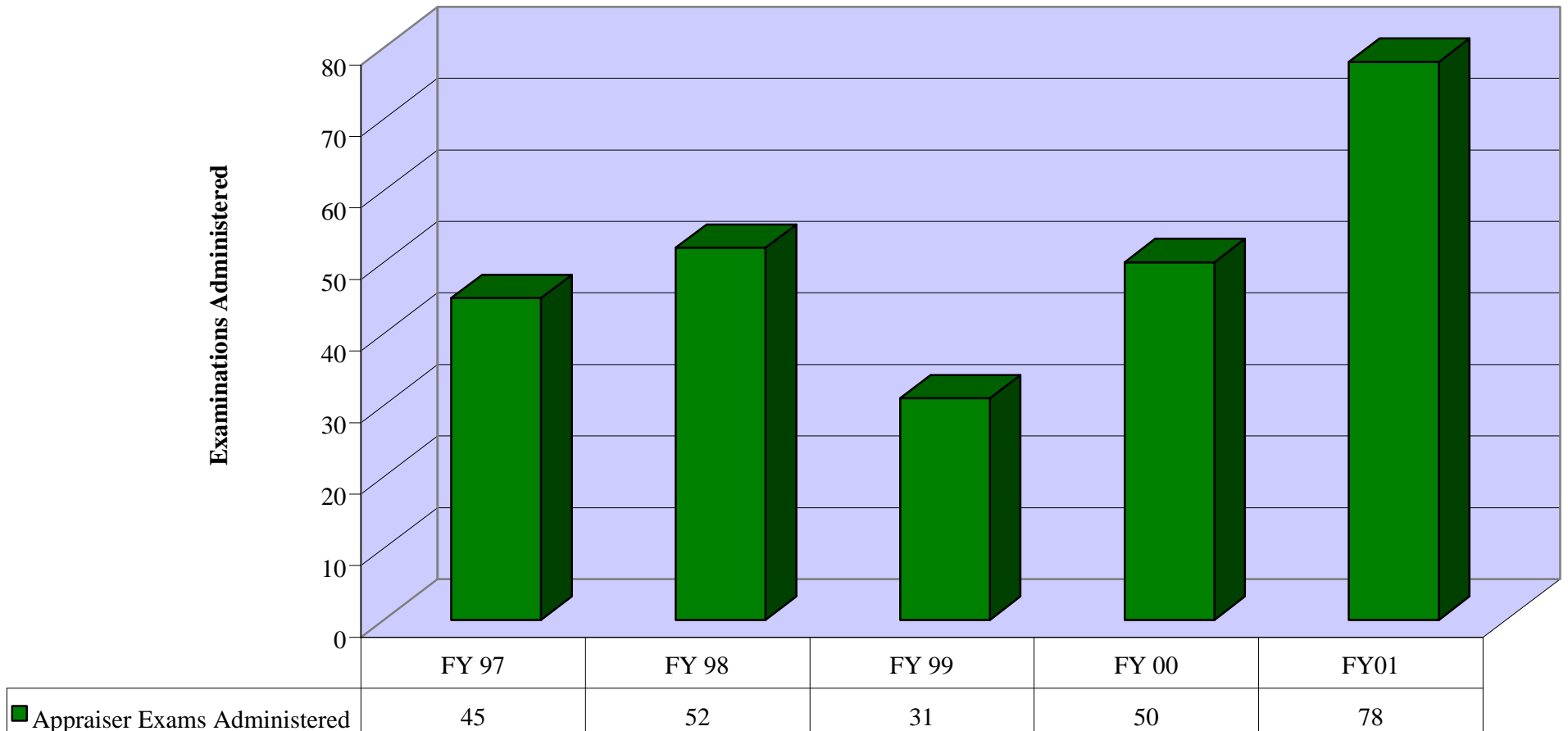
The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
Equipment	\$ 9,509	\$ 75	\$ -	\$ 9,584

**NEBRASKA REAL ESTATE APPRAISER BOARD**  
**REGISTRATIONS, LICENSES, AND CERTIFICATES ISSUED**  
For Fiscal Years (FY) 1997, 1998, 1999, 2000, and 2001  
(UNAUDITED)



NEBRASKA REAL ESTATE APPRAISER BOARD  
**APPRAISER EXAMINATIONS ADMINISTERED**  
 For Fiscal Years (FY) 1997, 1998, 1999, 2000, and 2001  
 (UNAUDITED)



# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

---



P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

Kate Witek  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

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

Deann Haeffner, CPA  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

Don Dunlap, CPA  
Asst. Deputy Auditor  
[aud1010@vmhost.cdp.state.ne.us](mailto:aud1010@vmhost.cdp.state.ne.us)

Pat Reding, CPA  
Asst. Deputy Auditor  
[aud1008@vmhost.cdp.state.ne.us](mailto:aud1008@vmhost.cdp.state.ne.us)

Mary Avery  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

Dennis Meyer  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

Mark Avery  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

Robert Hotz, JD  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the financial statements of the Nebraska Real Estate Appraiser Board as of and for the year ended June 30, 2001, and have issued our report thereon dated August 10, 2001. 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 Real Estate Appraiser Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Nebraska Real Estate Appraiser Board's 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 Real Estate Appraiser Board's 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Nebraska Real Estate Appraiser Board in the Comments Section of this report as Comment Number 2 (Written Travel Policies).

This report is intended solely for the information and use of the Board, 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.

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is written in a cursive, flowing style.

Manager

August 10, 2001