

**AUDIT REPORT
OF THE
NEBRASKA TAX EQUALIZATION
AND REVIEW COMMISSION**

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

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NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

BACKGROUND

The Tax Equalization and Review Commission was created on January 1, 1996. The Commission has three primary duties: (1) the creation and publication of a formal plan of equalization; (2) the implementation of that plan through the review of assessment practices in all 93 counties, culminating in the statewide equalization proceedings each year; and (3) hearing individual appeals regarding decisions made by the county boards of equalization, the property tax administrator, the Department of Motor Vehicles (valuation of motor vehicles for purposes of taxation), and certain other assessment and taxation issues as authorized by law.

The Commission spends the majority of its time hearing individual appeals from county boards of equalization regarding the valuation of real property. The hearings are usually “informal,” though structured. The three commissioners travel extensively to regional hearing sites to hear appeals in order to be accessible to both taxpayers and county officials. The statutes also provide for formal hearings, which are held in Lincoln. The rules of evidence are used in formal hearings, and, pursuant to law, the unsuccessful party is required to pay the costs.

The Commission consists of three commissioners, one from each congressional district. The Commissioners are appointed for six-year terms, subject to confirmation by the Legislature. The Chairman must be an attorney licensed to practice law in this State for at least five years. All Commissioners must meet statutory requirements necessary to serve as a County Assessor.

The Commission also employs an attorney, a paralegal, an administrative assistant, and two office clerks.

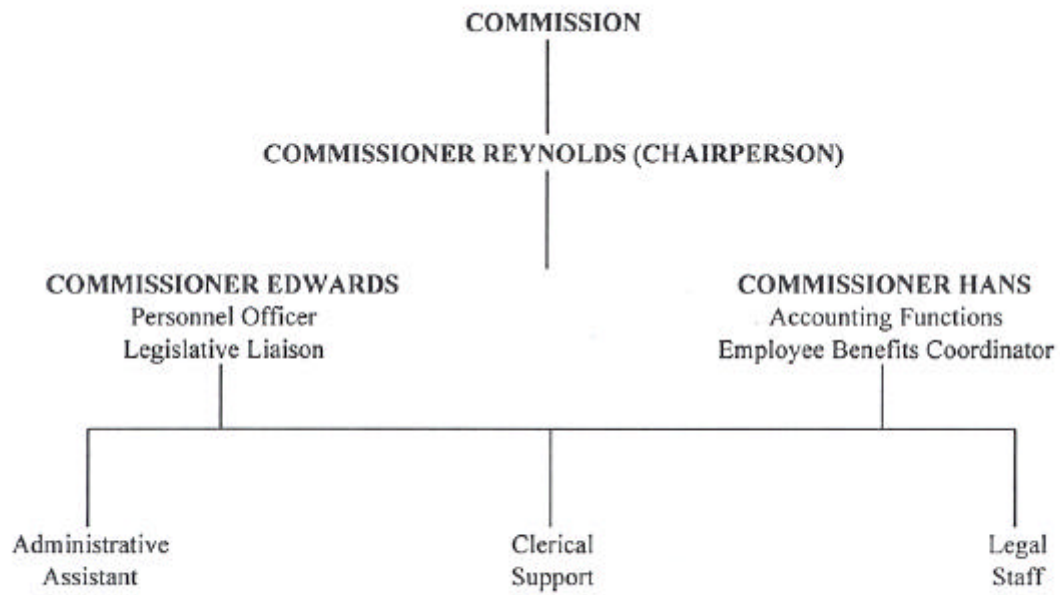
MISSION STATEMENT

The Commission’s ultimate goal is the fair and equitable valuation of all property in the state. This goal can best be accomplished through improvements in the quality of appraisal practices, both at the state and county level. Appraisal practices (although not an exact science) are analyzed through the use of statistical measures of central tendency. The Commission’s goal therefore, will be accomplished through (1) the adoption of a statewide plan of equalization which is updated annually; (2) the adoption of appropriate appraisal standards for progressive implementation; (3) the monitoring of that progress through analysis of statistical measures of central tendency, ration studies, and any other appropriate information; and (4) assistance and, if necessary, corrective action, to insure compliance and progressive improvement.

The Commission should always be mindful of the fact these appraisal practices, and any changes to them, directly impact property owners. It is essential, therefore, that these property owners be treated respectfully and fairly during the hearing process. In keeping with this treatment, the Commission should be accessible, and should proceed in a fashion that is easily understood by the general public.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

ORGANIZATIONAL CHART



NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

SUMMARY OF COMMENTS

During our audit of the Nebraska Tax Equalization and Review Commission, 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. ***Internal Control Over Fixed Assets:*** Only one person maintained the fixed asset listing, added and deleted items, and prepared surplus property forms.
2. ***Internal Control Over Receipts:*** One individual prepared and approved the general document for deposit and reconciled the general document to the daily posted transaction report. There was no independent review to ensure all monies initially recorded were deposited.

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 Commission 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 Commission 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 TAX EQUALIZATION AND REVIEW COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Internal Control Over Fixed Assets

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a segregation of duties so no one individual can handle all phases of a transaction from beginning to end. If a segregation of duties cannot be achieved, a compensating control should be implemented.

The Commission had a lack of segregation of duties over fixed assets since one individual was capable of handling all phases of a transaction from beginning to end. The same individual maintained the fixed asset listing, added and deleted items to the fixed asset list, and prepared the surplus property forms. As a result of the lack of segregation of duties, we noted an error on the fixed asset listing in the amount of \$11,279. Without an adequate segregation of duties, or compensating controls, the possibility for undetected errors and for the loss or misuse of State property increases.

We recommend the Commission implement procedures to compensate for the lack of segregation of duties. Specifically, a history report should be reviewed by an individual independent of the process at least annually.

Commission's Response: The Commission recognizes the problem identified by the State Auditor's Office. Appropriate steps have been taken to resolve the problem. Those steps include the following: The senior Office Clerk will annually update the Fixed Assets Listing and sign and date the Listing. The Administrative Assistant will correlate additions and deletions from the Fixed Asset Listing with Purchase Requisitions and Surplus Items Reports. The Administrative Assistant will attach copies of the Purchase Requisitions and Surplus Items Reports to the Fixed Assets Listing, and provide the documents to the Chair, who functions as the Agency Director. The Agency Director will certify the Fixed Asset Listing in accordance with state law, and retain a copy of that Certification in accordance with the Commission's Records Retention Schedule. If this procedure does not remedy the Reportable Condition, please notify me as soon as possible, as the Commission will undertake this annual update next month.

2. Internal Control Over Receipts

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a segregation of duties so no one individual is involved in all phases of a transaction from beginning to end.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

COMMENTS AND RECOMMENDATIONS

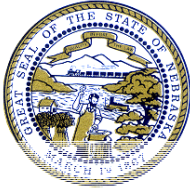
2. Internal Control Over Receipts

During our audit we noted segregation of duties over the receipt process was not adequate. One individual prepared and approved the general document for deposit and reconciled the general document to the daily posted transaction report. There was no independent review to ensure all monies initially recorded were deposited. Without an adequate segregation of duties, or compensating controls, the possibility for undetected errors and for the loss or misuse of State funds increases.

We recommend the Commission implement procedures to include an independent review of receipts to ensure all monies initially recorded are deposited.

Commission's Response: The Commission recognizes the problem identified by the State Auditor's Office. Appropriate steps have been take to resolve the problem. Those steps include the following: The Senior Office Clerk (who processes incoming mail) will maintain a daily log of checks received. A copy of this log will be provided to the Chair. The checks are than forwarded to the Administrative Assistant who will prepare and submit the appropriate paperwork to the Treasurer's Office. A copy of these documents will also be provided to the Chair. The Chair also receives a copy of the daily NAS reports. The Chair will review the daily check log, and compare it to the deposit documents and the daily NAS report. If this procedure does not remedy the Reportable Condition, please notify me as soon as possible, as the Commission has already instituted this procedure.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Tax Equalization and Review Commission 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 Commission'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 Tax Equalization and Review Commission, 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 Tax Equalization and Review Commission 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 April 26, 2001, on our consideration of the Nebraska Tax Equalization and Review Commission'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 schedule is presented for purposes of additional analysis and is 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 and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

April 26, 2001

Pat Reding, CPA
Manager

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION
STATEMENT OF ASSETS, FUND BALANCES
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 2000

	<u>Governmental Fund Types</u>		<u>Account Group</u>	
		Special	General	Totals
	<u>General</u>	<u>Revenue</u>	<u>Fixed Assets</u>	<u>(Memorandum Only)</u>
<u>Assets</u>				
Cash in State Treasury	\$ -	\$ 19,919	\$ -	\$ 19,919
Property, Plant, and Equipment	-	-	59,627	59,627
Total Assets	<u>\$ -</u>	<u>\$ 19,919</u>	<u>\$ 59,627</u>	<u>\$ 79,546</u>
<u>Fund Balances and Other Credits</u>				
Other Credits:				
Investment in Fixed Assets	\$ -	\$ -	\$ 59,627	\$ 59,627
Fund Balances:				
Unreserved, Undesignated	-	19,919	-	19,919
Total Fund Balances and Other Credits	<u>\$ -</u>	<u>\$ 19,919</u>	<u>\$ 59,627</u>	<u>\$ 79,546</u>

See Notes to Financial Statements.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION
**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Types</u>		
		<u>Special Revenue</u>	Totals
	<u>General</u>	<u>TERC Cash Fund 2931</u>	<u>(Memorandum Only)</u>
RECEIPTS:			
Appropriations	\$ 509,450	\$ -	\$ 509,450
Sales and Charges	-	10,883	10,883
Miscellaneous	<u>312</u>	<u>1,276</u>	<u>1,588</u>
TOTAL RECEIPTS	<u>509,762</u>	<u>12,159</u>	<u>521,921</u>
DISBURSEMENTS:			
Personal Services	360,429	-	360,429
Operating	105,157	15,802	120,959
Travel	27,586	790	28,376
Capital Outlay	<u>16,278</u>	<u>3,076</u>	<u>19,354</u>
TOTAL DISBURSEMENTS	<u>509,450</u>	<u>19,668</u>	<u>529,118</u>
Excess of Receipts Over (Under) Disbursements	<u>312</u>	<u>(7,509)</u>	<u>(7,197)</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	-	792	792
Deposits to State General Fund	<u>(312)</u>	<u>-</u>	<u>(312)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(312)</u>	<u>792</u>	<u>480</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	(6,717)	(6,717)
FUND BALANCE, JULY 1, 1999	<u>-</u>	<u>26,636</u>	<u>26,636</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ -</u>	<u>\$ 19,919</u>	<u>\$ 19,919</u>

See Notes to Financial Statements.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 General and Cash Fund
 For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUND			TOTALS (MEMORANDUM ONLY)		
	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	
	BUDGET			BUDGET			BUDGET		
RECEIPTS:									
Appropriations	\$ 509,450			\$ -			\$ 509,450		
Sales and Charges	-			10,883			10,883		
Miscellaneous	<u>312</u>			<u>1,276</u>			<u>1,588</u>		
TOTAL RECEIPTS	<u>509,762</u>			<u>12,159</u>			<u>521,921</u>		
DISBURSEMENTS:									
Personal Services	360,429			-		\$ 378,184	360,429	\$ 17,755	
Operating	105,157			15,802		132,081	120,959	11,122	
Travel	27,586			790		44,817	28,376	16,441	
Capital Outlay	<u>16,278</u>			<u>3,076</u>		<u>23,194</u>	<u>19,354</u>	<u>3,840</u>	
TOTAL DISBURSEMENTS	<u>551,248</u>	<u>509,450</u>	<u>41,798</u>	<u>27,028</u>	<u>19,668</u>	<u>7,360</u>	<u>578,276</u>	<u>529,118</u>	<u>49,158</u>
Excess of Receipts Over (Under)									
Disbursements	<u>312</u>			<u>(7,509)</u>			<u>(7,197)</u>		
OTHER FINANCING SOURCES (USES):									
Sale of Assets	-			792			792		
Deposit to State General Fund	<u>(312)</u>			<u>-</u>			<u>(312)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(312)</u>			<u>792</u>			<u>480</u>		
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-			(6,717)			(6,717)		
FUND BALANCES, JULY 1, 1999	<u>-</u>			<u>26,636</u>			<u>26,636</u>		
FUND BALANCES, JUNE 30, 2000	<u>\$ -</u>			<u>\$ 19,919</u>			<u>\$ 19,919</u>		

See Notes to Financial Statements.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Tax Equalization and Review Commission are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Tax Equalization and Review Commission (the Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The financial statements include all funds of the Commission. The Commission has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Commission, or the significance of their relationship with the Commission 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 Commission 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 Commission.

These financial statements present the Nebraska Tax Equalization and Review Commission. No component units were identified. The Nebraska Tax Equalization and Review Commission 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 Commission are maintained and the Commission'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, Fund Balances and Other Credits for all funds of the Commission. This differs from governmental generally accepted accounting principles (GAAP) which requires all governmental funds and expendable trust 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 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 Commission 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:

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government and which are not accounted for in any other fund.

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 Commission.

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 Commission are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

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.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

- 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 Commission 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 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 general and cash fund types 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 general and cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The Commission 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 Commission'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 Commission'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. 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, 2000 have been recorded at

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

cost by the Commission. Generally, equipment which has a cost in excess of \$300 at the date of acquisition and 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 a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Commission were designated for investment during fiscal year 2000.

G. Compensated Absences. All permanent employees working for the Commission earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees 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.

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

Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

Sales and Charges. Income derived from residential, commercial, and agriculture hearing fees.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Miscellaneous. Receipts from sources not covered by other major categories. These receipts consist of investment interest earned by the Commission.

I. **Disbursements.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission 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.

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 Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, natural disasters, and health care insurance. The Commission, 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:

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.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, and 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 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, 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 Tax Equalization and Review Commission's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Commission, if any, could not be determined at this time. However, it is the Commission's opinion that final settlement of those matters should not have an adverse effect on the Commission's ability to administer current programs. Any judgment against the Commission 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 required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service, and voluntary participation is permitted for all permanent full-time or

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

part-time employees upon reaching age twenty and completion of twelve months of service within a five-year period, except 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 Commission matches the employee's contribution at a rate of 156% of the employee's contribution.

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, 2000, employees contributed \$11,597 and the Commission contributed \$18,091.

5. Fixed Assets

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

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 53,985	\$ 21,184	\$ (15,542)	\$ 59,627

6. Full Accountability of the General Fund

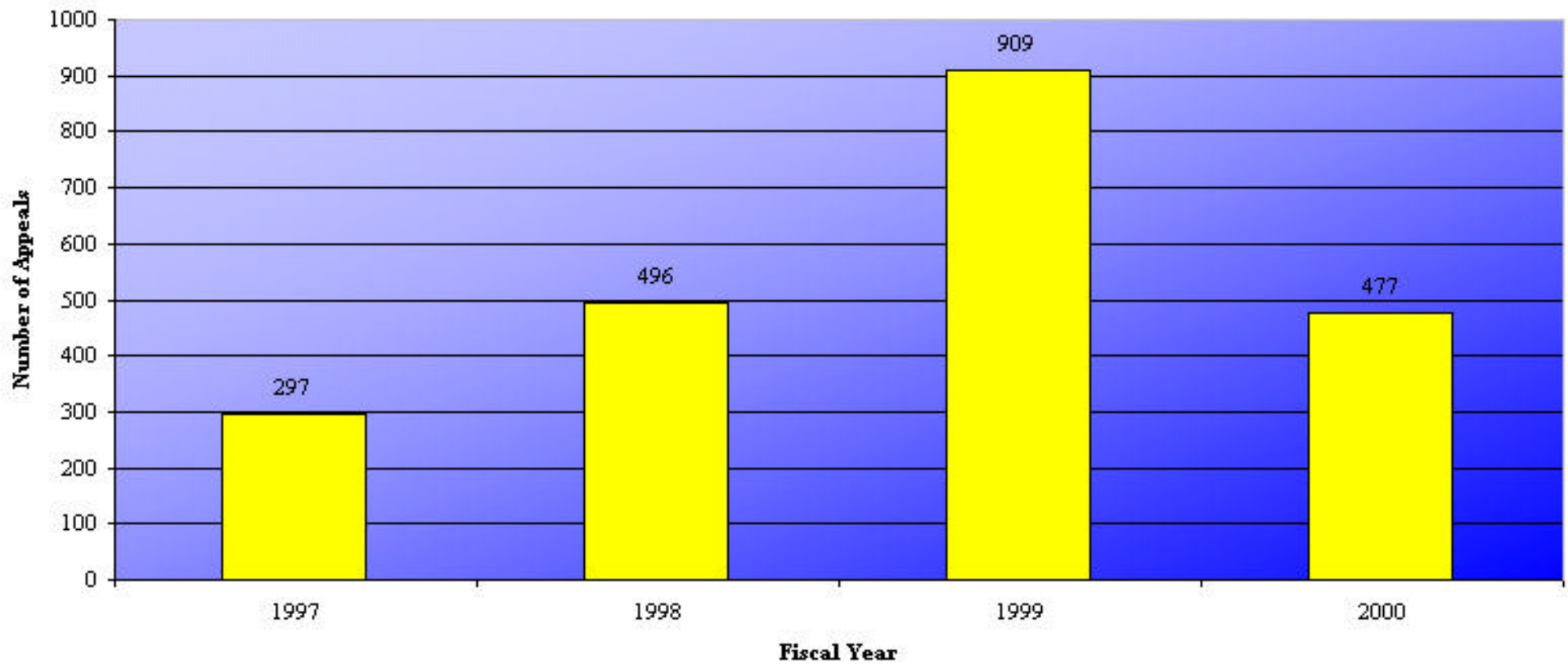
Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedules reflect appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ 12,871
New Appropriations	538,377
Total Appropriations	551,248
Disbursements	(509,450)
Ending (Appropriations) Balance June 30, 2000	\$ 41,798

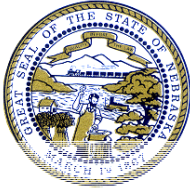
TAX EQUALIZATION AND REVIEW COMMISSION

NUMBER OF APPEALS

For Fiscal Years 1997 to 2000



STATE OF NEBRASKA
Auditor of Public Accounts



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**NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION
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 Tax Equalization and Review Commission as of and for the year ended June 30, 2000, and have issued our report thereon dated April 26, 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 Tax Equalization and Review Commission. 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 Tax Equalization and Review Commission'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 Tax Equalization and Review Commission'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating

to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Tax Equalization and Review Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Internal Control Over Fixed Assets) and Comment Number 2 (Internal Control Over Receipts).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions described above as Comment Number 1 (Internal Control Over Fixed Assets) and Comment Number 2 (Internal Control Over Receipts) 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.

April 26, 2001

Pat Reding, CPA
Manager