

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

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NEBRASKA REAL ESTATE COMMISSION

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NEBRASKA REAL ESTATE COMMISSION

BACKGROUND

The Nebraska Real Estate Commission, which was established in 1943, is a seven-member regulatory commission which enforces the Nebraska Real Estate License Act. The Commission licenses real estate salespersons and brokers on the basis of written examinations and minimum education or experience requirements. The Commission investigates applicants for licenses, investigates complaints against licensees, develops real estate courses in cooperation with public institutions of postsecondary education, reviews and approves activities for continuing education credit, and examines the trust accounts of real estate brokers.

The Nebraska Real Estate Commission consists of seven members, six of whom are appointed by the Governor to six-year terms. The Secretary of State is the Commission chairperson. Four members must be broker licensees with at least five years of broker or associate broker experience. The broker members are appointed from Nebraska's four congressional districts as they existed in 1961. Two members are appointed at large. One is a representative of the public, and the other is a licensed salesperson with at least three years of experience in the real estate business. All members are reimbursed for traveling expenses, and appointed members are paid \$100 a day while attending monthly Commission meetings. The Commission employs a director and other staff.

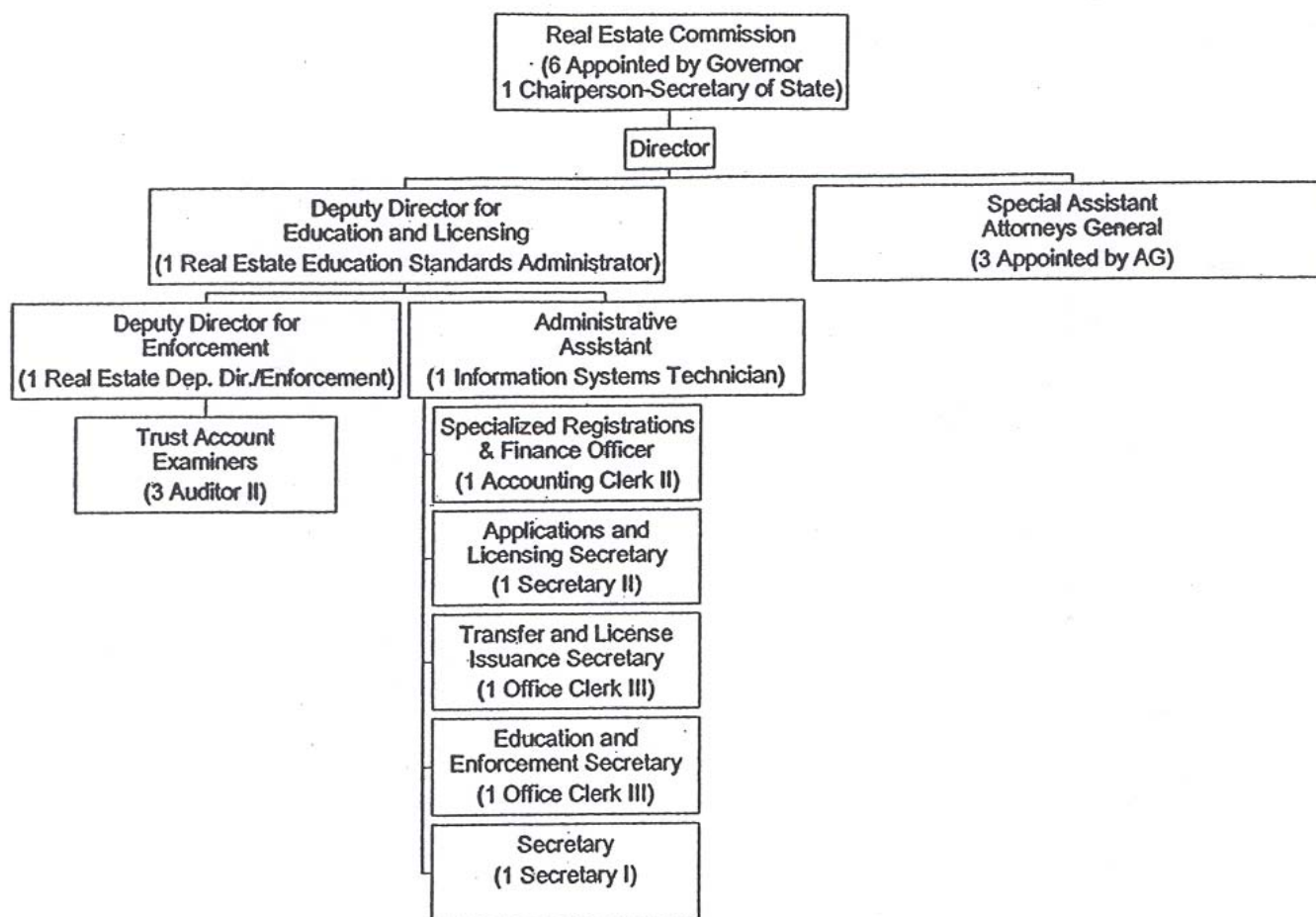
The revenue to operate the Commission is generated from license and testing fees.

MISSION STATEMENT

To protect the public interest of Nebraska citizens through the efficient and effective administration of the Nebraska Real Estate License Act, the registration of Time-Share projects, Subdivided Land projects, Retirement Communities, Subdivisions, and Membership Campgrounds.

NEBRASKA REAL ESTATE COMMISSION

ORGANIZATIONAL CHART



NEBRASKA REAL ESTATE COMMISSION

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Real Estate Commission, we noted a certain matter involving the internal control over financial reporting and other operational matters which are presented here. The comment and recommendation is intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

State Vehicle Mileage

Good internal control requires procedures, which would include adequate documentation, to ensure miles driven in State vehicles are for official Commission business and are reasonable and necessary.

Two vehicles were permanently assigned to the Commission at June 30, 2001. The vehicles were assigned to the trust account examiners. We reviewed one month of mileage logs for the two State vehicles. The following exceptions were noted:

- We reviewed 51 percent of the 1,019 miles recorded for the month. We did not note any unusual variances for the permanently assigned vehicle. However, a replacement vehicle was used for three days while the permanently assigned vehicle was being repaired. We noted a variance between the map miles and the miles reported for the points of travel. The variance was for one trip from Lincoln to Hastings and two trips from Lincoln to Omaha. The log noted 526 miles and the map listed 444 miles for an 82-mile or 18 percent variance. We considered a variance of 10 percent or less to be reasonable.
- We reviewed 56 percent of the 4,010 miles reported for the second permanently assigned vehicle for the month selected for testing. We noted the following variances for this vehicle:
 - We noted a variance between the map miles and the miles reported for the points of travel. We considered a variance of 10 percent or less to be reasonable.
 1. Wauneta to Lincoln - The log noted 330 miles and the map listed 270 miles for a 60-mile or 22 percent variance.
 2. McCook to Lincoln - The log noted 299 miles and the map listed 228 miles for a 71-mile or 31 percent variance.
 3. Lincoln to Holdrege - The log noted 188 miles and the map listed 155 miles for a 33-mile or 21 percent variance.

NEBRASKA REAL ESTATE COMMISSION

COMMENT AND RECOMMENDATION

State Vehicle Mileage (Continued)

- We noted the destinations reported on the mileage log did not agree to the examiner's timesheet for the corresponding days. The mileage log records the destination of each trip. The timesheet documents the broker who was examined, including the broker's location (city and county), and a breakdown of time spent for travel/ administrative/exam/leave used. The timesheets are on a weekly basis.
 1. We noted five days of the month reviewed where the mileage log reported destinations that did not agree to the locations reported on the employee's timesheet.
 2. We noted three days of the month reviewed where the activities reported on the mileage log did not agree to the activities reported on the employee's timesheet. We noted a return trip to Lincoln on July 19, 2000 on the mileage log but the timesheet reported exams were performed in western Nebraska on July 20, 2000 and travel time on July 21, 2000.
 3. We noted one day of the month reviewed where the mileage log reported trips to three towns in western Nebraska but the timesheet reported activity in only one town for the same day. These trips may have been attempts to examine; however, no supporting documentation was available to verify the attempts to examine were made.
- We noted the destinations reported on the mileage log did not appear reasonable.
 1. One month was reviewed. We noted one day where the log reported 35 miles to "TSB-Exam-Lincoln-Home"; all of these destinations were in Lincoln. We noted a second day where the log reported 34 miles to "Office-Exam-Office-Home"; all of these destinations were in Lincoln. We noted a third day where the log reported 38 miles to "Office-Exam-Home"; all of these destinations were also in Lincoln. These three days did not agree to the activities recorded on the employee's timesheet.
 2. We noted one day of the month reviewed where the mileage log reported a trip from Imperial to McCook and the next day a trip from McCook to Imperial. The employee's timesheet reported activity in Imperial. The expense reimbursement document for the same day showed a hotel in McCook. It appears the employee stayed in McCook but it would appear reasonable that the employee could have stayed in Imperial. The map miles from Imperial to McCook are 60 miles for a total of 120 miles to go to a hotel and back to the exam area.

NEBRASKA REAL ESTATE COMMISSION

COMMENT AND RECOMMENDATION

State Vehicle Mileage (Concluded)

- We reviewed the mileage logs for two other months during the fiscal year and noted similar situations of mileage variances of greater than 10 percent of the map miles as well as destinations recorded on the logs that did not agree to the employees' timesheets. We also noted one instance where the log reported 23 miles from Falls City to Rulo and back to Falls City for supper.

Without adequate procedures and documentation of State vehicle miles, the Commission is unable to determine if miles driven are reasonable and only for official Commission business.

We recommend the Commission implement procedures which would include adequate documentation to ensure miles driven in State vehicles are reasonable and for State business only.

Commission's Response: Based on the review of the processing of travel logs and examination time sheets of trust account examiners, a revised review process of these documents was implemented the week of April 15, 2002.

Trust Account Examiners will include on examination time sheets not only the name of the broker whose trust account was examined but also the name of any broker who the Examiner attempts to contact for an Examination, but who is not available at the time. In both instances the name of the broker and the travel time will appear on both the travel log and the examination time sheet. These documents will be submitted weekly to the Deputy Director for Enforcement who will review them for consistency and accuracy. In the Deputy Director's absence the review will be completed by the Finance Officer.

Additionally, any Expense Reimbursement Document submitted by an Examiner will be reviewed for consistency and accuracy in conjunction with the TSB Travel Log for the period by the Finance Officer or alternatively the Deputy Director for Enforcement. The name of the hotel and the town in which they stayed will be included in the "Particulars" field on the Expense Reimbursement document.

The documents recited above will be submitted weekly to the Deputy Director for Enforcement.

Additional actions may be directed by the Members of the Commission after review of this matter.

It should be noted this report is critical in nature since it contains only our comment and recommendation on the area noted for improvement.

NEBRASKA REAL ESTATE COMMISSION

COMMENT AND RECOMMENDATION
(Concluded)

Draft copies of this report were furnished to the Commission to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. A formal response was received and has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was 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.

STATE OF NEBRASKA

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NEBRASKA REAL ESTATE COMMISSION

INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA
Deputy State Auditor
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We have audited the financial statements of the Nebraska Real Estate Commission 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 Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Don Dunlap, CPA
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Pat Reding, CPA
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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.

Tim Channer, CPA
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Mary Avery
SAE/Finance Manager
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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.

Dennis Meyer
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Mark Avery
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Review Coordinator
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Also as discussed in Note 1, the financial statements present only the Nebraska Real Estate 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.

Robert Hotz, JD
Legal Counsel
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In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Real Estate Commission 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 April 16, 2002, on our consideration of the Nebraska Real Estate 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

April 16, 2002

A handwritten signature in dark ink, reading "Don Dunlap cpa". The signature is written in a cursive, flowing style.

Manager

NEBRASKA REAL ESTATE COMMISSION
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 Fund Types	Account Group	
	Special Revenue	General Fixed Assets	Totals (Memorandum Only)
Assets			
Cash in State Treasury	\$ 471,916	\$ -	\$ 471,916
Deposit with Vendors	4,931	-	4,931
Property, Plant, and Equipment	-	92,134	92,134
Total Assets	<u>\$ 476,847</u>	<u>\$ 92,134</u>	<u>\$ 568,981</u>
Fund Balances and Other Credits			
Other Credits:			
Investment in Fixed Assets	\$ -	\$ 92,134	\$ 92,134
Fund Balances:			
Reserved For Postage	4,931	-	4,931
Unreserved, Undesignated	<u>471,916</u>	<u>-</u>	<u>471,916</u>
Total Fund Balances and Other Credits	<u>\$ 476,847</u>	<u>\$ 92,134</u>	<u>\$ 568,981</u>

The accompanying notes are an integral part of the financial statements.

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

	Governmental Fund Type
	Special Revenue
RECEIPTS:	
Sales and Charges:	
Broker Renewal Fees	\$ 277,900
Salesperson Renewal Fees	274,925
Exam Fees	101,785
Application Fees	62,900
Other Sales and Charges	103,254
Miscellaneous:	
Interest	31,614
Other	18,841
TOTAL RECEIPTS	<u>871,219</u>
DISBURSEMENTS:	
Personal Services	511,764
Operating	254,932
Travel	51,474
Capital Outlay	9,920
TOTAL DISBURSEMENTS	<u>828,090</u>
Excess of Receipts Over Disbursements	<u>43,129</u>
OTHER FINANCING SOURCES (USES):	
Sales of Assets	416
Distributive Activity:	
Ins	1,282
Outs	(1,254)
TOTAL OTHER FINANCING SOURCES (USES)	<u>444</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	43,573
FUND BALANCE, JULY 1, 2000	<u>433,274</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ 476,847</u>

The accompanying notes are an integral part of the financial statements.

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

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Sales and Charges:			
Broker Renewal Fees		\$ 277,900	
Salesperson Renewal Fees		274,925	
Exam Fees		101,785	
Application Fees		62,900	
Other Sales and Charges		103,254	
Miscellaneous:			
Interest		31,614	
Other		18,841	
TOTAL RECEIPTS		<u>871,219</u>	
DISBURSEMENTS:			
Personal Services	\$ 524,322	511,764	\$ 12,558
Operating	369,498	254,932	114,566
Travel	65,496	51,474	14,022
Capital Outlay	12,509	9,920	2,589
TOTAL DISBURSEMENTS	<u>\$ 971,825</u>	<u>828,090</u>	<u>\$ 143,735</u>
Excess of Receipts Over Disbursements		<u>43,129</u>	
OTHER FINANCING SOURCES (USES):			
Sale of Assets		416	
Distributive Activity:			
Ins		1,282	
Outs		(1,254)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>444</u>	
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses		43,573	
FUND BALANCE, JULY 1, 2000		<u>433,274</u>	
FUND BALANCE, JUNE 30, 2001		<u>\$ 476,847</u>	

The accompanying notes are an integral part of the financial statements.

NEBRASKA REAL ESTATE COMMISSION

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 Commission are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Real Estate Commission (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 Real Estate Commission. No component units were identified. The Nebraska Real Estate 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 and Fund Balances for all funds of the Commission. 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.

NEBRASKA REAL ESTATE COMMISSION

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 type 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 Commission.

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 Commission 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 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.

NEBRASKA REAL ESTATE COMMISSION

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. During fiscal year 2001, the Legislature passed a deficit appropriation bill which increased the allowable disbursement level.

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 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

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 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.

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 or estimated cost by the Commission. Generally, all items purchased, except office supplies and computer software, are capitalized.

Assets in the general fixed assets account group are not depreciated. 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. The fund of the Commission was designated for investment during fiscal year 2001.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Commission 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 Commission earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees 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 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 Commission 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 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.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

- L. Fund Balance Reservations.** Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances 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 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, and natural disasters. 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:

- 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.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- 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.
- E. The Commission purchased inland marine coverage for damage to miscellaneous property for fiscal year 2001.

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 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 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.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 2001, employees contributed \$17,909 and the Commission contributed \$27,939.

5. **Distributive Activity**

The Commission's distributive activity for the audit period consists of overpayments made by individuals and sales tax collected for taxable items. The overpayments are refunded to the individuals because this is not money due to the State. The monies collected for sales taxes are transferred 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:

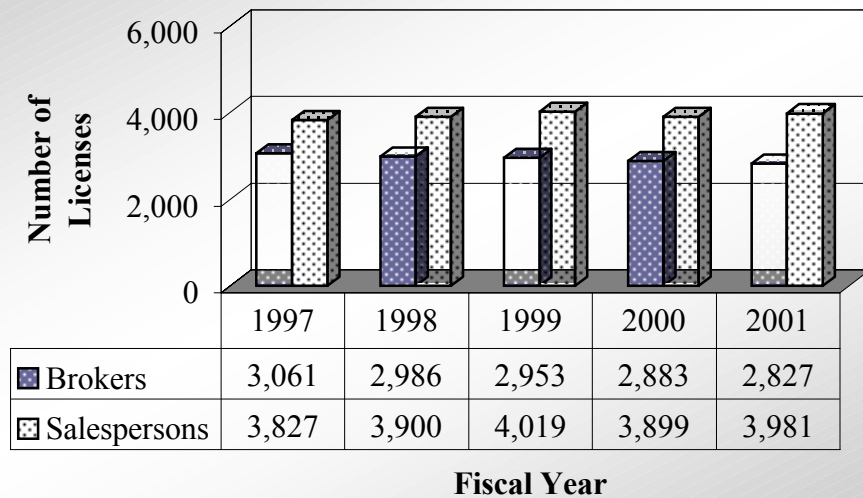
	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
Equipment	\$ 92,567	\$ 9,351	\$ 9,784	\$ 92,134

7. **GASB 34**

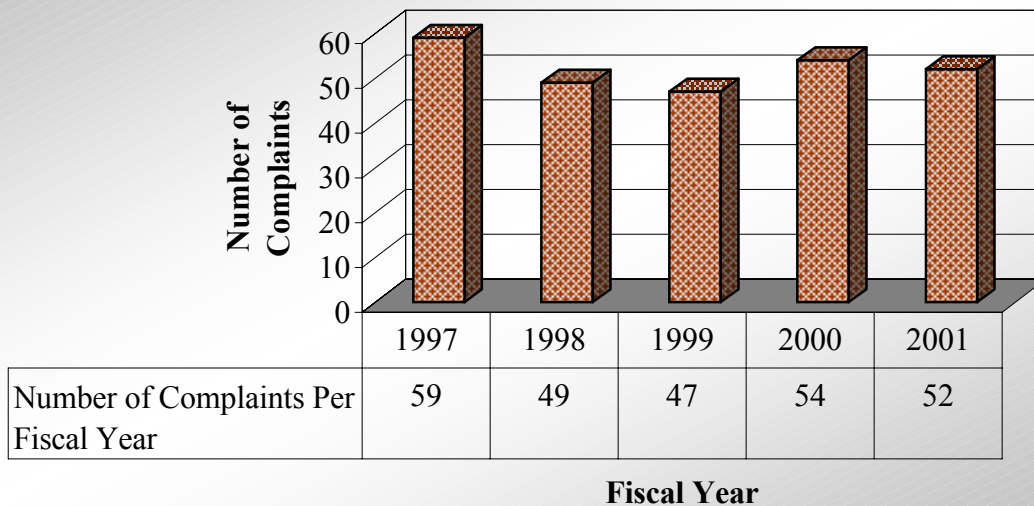
In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The State of Nebraska is planning to implement the Statement for the fiscal year ending June 30, 2002. The new accounting and reporting standards will impact the State's revenue and expenditure recognition, and assets, liabilities, and fund equity reporting. The financial statements will be reformatted to reflect the new standards.

NEBRASKA REAL ESTATE COMMISSION
FIVE YEAR SCHEDULE OF LICENSES ON RECORD AND
COMPLAINTS AGAINST LICENSEES
For the Fiscal Years Ended June 30, 1997, 1998, 1999, 2000, and 2001
UNAUDITED

LICENSES ON RECORD



COMPLAINTS AGAINST LICENSEES



STATE OF NEBRASKA

AUDITOR OF PUBLIC ACCOUNTS



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NEBRASKA REAL ESTATE 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**

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We have audited the financial statements of the Nebraska Real Estate Commission as of and for the year ended June 30, 2001, and have issued our report thereon dated April 16, 2002. 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 Commission. 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 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 Real Estate 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. 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 another matter involving the internal control over financial reporting that we have reported to management of Nebraska Real Estate Commission in the Comment Section of this report as State Vehicle Mileage.

This report is intended solely for the information and use of the Commission, 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 16, 2002

 c p A
Manager