

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

JULY 1, 2005 THROUGH JUNE 30, 2006

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Issued on February 1, 2007

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 consists of four commissioners: one from each congressional district and one at-large commissioner. The Governor appoints the commissioners to six-year terms, and the Legislature confirms the appointments. The Chairperson must be an attorney licensed to practice in the State of Nebraska and the office of chair rotates every two years. One commissioner must hold a Registered Appraiser's License. Each commissioner must satisfy certain continuing education requirements on an annual basis.

The Commission is charged with four principle duties: (1) to hear and decide appeals from decisions of the County Boards of Equalization; (2) to hear and decide appeals from certain decisions of the Property Tax Administrator, the Tax Commissioner, and the Department of Motor Vehicles; (3) to hear and decide petitions filed by County Boards of Equalization after the protest process; and (4) to review and equalize assessments of property for taxation within the State as provided under Article IV, Section 28, of the Constitution of the State of Nebraska.

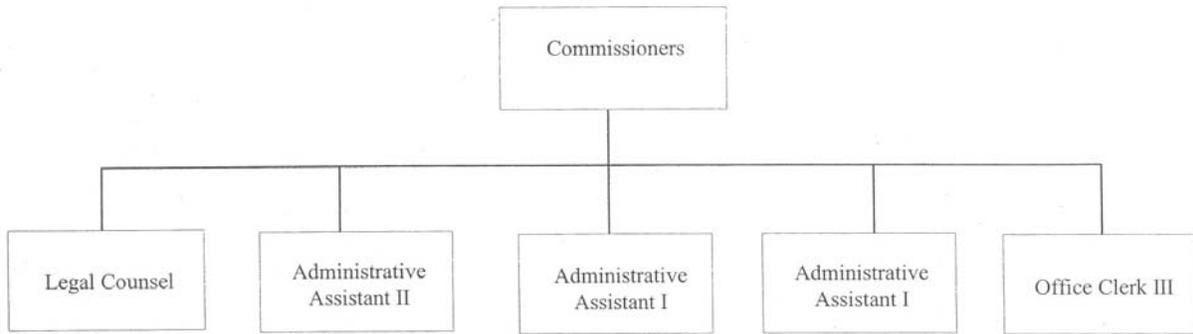
The Commission spends the majority of its time hearing individual appeals from County Boards of Equalization regarding the valuation of real property. The hearings are usually "informal," though structured. The commissioners travel extensively to regional hearing sites to hear these appeals in order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

MISSION STATEMENT

The mission of the Tax Equalization and Review Commission is to achieve statewide equalization of assessments of property for taxation as required by the Constitution of the State of Nebraska, and to review decisions of others impacting the valuation or taxation of property in an open, accessible, and impartial forum.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

ORGANIZATIONAL CHART



NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

EXIT CONFERENCE

An exit conference was held January 24, 2007, with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Tax Equalization and Review Commission were:

NAME	TITLE
William Wickersham	Commission Chairperson
Robert Hans	Commissioner
William Warnes	Commissioner
Susan Lore	Commissioner

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

SUMMARY OF COMMENTS

During our examination of the Nebraska Tax Equalization and Review Commission, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. ***Untimely Deposits:*** The Commission did not deposit three of five receipts tested in accordance with Neb. Rev. Stat. Section 84-710 R.R.S. 1999. The monies were deposited 13 to 17 days after receipt. The monies totaled \$600.
2. ***Reconciliation of Bank Records to the Nebraska Information System:*** The Department of Administrative Services' reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature as 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. The Commission declined to respond.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Untimely Deposits

Neb. Rev. Stat. Section 84-710 R.R.S. 1999 states, any money belonging to the State or due for any service rendered by virtue of State authority shall pay the same into the State treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars.

The Commission does not deposit monies received until after the appeal is processed. Because of this procedure we noted three of five receipts tested were not deposited timely, in accordance with State statute. Each of the three receipts should have been deposited within seven days; however, they were deposited between 13 to 17 days after receipt. The receipts totaled \$600. This was a prior year exit comment.

We recommend the Commission ensure receipts are deposited timely in accordance with State statute.

2. Reconciliation of Bank Records to the Nebraska Information System

During the audit of the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska, we noted the absence of a completed reconciliation between the State Treasurer's bank statements and the accounting records on the Nebraska Information System (NIS). This has been an issue for the Department of Administrative Services Accounting Division (State Accounting) for many years. Our previous comments noted monthly reconciliations were not completed in a timely manner and showed significant unknown variances with bank records short compared to accounting records. Although State Accounting continues to work on the reconciliation of bank records to NIS accounting records, we continue to note areas where improvement is needed in the reconciliation process to ensure NIS integrity and operational efficiency.

As of October 31, 2006, State Accounting has developed a very detailed process of analyzing bank activity compared to activity recorded on NIS to identify reconciling items, but continued progress is needed. State Accounting continues to work on reconciliations for the months of June 2005 through June 2006 to determine the reasons for the continuing unknown variances. We have reviewed the reconciliations and noted the month of June 2006 shows an unknown variance of \$2,657,411. Again, the reconciliations show bank records short compared to accounting records.

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information. Without a timely and complete reconciliation of bank records to NIS accounting records, there is a greater risk for fraud or errors to occur and to remain undetected.

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Reconciliation of Bank Records to the Nebraska Information System (Concluded)

We recommend State Accounting continue the reconciliation process to ensure all financial information is correct on NIS. We also recommend, when a consistent cash variance between bank records and accounting records is obtained, State Accounting should submit the shortage amount to the Governor and the Legislature. The Governor and the Legislature should then develop a plan to correct NIS accounting records and resolve the shortage noted.

This issue is the responsibility of State Accounting; however, as the variance has not been identified by fund or agency, this issue directly affects all Nebraska State agencies' financial information and must be disclosed in this report.

STATE OF NEBRASKA
Auditor of Public Accounts



Mike Foley
State Auditor
Mike.Foley@apa.ne.gov

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Tax Equalization and Review Commission
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Tax Equalization and Review Commission (Commission) for the fiscal year ended June 30, 2006. The Commission's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Tax Equalization and Review Commission for the fiscal year ended June 30, 2006, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Commission and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

January 24, 2007


Assistant Deputy Auditor

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	General Fund 10000	Tax Equalization and Review Commission Cash Fund 29310	Totals (Memorandum Only)
REVENUES:			
Appropriations	\$ 693,621	\$ -	\$ 693,621
Sales & Charges	-	22,105	22,105
Miscellaneous	-	3,531	3,531
TOTAL REVENUES	693,621	25,636	719,257
EXPENDITURES:			
Personal Services	613,401	-	613,401
Operating	65,967	(26)	65,941
Travel	13,714	1,357	15,071
Capital Outlay	539	-	539
TOTAL EXPENDITURES	693,621	1,331	694,952
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	24,305	24,305
FUND BALANCES, JULY 1, 2005	-	68,765	68,765
FUND BALANCES, JUNE 30, 2006	\$ -	\$ 93,070	\$ 93,070
FUND BALANCES CONSIST OF:			
General Cash	\$ -	\$ 93,070	\$ 93,070
TOTAL FUND BALANCES	\$ -	\$ 93,070	\$ 93,070

The accompanying notes are an integral part of the schedule.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2006

1. Criteria

The accounting policies of the Nebraska Tax Equalization and Review Commission (Commission) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.S.Supp., 2004, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS – Accounting Division and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Commission was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2006, includes only those payables posted to NIS before June 30, 2006, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2006, **does not** include amounts for goods and services received before June 30, 2006, which had not been posted to NIS as of June 30, 2006.

The Commission had no accounts receivable at June 30, 2006. The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Commission are:

10000 – General Fund – accounts for all financial resources not required to be accounted for in another fund.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

The major revenue object account codes established by NIS used by the Commission are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

The major expenditure object account titles established by NIS used by the Commission are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Commission.

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

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

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Other significant object account codes established by NIS and used by the Commission include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts. Cash accounts are included in the fund balance and are reported as recorded on NIS.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance.

2. State Agency

The Nebraska Tax Equalization and Review 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 schedule includes all funds of the Commission.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO THE SCHEDULE

(Continued)

2. State Agency (Concluded)

The Nebraska Tax Equalization and Review Commission is part of the primary government for the State of Nebraska.

3. Totals

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

4. General Cash

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

5. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Commission values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$300 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets (Concluded)

Capital asset activity of the Commission for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 127,571	\$ 539	\$ -	\$ 128,110
Less accumulated depreciation for:				
Equipment				<u>106,854</u>
Total capital assets, net of depreciation				<u>\$ 21,256</u>

STATE OF NEBRASKA
Auditor of Public Accounts



Mike Foley
State Auditor
Mike.Foley@apa.ne.gov

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

**NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Nebraska Tax Equalization and Review Commission
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Tax Equalization and Review Commission for the fiscal year ended June 30, 2006, and have issued our report thereon dated January 24, 2007. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Tax Equalization and Review Commission's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial schedule being examined 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Tax Equalization and Review Commission's schedule of revenues, expenditures, and changes in fund balances, is free

of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional items that we reported to management of the Nebraska Tax Equalization and Review Commission in the Comments Section of this report as Comment Number 1 (Untimely Deposits) and Comment Number 2 (Reconciliation of Bank Records to the Nebraska Information System).

This report is intended solely for the information and use of the Commission and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

January 24, 2007

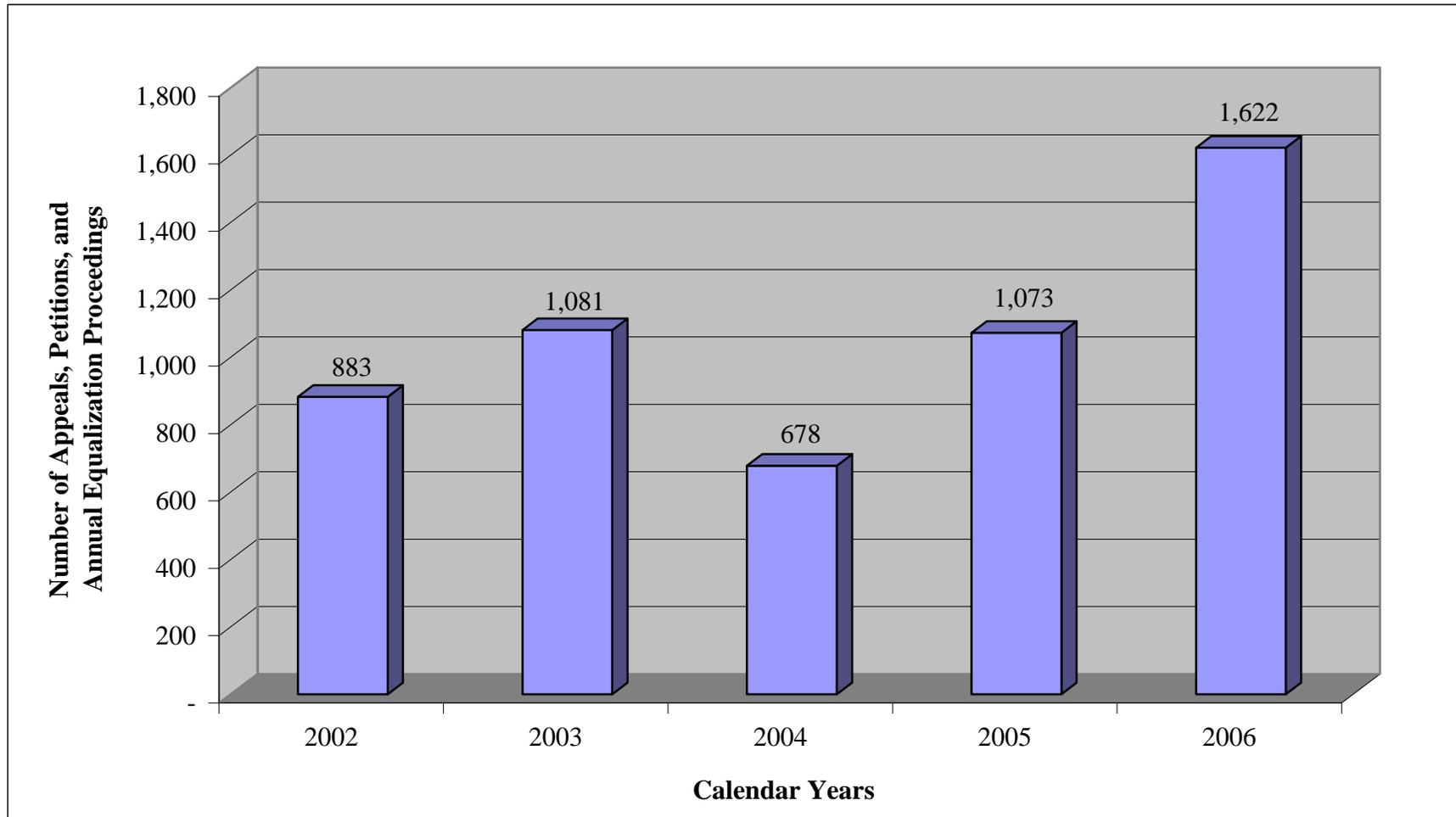

Assistant Deputy Auditor

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION
NUMBER OF APPEALS, PETITIONS, AND ANNUAL EQUALIZATION PROCEEDINGS
For Calendar Years 2002 to 2006
UNAUDITED



Note: The numbers for calendar year 2006 may not include all appeals, petitions, and annual equalization proceedings as the filing period is not complete. However, the number of appeals, petitions, and annual equalization proceedings that could come in would not be significant.