

**AUDIT REPORT
OF THE
NEBRASKA DEPARTMENT OF
PROPERTY ASSESSMENT AND TAXATION
JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Mission Statement	2
Organizational Charts	3 - 6
Comments Section	
Summary of Comments	7
Comments and Recommendations	8 - 10
Financial Section	
Independent Auditors' Report	11 - 12
Financial Statements:	
Combined Statement of Assets and Fund Balances Arising from Cash Transactions – All Fund Types	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances	14
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual – General and Cash Funds	15
Notes to Financial Statements	16 - 23
Combining Statements and Schedules:	
Combining Statement of Assets and Fund Balances Arising from Cash Transactions – All Special Revenue Funds	24
Combining Statement of Receipts, Disbursements, and Changes in Fund Balances – Special Revenue Funds	25
Statistical Graphs	26 - 28
Government Auditing Standards Section	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	29 - 30

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION

BACKGROUND

The Nebraska Department of Property Assessment and Taxation (the Department) was officially created by the 1999 Legislature's enactment of Sections 77-701 to 77-708, effective July 1, 1999. The Property Tax Administrator is designated as the Department's chief executive officer. Specific statutes regarding the duties and responsibilities of the Department of Property Assessment and Taxation and the Property Tax Administrator are primarily contained in Chapter 77 of the Revised Statutes of Nebraska.

Prior to July 1, 1999, the responsibilities of the Department of Property Assessment and Taxation were handled by the Property Tax Division of the Department of Revenue. The Property Tax Administrator position was created in 1996, as a six-year appointment by the Governor, to handle all property tax functions independent of the Tax Commissioner.

Beginning July 1, 1998, counties were able to elect to turn over their county assessment functions to the Department of Property Assessment and Taxation. As of June 30, 2000, the following counties had turned over their assessment functions to the Department: Dakota, Dodge, Garfield, Harlan, Keith, Saunders, and Sherman.

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION

MISSION STATEMENT

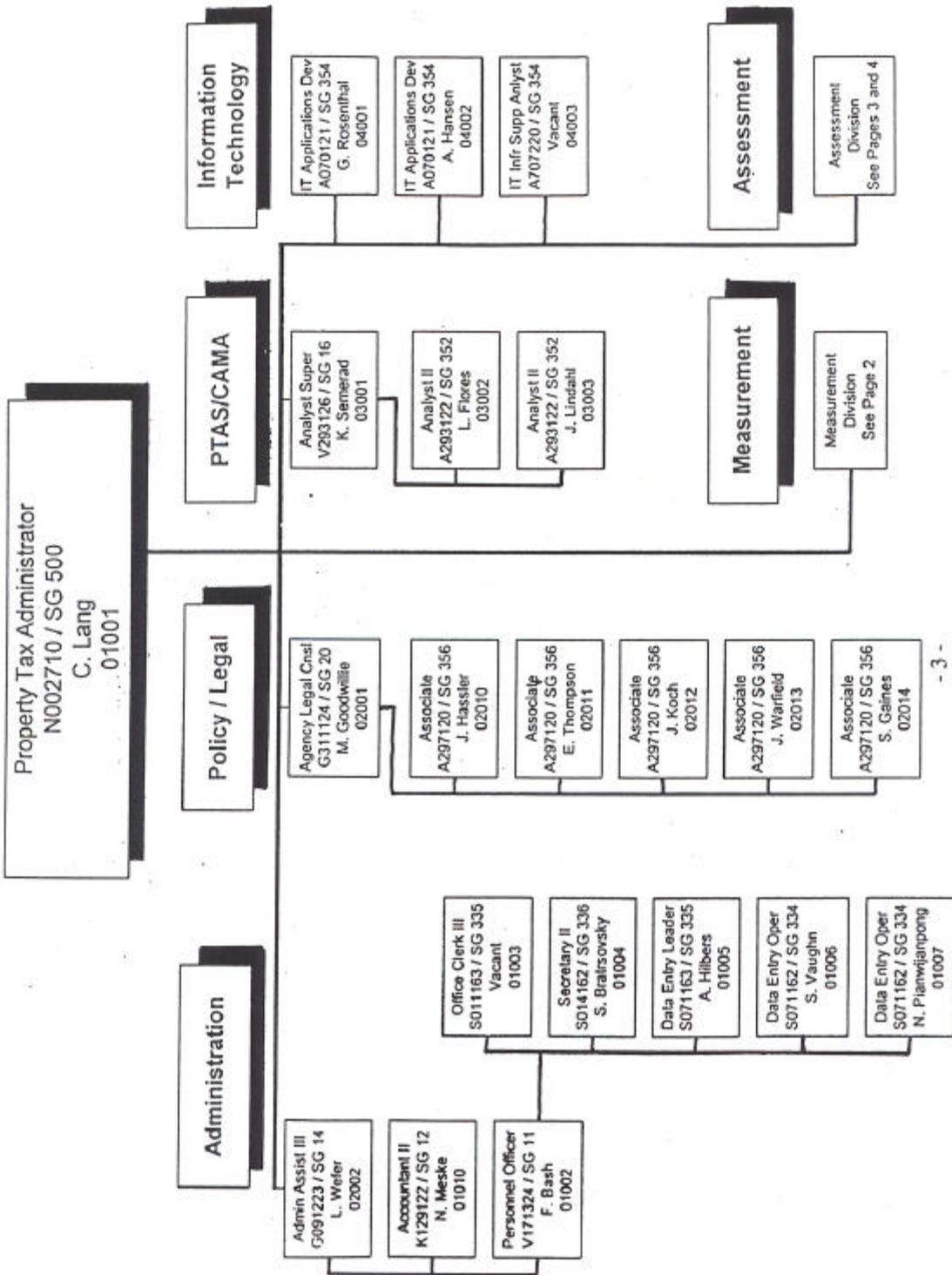
The purpose of the Nebraska Department of Property Assessment and Taxation is to develop information, in various formats, that assists the administrators, payers and beneficiaries of the property taxes to make informed decisions concerning the quality of the assessment function of the property tax system in Nebraska. Beginning on July 1, 1998, the Department assumed the assessment function in several counties in Nebraska.

The Department, directed by the Property Tax Administrator, is statutorily created and is governed by the Nebraska Constitution and statutes. Its functions include, but are not limited to, the following:

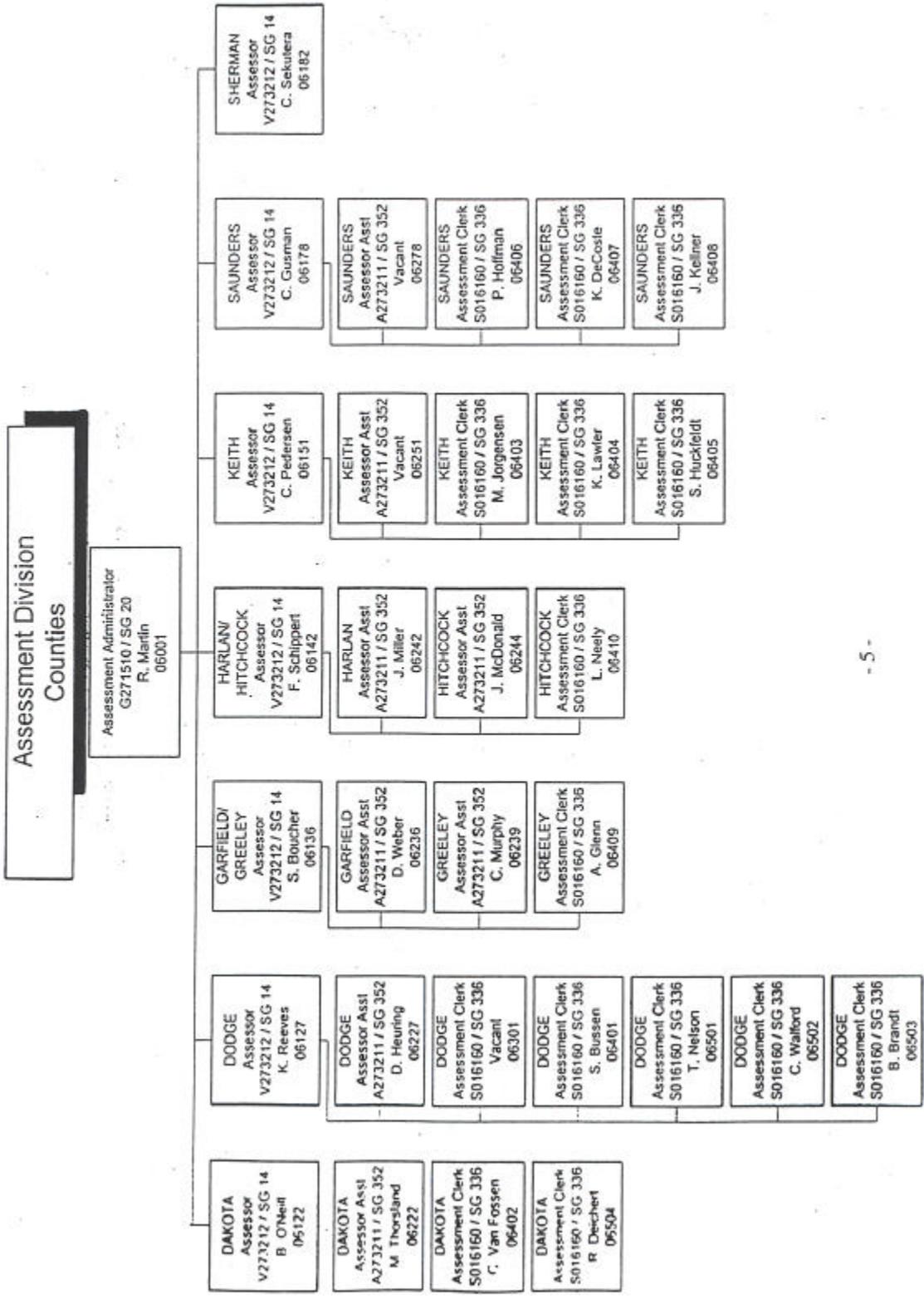
- To provide legal, policy and assessment information through regulations, rulings, directives, standards, manuals, and education, to the county assessors and other assessing officers to ensure the uniform execution of the property tax laws.
- To administer the assessment function in counties which have transferred that responsibility to the Property Tax Administrator.
- To provide advice concerning the assessment of real property to ensure the uniform and proportionate valuation of real property.
- To provide information to the property owner concerning the level of value and quality of the assessment of real property in each county.
- To determine the assessable valuation of all taxable property in each school district.
- To value and distribute the value of property required to be valued by the state, such as railroad companies, public service entities, carline companies, and air carriers.
- To administer the assessment administrative program for contracted counties.

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION

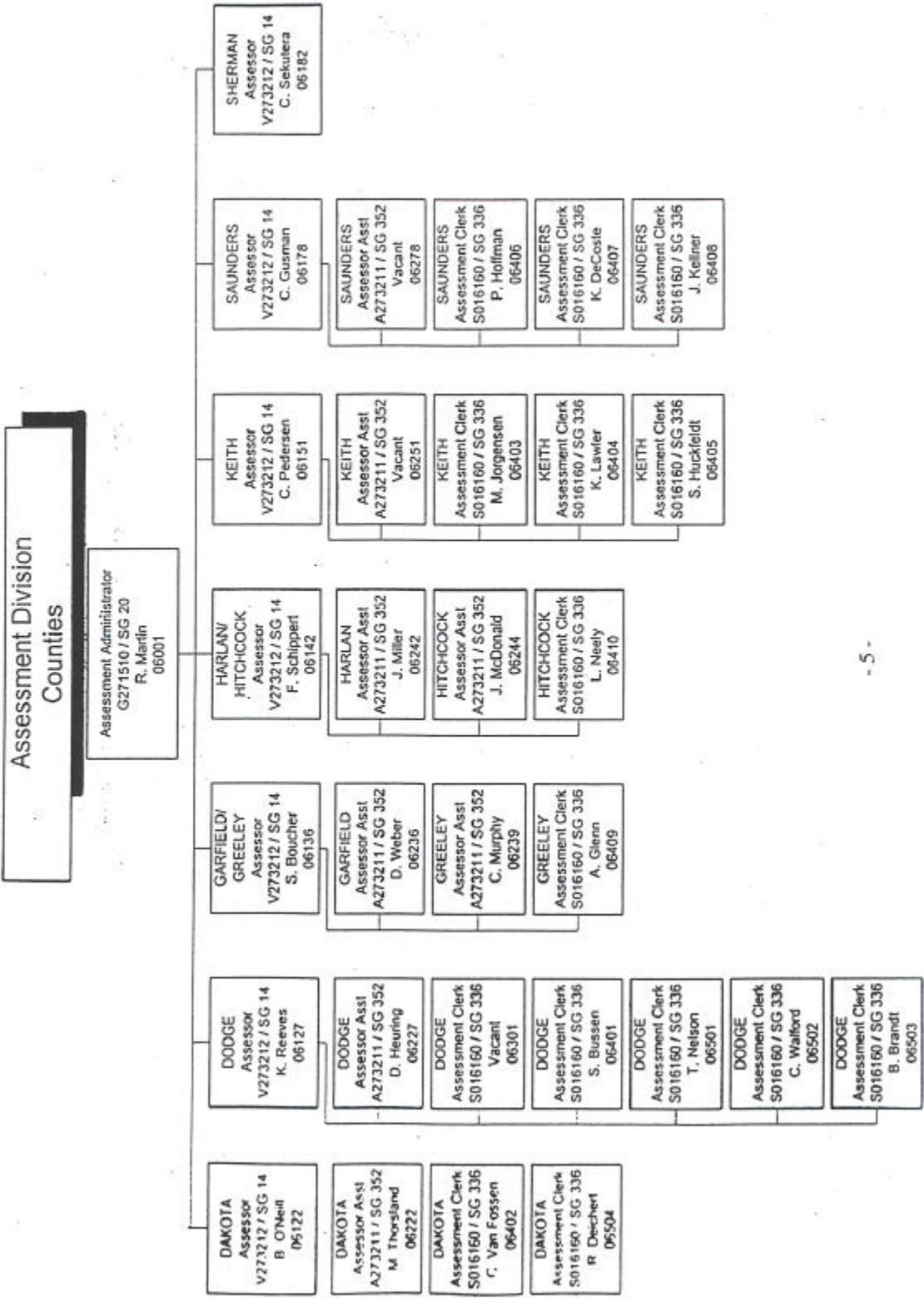
ORGANIZATIONAL CHARTS



NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
ORGANIZATIONAL CHARTS



NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
ORGANIZATIONAL CHARTS



SUMMARY OF COMMENTS

During our audit of the Nebraska Department of Property Assessment and Taxation, 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. ***Billing Procedures:*** Follow-up procedures were not in place to ensure collection of all monies due to the State.
2. ***Fixed Assets:*** Numerous statutory, accounting, and internal control concerns were noted in the Department's accountability for fixed assets.
3. ***Leave Usage:*** Employee leave was not supported by leave request forms.

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 Department 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. 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.

COMMENTS AND RECOMMENDATIONS

1. Billing Procedures

Neb. Rev. Stat. Section 77-1340.03(1), R.S.Supp., 2000, states, in part, “A county assessor who becomes a state employee and who does not have any accrued sick leave shall be granted one hundred sixty hours of sick leave. The county shall reimburse the state for twenty-five percent of the value of the sick leave hours based on the straight-time rate of pay for the county assessor.” In addition, sound accounting practices require the Department to have follow-up procedures in place to ensure collection of all monies due the State.

During our audit, we noted the Department had billed Dodge County a total of \$24,887 for reimbursement of vacation and sick leave accruals when the County turned the assessment function over to the State. Dodge County reduced its reimbursement to the State by \$684, the amount of accrued sick leave for the county assessor. In July 1999, the Department, citing section 77-1340.03, requested payment of the \$684 from Dodge County. As of November 2000, Dodge County had not paid the \$684 and the Department’s Accountant, who is responsible for coordinating the Department’s receivables, was unaware that this amount was due from Dodge County. In addition, we noted that at the time of fieldwork the Department’s accounting was still showing a \$4,200 reimbursement from Sherman County as unpaid even though it had been paid in full in July 1998.

We recommend the Department implement review procedures to ensure a complete and timely follow-up on all monies due the State.

Department’s Response: The Department has concluded that review procedures do need to be put in place so that timely follow-ups may result. The Department would like our Accountant to write up a statement at the end of each quarter showing what monies are uncollected as of the date of the statement. This statement will be distributed to the individuals in the office associated with the billing so that they may contact the vendor and remind them of payment.

2. Fixed Assets

Neb. Rev. Stat. Section 81-1118.02, R.R.S. 1999, requires that by August 31 of each year, the Department report to the Materiel Administrator an inventory of all property, including furniture and equipment, which belongs to the State of Nebraska and is in the possession, custody, or control of the Department as of June 30 of each year. Additionally, Neb. Rev. Stat. Section 81-161.04(2), R.S.Supp., 2000, with regard to surplus property, states that the proceeds of surplus sales shall be credited to the General Fund unless the Department certifies that the property was purchased in part or in total from either cash accounts or federal funds.

COMMENTS AND RECOMMENDATIONS

2. Fixed Assets (Continued)

In order to provide Departments with some fixed asset guidance, the Nebraska Department of Administrative Services (DAS) issued a guideline, which recommends all fixed assets with a purchase cost over \$1,500 be inventoried. In addition, the Nebraska Accounting System Manual (NAS) requires that all items coded as capital assets (4800 account codes) be included on the Agency's inventory listing.

Good internal control requires the Department to have a plan of organization and specific procedures and records designed to safeguard assets and provide reliable financial records.

During our audit, we noted that the Department: a) had not adopted a fixed asset policy; b) had not performed an annual physical inventory and reported such inventory to the Materiel Administrator; c) deposited proceeds from the sale of surplus property into the Cash Fund when the original funding source could not be determined; and d) made no additions to the Department's original fixed asset inventory listing during the fiscal year despite incurring over \$230,000 in capital outlay expenditures.

As a result of these findings, the Department is not in compliance with the State Statutes cited above, and has an increased risk that loss, theft, or misuse of State-owned property would not be detected in a timely manner. Furthermore, in order to avoid misstatement, a general fixed asset account group cannot be included in the Department's financial statements due to capital outlay purchases not being added to the fixed asset system.

We recommend the following:

- The Department adopt a fixed asset policy which provides controls and procedures to govern fixed assets.
- The Department perform an annual physical inventory of fixed assets and report its updated inventory list to the Material Administrator.
- The Department deposit all surplus property sale proceeds to the General Fund when the fund of origination cannot be determined.
- The Department process all additions and deletions in a timely manner so the inventory listing provides an ongoing, accurate accounting of the assets in the Department's possession, custody, or control.

COMMENTS AND RECOMMENDATIONS

2. Fixed Assets (Concluded)

- Someone independent of adding/deleting items from the Statewide Inventory System (SWIS) periodically review history reports of system transactions. In order to be relied upon as an operating internal control, the reviewer must document such independent reviews.

Department's Response: The Department is already in the process of drafting a fixed asset policy. The other recommendations from the State Auditors concerning fixed assets, such as performing an annual physical inventory of fixed assets; depositing all surplus sale proceeds to the General Fund when the fund of origination cannot be determined; processing all additions and deletions in a timely manner; and periodically reviewing history reports through independent reviews, will be adopted in the finalized policy.

3. Leave Usage

On May 18, 1998 the Property Tax Administrator formally adopted the policies of the Nebraska Department of Revenue as the policies to be used and followed by the Nebraska Department of Property Assessment and Taxation (previously known as the Nebraska Department of Revenue – Property Tax Division). Policy No. 301, IV, states that when requesting leave, the request must be in writing and presented to the employee's direct supervisor for approval. The Policy further states that leave is not approved until the employee's written request is approved by the appropriate authority.

During testing, it was noted that not all leave used by employees was supported by leave request forms. Department personnel indicated that some supervisors may not require written leave request forms from employees. Additionally, personnel stated that some supervisors may not consistently forward approved leave request forms to Administration for filing.

We recommend that all employee leave use be supported by leave request forms as required by the Department's adopted policies. We further recommend that to best ensure record retention compliance, as well as to enable an independent check of leave reporting, all approved leave requests should be filed with Administration staff in a timely manner.

Department's Response: The importance of the use of leave request forms has been reinforced to all of the Department's offices. Also, the Department has implemented a new version of the form that will be in use January 1, 2001. The new form is a three-part form, eliminating the need for supervisors to keep the original copy belonging to Administration for filing.

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Auditor of Public Accounts



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NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Department of Property Assessment and Taxation 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 Department'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 Department of Property Assessment and Taxation, 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 Department of Property Assessment and Taxation 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 November 28, 2000, on our consideration of the Nebraska Department of Property Assessment and Taxation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The Report On Compliance And On Internal Control Over Financial Reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The accompanying combining statements and graphs are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, 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.

November 28, 2000


Manager

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES
June 30, 2000

		<u>Governmental Fund Types</u>
<u>Assets</u>		<u>Special Revenue</u>
Cash in State Treasury	\$ 2,859,015	
Deposit with Vendors		<u>3,915</u>
Total Assets		<u><u>\$ 2,862,930</u></u>
Fund Balances		
Fund Balances:		
Reserved For Postage	\$ 3,915	
Reserved Per 77-5303 R.S. Supp., 2000 (Note 1)	884,668	
Unreserved, Undesignated		<u>1,974,347</u>
Total Fund Balances		<u><u>\$ 2,862,930</u></u>

See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
RECEIPTS:			
Appropriations	\$ 4,215,285	\$ -	\$ 4,215,285
Taxes	4,122,447	961,570	5,084,017
Intergovernmental	-	35,199	35,199
Sales and Charges	-	476,253	476,253
Miscellaneous	14	1,033,359	1,033,373
TOTAL RECEIPTS	8,337,746	2,506,381	10,844,127
DISBURSEMENTS:			
Personal Services	2,797,581	215,658	3,013,239
Operating	1,003,304	499,414	1,502,718
Travel	182,200	22,081	204,281
Capital Outlay	232,200	4,390	236,590
Government Aid	-	-	-
TOTAL DISBURSEMENTS	4,215,285	741,543	4,956,828
Excess of Receipts Over Disbursements	4,122,461	1,764,838	5,887,299
OTHER FINANCING SOURCES (USES):			
Sales of Assets	-	70	70
Operating Transfers In	-	30,000,000	30,000,000
Operating Transfers Out	-	(30,000,000)	(30,000,000)
Deposits to State General Fund	(4,122,461)	-	(4,122,461)
TOTAL OTHER FINANCING SOURCES (USES)	(4,122,461)	70	(4,122,391)
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	-	1,764,908	1,764,908
FUND BALANCE, JULY 1, 1999	-	1,098,022	1,098,022
FUND BALANCE, JUNE 30, 2000	\$ -	\$ 2,862,930	\$ 2,862,930

See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 General, Cash Funds
 For the Year Ended June 30, 2000

	GENERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Appropriations		\$ 4,215,285	
Taxes		4,122,447	
Intergovernmental		-	
Sales and Charges		-	
Miscellaneous		<u>14</u>	
TOTAL RECEIPTS		<u>8,337,746</u>	
DISBURSEMENTS:			
Personal Services		2,797,581	
Operating		1,003,304	
Travel		182,200	
Capital Outlay		<u>232,200</u>	
TOTAL DISBURSEMENTS	<u>4,358,455</u>	<u>4,215,285</u>	<u>143,170</u>
Excess of Receipts Over Disbursements		<u>4,122,461</u>	
OTHER FINANCING SOURCES (USES):			
Sale of Assets		-	
Operating Transfers In		-	
Operating Transfers Out		-	
Deposit to State General Fund		<u>(4,122,461)</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(4,122,461)</u>	
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses		-	
FUND BALANCES, JULY 1, 1999		<u>-</u>	
FUND BALANCES, JUNE 30, 2000		<u><u>\$ -</u></u>	

See Notes to Financial Statements.

CASH FUND			TOTAL (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	\$ -			\$ 4,215,285	
	961,570			5,084,017	
	35,199			35,199	
	476,253			476,253	
	<u>1,033,359</u>			<u>1,033,373</u>	
	<u>2,506,381</u>			<u>10,844,127</u>	
	215,658		\$ 3,251,929	3,013,239	\$ 238,690
	499,414		1,478,094	1,502,718	(24,624)
	22,081		218,837	204,281	14,556
	4,390		205,535	236,590	(31,055)
<u>795,940</u>	<u>741,543</u>	<u>54,397</u>	<u>5,154,395</u>	<u>4,956,828</u>	<u>197,567</u>
	<u>1,764,838</u>			<u>5,887,299</u>	
	70			70	
	30,000,000			30,000,000	
	(30,000,000)			(30,000,000)	
	<u>-</u>			<u>(4,122,461)</u>	
	<u>70</u>			<u>(4,122,391)</u>	
	1,764,908			1,764,908	
	<u>1,098,022</u>			<u>1,098,022</u>	
<u>\$ 2,862,930</u>			<u>\$ 2,862,930</u>		

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Department of Property Assessment and Taxation are on the basis of accounting as described in the Nebraska Accounting System Manual.

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

These financial statements present the Nebraska Department of Property Assessment and Taxation. No component units were identified. The Nebraska Department of Property Assessment and Taxation is part of the primary government for the State of Nebraska's reporting entity.

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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 Department 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.

- 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 Department 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 2000, the Legislature passed a deficit appropriation bill which increased the allowable disbursement level in one of the Department's programs.

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, cash, construction, and revolving 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.

The Department 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 Department'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 Department's intention to honor the encumbrances at the end of a biennium. The

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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. 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 Department were designated for investment during fiscal year 2000.
- F. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.
- G. Compensated Absences.** All permanent employees working for the Department earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds (and amounts related to proprietary funds and non-expendable trust funds would be reflected separately in those 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. These taxes include airline and carline tax assessments.

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Sales and charges also include the collection fees on registration of interstate fleet vehicles (commonly known as 'prorate') as well as user fees related to the use and support of assessment software.

Miscellaneous. Receipts from sources not covered by other major categories, including investment interest.

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

J. Fund Balance Reservations. Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Neb. Rev. Stat. Section 77-5303 R.S. Supp., 2000 created the Relief to Property Taxpayers Cash Fund and states that the fund shall only be used pursuant to the Relief to Property Taxpayers Act. 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 Department 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 Department, 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.
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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

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 Department of Property Assessment and Taxation's financial statements.

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

For the Fiscal Year Ended June 30, 2000, employees contributed \$98,415 and the Department contributed \$153,528.

5. 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 schedule reflects appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning Balance July 1, 1999	\$ 61,855
New Appropriations	4,296,600
Total Appropriations	<u>4,358,455</u>
Disbursements	<u>(4,218,285)</u>
Ending (Appropriations) Balance June 30, 2000	<u><u>\$ 143,170</u></u>

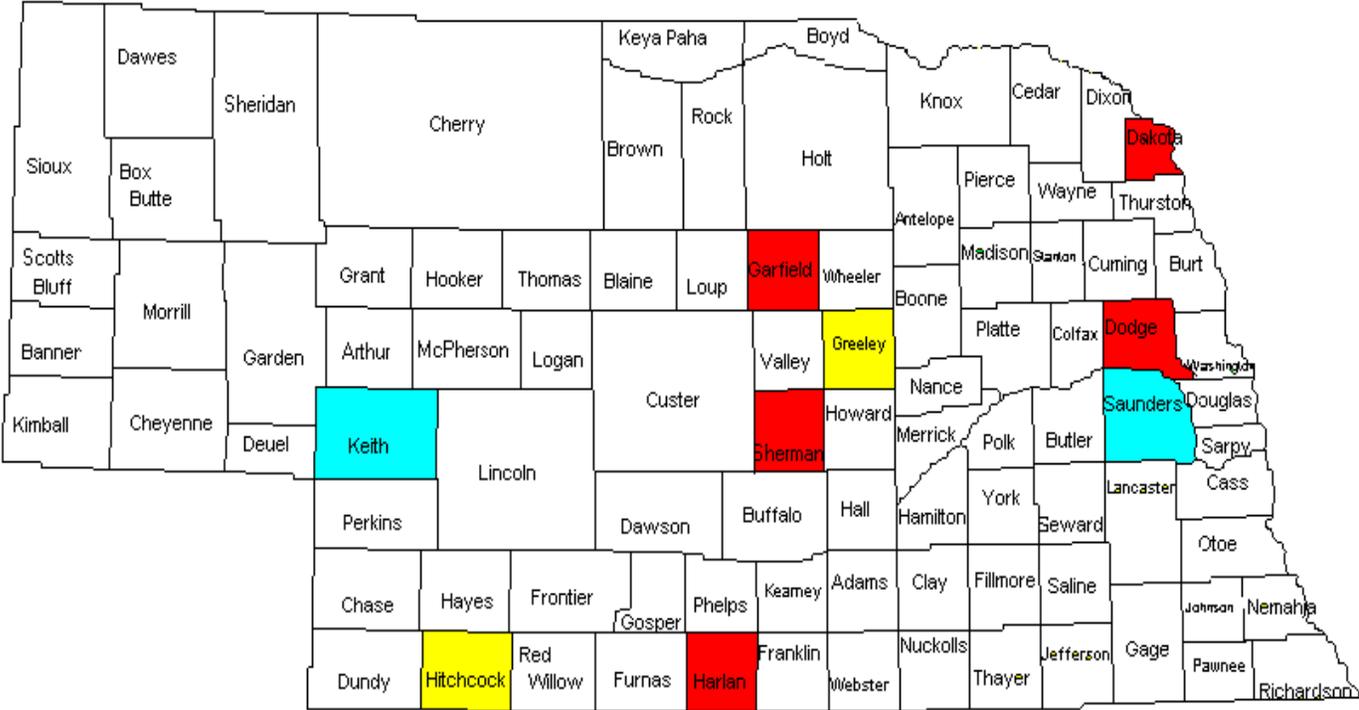
NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
 ALL SPECIAL REVENUE FUNDS
 June 30, 2000

	Dept. of Property Assessment & Taxation Fund 2155	Relief to Property Taxpayers Fund 2961	Total Special Revenue Funds
Assets			
Cash in State Treasury	\$ 1,974,347	\$ 884,668	\$ 2,859,015
Deposit with Vendors	3,915	-	3,915
Total Assets	\$ 1,978,262	\$ 884,668	\$ 2,862,930
Fund Balances and Other Credits			
Fund Balances:			
Reserved For Postage	\$ 3,915		\$ 3,915
Reserved Per 77-5303 R.S. Supp., 2000 (Note 1)		\$ 884,668	\$ 884,668
Unreserved, Undesignated	1,974,347	-	1,974,347
Total Fund Balances	\$ 1,978,262	\$ 884,668	\$ 2,862,930

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

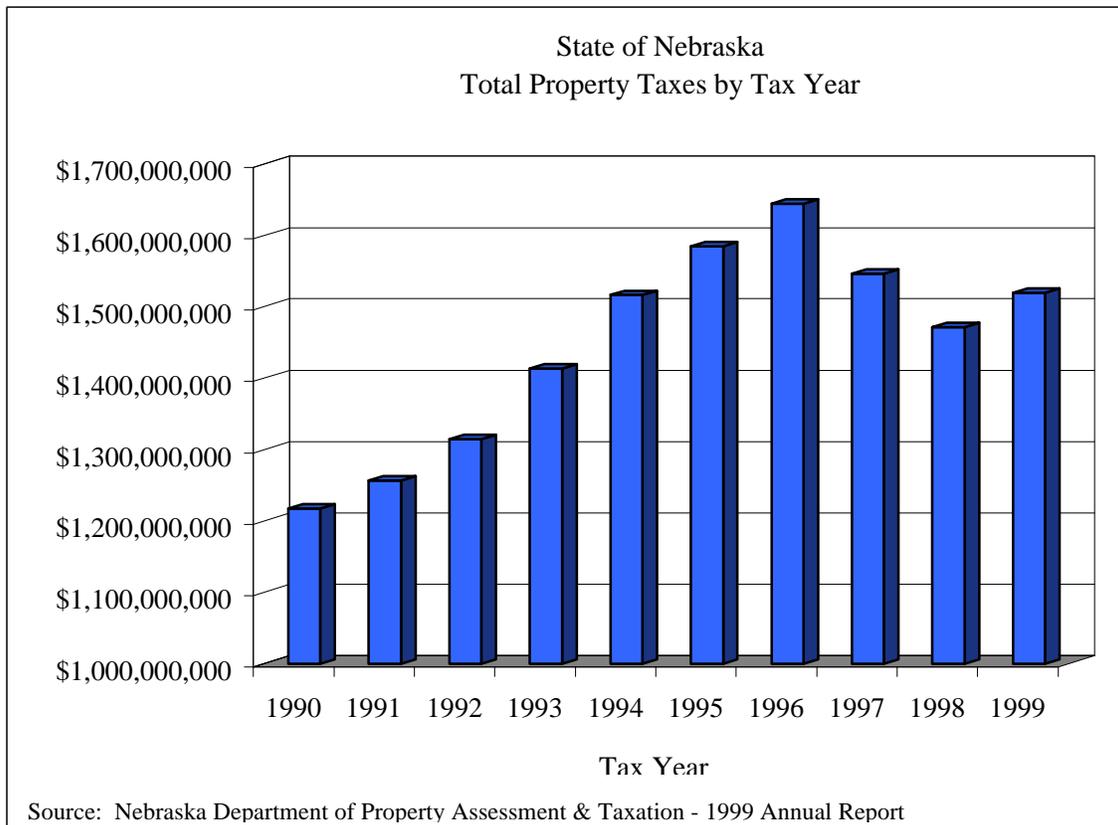
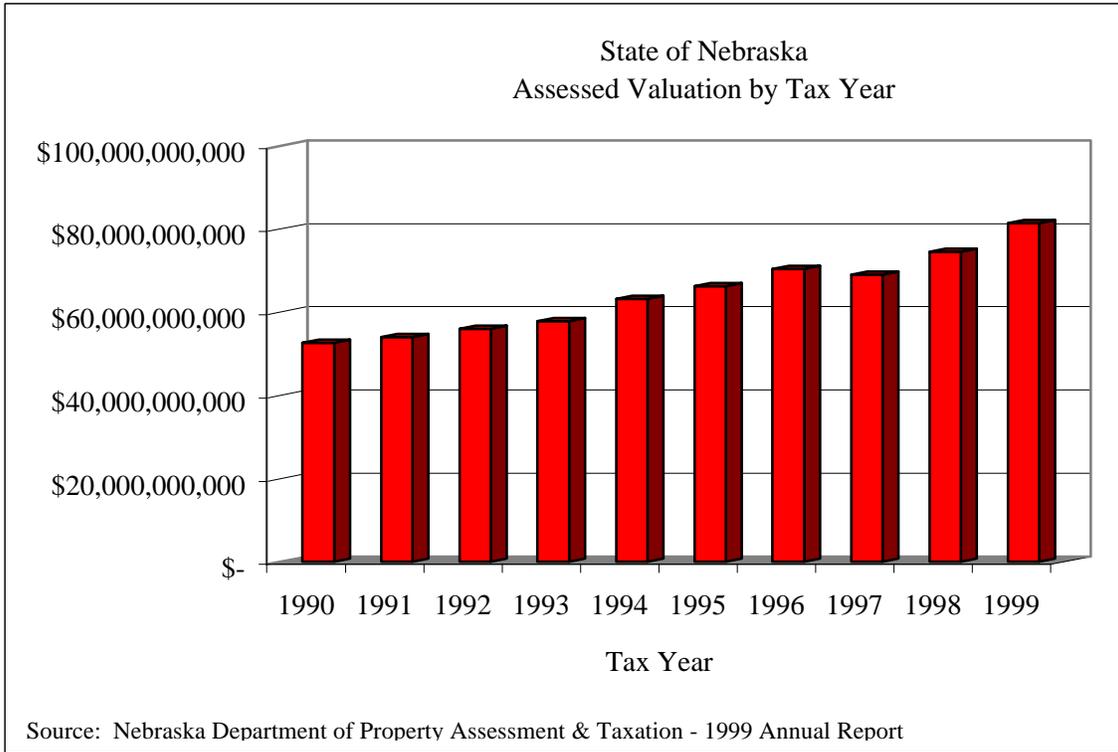
	<u>Dept. of Property Assessment & Taxation Fund 2155</u>	<u>Relief to Property Taxpayers Fund 2961</u>	<u>Total Special Revenue Funds</u>
RECEIPTS:			
Taxes	\$ 961,570	\$ -	\$ 961,570
Intergovernmental	35,199	-	35,199
Sales and Charges	476,253	-	476,253
Miscellaneous	<u>148,691</u>	<u>884,668</u>	<u>1,033,359</u>
TOTAL RECEIPTS	<u>1,621,713</u>	<u>884,668</u>	<u>2,506,381</u>
DISBURSEMENTS:			
Personal Services	215,658	-	215,658
Operating	499,414	-	499,414
Travel	22,081	-	22,081
Capital Outlay	<u>4,390</u>	<u>-</u>	<u>4,390</u>
TOTAL DISBURSEMENTS	<u>741,543</u>	<u>-</u>	<u>741,543</u>
Excess of Receipts Over Under Disbursements	<u>880,170</u>	<u>884,668</u>	<u>1,764,838</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	70	-	70
Operating Transfers In	-	30,000,000	30,000,000
Operating Transfers Out	<u>-</u>	<u>(30,000,000)</u>	<u>(30,000,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>70</u>	<u>-</u>	<u>70</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses Other Financing Uses	880,240	884,668	1,764,908
FUND BALANCE, JULY 1, 1999	<u>1,098,022</u>	<u>-</u>	<u>1,098,022</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 1,978,262</u>	<u>\$ 884,668</u>	<u>\$ 2,862,930</u>

**NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
STATE ASSESSOR OFFICES**



- Effective July 1, 1998
- Effective July 1, 1999
- Effective July 1, 2000

NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION



NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
COST COMPARISON - STATE ASSESSOR OFFICE VS. COUNTY ASSESSOR OFFICE - UNAUDITED
 Fiscal Year Ended June 30, 2000

STATE'S ACTUAL FYE 6/30/00
EXPENDITURES

ACTUAL COUNTY EXPENDITURES FOR LAST YEAR
OFFICE WAS COUNTY CONTROLLED

	STATE'S ACTUAL FYE 6/30/00 EXPENDITURES			ACTUAL COUNTY EXPENDITURES FOR LAST YEAR OFFICE WAS COUNTY CONTROLLED				Total Increase (Decrease)
	Assessment	Appraisal	Total	Assessor's Office 97-98 Actual	Reappraisal Fund	Gen. - Misc. Expenses	Total	
Dakota County								
Personal Services	\$ 112,697.99	\$ 105,753.82	\$ 218,451.81	\$ 153,410.49	\$ -	\$ -	\$ 153,410.49 (a)	\$ 65,041.32
Operating Expenses	\$ 116,825.37	\$ 5,353.80	\$ 122,179.17 *	\$ 46,047.49	\$ -	\$ 10,387.50	\$ 56,434.99	\$ 65,744.18
Travel Expenses	\$ 1,457.99	\$ 9,344.51	\$ 10,802.50	\$ -	\$ -	\$ -	\$ -	\$ 10,802.50
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 230,981.35</u>	<u>\$ 120,452.13</u>	<u>\$ 351,433.48</u>	<u>\$ 199,457.98</u>	<u>\$ -</u>	<u>\$ 10,387.50</u>	<u>\$ 209,845.48</u>	<u>\$ 141,588.00</u>

*\$93,495 to Great Plains Appraisal during FYE 6/30/00 for expenses assumed from County.

	STATE'S ACTUAL FYE 6/30/00 EXPENDITURES			ACTUAL COUNTY EXPENDITURES FOR LAST YEAR OFFICE WAS COUNTY CONTROLLED				Total Increase (Decrease)
	Assessment	Appraisal	Total	Assessor's Office 97-98 Actual	Reappraisal Fund	Gen. - Misc. Expenses	Total	
Dodge County								
Personal Services	\$ 157,732.09	\$ 99,837.05	\$ 257,569.14	\$ 189,253.80	\$ -	\$ -	\$ 189,253.80 (b)	\$ 68,315.34
Operating Expenses	\$ 173,765.15	\$ 4,608.92	\$ 178,374.07 **	\$ 35,487.23	\$ -	\$ -	\$ 35,487.23	\$ 142,886.84
Travel Expenses	\$ 2,338.83	\$ 9,351.55	\$ 11,690.38	\$ -	\$ -	\$ -	\$ -	\$ 11,690.38
Capital Outlay	\$ 2,545.00	\$ -	\$ 2,545.00	\$ 1,652.35	\$ -	\$ -	\$ 1,652.35	\$ 892.65
	<u>\$ 336,381.07</u>	<u>\$ 113,797.52</u>	<u>\$ 450,178.59</u>	<u>\$ 226,393.38</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,393.38</u>	<u>\$ 223,785.21</u>

**\$123,230 to Great Plains Appraisal during FYE 6/30/00 for expenses assumed from County.

	STATE'S ACTUAL FYE 6/30/00 EXPENDITURES			ACTUAL COUNTY EXPENDITURES FOR LAST YEAR OFFICE WAS COUNTY CONTROLLED				Total Increase (Decrease)
	Assessment	Appraisal	Total	Assessor's Office 97-98 Actual	Reappraisal Fund	Gen. - Misc. Expenses	Total	
Garfield County								
Personal Services	\$ 75,440.24	\$ 17,778.17	\$ 93,218.41	\$ 40,455.00	\$ -	\$ -	\$ 40,455.00 (b)	\$ 52,763.41
Operating Expenses	\$ 12,406.37	\$ 4,138.63	\$ 16,545.00	\$ 2,500.00	\$ 3,861.00	\$ 747.00	\$ 7,108.00	\$ 9,437.00
Travel Expenses	\$ 3,839.53	\$ 5,692.44	\$ 9,531.97	\$ 2,070.00	\$ 298.00	\$ -	\$ 2,368.00	\$ 7,163.97
Capital Outlay	\$ 373.72	\$ -	\$ 373.72	\$ -	\$ 375.00	\$ -	\$ 375.00	\$ (1.28)
	<u>\$ 92,059.86</u>	<u>\$ 27,609.24</u>	<u>\$ 119,669.10</u>	<u>\$ 45,025.00</u>	<u>\$ 4,534.00</u>	<u>\$ 747.00</u>	<u>\$ 50,306.00</u>	<u>\$ 69,363.10</u>

	STATE'S ACTUAL FYE 6/30/00 EXPENDITURES			ACTUAL COUNTY EXPENDITURES FOR LAST YEAR OFFICE WAS COUNTY CONTROLLED				Total Increase (Decrease)
	Assessment	Appraisal	Total	Assessor's Office 97-98 Actual	Reappraisal Fund	Gen. - Misc. Expenses	Total	
Harlan County								
Personal Services	\$ 77,315.76	\$ 26,915.84	\$ 104,231.60	\$ 55,067.00	\$ 5,269.00	\$ -	\$ 60,336.00 (b)	\$ 43,895.60
Operating Expenses	\$ 11,314.47	\$ 1,736.37	\$ 13,050.84	\$ 2,758.00	\$ 920.00	\$ 747.00	\$ 3,678.00	\$ 9,372.84
Travel Expenses	\$ 2,543.40	\$ 4,999.57	\$ 7,542.97	\$ 1,701.00	\$ -	\$ -	\$ 1,701.00	\$ 5,841.97
Capital Outlay	\$ -	\$ -	\$ -	\$ 635.00	\$ -	\$ -	\$ 635.00	\$ (635.00)
	<u>\$ 91,173.63</u>	<u>\$ 33,651.78</u>	<u>\$ 124,825.41</u>	<u>\$ 60,161.00</u>	<u>\$ 6,189.00</u>	<u>\$ 747.00</u>	<u>\$ 66,350.00</u>	<u>\$ 58,475.41</u>

Total

Keith County	<u>Assessment</u>	<u>Appraisal</u>	<u>Total</u>	<u>Assessor's Office 98-99 Actual</u>	<u>Reappraisal Fund</u>	<u>Gen. - Misc. Expenses</u>	<u>Total</u>		<u>Increase (Decrease)</u>
Personal Services	\$ 113,855.42	\$ 45,146.21	\$ 159,001.63	\$ 113,530.00	\$ -	\$ -	\$ 113,530.00	(a)	\$ 45,471.63
Operating Expenses	\$ 35,573.66	\$ 4,529.94	\$ 40,103.60	\$ 24,812.00	\$ 28,660.00	\$ -	\$ 53,472.00		\$ (13,368.40)
Travel Expenses	\$ 5,328.15	\$ 7,755.21	\$ 13,083.36	\$ 1,123.00	\$ -	\$ -	\$ 1,123.00		\$ 11,960.36
Capital Outlay	\$ 14,267.10	\$ -	\$ 14,267.10	\$ 1,890.00	\$ -	\$ -	\$ 1,890.00		\$ 12,377.10
	<u>\$ 169,024.33</u>	<u>\$ 57,431.36</u>	<u>\$ 226,455.69</u>	<u>\$ 141,355.00</u>	<u>\$ 28,660.00</u>	<u>\$ -</u>	<u>\$ 170,015.00</u>		<u>\$ 56,440.69</u>

Saunders County	<u>Assessment</u>	<u>Appraisal</u>	<u>Total</u>	<u>Assessor's Office 98-99 Actual</u>	<u>Reappraisal Fund</u>	<u>Gen. - Misc. Expenses</u>	<u>Total</u>		<u>Total Increase (Decrease)</u>
Personal Services	\$ 102,208.63	\$ 91,691.22	\$ 193,899.85	\$ 137,258.85	\$ -	\$ -	\$ 137,258.85	(b)	\$ 56,641.00
Operating Expenses	\$ 40,650.66	\$ 4,012.33	\$ 44,662.99	\$ 6,110.82	\$ -	\$ -	\$ 6,110.82		\$ 38,552.17
Travel Expenses	\$ 1,320.02	\$ 9,669.97	\$ 10,989.99	\$ -	\$ -	\$ -	\$ -		\$ 10,989.99
Capital Outlay	\$ 18,017.37	\$ -	\$ 18,017.37	\$ -	\$ -	\$ -	\$ -		\$ 18,017.37
	<u>\$ 162,196.68</u>	<u>\$ 105,373.52</u>	<u>\$ 267,570.20</u>	<u>\$ 143,369.67</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,369.67</u>		<u>\$ 124,200.53</u>

Sherman County	<u>Assessment</u>	<u>Appraisal</u>	<u>Total</u>	<u>Assessor's Office 97-98 Actual</u>	<u>Reappraisal Fund</u>	<u>Gen. - Misc. Expenses</u>	<u>Total</u>		<u>Total Increase (Decrease)</u>
Personal Services	\$ 73,007.14	\$ 65,061.99	\$ 138,069.13	\$ -	\$ -	\$ -	\$ -	(b)	
Operating Expenses	\$ 19,422.13	\$ 5,327.49	\$ 24,749.62	\$ -	\$ -	\$ -	\$ -		
Travel Expenses	\$ 2,371.69	\$ 9,414.40	\$ 11,786.09	\$ -	\$ -	\$ -	\$ -		
Capital Outlay	\$ 936.20	\$ -	\$ 936.20	\$ -	\$ -	\$ -	\$ -		
	<u>\$ 95,737.16</u>	<u>\$ 79,803.88</u>	<u>\$ 175,541.04</u>	<u>\$ 54,178.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,178.00</u>	only totals are avail.	<u>\$ 121,363.04</u>

AUDITOR'S NOTE: The figures used in this comparison have not been subjected to auditing procedures and are, therefore, labeled "unaudited". This comparison is presented for informational purposes only. The "State's Actual FYE 6/30/00 Expenditures" were obtained from Nebraska Accounting System (NAS) reports. The "Actual County Expenditures for Last Year Office was County Controlled" were obtained from County budget documents on file with the Auditor of Public Accounts. Review of these budget documents may not necessarily have detected all County costs associated with the assessment function. Furthermore, not all Counties identify employee benefit costs with the individual County offices.

- (a) Employee benefit costs are identified at the individual office level and are included in the "Personal Services" total.
- (b) Employee benefit costs are ~~not~~ identified at the individual office level and are ~~not~~ included in the "Personal Services" total.

Department's Response: The Department finds the information on the Charts regarding assumed counties to be accurate but is misleading in part. First, the data regarding the county budget has been stated to possibly not include all expenditures of the assessor's office. Second, the data from the county is fixed in time to the year prior to assumption and will not be a fair comparison for any year after the first year of assumption. Third, the Department's position has been and still is that many counties are understaffed and underfunded so it is probable that the cost of state assumption will be greater than at the county level. Fourth, the county employees as they become state employees have been placed within a state pay classification system, which in almost each case has increased the salary of that employee.

STATE OF NEBRASKA
Auditor of Public Accounts



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**NEBRASKA DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION
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 Department of Property Assessment and Taxation as of and for the year ended June 30, 2000, and have issued our report thereon dated November 28, 2000. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Department of Property Assessment and Taxation. 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 Department of Property Assessment and Taxation'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. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Department of Property Assessment and Taxation in the Comments Section of this report as Comment Number 1 (Billing Procedures), Comment Number 2 (Fixed Assets) and Comment Number 3 (Leave Usage).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Property Assessment and Taxation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over the financial reporting that we have reported to management of the Nebraska Department of Property Assessment and Taxation in the Comments Section of this report as Comment Number 2 (Fixed Assets).

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.

November 28, 2000


Manager