

**ATTESTATION REPORT  
OF THE  
NEBRASKA REAL ESTATE COMMISSION  
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010**

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**Issued on April 12, 2011**

NEBRASKA REAL ESTATE COMMISSION

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## NEBRASKA REAL ESTATE COMMISSION

### **BACKGROUND**

The Nebraska Real Estate License Act (Act) was first passed in 1935, and became effective January 1, 1936. The Act was initially administered and enforced by the Nebraska Secretary of State. In 1943 the Nebraska Real Estate Commission (Commission) was created by an act of the Legislature (Laws 1943, LB 68 § 7). The Act was amended significantly in 1973 and membership was expanded to the current seven Commissioners. In 1985 continuing education was made mandatory for all licensees, errors and omissions insurance was made mandatory in 1991, and 1994 legislation clearly delineated the roles and responsibilities of limited seller's and buyer's agents.

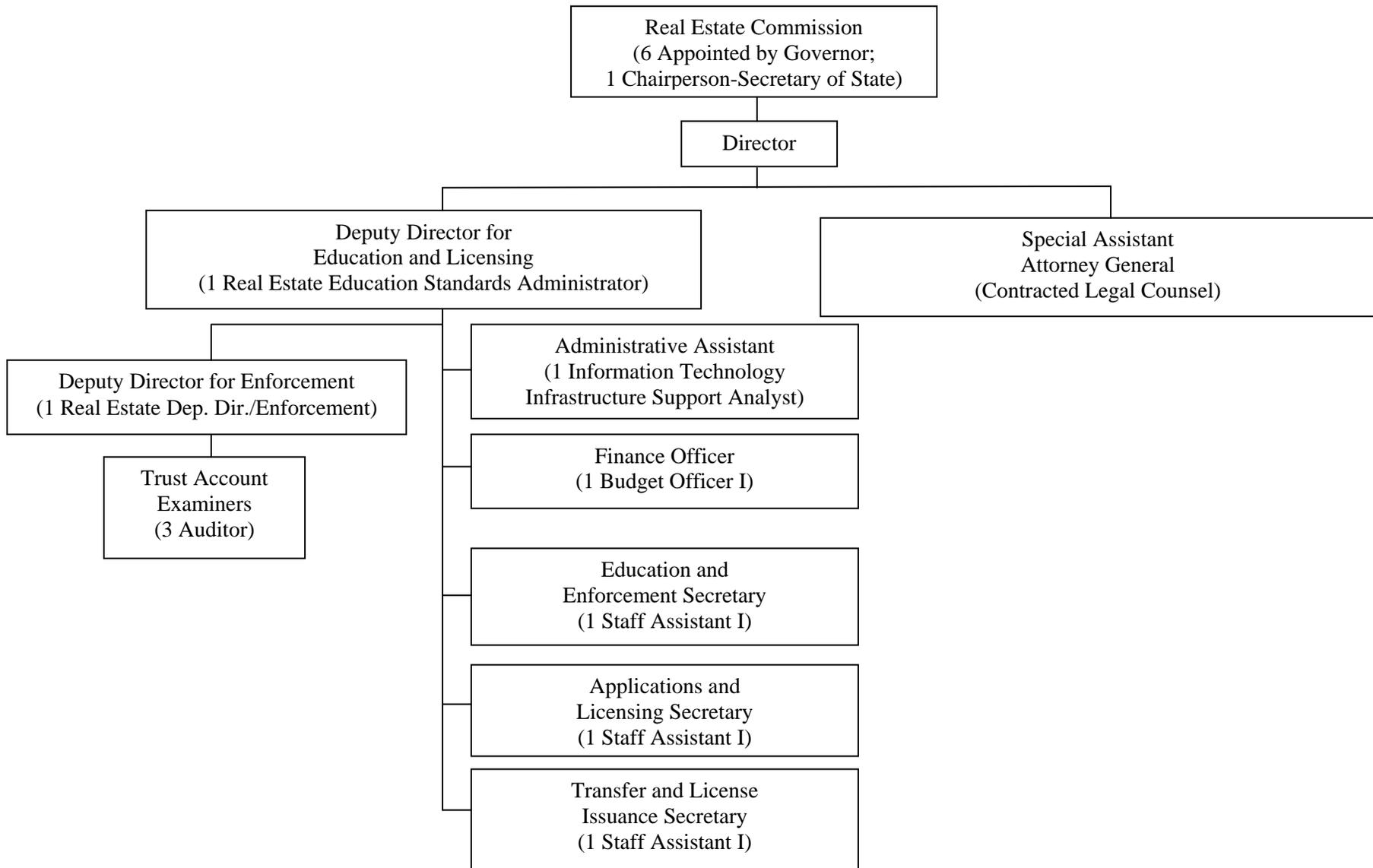
The seven member Nebraska Real Estate Commission is chaired by the Secretary of State and consists of six other members appointed by the Governor. There is one broker member appointed from each of the three Congressional Districts, one broker member appointed at large, one salesperson member, and one member appointed to represent the public. The Commission meets approximately once a month and reviews licensing, education, disciplinary, and other policy matters. Although the licensing and regulation of real estate salespersons and brokers is still the primary duty of the Commission, their duties have been expanded over the years to include the registration of subdivided land development, time-shares, retirement communities, and membership campgrounds.

### **MISSION STATEMENT**

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

NEBRASKA REAL ESTATE COMMISSION

ORGANIZATIONAL CHART





# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA REAL ESTATE COMMISSION

### INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Real Estate Commission  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Real Estate Commission (Commission) for the calendar year ended December 31, 2010. 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 Real Estate Commission for the calendar year ended December 31, 2010, 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 April 5, 2011, on our consideration of the Nebraska Real Estate Commission's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the internal control 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 management, the Commission, others within the Commission, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

April 5, 2011

Pat Reding, CPA, CFE  
Assistant Deputy Auditor

**NEBRASKA REAL ESTATE COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Calendar Year Ended December 31, 2010

	State Real Estate Commission Fund 24110	Common School Fund 61270	<b>Totals (Memorandum Only)</b>
<b>REVENUES:</b>			
Sales & Charges	\$ 1,001,030	\$ -	\$ 1,001,030
Miscellaneous	47,232	18,000	65,232
<b>TOTAL REVENUES</b>	<b>1,048,262</b>	<b>18,000</b>	<b>1,066,262</b>
<b>EXPENDITURES:</b>			
Personal Services	676,129	-	676,129
Operating	393,403	-	393,403
Travel	55,041	-	55,041
Capital Outlay	3,889	-	3,889
<b>TOTAL EXPENDITURES</b>	<b>1,128,462</b>	<b>-</b>	<b>1,128,462</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,200)	18,000	(62,200)
<b>OTHER FINANCING SOURCES (USES):</b>			
Sales of Assets	376	-	376
Deposit to Common Fund	-	(18,000)	(18,000)
Operating Transfers Out	(56,611)	-	(56,611)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(56,235)</b>	<b>(18,000)</b>	<b>(74,235)</b>
Net Change in Fund Balances	(136,435)	-	(136,435)
FUND BALANCES, January 1, 2010	889,903	-	889,903
FUND BALANCES, December 31, 2010	<u>\$ 753,468</u>	<u>\$ -</u>	<u>\$ 753,468</u>
<b>FUND BALANCES CONSIST OF:</b>			
General Cash	\$ 751,487	\$ -	\$ 751,487
NSF Items	230	-	230
Deposits with Vendors	4,931	-	4,931
Due to Vendors	(3,148)	-	(3,148)
Due to Government	(32)	-	(32)
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 753,468</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 753,468</u></b>

The accompanying notes are an integral part of the schedule.

# NEBRASKA REAL ESTATE COMMISSION

## NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2010

### 1. Criteria

The accounting policies of the Nebraska Real Estate Commission (Commission) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), 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.”

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), The State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. As transactions occur, the agencies record the accounts receivables and accounts payable in the general ledger. 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 expenditures and related accounts payables recorded in the general ledger as of December 31, 2010, include only those payables posted in the general ledger before December 31, 2010, and not yet paid as of that date. The amount recorded as expenditures as of December 31, 2010, does not include amounts for goods and services received before December 31, 2010, which had not been posted to the general ledger as of December 31, 2010.

Other liabilities are recorded in accounts titled Due to Vendors and Due to Government for the Commission. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

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

**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 REAL ESTATE COMMISSION

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

**60000 – Trust Funds** – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

The major revenue account classifications established by State Accounting used by the Commission are:

**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 and late fees.

The major expenditure account classifications established by State Accounting 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 accounting classifications and procedures established by State Accounting and used by the Commission include:

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

**Liabilities** – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Commission's funds at December 31, 2010, included amounts recorded in Due to Vendors and Due to Government. The activity of this account is not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

**Other Financing Sources** – Operating transfers and proceeds of fixed asset dispositions.

NEBRASKA REAL ESTATE COMMISSION

**NOTES TO THE SCHEDULE**

(Continued)

**2. Reporting Entity**

The Nebraska Real Estate 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 included in the general ledger.

The Nebraska Real Estate 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 of 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. Transfers**

2009 Neb. Laws, First Special Session, LB 3, § 68 gave the Nebraska Legislature (Legislature) the authority to transfer Commission Cash Funds to the General Fund. Pursuant to 2009 Neb. Laws, First Special Session, LB 1, § 228, the Legislature reduced the Commission’s cash funds by \$27,887 in fiscal year 2009-2010 and \$57,449 in fiscal year 2010-2011 for a total reduction of \$85,336. The table below shows the Commission’s transfers to the General Fund. The remaining fiscal year 2010-2011 amount of \$28,724 is scheduled to be transferred to the General Fund on June 15, 2011.

<u>Transfer Date</u>	<u>Amount Transferred</u>
1/15/2010	\$ 13,943
6/15/2010	13,944
12/15/2010	28,724
Total Transferred	<u>\$ 56,611</u>

**6. Deposits to/from Common Funds**

Deposits to the Permanent School Fund include administrative fines assessed on violations required to be deposited in the fund by Neb. Rev. Stat. § 81-885.31(1) (Cum. Supp. 2010).



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA REAL ESTATE 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 Real Estate Commission  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Real Estate Commission as of and for the year ended December 31, 2010, and have issued our report thereon dated April 5, 2011. 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 Real Estate Commission's internal control over financial reporting (internal control) as a basis for designing our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Real Estate Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Real Estate Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial schedule will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Real Estate Commission's financial schedule 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*.

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

Signed Original on File

April 5, 2011

Pat Reding, CPA, CFE  
Assistant Deputy Auditor

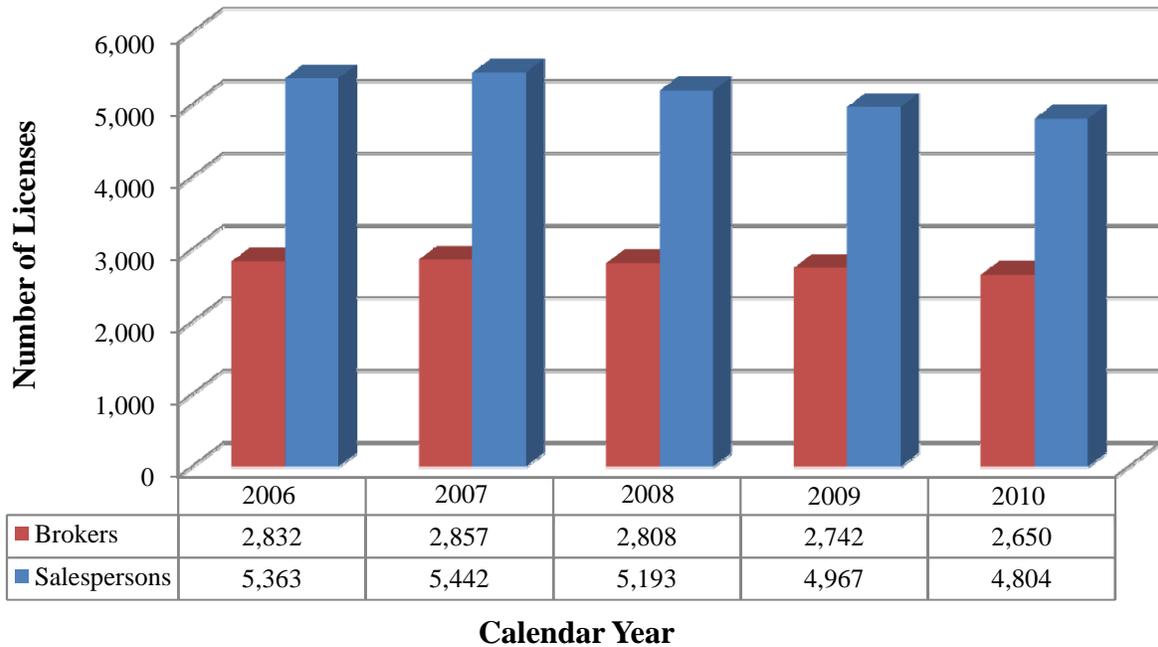
NEBRASKA REAL ESTATE COMMISSION

**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 REAL ESTATE COMMISSION  
**LICENSE HOLDERS AND COMPLAINTS AGAINST LICENSEES**  
 For the Calendar Year Ended December 31, 2010

### LICENSE HOLDERS



### COMPLAINTS AGAINST LICENSEES

