

**AUDIT REPORT  
OF  
OTOE COUNTY COURT**

**JULY 1, 2000 THROUGH JUNE 30, 2001**

# OTOE COUNTY COURT

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# OTOE COUNTY COURT

## COMMENT AND RECOMMENDATION

During our audit of Otoe County Court, we noted a certain matter involving the internal control over financial reporting that is presented here. The comment and recommendation is intended to improve the internal control over financial reporting in the following area:

### **1. Segregation of Duties**

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

We noted the office of the County Court had a lack of segregation of duties since one person was capable of handling all aspects of processing a transaction from beginning to end. However, due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. Personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We have noted this comment in previous audits.

We recommend the County Court along with the Nebraska State Court Administrator review this situation. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed.

It should be noted that this report is critical in nature since it contains only our comment and recommendation on the area noted for improvement and does not include our observations on any strong features of the Court.

Draft copies of this report were furnished to the Court to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The Court declined to respond.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## OTOE COUNTY COURT INDEPENDENT AUDITORS' REPORT

Don Dunlap, CPA  
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We have audited the financial statement of Otoe County Court as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. The financial statement is the responsibility of the Court's management. Our responsibility is to express an opinion on the financial statement based on our audit.

Pat Reding, CPA  
Asst. Deputy Auditor  
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

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As discussed in Note 1, the financial statement presents only the Court's Agency Funds activity and is not intended to present fairly the financial position and results of operations of Otoe County Court in conformity with generally accepted accounting principles.

Robert Hotz, JD  
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In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Otoe County Court as of June 30, 2001, and the related activity for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2001, on our consideration of Otoe County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

October 17, 2001

  
Assistant Deputy State Auditor

OTOE COUNTY COURT  
NEBRASKA CITY, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2001

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>July 1, 2001</u>
<b>ASSETS</b>				
Deposits	\$ 208,034	\$ 384,745	\$ 532,479	\$ 60,300
Total Assets	<u>\$ 208,034</u>	<u>\$ 384,745</u>	<u>\$ 532,479</u>	<u>\$ 60,300</u>
 <b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 8,158	\$ 79,161	\$ 81,718	\$ 5,601
Law Enforcement Fees	680	5,549	5,878	351
Interest	119	1,655	1,711	63
State Judges Retirement Fund	455	4,410	4,520	345
Automation Fees	3	83	83	3
Legal Services Fees	709	5,783	6,121	371
 Due to County Treasurer:				
Regular Fines	23,440	169,965	180,825	12,580
Overload Fines	1,225	21,590	22,690	125
Regular Fees	1,146	11,937	12,128	955
 Due to Municipalities:				
Regular Fines	735	12,323	12,022	1,036
 Trust Fund Benefits:				
Payable	<u>171,364</u>	<u>72,289</u>	<u>204,783</u>	<u>38,870</u>
Total Liabilities	<u>\$ 208,034</u>	<u>\$ 384,745</u>	<u>\$ 532,479</u>	<u>\$ 60,300</u>

See Notes to Financial Statements

OTOE COUNTY COURT  
NOTES TO FINANCIAL STATEMENT

June 30, 2001

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Otoe County Court is established by State Statute and is administratively operated through the Court Administrator's Office of the Nebraska Supreme Court, which is part of the State of Nebraska reporting entity. The Statement of Changes in Assets and Liabilities of the County Court reflects only the Agency Funds activity of the Court; the receipts, and their subsequent disbursement to the appropriate entities for which they were collected. The financial statement does not reflect the personal services expenses of the Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Otoe County.

**B. Basis of Accounting**

The accounting records of the County Court Agency Funds are maintained, and the Statement of Changes in Assets and Liabilities has been prepared, on the modified accrual basis of accounting. Under this basis of accounting, fines, fees and receipts relating to trust funds are shown as additions to assets and as an increase in the related liability when received because they are generally not measurable until actually received. Likewise, disbursements are shown as deductions to assets and a decrease in the related liability when a check is written.

**2. Deposits**

Funds held by the County Court are deposited and invested in accordance with rules issued by the Supreme Court as directed by Neb. Rev. Stat. Section 25-2713 R.R.S., 1995. Funds are generally consolidated in an interest-bearing checking account; however, the Court may order certain trust funds to be invested separately. Any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation are required by Neb. Rev. Stat. Section 77-2326.04 R.R.S., 1996, to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

The June 30, 2001 carrying amount of total deposits in checking accounts was \$60,300. The bank balance was \$60,087. All funds were entirely covered by federal depository insurance or by collateral securities pledged to the Court and held by a Federal Reserve Bank or a bank or trust company in this state other than the depository bank.

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

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### OTOE COUNTY COURT

#### **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Deann Haeffner, CPA  
Deputy State Auditor  
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We have audited the financial statement of Otoe County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated October 17, 2001. The report was modified to emphasize that the financial statement presents only the Agency Funds of Otoe County Court. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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#### Compliance

As part of obtaining reasonable assurance about whether Otoe County Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Otoe County Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control

over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Otoe County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the Comment Section of the report as Comment Number 1 (Segregation of Duties).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

This report is intended solely for the information and use of the Court, 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.

October 17, 2001

  
Assistant Deputy State Auditor