

**AUDIT REPORT
OF
HOLT COUNTY COURT**

JULY 1, 1999 THROUGH JUNE 30, 2001

HOLT COUNTY COURT

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HOLT COUNTY COURT

COMMENT AND RECOMMENDATION

During our audit of the Holt 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:

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 transactions 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. This comment has been noted 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 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



Kate Witek
State Auditor
kwitek@mail.state.ne.us

Mr. Joseph C. Steele
State Court Administrator
Room 1220 - State Capitol Building
Lincoln, Nebraska 68509

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

HOLT COUNTY COURT

INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

Don Dunlap, CPA
Asst. Deputy Auditor
aud1010@
vmhost.cdp.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
aud1008@
vmhost.cdp.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

We have audited the financial statements of Holt County Court as of and for the fiscal years ended June 30, 2001, and 2000, as listed in the Table of Contents. The financial statements are the responsibility of the Court's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency Funds of Holt County Court as of June 30, 2000, and 2001, and the related activity for the fiscal years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2001 on our consideration of Holt County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Handwritten signature of Timothy J. Chambers CPA in cursive script.

Manager

November 8, 2001

HOLT COUNTY COURT
O'NEILL, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2001

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
ASSETS				
Cash and Deposits	\$ 6,374	\$ 240,031	\$ 223,049	\$ 23,356
Total Assets	\$ 6,374	\$ 240,031	\$ 223,049	\$ 23,356
 LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ -	\$ 60,809	\$ 56,697	\$ 4,112
Law Enforcement Fees	-	3,182	2,897	285
Interest	-	420	387	33
State Judges Retirement Fund	-	3,530	3,309	221
Automation Fees	-	9	9	-
Legal Services Fees	-	3,153	2,845	308
Due to County Treasurer:				
Regular Fines	(2)	98,697	88,850	9,845
Overload Fines	-	20,325	18,025	2,300
Regular Fees	-	7,482	6,233	1,249
Petty Cash Fund	50	300	108	242
Due to Municipalities:				
Regular Fines	-	1,425	1,415	10
Trust Fund Benefits Payable	6,326	40,699	42,274	4,751
Total Liabilities	\$ 6,374	\$ 240,031	\$ 223,049	\$ 23,356

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

HOLT COUNTY COURT
O'NEILL, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2000

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
ASSETS				
Cash and Deposits	\$ 5,720	\$ 245,195	\$ 244,541	\$ 6,374
Total Assets	\$ 5,720	\$ 245,195	\$ 244,541	\$ 6,374
 LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ -	\$ 54,055	\$ 54,055	\$ -
Law Enforcement Fees	-	3,456	3,456	-
Interest	-	453	453	-
State Judges Retirement Fund	-	3,430	3,430	-
Due to County Treasurer:				
Regular Fines	-	104,523	104,525	(2)
Overload Fines	-	18,075	18,075	-
Regular Fees	-	3,729	3,729	-
Petty Cash Fund	-	50	-	50
Due to Municipalities:				
Regular Fines	-	1,770	1,770	-
Trust Fund Benefits Payable	5,720	55,654	55,048	6,326
Total Liabilities	\$ 5,720	\$ 245,195	\$ 244,541	\$ 6,374

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

HOLT COUNTY COURT
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2001

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Holt 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 Holt 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 and Investments

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 carrying amounts and bank balances of total deposits consisting of checking accounts, were as follows:

	Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 2001	\$ 23,356	\$ 242	\$ 23,114	\$ 23,596
June 30, 2000	\$ 6,374	\$ 50	\$ 6,324	\$ 23,467

However, Funds were entirely covered by federal depository insurance.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



Kate Witek
State Auditor
kwitek@mail.state.ne.us

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

Don Dunlap, CPA
Asst. Deputy Auditor
aud1010@
vmhost.cdp.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
aud1008@
vmhost.cdp.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

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

HOLT 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

We have audited the financial statements of Holt County Court as of and for the years ended June 30, 2001, and 2000, and have issued our report thereon dated November 8, 2001. The report was modified to emphasize that the financial statements present only the Agency Funds of Holt 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.

Compliance

As part of obtaining reasonable assurance about whether Holt County Court's financial statements are 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 Holt 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 statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Holt County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the Comments Section of the report as 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, we believe the reportable condition described above is 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.

Handwritten signature of Timothy J. Chambers CPA in cursive script.

Manager

November 8, 2001