

**AUDIT REPORT  
OF  
LINCOLN COUNTY COURT**

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

# LINCOLN COUNTY COURT

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# LINCOLN COUNTY COURT

## COMMENT AND RECOMMENDATION

During our audit of the Lincoln County Court, we noted a certain operational matter which is presented here. The comment and recommendation is intended to result in operational efficiencies in the following area:

### **Deposits Not Fully Protected**

Neb. Rev. Stat. Section 77-2326.04 R.S. Supp., 2001, requires that any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) be secured by either a surety bond or as provided in the Public Funds Deposit Security Act. When deposits are not fully insured, the risk of loss increases.

At June 30, 2001, the Court's deposits were \$287,575 in excess of the amount insured by securities pledged to the Court and Federal Deposit Insurance. Furthermore, the Court did not retain copies of all security receipts as documentation of coverage throughout the audit period. Without this documentation it was not possible to determine the adequacy of coverage at all times during the audit period.

We recommend the Court actively monitor deposit balances and obtain additional securities, as necessary, to ensure the Court's deposits are fully insured at all times. We further recommend the Court retain copies of all security receipts pledged to the Court in order to provide documentation of the adequacy of coverage.

*Court's Response: Each of the Institutions holding funds in the name of the Lincoln County Court were covered by the Federal Deposit Insurance Corporation (FDIC), or by securities pledged by the institution holding those accounts.*

*The Adams Bank and Trust had two separate interest bearing accounts of funds held for investment as a result of conservatorships or estate filings. I was led to believe, by the bank, that because these were two separate accounts were sufficiently covered by FDIC. Furthermore, the Adams Bank and Trust did not promptly provide the court with pledged securities when requested and we were uncovered for a short period.*

*I must admit I did fail to keep copies of expired or recalled pledged securities receipts throughout the audit period. I can assure you as of this date all of the alleged deficiencies have been corrected.*

More detailed information on the above item is provided hereafter. 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.

# LINCOLN COUNTY COURT

## **COMMENT AND RECOMMENDATION**

(Concluded)

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 formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was 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.

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## LINCOLN COUNTY COURT

### INDEPENDENT AUDITORS' REPORT

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We have audited the financial statement of Lincoln 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.

**Tim Channer, CPA**  
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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 Lincoln County Court in conformity with generally accepted accounting principles.

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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 Lincoln 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 February 14, 2002, on our consideration of Lincoln 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.

February 14, 2002

A handwritten signature in cursive script that reads "Deann Haffner CPA". The signature is written in dark ink and is positioned to the right of the typed name.

Deputy State Auditor

LINCOLN COUNTY COURT  
NORTH PLATTE, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2001

|                              | Balance<br>July 1, 2000 | Additions           | Deductions          | Balance<br>June 30, 2001 |
|------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| <b>ASSETS</b>                |                         |                     |                     |                          |
| Cash and Deposits            | \$ 676,359              | \$ 2,290,641        | \$ 2,236,920        | \$ 730,080               |
| <br>                         |                         |                     |                     |                          |
| <b>LIABILITIES</b>           |                         |                     |                     |                          |
| Due to State Treasurer:      |                         |                     |                     |                          |
| Regular Fees                 | \$ 27,475               | \$ 283,683          | \$ 286,792          | \$ 24,366                |
| Law Enforcement Fees         | 2,013                   | 19,844              | 20,330              | 1,527                    |
| Interest                     | -                       | 1,927               | 1,927               | -                        |
| State Judges Retirement Fund | 1,374                   | 14,496              | 14,679              | 1,191                    |
| Automation Fees              | 3                       | 56                  | 56                  | 3                        |
| Legal Services Fees          | 2,068                   | 20,561              | 21,023              | 1,606                    |
| <br>                         |                         |                     |                     |                          |
| Due to County Treasurer:     |                         |                     |                     |                          |
| Regular Fines                | 56,177                  | 575,326             | 589,409             | 42,094                   |
| Overload Fines               | 14,525                  | 175,707             | 177,155             | 13,077                   |
| Regular Fees                 | 2,885                   | 43,205              | 40,002              | 6,088                    |
| <br>                         |                         |                     |                     |                          |
| Due to Municipalities:       |                         |                     |                     |                          |
| Regular Fines                | 2,696                   | 26,009              | 26,230              | 2,475                    |
| Regular Fees                 | 325                     | 4,548               | 4,698               | 175                      |
| <br>                         |                         |                     |                     |                          |
| Trust Fund Benefits Payable  | <u>566,818</u>          | <u>1,125,279</u>    | <u>1,054,619</u>    | <u>637,478</u>           |
| <br>                         |                         |                     |                     |                          |
| Total Liabilities            | <u>\$ 676,359</u>       | <u>\$ 2,290,641</u> | <u>\$ 2,236,920</u> | <u>\$ 730,080</u>        |

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

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

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Lincoln 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 Lincoln 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.S.Supp., 2001, 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, savings accounts, money market accounts, and certificates of deposit, were as follows:

|               | Total<br>Cash and Deposit<br>Carrying Amount | Cash Amount | Deposit<br>Carrying Amount | Bank Balance |
|---------------|--|-------------|----------------------------|--------------|
| June 30, 2001 | \$ 730,080                                   | \$ 325      | \$ 729,755                 | \$ 735,579   |

However, funds were not entirely covered by federal depository insurance or by collateral securities pledged to the Court and held by a Federal Reserve Bank, or by a bank or trust company in this State other than the depository bank, during the entire year.

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

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### LINCOLN 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**

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We have audited the financial statement of Lincoln County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated February 14, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Lincoln 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 Lincoln 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. We noted a certain immaterial instance of noncompliance that we have reported to management of Lincoln County Court in the Comments Section of this report as Deposits Not Fully Protected.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln 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. 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 statement 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.

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.

A handwritten signature in cursive script that reads "Deann Haffner CPA". The signature is written in dark ink and is positioned to the right of the date.

February 14, 2002

Deputy State Auditor