

**AUDIT REPORT
OF
LINCOLN COUNTY COURT**

JULY 1, 2002 THROUGH JUNE 30, 2003

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

LINCOLN COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Auditors' Report	4 - 5
Financial Statement:	
Statement of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2003	6
Notes to Financial Statement	7 - 8
<u>Government Auditing Standards Section</u>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9 - 10

LINCOLN COUNTY COURT

SUMMARY OF COMMENTS

During our audit of Lincoln County Court, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

1. ***Non-waiverable Court Costs:*** The County Court was not accurate in its claiming of non-waiverable court costs on dismissed and/or otherwise uncollectible cases.
2. ***Condemnation Appeal:*** Appealed condemnation case was not separately invested by the County Court.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature since it contains only our comments and recommendations on the areas 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 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.

LINCOLN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Non-waiverable Court Costs

Neb. Rev. Stat. Section 29-2790, R.S. Supp., 2003, requires when any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703 (Judges Retirement Fee), two dollars of the fee provided in section 33-107.01 (Legal Services Fee), the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived unless the judge, in his or her discretion, enters an order assessing such portion of the costs as by law would be paid over by the court to the State Treasurer.

Prior to December 2002, the County Court did not accurately bill non-waiverable court costs to prosecutors on dismissed and/or otherwise uncollectible cases. While the County Court consistently claimed the \$1 Judges Retirement Fee in such cases, instances were noted in which the County Court:

- Waived the \$2 Legal Services Fee.
- Waived the \$6 Automation Fee.
- Claimed the entire \$5 Legal Services Fee; a fee which increased from \$2 to \$5 in July 2002, however, only \$2 remained non-waiverable per Statute.

In December 2002, the County Court made changes in its claim procedures to become compliant with statutory requirements. All exceptions noted during the audit occurred prior to implementation of changes by the County Court. This comment was also noted in the prior audit.

We recommend the County Court claim non-waiverable court costs on dismissed and/or otherwise uncollectible cases consistent with State Statute.

County Court's Response: Immediately after the 2002 audit the court immediately changed its claim procedures to comply with the statutory requirements under Neb. Rev. Stat. Section 29-2790, R.S. Supp, 2003.

2. Condemnation Appeal

Neb. Rev. Stat. Section 76-719.01 R.R.S. 1996 regarding deposits of condemnation awards and the interest thereon states, whenever money remaining on deposit is five thousand dollars or more, the County Court shall place such amounts in a savings account or other interest-bearing obligations

LINCOLN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Condemnation Appeal (Concluded)

of the Federal government. Additionally, Neb. Rev. Stat. Section 76-711 R.R.S. 1996, states, either the condemnee or condemner, based on appellate action, shall be entitled to interest on such award accruing from the date of deposit. Lastly, the Nebraska County Court Procedural Manual, Section 5, regarding condemnations, states that because of the interest involved in condemnation awards, it is recommended that condemnation awards deposited with the Court be placed in individual or separate accounts to avoid co-mingling with other interest earned.

During the audit we noted a condemnation award of \$81,990 was appealed in April 2003. As of January 13, 2004, the award remains in the Court's checking account and has not been separately invested.

We recommend condemnation awards, because of the interest involved in such awards, be placed in individual or separate accounts to avoid co-mingling with other interest earned by the County Court. We further recommend the County Court recalculate and adjust the amount of interest to be credited to the condemnation award because all interest related to the appealed condemnation award in question was credited to the County Court's regular bank account.

County Court's Response: The award has been invested pursuant to the statutes and court rules. Steps were taken to recover the interest amount which would have been earned on the investment of the award during the time the award has been in the custody of the county court. The appeal is still pending.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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

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
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
marya@mail.state.ne.us

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
dmcyer@mail.state.ne.us

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

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

Mr. Frank Goodroe
State Court Administrator
Room 1220 - State Capitol Building
Lincoln, Nebraska 68509

LINCOLN COUNTY COURT

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statement of Lincoln County Court as of and for the fiscal year ended June 30, 2003, 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.

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.

As discussed in Note 1, the financial statement was 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 statement presents only the Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Lincoln County Court for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Lincoln County Court as of June 30, 2003, and the related activity 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 January 13, 2004, 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.

January 13, 2004



Deputy State Auditor

LINCOLN COUNTY COURT
 NORTH PLATTE, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2003

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
ASSETS				
Cash and Deposits	\$ 710,169	\$ 2,054,904	\$ 2,078,540	\$ 686,533
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 21,283	\$ 297,887	\$ 288,045	\$ 31,125
Law Enforcement Fees	1,398	19,232	18,777	1,853
Interest	290	2,377	2,459	208
State Judges Retirement Fund	1,090	17,937	15,021	4,006
Automation Fees	-	52,911	46,173	6,738
Legal Services Fees	1,434	45,435	42,015	4,854
Due to County Treasurer:				
Regular Fines	44,311	632,979	618,793	58,497
Overload Fines	2,927	136,371	108,913	30,385
Regular Fees	2,669	43,968	43,319	3,318
Due to Municipalities:				
Regular Fines	2,091	20,650	21,405	1,336
Regular Fees	200	4,310	4,135	375
Trust Fund Payable	632,476	780,847	869,485	543,838
Total Liabilities	\$ 710,169	\$ 2,054,904	\$ 2,078,540	\$ 686,533

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

LINCOLN COUNTY COURT
NOTES TO FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2003

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 Arising from Cash Transactions 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 Arising from Cash Transactions has been prepared, on the cash receipts and disbursements 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. Likewise, disbursements are shown as deductions to assets and a decrease in the related liability when a check is written. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting. Under GAAP, Agency Funds would be reported in the Statement of Net Assets. Agency Funds are not reported in the Statement of Changes of Fiduciary Net Assets. Agency Funds are used to report resources held by the reporting government in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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., 2002 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

LINCOLN COUNTY COURT
NOTES TO FINANCIAL STATEMENT
(Continued)

2. Deposits and Investments (Concluded)

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 Cash and Deposit <u>Carrying Amount</u>	<u>Cash Amount</u>	Deposit <u>Carrying Amount</u>	<u>Bank Balance</u>
June 30, 2003	\$ 686,533	\$ 400	\$ 686,133	\$ 675,457

However, funds were 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.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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

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

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*

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

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
marya@mail.state.ne.us

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
dmeyer@mail.state.ne.us

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

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

We have audited the financial statement of Lincoln County Court as of and for the year ended June 30, 2003, and have issued our report thereon dated January 13, 2004. The report was modified to emphasize that the financial statement presents only the Agency Funds of Lincoln County Court prepared on the basis of cash receipts and disbursements. 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. 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 the management of Lincoln County Court in the Comments Section of this report as Comment Number 1 (Non-waiverable Court Costs) and Comment Number 2 (Condemnation Appeal).

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.

January 13, 2004

A handwritten signature in cursive script that reads "Dawn Hauffman CPA".

Deputy State Auditor