

**AUDIT REPORT  
OF  
FILLMORE COUNTY COURT**

**JULY 1, 2003 THROUGH JUNE 30, 2004**

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# FILLMORE COUNTY COURT

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# FILLMORE COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of Fillmore 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. ***Segregation of Duties:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***Overdue Balances:*** Subsequent action was not taken by the County Court to resolve overdue case balances.

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. Where no response has been included, the Court declined to respond. 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.

# FILLMORE COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 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 transactions from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities. 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 and 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.

### 2. Overdue Balances

Good internal control and sound business practice require overdue balances of the County Court be reviewed on a regular basis to determine what action should be taken to collect on and/or resolve those cases. Without a regular review of overdue cases, there is an increased risk a case listed as outstanding will either not have proper further action taken or the amount outstanding may have previously been paid and/or resolved.

Five of fifteen overdue case balances tested did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances. As of October 18, 2003 the County Court had a total of \$26,217 in overdue balances. As of August 14, 2004 the Court had a total of \$29,535 in overdue balances; an increase of \$3,318, or approximately 13%, in a period of ten months.

We recommend the County Court review overdue case balances, as shown on the JUSTICE Overdue Case Account Reports, on an ongoing basis to determine what action needs to be taken to resolve those balances.

*County Court's Response: In October 2003 I was diagnosed with cancer and had to be out of my office for an extended period of time. I had my mastectomy in December 2003 and returned to work mid February 2004. I was only working part-time for approximately one month after returning to work. I also had to take every other Friday off until the middle of April due to my chemotherapy treatments in Lincoln. Thus, I wasn't in the office long enough prior to June 30, 2004 to take any action in resolving this issue. Hopefully during this fiscal year, I will be able to address this matter.*

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## FILLMORE COUNTY COURT

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statement of Fillmore County Court as of and for the fiscal year ended June 30, 2004, 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 Fillmore 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 Fillmore County Court as of June 30, 2004, 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 August 19, 2004, on our consideration of Fillmore 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.

August 19, 2004

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

Deputy State Auditor

FILLMORE COUNTY COURT  
 GENEVA, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>ASSETS</b>				
Cash and Deposits	\$ 154,564	\$ 305,554	\$ 369,845	\$ 90,273
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 7,369	\$ 43,176	\$ 46,308	\$ 4,237
Law Enforcement Fees	334	4,271	4,301	304
State Judges Retirement Fund	754	8,915	8,931	738
Court Administrative Fees	1,140	18,036	17,943	1,233
Legal Services Fees	861	11,599	11,606	854
Due to County Treasurer:				
Regular Fines	25,622	151,270	167,319	9,573
Overload Fines	500	1,175	1,675	-
Regular Fees	87	3,271	3,229	129
Due to Municipalities:				
Regular Fines	-	280	235	45
Trust Fund Payable	117,897	63,561	108,298	73,160
<b>Total Liabilities</b>	<b>\$ 154,564</b>	<b>\$ 305,554</b>	<b>\$ 369,845</b>	<b>\$ 90,273</b>

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

FILLMORE COUNTY COURT  
NOTES TO FINANCIAL STATEMENT  
For the Fiscal Year Ended June 30, 2004

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Fillmore 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 Fillmore 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.R.S. 2003 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.



FILLMORE COUNTY COURT  
NOTES TO FINANCIAL STATEMENT

(Continued)

2. **Deposits and Investments** (Concluded)

The June 30, 2004, carrying amount of total deposits, which included a checking account and a savings account, was \$90,273. The bank balance was \$89,955. 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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## FILLMORE 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 Fillmore County Court as of and for the year ended June 30, 2004, and have issued our report thereon dated August 19, 2004. The report was modified to emphasize that the financial statement presents only the Agency Funds of Fillmore 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 Fillmore 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 Fillmore 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 Fillmore 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 Comments 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, we believe the reportable condition described above is a material weakness. We also noted another matter involving internal control over financial reporting that we have reported to the management of Fillmore County Court in the Comments Section of the report as Comment Number 2 (Overdue Balances).

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

August 19, 2004



Deputy State Auditor