

**AUDIT REPORT
OF
LINCOLN COUNTY COURT**

JULY 1, 2003 THROUGH JUNE 30, 2004

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LINCOLN COUNTY COURT

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LINCOLN COUNTY COURT

COMMENT AND RECOMMENDATION

During our audit of Lincoln 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:

Unsigned Waiver Procedures

Good internal control and sound business practices require the County Court have reasonable and consistent procedures in place regarding the handling of waivers which are not signed by defendants. The goal of such procedures should be to maximize both waiver compliance and collection of all monies due the Court.

We noted the following:

- If a defendant from a nonresident violator compact state submits a correct waiver payment amount to the Court but fails to sign the waiver form, both the payment and unsigned waiver are sent back to the defendant.
- If a defendant not from a nonresident violator compact state submits a correct waiver payment amount to the Court but fails to sign the waiver form, the payment is receipted into the Holding Account and the unsigned waiver is sent back to the defendant for signature. Only after a signed waiver is obtained will the County Court apply the defendant's payment to fines/costs.

We recommend the County Court and the Nebraska State Court Administrator review procedures related to unsigned waivers and together determine how these cases should best be handled by the Court system.

County Court's Response: The procedure used in the instances mentioned is the proper method for dealing with unsigned waivers. It is unconstitutional for the court to accept and process unsigned waivers and the only recourse is to return them to the defendants along with their money or attempt to bring about the defendant's compliance through letter writing.

We have two choices, we can either send the money back or keep it. If we keep it and the defendant does not comply with the waiver requirement then we would be obligated to report the money as "unclaimed property" and send it to the State Treasurer for return to the defendant if he/she could be located.

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.

LINCOLN COUNTY COURT

COMMENT AND RECOMMENDATION

(Continued)

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

We have audited the accompanying financial statement of Lincoln 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 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, 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 , September 9, 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.

September 9, 2004

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

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, 2004

| | Balance July 1, 2003 | Additions | Deductions | Balance June 30, 2004 |
|------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| ASSETS | | | | |
| Cash and Deposits | \$ 686,533 | \$ 2,065,203 | \$ 2,372,999 | \$ 378,737 |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 31,333 | \$ 279,468 | \$ 284,475 | \$ 26,326 |
| Law Enforcement Fees | 1,853 | 36,480 | 35,197 | 3,136 |
| State Judges Retirement Fund | 4,006 | 65,307 | 63,121 | 6,192 |
| Court Administrative Fees | 6,738 | 169,636 | 161,640 | 14,734 |
| Legal Services Fees | 4,854 | 97,899 | 94,513 | 8,240 |
| Due to County Treasurer: | | | | |
| Regular Fines | 58,497 | 662,629 | 666,297 | 54,829 |
| Overload Fines | 30,385 | 182,956 | 197,966 | 15,375 |
| Regular Fees | 3,318 | 32,034 | 29,085 | 6,267 |
| Petty Cash Fund | - | 50 | - | 50 |
| Due to Municipalities: | | | | |
| Regular Fines | 1,336 | 16,233 | 16,354 | 1,215 |
| Regular Fees | 375 | 3,248 | 3,458 | 165 |
| Trust Fund Payable | 543,838 | 519,263 | 820,893 | 242,208 |
| Total Liabilities | \$ 686,533 | \$ 2,065,203 | \$ 2,372,999 | \$ 378,737 |

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, 2004

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.R.S. 2003 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 a checking account, savings account, money market accounts, and certificates of deposit, were as follows:

| | Total Cash and Deposit | | Deposit | |
|---------------|---------------------------|--------------------|------------------------|---------------------|
| | <u>Carrying Amount</u> | <u>Cash Amount</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
| June 30, 2004 | \$ 378,737 | \$ 450 | \$ 378,287 | \$ 376,523 |

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.

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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, 2004, and have issued our report thereon dated September 9, 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*.

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. However, we noted another matter involving the internal control over financial reporting that we have reported to the management of Lincoln County Court in the Comments Section of this report as Unsigned Waiver Procedures.

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.



Deputy State Auditor

September 9, 2004