

**AUDIT REPORT
OF
HALL COUNTY COURT**

JULY 1, 1999 THROUGH JUNE 30, 2001

HALL COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Comment and Recommendation	1 - 2
<u>Financial Section</u>	
Independent Auditors' Report	3 - 4
Financial Statement:	
Statement of Changes in Assets and Liabilities - Agency Funds - For the Fiscal Year Ended June 30, 2001	5
Statement of Changes in Assets and Liabilities - Agency Funds - For the Fiscal Year Ended June 30, 2000	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 <u>Government Auditing Standards</u>	9 - 10

HALL COUNTY COURT

COMMENT AND RECOMMENDATION

During our audit of the Hall 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. Good internal control further requires employees involved in the cash receipt process not be allowed to issue receipts for non-monetary transactions.

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. We have noted this comment in previous audits.

We also noted all County Court cashiers are capable of issuing non-monetary receipts and the voided and adjusted transactions are not being reviewed by management.

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. We also recommend the County Court restrict the issuance of non-monetary receipts to a limited number of County Court employees who are not involved in the cash receipts process. Should the Court decide not to restrict issuance of non-monetary receipts due to a limited number of personnel, we recommend the Clerk Magistrate review "Courtwide Receipt/Disbursement History" reports to ensure the propriety of non-monetary receipts issued. These reviews should be documented by initialing the reports and retaining them for subsequent inspection. We further recommend similar review and documentation procedures for the voided and adjusted transaction reports.

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.

HALL 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 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

HALL 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
dineyer@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 Hall County Court as of and for the fiscal years ended June 30, 2001 and June 30, 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 Hall 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 Hall County Court as of June 30, 2001 and June 30, 2000, 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 September 10, 2001, on our consideration of Hall 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 10, 2001

A handwritten signature in dark ink, reading "Deann Hayfman CPA". The signature is written in a cursive, flowing style. The letters "CPA" are written in a slightly more formal, blocky font at the end of the signature.

Deputy State Auditor

HALL COUNTY COURT
 GRAND ISLAND, 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	\$ 229,792	\$ 2,043,281	\$ 2,016,402	\$ 256,671
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 33,746	\$ 364,353	\$ 368,838	\$ 29,261
Law Enforcement Fees	1,601	18,691	18,494	1,798
Interest	91	1,846	1,892	45
State Judges Retirement Fund	1,752	18,983	19,136	1,599
Automation Fees	18	101	119	-
Legal Services Fees	1,632	19,310	19,070	1,872
Due to County Treasurer:				
Regular Fines	51,764	589,848	580,736	60,876
Overload Fines	1,000	7,300	7,600	700
Regular Fees	5,978	72,359	73,522	4,815
Due to Municipalities:				
Regular Fines	9,013	105,685	105,499	9,199
Regular Fees	764	6,438	6,470	732
Trust Fund Benefits Payable	122,433	838,367	815,026	145,774
Total Liabilities	\$ 229,792	\$ 2,043,281	\$ 2,016,402	\$ 256,671

See Notes to Financial Statement.

HALL COUNTY COURT
GRAND ISLAND, 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	\$ 280,864	\$ 2,133,245	\$ 2,184,317	\$ 229,792
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 35,606	\$ 393,134	\$ 394,994	\$ 33,746
Law Enforcement Fees	1,862	20,846	21,107	1,601
Interest	88	593	590	91
State Judges Retirement Fund	1,615	19,627	19,490	1,752
Automation Fees	73	518	573	18
Legal Services Fees	1,858	21,221	21,447	1,632
Due to County Treasurer:				
Regular Fines	61,197	682,715	692,148	51,764
Overload Fines	2,000	13,600	14,600	1,000
Regular Fees	6,438	106,624	107,084	5,978
Due to Municipalities:				
Regular Fines	9,183	117,524	117,694	9,013
Regular Fees	727	8,530	8,493	764
Trust Fund Benefits Payable	160,217	748,313	786,097	122,433
Total Liabilities	\$ 280,864	\$ 2,133,245	\$ 2,184,317	\$ 229,792

See Notes to Financial Statement.

HALL COUNTY COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2001

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Hall 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 Statements of Changes in Assets and Liabilities of the County Court reflect 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 statements do 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 Hall County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Statements of Changes in Assets and Liabilities have 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 and savings accounts, were as follows:

	Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 2001	\$ 256,671	\$ 950	\$ 255,721	\$ 251,026

HALL COUNTY COURT
NOTES TO FINANCIAL STATEMENT
(Continued)

2. Deposits and Investments (Concluded)

	Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 2000	\$ 229,792	\$ 1,000	\$ 228,792	\$ 236,042

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, during the entire period.

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 Wittek
State Auditor
kwitek@mail.state.ne.us

HALL 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
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
dimeyer@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 Hall County Court as of and for the years ended June 30, 2001 and June 30, 2000, and have issued our report thereon dated September 10, 2001. The report was modified to emphasize that the financial statements present only the Agency Funds of Hall 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 Hall 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.

In planning and performing our audit, we considered Hall 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 Hall 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.

A handwritten signature in dark ink, reading "Deann Hayffman CPA". The signature is written in a cursive, flowing style.

Deputy State Auditor

September 10, 2001