

**AUDIT REPORT  
OF  
FURNAS COUNTY COURT**

**JULY 1, 2004 THROUGH JUNE 30, 2006**

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**Issued on April 16, 2007**

# FURNAS COUNTY COURT

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# FURNAS COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of Furnas 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. ***Bond Assignments:*** The County Court did not consistently obtain, in writing, defendant assignments authorizing payment of bond deposits and/or proceeds to persons other than the defendants.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the County Court.

Draft copies of this report were furnished to the County 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.

# FURNAS 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 as 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. Further, 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.

*County Court's Response: Because Furnas County is a one-person office I am solely responsible for conducting all duties within the court.*

### 2. Bond Assignments

Neb. Rev. Stat. Section 29-901(3)(a) R.S.Supp., 2006, related to the execution of an appearance bond, requires return of the bond deposit or bond deposit proceeds to the defendant upon various circumstances such as the performance of the defendant's appearance(s), declined and/or dismissed prosecution, bond reduction, etc. The Nebraska County Court Manual Chapter 13, IV (I) regarding bail financial accounting states, in part, "...if a person other than the defendant posts the bond, that person should be advised that the bond will be returned to the defendant unless the defendant assigns the bond, in writing, to the person who posted it..."

The County Court did not consistently obtain written assignments from defendants to authorize the payment of bond deposits and/or proceeds to persons other than the defendants or to authorize application of bond proceeds to the defendant's fines and/or court costs. Of fifteen adjustments tested, the following was noted:

- One instance in which a defendant's bond was refunded to a family member who had supposedly posted the bond. The Court had no documentation, in writing, from the defendant assigning the bond.

# FURNAS COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 2. Bond Assignments (Concluded)

- Two instances in which all or a portion of a defendant's bond was applied to fines and/or court costs without the Court having obtained, in writing, an assignment from the defendant authorizing such application.

When bonds are not handled in accordance with State Statute and the Nebraska County Court Procedures Manual, there is an increased risk of loss and/or liability.

We recommend the County Court be consistent in not returning bond proceeds to any person(s) other than the defendants unless the defendants have assigned, in writing, their bonds. Similarly, we also recommend that whenever a defendant elects to have all or a portion of their bond proceeds applied to fines and/or court costs the Court obtain written documentation of the defendant's assignment.

*County Court's Response: As a result of the audit, I have implemented procedures which will help eliminate this oversight.*

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Auditor of Public Accounts



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FURNAS COUNTY COURT

**INDEPENDENT AUDITORS' REPORT**

Ms. Janice Walker, State Court Administrator  
Nebraska Supreme Court  
State Capitol, Room 1220  
Lincoln, Nebraska 68509

We have audited the accompanying financial statements of Furnas County Court as of and for the fiscal years ended June 30, 2006, and June 30, 2005, as listed in the Table of Contents. The financial statements are the responsibility of the County 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 were 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 statements present only the County Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Furnas County Court for the years then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Furnas County Court as of June 30, 2006, and June 30, 2005, and the related activity for the fiscal years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2007, on our consideration of Furnas County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

March 28, 2007

FURNAS COUNTY COURT  
 BEAVER CITY, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>ASSETS</b>				
Cash and Deposits	\$ 22,791	\$ 119,581	\$ 133,281	\$ 9,091
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 3,028	\$ 26,212	\$ 27,592	\$ 1,648
Law Enforcement Fees	366	2,267	2,504	129
State Judges Retirement Fund	906	7,047	7,476	477
Court Administrative Fees	1,413	9,527	10,348	592
Legal Services Fees	965	7,522	7,951	536
Due to County Treasurer:				
Regular Fines	6,459	39,306	44,581	1,184
Overload Fines	325	800	1,125	-
Regular Fees	301	1,996	2,297	-
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	105	235	315	25
Regular Fees	-	9	9	-
Trust Fund Payable	8,873	24,660	29,083	4,450
<b>Total Liabilities</b>	<b>\$ 22,791</b>	<b>\$ 119,581</b>	<b>\$ 133,281</b>	<b>\$ 9,091</b>

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



FURNAS COUNTY COURT  
 BEAVER CITY, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>ASSETS</b>				
Cash and Deposits	\$ 16,953	\$ 168,253	\$ 162,415	\$ 22,791
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 3,025	\$ 29,093	\$ 29,090	\$ 3,028
Law Enforcement Fees	338	3,290	3,262	366
State Judges Retirement Fund	743	6,883	6,720	906
Court Administrative Fees	1,300	13,486	13,373	1,413
Legal Services Fees	894	8,813	8,742	965
Due to County Treasurer:				
Regular Fines	5,848	60,369	59,758	6,459
Overload Fines	225	3,500	3,400	325
Regular Fees	90	986	775	301
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	50	290	235	105
Trust Fund Payable	4,390	41,543	37,060	8,873
<b>Total Liabilities</b>	<b>\$ 16,953</b>	<b>\$ 168,253</b>	<b>\$ 162,415</b>	<b>\$ 22,791</b>

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

FURNAS COUNTY COURT  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2006, and June 30, 2005

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Furnas 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 Arising from Cash Transactions of the County Court reflect only the Agency Funds activity of the County 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 County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Furnas 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 Arising from Cash Transactions have 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 County 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.

**FURNAS COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

The carrying amounts and bank balances of total deposits, consisted of a checking account and a money market account, were as follows:

	Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 2006	\$ 9,091	\$ 50	\$ 9,041	\$ 9,575
June 30, 2005	\$ 22,791	\$ 50	\$ 22,741	\$ 24,272

These funds were entirely covered by federal depository insurance.

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FURNAS COUNTY COURT  
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Ms. Janice Walker, State Court Administrator  
Nebraska Supreme Court  
State Capitol, Room 1220  
Lincoln, Nebraska 68509

We have audited the financial statements of Furnas County Court as of and for the years ended June 30, 2006, and June 30, 2005, and have issued our report thereon dated March 28, 2007. The report was modified to emphasize that the financial statements present only the Agency Funds of Furnas 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Furnas 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 an opinion 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 Furnas 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 Comment Number 1 (Segregation of Duties).

A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Furnas 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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted a certain additional matter that we reported to the management of Furnas County Court in the Comments Section of this report as Comment Number 2 (Bond Assignments).

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

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

March 28, 2007