



**County of Chester  
Office of the Controller  
Internal Audit Department**

**Audit Report  
For the Years Ended  
December 31, 2013 and 2012**

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*County of Chester*  
*Office of the Prothonotary*

Annual Financial Statement  
Audit

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Norman MacQueen, Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**ANNUAL FINANCIAL STATEMENT AUDIT**  
**AS OF DECEMBER 31, 2013 and 2012**

**Bryan Walters, Prothonotary**  
**Office of the Prothonotary**  
**Chester County Justice Center**  
**201 W. Market Street, Suite 1425**  
**West Chester, PA 19380**

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**  
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# COUNTY OF CHESTER

## OFFICE OF THE CONTROLLER

313 WEST MARKET STREET, SUITE 6302, PO BOX 2748, WEST CHESTER, PA 19380-0991  
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

NORMAN MACQUEEN  
*Controller*

### **Internal Auditor's Report**

Bryan Walters, Prothonotary  
Chester County Justice Center  
201 W. Market Street, Suite 1425  
West Chester, PA 19380

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Office of the Prothonotary (*Prothonotary*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2013 and 2012, and the related statements of cash receipts, disbursements and cash balances for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to annually audit the accounts of every row office within the County and to report the results of such audits to the Chester County Commissioners, the Chester County Court of Common Pleas, the Auditor General of Pennsylvania, and to the governing body of each political subdivision which is entitled to receive funds collected on its behalf by the *Prothonotary*.

Our responsibility is to express an opinion on these 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of

significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

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 *Prothonotary* as of December 31, 2013 and 2012, and its cash receipts, disbursements and cash balances for the years then ended in accordance with the cash basis of accounting described in Note 1.

*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Other Matter*

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated November 18, 2014, on our evaluation of the *Prothonotary's* internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of our audit.



Norman MacQueen  
Controller

November 18, 2014

COUNTY OF CHESTER

OFFICE OF THE PROTHONOTARY

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Cash - Operating Account	\$ 144,141	\$ 128,212
Cash - Escrow Account	1,152,551	1,334,076
Cash - Automation Fund	671,514	650,848
Cash - Petty Cash/Change Funds	390	390
	<hr/>	<hr/>
<b>Total Assets</b>	<b><u><u>\$ 1,968,596</u></u></b>	<b><u><u>\$ 2,113,526</u></u></b>
 <b><u>Liabilities</u></b>		
County of Chester	\$ 124,287	\$ 110,592
Commonwealth of PA	14,625	13,394
Administrative Office of PA Courts	204	276
Office of the Sheriff - Protection From Abuse	25	-
Restricted Funds - Escrow Deposits	1,152,551	1,334,076
Restricted Funds - Automation Fund	676,514	654,798
Due to County - Petty Cash/Change Funds	390	390
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b><u><u>\$ 1,968,596</u></u></b>	<b><u><u>\$ 2,113,526</u></u></b>

*The accompanying notes are an integral part of these financial statements.*

**COUNTY OF CHESTER**

**OFFICE OF THE PROTHONOTARY**

**STATEMENTS OF RECEIPTS, DISBURSEMENTS  
AND CASH BALANCES – CASH BASIS  
OPERATING ACCOUNT**

**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b><u>Receipts</u></b>		
Filing Fees	\$ 1,506,315	\$ 1,599,122
Judicial Computer Project Fees	197,698	220,212
Master Fees	139,481	130,531
Automation Fund Receipts	64,410	67,094
Receipt Deposits	44,774	51,787
Custody Conciliation Fees	35,880	36,940
Children's Trust Fees	12,100	12,390
Act 119 Custody Fees	3,504	3,648
Miscellaneous Receipts - Overpayments	1,802	3,044
Protection from Abuse Fees	125	75
	<hr/>	<hr/>
<b>Total Receipts</b>	2,006,089	2,124,843

*The accompanying notes are an integral part of these financial statements.*

COUNTY OF CHESTER

OFFICE OF THE PROTHONOTARY

STATEMENTS OF RECEIPTS, DISBURSEMENTS  
AND CASH BALANCES – CASH BASIS  
OPERATING ACCOUNT (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b><u>Disbursements</u></b>		
County of Chester	1,660,840	1,788,820
Commonwealth of PA	219,270	249,697
Automation Fund	63,360	69,549
Receipt Deposit Distributions	44,788	51,303
Overpayment Refunds	1,802	3,075
Office of the Sheriff	100	100
	<hr/>	<hr/>
<b>Total Disbursements</b>	1,990,160	2,162,544
	<hr/>	<hr/>
<b>Cash Increase (Decrease)</b>	15,929	(37,701)
	<hr/>	<hr/>
Cash, Beginning of Year	128,212	165,913
	<hr/>	<hr/>
<b>Cash, End of Year</b>	<u>\$ 144,141</u>	<u>\$ 128,212</u>

*The accompanying notes are an integral part of these financial statements.*



COUNTY OF CHESTER

OFFICE OF THE PROTHONOTARY

STATEMENTS OF RECEIPTS, DISBURSEMENTS  
AND CASH BALANCES – CASH BASIS  
ESCROW ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b><u>Receipts</u></b>		
Escrow Deposits	\$ 232,969	\$ 402,729
Interest	-	5
	<hr/>	<hr/>
<b>Total Receipts</b>	232,969	402,734
<b><u>Disbursements</u></b>		
Escrow Refunds	414,494	274,550
Interest	-	8
	<hr/>	<hr/>
<b>Total Disbursements</b>	414,494	274,558
<b>Cash Increase (Decrease)</b>	(181,525)	128,176
Cash, Beginning of Year	<hr/> 1,334,076	<hr/> 1,205,900
<b>Cash, End of Year</b>	<u><u>\$ 1,152,551</u></u>	<u><u>\$ 1,334,076</u></u>

*The accompanying notes are an integral part of these financial statements.*

COUNTY OF CHESTER

OFFICE OF THE PROTHONOTARY

STATEMENTS OF RECEIPTS, DISBURSEMENTS  
AND CASH BALANCES – CASH BASIS  
AUTOMATION FEE ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b><u>Receipts</u></b>		
Automation Fee Deposits	\$ 63,360	\$ 69,348
Interest	<u>2,168</u>	<u>2,900</u>
<b>Total Receipts</b>	65,528	72,248
<b><u>Disbursements</u></b>		
Salary	44,862	28,834
Equipment/Licenses/Supplies	<u>-</u>	<u>5,581</u>
<b>Total Disbursements</b>	<u>44,862</u>	<u>34,415</u>
<b>Cash Increase</b>	20,666	37,833
Cash, Beginning of Year	<u>650,848</u>	<u>613,015</u>
<b>Cash, End of Year</b>	<u><u>\$ 671,514</u></u>	<u><u>\$ 650,848</u></u>

*The accompanying notes are an integral part of these financial statements.*

**COUNTY OF CHESTER**

**OFFICE OF THE PROTHONOTARY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

***Note 1 - Summary of Significant Accounting Principles***

**Background and Reporting Entity**

The *Prothonotary* acts as a conduit for the Commonwealth of Pennsylvania, the County of Chester, related political subdivisions, and the citizens it serves. Consequently, the *Prothonotary's* cash balance at any point in time represents undisbursed funds to one (or all) of these parties with the exception of the Prothonotary Automation Fund, as explained below. For financial statement purposes, these undisbursed funds are included as a liability of the *Prothonotary*.

The actual operating expenses of the *Prothonotary* are paid by the County of Chester. These costs include the salaries and wages of office employees, fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statements of Cash Receipts, Disbursements, and Cash Balance.

**Basis of Accounting**

The books and records of the *Prothonotary* are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when assessed or otherwise due, and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and cash balances in accordance with generally accepted accounting principles.

**Prothonotary Automation Fee Fund**

The *Prothonotary* established a new fund in May 2003, as permitted by the Commonwealth. This fund is under the sole custody of the *Prothonotary*. Pennsylvania House Bill No. 1715, Session of 1997, authorized the collection of a fee not to exceed \$5.00 for the initiation of any action or legal proceeding. Funds collected are to be deposited into a special prothonotary automation fee fund, and are to be used solely for the purpose of automation and continued automation update of the *Prothonotary*. The office maintains a separate checking account for these funds, and the funds are designated on the balance sheet in a separate liability account. Although the funds are for use at the sole discretion of the Prothonotary for purposes of automating the office, County procurement procedures must still be adhered to when making purchases with the funds in this special account.

**COUNTY OF CHESTER**

**OFFICE OF THE PROTHONOTARY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

***Note 1 - Summary of Significant Accounting Principles (continued)***

**Related Party Transaction**

Under Pennsylvania Law, the *Prothonotary* functions as a collection agent and depository for the County of Chester, the Commonwealth of Pennsylvania's Department of Revenue, and the Administrative Office of Pennsylvania Courts. Additionally, the *Prothonotary* functions as an escrow agent for litigants pursuant to a court order or the rules of court. Once a case has been settled, if interest has been earned on deposited funds, the Court of Common Pleas instructs the *Prothonotary* via court order whether the County is to retain the interest or if the interest is to be paid out to a party of the case. If interest is to be paid out, a poundage fee of 3% on the first \$1,000, and 1% on the remaining balance is charged on the principal amount, and is payable to the County. The exception to this directive is with landlord/tenant cases; by law, the awarding party must always receive any interest earned on funds deposited with the *Prothonotary*, and poundage is never deducted from those funds.

***Note 2 - Legal Matters***

Our audit disclosed no pending litigation that would affect the financial statements involving the Office of the Prothonotary or its Prothonotary (Bryan Walters) for the year ended December 31, 2013.

**SUPPLEMENTAL INFORMATION**

**COUNTY OF CHESTER**

**OFFICE OF THE PROTHONOTARY**

**SCHEDULES OF COUNTY OF CHESTER  
REVENUES AND DIRECT EXPENDITURES**

**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012  
(Unaudited)**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b><u>Revenues</u></b>		
County Fines and Costs	<u>\$ 1,544,324</u>	<u>\$ 1,631,242</u>
<b><u>Direct Expenditures</u></b>		
Salaries and Wages	\$ 853,999	\$ 841,371
Fringe Benefits	359,739	338,892
Postage	24,571	24,943
Office Supplies	15,498	10,675
Telephone / Computer Charges	14,331	14,631
Legal Services	8,000	5,000
Equipment Repairs & Maintenance	6,764	8,740
Other General Expenses	6,032	7,843
Graphics and Reproductive Supplies	2,092	-
Reproduction Services	1,840	2,004
Training and Staff Development	1,822	-
Books and Periodicals	1,033	961
Employee Travel / Mileage	993	661
Dues and Memberships	600	675
Water / Sewer	4	-
Equipment - Non Capital	-	682
<b>Total Direct Expenditures</b>	<u><b>\$ 1,297,318</b></u>	<u><b>\$ 1,257,078</b></u>

Note 1: The revenue figure per the County of \$1,544,324 differs from the amount disbursed to the County by the Prothonotary of \$1,482,947. This results from the use of the cash basis of accounting by the Prothonotary and the modified accrual basis of accounting by the County. The Prothonotary recognizes the disbursement as of the check date, while the County recognizes the revenue in the year the fees are collected by the Prothonotary.



# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

NORMAN MACQUEEN  
*Controller*

November 18, 2014

Bryan Walters, Prothonotary  
Chester County Justice Center  
201 W. Market Street, Suite 1425  
West Chester, PA 19380

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

In planning our audit of the financial statements of Office of the Prothonotary (*Prothonotary*) as of and for the year ended December 31, 2013 in accordance with auditing standards generally accepted in the United States of America, we considered the *Prothonotary's* internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Prothonotary's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Prothonotary's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the *Prothonotary's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Prothonotary'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*.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Our audit disclosed no significant deficiencies or material weaknesses that, in our opinion, pose a significant risk to the *Prothonotary* or the County of Chester. Matters of a lesser significance related to manual receipts were reported to management of the *Prothonotary* in a separate letter dated November 18, 2014.

This report is intended for the information of the Chester County Commissioners, the Chester County Court of Common Pleas, the Auditor General of Pennsylvania, and all other political affiliates served by the *Prothonotary*. This report is, however, a matter of public record, and its distribution is not limited.



Norman MacQueen  
Controller



**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

An exit conference was not warranted for the audit of the Office of the Prothonotary. The Prothonotary, Bryan Walters has accepted the report as presented.