



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

**Audit Report  
For the Years Ended  
December 31, 2016 and 2015**

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***County of Chester  
Magisterial District Court  
15-2-07***

**Annual Financial Statement  
Audit**

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**Norman MacQueen, Controller**

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-2-07**  
**ANNUAL FINANCIAL STATEMENT AUDIT**  
**AS OF DECEMBER 31, 2016 and 2015**

**Magisterial District Judge Lori Novak-Donatelli**  
**District Court 15-2-07**  
**75 E. Uwchlan Avenue, Suite 110**  
**Exton, PA 19341**

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-2-07**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

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# COUNTY OF CHESTER

## OFFICE OF THE CONTROLLER

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NORMAN MACQUEEN  
*Controller*

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

Magisterial District Judge Lori Novak-Donatelli  
District Court 15-2-07  
75 E. Uwchlan Avenue, Suite 110  
Exton, PA 19341

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

We have audited the accompanying financial statements of Magisterial District Court 15-2-07 (*District Court*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2016 and 2015, 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 magistrate or district judge 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 *District Court*.

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 the 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 policies 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 *District Court* as of December 31, 2016 and 2015, 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 September 5, 2017 on our evaluation of the *District Court'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

September 5, 2017

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>		
Cash - Checking Account	\$ 71,269	\$ 71,103
Petty Cash/Change Fund	<u>150</u>	<u>150</u>
<b>Total Assets</b>	<b><u>\$ 71,419</u></b>	<b><u>\$ 71,253</u></b>
 <b><u>Liabilities</u></b>		
County of Chester	\$ 14,305	\$ 14,746
Commonwealth of Pennsylvania	9,111	16,041
Uwchlan Township	8,831	8,074
Upper Uwchlan Township	3,789	2,249
West Pikeland Township	1,970	3,656
Downingtown Area School District	-	23
Bail, Restitution and Collateral	33,263	26,314
Petty Cash/Change Fund	<u>150</u>	<u>150</u>
<b>Total Liabilities</b>	<b><u>\$ 71,419</u></b>	<b><u>\$ 71,253</u></b>

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

STATEMENTS OF RECEIPTS, DISBURSEMENTS  
AND CASH BALANCES – CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b><u>Receipts</u></b>		
Fines and Costs	\$ 1,052,294	\$ 1,012,055
Bail, Restitution, and Collateral	<u>95,227</u>	<u>133,199</u>
<b>Total Receipts</b>	1,147,521	1,145,254
<b><u>Disbursements</u></b>		
Commonwealth of Pennsylvania	713,567	671,526
County of Chester	170,756	169,220
Uwchlan Township	101,215	97,468
Upper Uwchlan Township	40,517	39,725
West Pikeland Township	32,450	27,372
Pennsylvania Turnpike Commission	548	-
Downingtown School District	23	227
West Whiteland Township	-	150
Bail, Restitution, and Collateral	<u>88,279</u>	<u>130,533</u>
<b>Total Disbursements</b>	<u>1,147,355</u>	<u>1,136,221</u>
<b>Cash Increase (Decrease)</b>	166	9,033
Cash, Beginning of Year	<u>71,103</u>	<u>62,070</u>
<b>Cash, End of Year</b>	<u><u>\$ 71,269</u></u>	<u><u>\$ 71,103</u></u>

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

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-2-07**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

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

**Background and Reporting Entity**

The financial statements of the *District Court* include only those transactions handled directly by the *District Court*. These transactions include the collection of costs, fines, bail, and restitution, as well as the subsequent disbursement of these funds to the Commonwealth of Pennsylvania, to related political subdivisions, and to citizens served by the *District Court*. As such, the *District Court* acts as a conduit for the Commonwealth, local municipalities, and constituents it serves. Consequently, the *District Court's* cash balance at any point in time represents undisbursed funds to one (or all) of these parties. For financial statement purposes, these undisbursed funds are included as a liability of the *District Court*.

The actual operating expenses of the *District Court* are paid by the County of Chester, except for the Magisterial District Judge's salary which is paid by the Commonwealth. These costs include the salaries and wages of district court employees, fringe benefits, office rent, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statement of Cash Receipts, Disbursements, and Cash Balance.

**Basis of Accounting**

The books and records of the *District Court* 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 balance in accordance with generally accepted accounting principles.

***Note 2 - Legal Matters***

Our audit disclosed no pending litigation involving the *District Court* or its Magisterial District Judge (Lori Novak-Donatelli) that would affect the financial statements for the year ended December 31, 2016.



## **SUPPLEMENTAL INFORMATION**

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

SCHEDULES OF COUNTY OF CHESTER  
REVENUES AND DIRECT EXPENDITURES

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015  
(Unaudited)

	<u>2016</u>	<u>2015</u>
<b><u>Revenues</u></b>		
County Fines and Costs	\$ 170,211	\$ 168,958
<b><u>Direct Expenditures</u></b>		
Salaries, Wages and Benefits	\$ 224,798	\$ 238,436
Office Rent	91,800	102,900
Postage	7,847	8,120
Electric	5,114	5,832
Office Supplies	3,619	2,052
Telephone and Data Lines	1,506	1,572
Employee Travel and Mileage	183	196
PC Hardware and Software	-	878
Equipment Rentals	-	692
Other General Expenditures	-	56
<b>Total Direct Expenditures</b>	<b>\$ 334,867</b>	<b>\$ 360,734</b>

**Note 1: The revenue figure per the County of \$170,211 differs from the amount disbursed to the County by the *District Court* of \$170,756. This results from the use of the cash basis of accounting by the *District Court* and the modified accrual basis of accounting by the County. The *District Court* recognizes the disbursement as of the check date, while the County recognizes the revenue in the year the fines and costs are collected by the *District Court*.**



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NORMAN MACQUEEN  
Controller

September 5, 2017

Magisterial District Judge Lori Novak-Donatelli  
District Court 15-2-07  
75 E. Uwchlan Avenue, Suite 110  
Exton, PA 19341

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

In planning our audit of the financial statements of District Court 15-2-07 (*District Court*) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the *District Court'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 *District Court's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *District Court'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 *District Court's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *District 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*.

**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 *District Court* or to the County of Chester.

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 *District Court*. This report is, however, a matter of public record, and its distribution is not limited.



Norman MacQueen  
Controller

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-2-07**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

An exit conference was not warranted for the audit of Magisterial District Court 15-2-07. Magisterial District Judge Lori Novak-Donatelli accepted the audit report and management letter as presented.