

COUNTY OF CHESTER
DISTRICT COURT 15-1-04
FINANCIAL STATEMENTS - CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

COUNTY OF CHESTER
DISTRICT COURT 15-1-04
YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

Magisterial District Justice
West Chester, Pennsylvania

Report on the Financial Statements

We have audited the accompanying statements of cash receipts and disbursements (the "Statements") of the COUNTY OF CHESTER, DISTRICT COURT 15-1-04 (the "Court") for the years ending December 31, 2018, and December 31, 2017 and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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 these financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from 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 auditors' 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 auditors consider 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the Statements referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of the COUNTY OF CHESTER, DISTRICT COURT 15-1-04 for the years ending December 31, 2018 and 2017, in accordance with the cash basis of accounting described in Note 1.



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Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. These 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.

Emphasis of Matter

As discussed in Note 1, the statements of cash receipts and disbursements presents only the Court and does not purport to, and does not, present fairly the financial position or results of operations of the COUNTY OF CHESTER, for the years ending December 31, 2018, and December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The Schedules of County of Chester Revenues and Direct Expenditures are presented for the purpose of additional analysis and are not a required part of the financial statements.

The Schedules of County of Chester Revenues and Direct Expenditures have not been subjected to the auditing procedures applied in the audit of the Statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
October 18, 2019

COUNTY OF CHESTER
DISTRICT COURT 15-1-04
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Receipts		
Fines and Costs	\$ 769,977	\$ 806,052
Bail, Restitution and Collateral	97,491	101,543
	<u>867,468</u>	<u>907,595</u>
Cash Disbursements		
Commonwealth of Pennsylvania	291,372	288,099
West Chester Borough	286,667	363,850
County of Chester	169,652	161,286
Bail, Restitution, and Collateral	102,100	96,308
West Chester Area School District	300	1,506
	<u>850,091</u>	<u>911,049</u>
Total Cash Disbursements		
	<u>850,091</u>	<u>911,049</u>
Increase (Decrease) in Cash	17,377	(3,454)
Cash - Beginning of Year	<u>85,260</u>	<u>88,714</u>
Cash - End of Year	<u>\$ 102,637</u>	<u>\$ 85,260</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF CHESTER
DISTRICT COURT 15-1-04
NOTES TO FINANCIAL STATEMENTS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1: NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

District Court 15-1-04 (the "Court"), collects cash from individuals and private organizations as payment for fines and costs assessed in accordance with applicable state and local statutes as determined by the District Justice, an elected official. Cash collected from individuals and private organizations is subsequently disbursed to various governmental entities, individuals, and private organizations. A summary of the Court's significant accounting policies applied in the preparation of the accompanying financial statement is as follows:

A) Reporting Entity

The Court employees are County of Chester ("County") employees and the Court is fiscally dependent on the County to fund the operations of the Court. The Court operations are reflected in the County's Financial Statements as a part of the General Fund.

B) Basis of Presentation

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, cash receipts are recognized when received, and cash disbursements are recognized when paid rather than when incurred.

NOTE 2: CASH

Custodial Credit Risk. The Court's policy for minimizing credit risk for bank balances exceeding Federal Deposit Insurance Corporation's insured limits relies upon Act 72. The Act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name. For deposits, custodial credit risk is the risk that in the event of bank failure, the Court's deposits may not be recovered. As of December 31, 2018 and 2017, the Court's cash balances were \$102,637 and \$85,260, respectively and entirely covered by the Federal Deposit Insurance Corporation.

COUNTY OF CHESTER
DISTRICT COURT 15-1-04
NOTES TO FINANCIAL STATEMENTS - CASH BASIS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2: CASH (CONTINUED)

The cash amount consists of the following funds held in escrow by the Court at December 31:

	<u>2018</u>	<u>2017</u>
Individuals and Private Organizations	\$ 62,766	\$ 42,143
West Chester Borough	18,831	21,415
County of Chester	11,727	12,292
Commonwealth of Pennsylvania	<u>9,313</u>	<u>9,410</u>
 Total Bail, Restitution and Collateral	 <u>\$ 102,637</u>	 <u>\$ 85,260</u>

SUPPLEMENTAL INFORMATION

COUNTY OF CHESTER
DISTRICT COURT 15-1-04
SCHEDULES OF COUNTY OF CHESTER REVENUES AND DIRECT EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(UNAUDITED)

	<u>2018</u>	<u>2017</u>
Revenues		
County Fines and Costs	<u>\$ 167,946</u>	<u>\$ 160,729</u>
Direct Expenditures		
Salaries, Wages and Benefits	\$ 315,387	\$ 303,596
Postage	19,254	21,698
Office Supplies	3,757	3,142
Equipment Rentals	624	624
Telephone and Data Lines	556	550
Employee Travel and Mileage	-	269
Other General Expenditures	-	56
Total Direct Expenditures	<u>\$ 339,578</u>	<u>\$ 329,935</u>

Note to the Schedule: The revenue amount per the County of \$167,946 differs from the amount disbursed to the County by the District Court of \$169,652. 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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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
INDEPENDENT AUDITOR'S REPORT

Magisterial District Justice
West Chester, Pennsylvania

We have audited 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, the financial statements of Chester County District Court 15-1-04 (the "Court"), which comprise the Statements of Cash Receipts and Disbursements (the "Statements") for the year ended December 31, 2018, and the related notes to the Statements and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

In planning our performance our audit of the Statements of the Court, we considered the Court's internal control over financial reporting (Internal Control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2018-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's Statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.



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District Court 15-1-04's Response to Finding

District Court 15-1-04's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. District Court 15-1-04's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD, LLC

Jamison, Pennsylvania
October 18, 2019

Chester County
District Court 15-1-04
Schedule of Findings and Responses
December 31, 2018

2018-001 – Issuance of Checks

- Condition: The Court was writing checks to West Chester Borough and holding the checks in a safe instead of sending them out. Eventually the checks were mailed and were deposited by the Borough.
- Criteria: Financial Accounting Standards Board dictate the accounting principles that entities must follow in order to present their financial statements in accordance with Generally Accepted Accounting Principles.
- Cause: The Court was holding checks in a safe instead of sending the checks out.
- Effect: The Court's undisbursed funds report would be showing a lower amount of undisbursed funds than it should since the checks were being written, but not sent out.
- Recommendation: We recommend the Court send out checks when written. That will ensure that checks are cashed quicker and that the undisbursed funds report is accurate.
- Response: The Court officials will discontinue the holding of checks and send them out when written.