



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

**Audit Report  
For the Years Ended  
December 31, 2017 and 2016**

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*County of Chester*  
*Office of the Prothonotary*

Annual Financial Statement  
Audit

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Margaret Reif, Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**ANNUAL FINANCIAL STATEMENT AUDIT**  
**AS OF DECEMBER 31, 2017 and 2016**

**Matthew Holliday, 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, 2017 and 2016**  
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# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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MARGARET REIF  
CONTROLLER

## Independent Auditor's Report

Matthew Holliday, 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 the Office of the Prothonotary (*Prothonotary*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 May 10, 2018 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.



Margaret Reif  
Controller

May 10, 2018

COUNTY OF CHESTER

OFFICE OF THE PROTHONOTARY

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Cash - Operating Account	\$ 131,566	\$ 143,478
Cash - Escrow Account	5,560,239	4,992,624
Cash - Automation Fund	276,428	257,486
Cash - E-Filing Account	25,914	16,618
Petty Cash/Change Funds	390	390
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 5,994,537</b>	<b>\$ 5,410,596</b>
	<hr/> <hr/>	<hr/> <hr/>
<b><u>Liabilities</u></b>		
County of Chester	\$ 101,557	\$ 113,438
Commonwealth of PA	21,608	20,957
Administrative Office of PA Courts	250	269
Restricted Funds - Escrow Deposits	5,562,019	4,994,573
Restricted Funds - Automation Fund	279,532	261,446
Restricted Funds - E-Filing	29,181	19,523
Petty Cash/Change Funds	390	390
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 5,994,537</b>	<b>\$ 5,410,596</b>
	<hr/> <hr/>	<hr/> <hr/>

*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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><u>Receipts</u></b>		
Fees	\$ 2,058,355	\$ 1,980,340
<b>Total Receipts</b>	2,058,355	1,980,340
<b><u>Disbursements</u></b>		
County of Chester	1,648,146	1,605,102
Commonwealth of PA	355,343	330,808
Automation Fund	58,558	59,230
Receipt Deposit Distributions	5,562	5,091
Overpayment Refunds	2,573	2,661
Office of the Sheriff	85	125
<b>Total Disbursements</b>	<u>2,070,267</u>	<u>2,003,017</u>
<b>Cash Increase (Decrease)</b>	(11,912)	(22,677)
Cash, Beginning of Year	<u>143,478</u>	<u>166,155</u>
<b>Cash, End of Year</b>	<u>\$ 131,566</u>	<u>\$ 143,478</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Receipts</u></b>		
Escrow Deposits	\$ 2,009,702	\$ 3,253,020
<b>Total Receipts</b>	2,009,702	3,253,020
<b><u>Disbursements</u></b>		
Escrow Refunds	1,442,087	433,886
<b>Total Disbursements</b>	1,442,087	433,886
<b>Cash Increase (Decrease)</b>	567,615	2,819,134
Cash, Beginning of Year	4,992,624	2,173,490
<b>Cash, End of Year</b>	\$ 5,560,239	\$ 4,992,624

*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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><u>Receipts</u></b>		
Automation Fee Deposits	\$ 58,558	\$ 59,230
Interest	<u>1,274</u>	<u>376</u>
<b>Total Receipts</b>	59,832	59,606
<b><u>Disbursements</u></b>		
Salary	<u>40,890</u>	<u>53,543</u>
<b>Total Disbursements</b>	<u>40,890</u>	<u>53,543</u>
<b>Cash Increase (Decrease)</b>	18,942	6,063
Cash, Beginning of Year	<u>257,486</u>	<u>251,423</u>
<b>Cash, End of Year</b>	<u><u>\$ 276,428</u></u>	<u><u>\$ 257,486</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  
E-FILING ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><u>Receipts</u></b>		
Fees	\$ 36,296	\$ 16,618
<b>Total Receipts</b>	36,296	16,618
<b><u>Disbursements</u></b>		
Computer Maintenance	27,000	-
<b>Total Disbursements</b>	27,000	-
<b>Cash Increase (Decrease)</b>	9,296	16,618
Cash, Beginning of Year	16,618	-
<b>Cash, End of Year</b>	<u>\$ 25,914</u>	<u>\$ 16,618</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, 2017 and 2016**

***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, 2017 and 2016**

***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.

**Prothonotary E-Filing Account**

The *Prothonotary* established a new e-filing account in January 2016. This account holds e-filing fees that are collected by the County, using the payment processing company Heartland. The fees collected are \$20.00 (initial filings) and \$5.00 (secondary filings). After Heartland receives their commission, the remaining funds are transferred into the e-filing holding account. On a periodic basis the funds in this holding account will be paid over to the County's Department of Computer and Information Systems in order to cover software maintenance expenditures.

***Note 2 - Legal Matters***

After consultation with legal counsel, the Prothonotary (Matthew Holliday) is not aware of any matters that would have a material adverse effect on the *Prothonotary's* financial position or result of operations.

**SUPPLEMENTAL INFORMATION**

**COUNTY OF CHESTER**

**OFFICE OF THE PROTHONOTARY**

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

**FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016  
(Unaudited)**

	<u>2017</u>	<u>2016</u>
<b><u>Revenues</u></b>		
County Fines and Costs	\$ 1,470,207	\$ 1,448,409
<b><u>Direct Expenditures</u></b>		
Salaries, Wages and Benefits	\$ 1,227,784	\$ 1,232,442
Postage	26,017	26,737
Telephone and Computer Charge	16,625	10,811
Office Supplies	14,636	15,692
Legal Services	8,000	8,000
Other General Expenses	3,836	6,579
Equipment Repairs and Maintenance	3,475	2,803
Reproduction Services	1,653	2,061
Training and Staff Development	1,389	346
PC Hardware and Software	1,334	4,665
Equipment - Non-Capitalized	1,327	8,812
Dues and Memberships	600	600
Other Professional Services	-	6,500
Books and Periodicals	-	2,352
Other Supplies	-	604
Employee Travel and Mileage	-	189
<b>Total Direct Expenditures</b>	<b>\$ 1,306,676</b>	<b>\$ 1,329,193</b>

**Note 1: The revenue figure per the County of \$1,470,207 differs from the amount disbursed to the County by the *Prothonotary* of \$1,648,146. 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 fines and costs are collected by the *Prothonotary*.**



# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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MARGARET REIF  
CONTROLLER

May 10, 2018

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

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

In planning our audit of the financial statements of the Office of the Prothonotary (*Prothonotary*) as of and for the year ended December 31, 2017 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*.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters**

Our audit disclosed no 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 *Prothonotary*. This report is, however, a matter of public record, and its distribution is not limited.

*Margaret Reif*

Margaret Reif  
Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE PROTHONOTARY**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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