



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

**Audit Report
For the Year Ended
December 31, 2011**

***Magisterial District Court
15-1-03***

**Annual Financial Statement
Audit**

Valentino F. DiGiorgio, III, Controller

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-03
ANNUAL FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2011

Gregory V. Hines, MDJ
District Court 15-1-03
256 East Lincoln Highway
Coatesville, PA 19320-3488

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-03
FOR THE YEAR ENDED DECEMBER 31, 2011
TABLE OF CONTENTS

AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statement of Assets and Liabilities	2
Statement of Receipts, Disbursements, and Cash Balance	3
Notes to Financial Statements	4
SUPPLEMENTAL INFORMATION	
Schedule of County of Chester Revenues and Direct Expenditures.....	5
General Information	6
AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS.....	7
SUMMARY OF EXIT CONFERENCE	9



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

VALENTINO F. DIGIORGIO, III
Controller

June 22, 2012

MDJ Gregory V. Hines
District Court 15-1-03
256 East Lincoln Highway
Coatesville, PA 19320-3488

Internal Audit has audited the accounts of Magisterial District Court 15-1-03 (*District Court*) as of December 31, 2011, and has compiled the attached Statement of Assets and Liabilities and the related Statement of Cash Receipts, Disbursements, and Cash Balance for the year then ended. It is Internal Audit's responsibility 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*. It is management's responsibility to maintain, update, and reconcile these accounts on a continuous basis.

Our audit was conducted in accordance with generally accepted auditing standards and the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit in a manner that will provide *reasonable assurance* that the accounts are free of material misstatement and that amounts are properly supported and approved.

As described in Note 1, the accompanying financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the statements referred to above are not intended to present the financial position and results of operations of the *District Court* in conformity with generally accepted accounting principles.

In our opinion, the accounts of the *District Court* are stated fairly as of December 31, 2011. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *District Court* as of December 31, 2011, and the cash receipts, disbursements, and cash balance for the year then ended.

In accordance with *Government Auditing Standards*, Internal Audit has also issued a report dated June 22, 2012 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.

Valentino F. DiGiorgio, III
Controller

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-03
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2011

ASSETS

Cash – Checking Account	\$ 35,742
Cash – Petty Cash/Change Fund	<u>150</u>
Total Assets	<u>\$ 35,892</u>

LIABILITIES

Commonwealth of Pennsylvania	\$ 2,918
County of Chester	11,840
Coatesville City	9,324
South Coatesville Borough	1,636
Coatesville Area School District	124
Bail, Restitution, Collateral, Server Fees	9,900
Due to County – Petty Cash/Change Fund	<u>150</u>
Total Liabilities	<u>\$ 35,892</u>

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-03

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CASH BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2011

Receipts	
Commonwealth of Pennsylvania	\$ 206,772
County of Chester	150,504
Municipalities	
Coatesville City	114,500
South Coatesville Borough	19,668
Parkesburg Borough	12
Coatesville Area School District	1,839
Bail, Restitution, Collateral, Server Fees	<u>109,038</u>
 Total Receipts	 <u>602,333</u>
Disbursements	
Commonwealth of Pennsylvania	206,416
County of Chester	150,583
Municipalities	
Coatesville City	113,568
South Coatesville Borough	19,140
Parkesburg Borough	12
Coatesville Area School District	2,143
Bail, Restitution, Collateral, Server Fees	<u>114,053</u>
 Total Disbursements	 <u>605,915</u>
 Cash Increase/(Decrease)	 (3,582)
 Beginning Balance	 <u>39,324</u>
 Ending Balance	 <u><u>\$ 35,742</u></u>

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

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-03
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 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 (Gregory V. Hines) that would affect the financial statements for the year ended December 31, 2011.

SUPPLEMENTAL INFORMATION

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-03

SCHEDULE OF COUNTY OF CHESTER REVENUES AND DIRECT EXPENDITURES

FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010
(Unaudited)

	<u>2011</u>	<u>2010</u>
Revenues		
County Fines and Costs	<u>\$ 151,764</u>	<u>\$ 163,364</u>
Direct Expenditures		
Salaries and Wages	\$ 170,136	\$ 174,365
Fringe Benefits	85,654	77,648
Employee Travel & Mileage	596	509
Electric	14,237	15,674
Water & Sewer	505	495
Postage	19,216	14,531
Office Supplies	4,873	4,983
Telephone/Data Lines	2,900	3,426
Other Professional Services	6,189	8,521
Equipment Rentals/Repairs & Maintenance	540	540
Other General Expenditures	<u>0</u>	<u>33</u>
Total Direct Expenditures	<u>\$ 304,846</u>	<u>\$ 300,725</u>

Note 1: The revenue figure per the County of \$ 151,764 differs from the amount disbursed to the County by the *District Court* of \$ 150,583. 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*.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-03

GENERAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010
(Unaudited)

(1) A comparison of the case load between 2011 and 2010 is as follows:

<u>Docket Description</u>	<u>Case Load</u>	
	<u>2011</u>	<u>2010</u>
Traffic	2,856	3,316
Non-traffic	1,777	1,790
Civil/Landlord Tenant	325	304
Criminal	<u>450</u>	<u>498</u>
Total cases docketed for the year	<u>5,408</u>	<u>5,908</u>

(2) The *District Court's* support staff was comprised of five (5) full-time individuals at year end 2011.



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

VALENTINO F. DIGIORGIO, III
Controller

June 22, 2012

MDJ Gregory V. Hines
District Court 15-1-03
256 East Lincoln Highway
Coatesville, PA 19320-3488

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

In planning our audit of the financial statements of District Court 15-1-03 (*District Court*) as of and for the year ended December 31, 2011, 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

We noted certain matters that we reported to management of the *District Court* in a separate letter dated June 22, 2012. They included the following:

- Compliance with district court policies/procedures with respect to overall compliance.

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.



Valentino F. DiGiorgio III
Controller

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-03
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2011

An exit conference was waived for the 12/31/11 audit. The findings and recommendations were reviewed and discussed with Judge Hines and the Office Manager at a Review Meeting held on June 1, 2012. Magisterial District Judge Gregory V. Hines has accepted the audit report and management letter as presented.