

COUNTY OF CHESTER
CLERK OF COURTS AND ADULT PROBATION
OFFICES

FINANCIAL STATEMENTS – CASH BASIS

YEAR ENDED DECEMBER 31, 2018

COUNTY OF CHESTER
CLERK OF COURTS AND ADULT PROBATION OFFICES
YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Clerk of Courts and Adult Probation Office
West Chester, Pennsylvania

Report on the Financial Statement

We have audited the accompanying financial statements of the COUNTY OF CHESTER CLERK OF COURTS AND ADULT PROBATION OFFICE (the "Office"), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2018 and the statement of cash receipts, disbursements and cash balances for year ended December 31, 2018, and the related notes to the financial statements. The financial statements of the Office as of and for the year ended December 31, 2017, were audited by other auditors, whose report was dated September 10, 2018, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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 the 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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.

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Opinion

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the assets and liabilities arising from cash transactions of the COUNTY OF CHESTER CLERK OF COURTS AND ADULT PROBATION OFFICE for the year ended December 31, 2018, and its cash receipts, disbursements, and cash balances for the year 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 statement, which describes the basis of accounting. This financial statement is 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. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the activity of the Office and does not purport to, and does not, present fairly the financial position or results of operations of the COUNTY OF CHESTER, for the year ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
January 27, 2020

COUNTY OF CHESTER
STATEMENTS OF ASSETS AND LIABILITIES - CASH BASIS
CLERK OF COURTS AND ADULT PROBATION
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash - CPCMS Accounts	\$ 2,043,173	\$ 2,014,725
Cash - Automation Funds	245,128	273,492
Cash - Legacy Summary Appeal/Bail Account	19,442	19,442
Cash - Clerk of Courts Change Funds	300	300
Cash - Adult Probation Change Funds	<u>200</u>	<u>200</u>
Total Assets	<u><u>\$ 2,308,243</u></u>	<u><u>\$ 2,308,159</u></u>
<u>LIABILITIES</u>		
Due to Individuals - Clerks/APO	\$ 1,614,403	\$ 1,625,962
Due to County - APO	204,015	181,237
Due to Commonwealth of PA - Clerk/APO	143,615	135,240
Due to DUI Program - APO	33,530	36,637
Due to County - Clerk	39,191	32,642
Due to Municipalities - APO	24,892	17,182
Due to District Attorney - Clerk/APO	1,584	3,828
Due to Restricted Funds - Clerk/APO	246,513	274,931
Due to County - Change Funds	<u>500</u>	<u>500</u>
Total Liabilities	<u><u>\$ 2,308,243</u></u>	<u><u>\$ 2,308,159</u></u>

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

COUNTY OF CHESTER

CLERK OF COURTS AND ADULT PROBATION

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES - CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>Receipts</u>	<u>2018</u>	<u>2017</u>
Filings Fees	\$ 189,690	\$ 212,619
Bail Escrow	836,583	873,717
Summary Appeal	83,022	76,810
Fines, Costs and Restitution	6,821,244	6,674,554
Automation Fees	43,308	54,195
Interest	2,231	1,302
Total Receipts	<u>7,976,078</u>	<u>7,893,197</u>
 <u>Disbursements</u>		
Filing Fees	190,646	214,145
Bail Escrow	953,254	933,153
Summary Appeal	82,534	69,369
Fines, Costs and Restitution	6,675,657	6,785,903
Automation Expenses	73,903	20,458
Total Disbursements	<u>7,975,994</u>	<u>8,023,028</u>
 Cash Increase (Decrease)	 84	 (129,831)
 Cash, Beginning of Year	 <u>2,308,159</u>	 <u>2,437,990</u>
 Cash, End of Year	 <u><u>\$ 2,308,243</u></u>	 <u><u>\$ 2,308,159</u></u>

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

COUNTY OF CHESTER
CLERK OF COURTS AND ADULT PROBATION OFFICE
NOTES TO FINANCIAL STATEMENTS – CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1: NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

COUNTY OF CHESTER CLERK OF COURTS OFFICE AND ADULT PROBATION OFFICE (“Office”), collects cash from individuals for the payment of court costs/fees, bail payments, and restitution. Cash collected from individuals is subsequently disbursed to the individual and various governmental entities. A summary of the Office’s significant accounting policies applied in the preparation of the accompanying financial statement is as follows:

A) Reporting Entity

The Office’s employees are County of Chester (“County”) employees and the Office is fiscally dependent on the County to fund the operations of its Office. The Office’s operations are reflected in the County’s annual financial statements in the County’s General Fund. These financial statements solely reflects the activity of the Office.

B) Basis of Presentation

The accompanying financial statements 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 Office’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 Office’s deposits may not be recovered. As of December 31, 2018, the Office’s cash balances were \$2,308,243 and its bank balances were \$2,502,348. Of these bank balances, \$2,252,348 was uninsured and collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the Office’s name. The Office does not have a written policy to limit its exposure to custodial credit risk.

Filing Fee	\$ 12,731
Bail Escrow	806,460
Summary Appeals	31,487
Fines, Costs and Restitution	1,192,495
Total CPCMS Accounts	<u>\$ 2,043,173</u>

Of these cash balances of \$2,308,243, \$245,128 are maintained in separate cash account that are restricted for use of the Automation Fund.

COUNTY OF CHESTER
CLERK OF COURTS AND ADULT PROBATION OFFICE
NOTES TO FINANCIAL STATEMENTS – CASH BASIS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3: COMMON PLEAS CASE MANAGEMENT SYSTEM

The Administrative Office of Pennsylvania Courts (AOPC) initiated a project in 2001 to develop and implement a statewide Common Pleas Court Case Management System (CPCMS). CPCMS is now installed in the Commonwealth's sixty judicial districts in sixty-seven counties; CPCMS was implemented in Chester County February 6, 2006.

CPCMS provides case management tracking for the offices of the Clerk of Courts, Court Administration and Common Pleas judges and their staffs. Additional user groups include county fiscal offices, probation departments and limited write access for criminal justice-related offices (District Attorney, Sheriff and Prison) connected to a county network.

All case-related funds and financial transactions receipted after the implementation of CPCMS must be maintained in and tracked through CPCMS; the Clerk of Courts (Clerk) was required to establish new bank accounts for this purpose.

CPCMS requires that the records and funds for transactions for all fines, costs and restitution be maintained in one bank account "belonging to" the Clerk, regardless of whether one or more offices or departments actually receipt or disburse all or part of those funds, and that all transactions for that account to be recorded in CPCMS. Prior to CPCMS, the majority of fines, costs and restitution was collected through payments made to Chester County Adult Probation (APO).

Some disbursements were completed by the Clerk; however, most disbursements of fines, costs and restitution were prepared using vouchers completed by the APO for disbursements by the County. The Clerk established the required new "Clerk of Courts / Adult Probation" bank account and consulted with AOPC and with Chester County APO, Court Administration, DCIS, Controller and Finance to establish procedures to best implement and administer the new joint bank account which contains comingled funds receipted and disbursed according to CPCMS requirements (None of these funds are now disbursed through the Chester County Controller or Treasurer). As a result, the financial statements of each must be combined into one set of financial statements in respect to the shared bank account (the Fines, Costs and Restitution account).

NOTE 4: AUTOMATION FEE FUND

The Clerk established a new fund in 2004 pursuant to the Pennsylvania Clerk of Courts Fee Bill; 42 PCS 1725.4. In addition to any other fee authorized by law, an automation fee of not more than \$5 may be charged and collected by the Clerk for the initiation of any action or legal proceeding. The automation fee shall be deposited into a special Clerk of Courts automation fund established in each county. Moneys in the special fund shall be used solely for the purpose of automation and continued automation update of the Office of the Clerk of Courts. Until 2007, the Clerk maintained this fund in a Deferred Revenue account on the County general ledger. In September 2007 the Clerk opened a separate bank account to maintain these funds.

SUPPLEMENTARY INFORMATION

CHESTER COUNTY

CLERK OF COURTS AND ADULT PROBATION OFFICE

COMBINING STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Filing Fees</u>	<u>Bail Escrow</u>	<u>Summary Appeal</u>	<u>Fines, Costs and Restitution</u>	<u>Automation Fund</u>	<u>TOTAL</u>
<u>Receipts</u>						
Filings Fees	\$ 189,690	\$ -	\$ -	\$ -	\$ -	\$ 189,690
Bail Escrow	-	836,583	-	-	-	836,583
Summary Appeal	-	-	83,022	-	-	83,022
Fines, Costs and Restitution	-	-	-	6,821,244	-	6,821,244
Automation Fees	-	-	-	-	43,308	43,308
Interest	-	-	-	-	2,231	2,231
Total	<u>\$ 189,690</u>	<u>\$ 836,583</u>	<u>\$ 83,022</u>	<u>\$ 6,821,244</u>	<u>\$ 45,539</u>	<u>\$ 7,976,078</u>
<u>Disbursements</u>						
Filings Fees	\$ 190,646	\$ -	\$ -	\$ -	\$ -	\$ 190,646
Bail Escrow	-	953,254	-	-	-	953,254
Summary Appeal	-	-	82,534	-	-	82,534
Fines, Costs and Restitution	-	-	-	6,675,657	-	6,675,657
Automation Expenses	-	-	-	-	73,903	73,903
Total	<u>\$ 190,646</u>	<u>\$ 953,254</u>	<u>\$ 82,534</u>	<u>\$ 6,675,657</u>	<u>\$ 73,903</u>	<u>\$ 7,975,994</u>

CHESTER COUNTY

CLERK OF COURTS AND ADULT PROBATION OFFICE

COMBINING STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Filing Fees	Bail Escrow	Summary Appeal	Fines, Costs and Restitution	Automation Fund	TOTAL
<u>Receipts</u>						
Filings Fees	\$ 212,619	\$ -	\$ -	\$ -	\$ -	\$ 212,619
Bail Escrow	-	873,717	-	-	-	873,717
Summary Appeal	-	-	76,810	-	-	76,810
Fines, Costs and Restitution	-	-	-	6,674,554	-	6,674,554
Automation Fees	-	-	-	-	54,195	54,195
Interest	-	-	-	-	1,302	1,302
Total	<u>\$ 212,619</u>	<u>\$ 873,717</u>	<u>\$ 76,810</u>	<u>\$ 6,674,554</u>	<u>\$ 55,497</u>	<u>\$ 7,893,197</u>
<u>Disbursements</u>						
Filings Fees	\$ 214,145	\$ -	\$ -	\$ -	\$ -	\$ 214,145
Bail Escrow	-	933,153	-	-	-	933,153
Summary Appeal	-	-	69,369	-	-	69,369
Fines, Costs and Restitution	-	-	-	6,785,903	-	6,785,903
Automation Expenses	-	-	-	-	20,458	20,458
Total	<u>\$ 214,145</u>	<u>\$ 933,153</u>	<u>\$ 69,369</u>	<u>\$ 6,785,903</u>	<u>\$ 20,458</u>	<u>\$ 8,023,028</u>



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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 REPORT**

Clerk of Courts and Adult Probation Office
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 Clerk of Courts and Adult Probation Office ("Office") for the year ended December 31, 2018, and the related notes to the Statements and have issued our report thereon dated January 27, 2020.

Internal Control Over Financial Reporting

In planning our audit of the Statements of the Office, we considered the Office'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 Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office'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 significant material weaknesses or deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's Statements are free from 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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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
January 27, 2020