



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

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

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***Magisterial District Court  
15-2-07***

**Annual Financial Statement  
Audit**

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Valentino F. DiGiorgio, III, Controller

**COUNTY OF CHESTER**

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

**ANNUAL FINANCIAL STATEMENT AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-2-07**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
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# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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VALENTINO F. DIGIORGIO, III  
Controller

October 23, 2012

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

Internal Audit has audited the accounts of Magisterial District Court 15-2-07 (*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 October 23, 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 15-2-07**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2011**

**Assets**

Cash – Checking Account	\$ 47,986
Cash – Petty Cash/Change Fund	<u>150</u>
Total Assets	<u>\$ 48,136</u>

**Liabilities**

Commonwealth of Pennsylvania	\$ 3,971
County of Chester	12,902
Upper Uwchlan Township	5,573
Uwchlan Township	5,558
West Pikeland Township	2,205
Bail, Restitution, and Collateral	17,777
Due to County – Petty Cash/Change Fund	<u>150</u>
Total Liabilities	<u>\$ 48,136</u>

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

**COUNTY OF CHESTER**

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

Receipts	
Commonwealth of Pennsylvania	\$ 662,453
County of Chester	175,591
Upper Uwchlan Township	69,798
Uwchlan Township	93,326
West Pikeland Township	33,771
West Whiteland Township	18
Downingtown School District	88
Bail, Restitution, and Collateral	<u>128,472</u>
Total Receipts	<u>1,163,517</u>
Disbursements	
Commonwealth of Pennsylvania	675,112
County of Chester	177,315
Upper Uwchlan Township	67,087
Uwchlan Township	95,813
West Pikeland Township	34,744
West Whiteland Township	18
Coatesville City	246
Downingtown School District	188
Bail, Restitution, and Collateral	<u>131,419</u>
Total Disbursements	<u>1,181,942</u>
Cash Decrease	(18,425)
Beginning Balance	<u>66,411</u>
Ending Balance	<u>\$ 47,986</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 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, 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) for the year ended December 31, 2011.

**SUPPLEMENTAL INFORMATION**



COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

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>\$ 175,052</u>	<u>\$ 181,289</u>
Direct Expenditures		
Salaries and Wages	\$ 134,232	\$ 133,181
Fringe Benefits	71,515	63,483
Office Rent	101,100	97,500
Postage	9,778	9,754
Electric	7,552	7,303
Telephone/Data Lines	3,494	3,576
Office Supplies	2,880	3,692
Equipment Rentals	360	360
Other General Expenditures	62	0
Employee Travel & Mileage	31	207
Equipment Repairs & Maintenance	<u>0</u>	<u>375</u>
Total Direct Expenditures	<u>\$ 331,004</u>	<u>\$ 319,431</u>

**Note 1: The revenue figure per the County of \$175,052 differs from the amount disbursed to the County by the *District Court* of \$177,315. 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 15-2-07**

**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><b>Docket Description</b></u>	<u><b>2011</b></u>	<u><b>2010</b></u>
Traffic	6,677	6,763
Non-traffic	316	390
Civil	267	376
Landlord/Tenant	124	*
Criminal	<u>190</u>	<u>245</u>
Total cases docketed for the year	<u>7,574</u>	<u>7,774</u>

\* For year 2010, Civil and Landlord/Tenant cases were combined into one figure under Civil.

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



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October 23, 2012

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## **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, 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 a matter with regards to cash adjustments that we reported to management of the *District Court* in a separate letter dated October 23, 2012.

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 15-2-07**

**SUMMARY OF EXIT CONFERENCE**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

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.