



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18104-2400
(610) 782-3082 FAX: (610) 871-2897
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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: September 25, 2018
RE: Audit of Magisterial District Court #31-3-02

We have completed a financial audit of Magisterial District Court #31-3-02, County of Lehigh, Pennsylvania for the period January 1, 2016 to December 31, 2017. Our audit report number 18-29 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-3-02.
- The magisterial district judge is in general compliance with the applicable financial AOPC guidelines.

Attachment

MDJ/DEVINE

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-3-02

Financial Audit
For the Period January 1, 2016 to December 31, 2017

REPORT NO. 18-29

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-3-02

Table of Contents

	Page(s)
OPINION OF GLENN ECKHART LEHIGH COUNTY CONTROLLER	1-2
Statement of Receipts and Disbursements and Changes in Cash Balance for the Period January 1, 2016 to December 31, 2017	3
Notes to Financial Statement	4
Comments on Compliance/Internal Control	5-6
Magisterial District Judge's Response	No Response



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JOHN A. FALK
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Magisterial District Judge Michael Faulkner
Magisterial District Court #31-3-02
5925 Tilghman Street, Suite 500
Allentown, PA 18104

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements and Changes in Cash Balance of Magisterial District Court #31-3-02 for the years January 1, 2016 to December 31, 2017 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Schedules, whether due to human error or fraud. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the Schedules 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 management's internal control over financial reporting. 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 Schedules.

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

Opinion on the Schedules

In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Magisterial District Court #31-3-02 for the years January 1, 2016 to December 31, 2017, in accordance with the U.S. generally accepted accounting principles.

As discussed in Note 1, the Schedules were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the Schedules present only the Magisterial District Court #31-3-02's financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the years January 1, 2016 to December 31, 2017 in conformity with the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2018 on our consideration of Magisterial District Court #31-3-02's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is 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 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 management's internal control over financial reporting and compliance.



GLENN ECKHART
County Controller

September 19, 2018
Allentown, Pennsylvania

Audited by: Daniel Aquilino and Thomas Grogan

Final Distribution:

Alburtis Borough
Phillips Armstrong, County Executive
Auditor General of Pennsylvania
Board of Commissioners
East Penn School District
Edward Hozza, Director of Administration
Lower Macungie Township
Lowhill Township
Timothy Reeves, Fiscal Officer
The Honorable Edward D. Reibman, President Judge
H. Gordon Roberts, Magisterial District Judge Administrator
Andrew Simpson, AOPC
Upper Macungie Township

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-3-02

*Statement of Receipts and Disbursements
and Changes in Cash Balance
for the Period January 1, 2016 to December 31, 2017
(NOTE 1)*

	<u>2016</u>	<u>2017</u>
Receipts:		
Office Receipt Activity	\$1,443,818	\$1,572,908
Bank Account Interest	118	129
	-----	-----
Total Receipts	1,443,936	1,573,037
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs & Fines	992,989	1,018,160
County of Lehigh – Costs and Fines	174,904	187,361
Upper Macungie Township – Costs & Fines	164,538	160,379
Refunds	53,433	53,356
Server Fees (NOTE 2)	46,766	46,538
Lower Macungie Township – Costs and Fines	14,078	7,504
Restitution	5,108	4,568
Alburtis Borough – Costs and Fines	4,270	83,653
East Penn School District – Costs & Fines	681	100
Commonwealth of Pennsylvania - Interest	118	129
Lowhill Township – Costs & Fines	100	0
	-----	-----
Total Disbursements	1,456,985	1,561,748
	-----	-----
Receipts Over (Under) Disbursements	(13,049)	11,289
Cash Balance, January 1	61,211	48,162
	-----	-----
Cash Balance, December 31	\$ 48,162	\$ 59,451
	=====	=====

The accompanying notes to financial statement are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-3-02

Notes to Financial Statement
For the Period January 1, 2016 to December 31, 2017

1. Summary of Significant Accounting Policy

A. Reporting Entity

A portion of the Magisterial District Court #31-3-02's financial activity is a part of the County of Lehigh's reporting entity, included in the general fund and is subject to annual financial audit by external auditors. The remaining financial activity is part of other governmental entities. This report is only for internal audit purposes.

B. Basis of Accounting

The accounting records of the County of Lehigh and the Statement of Receipts and Disbursements and Changes in Cash Balance are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting.

C. Administrative Guidelines

An automated *Clerical Procedures Manual* is published by the Administrative Office of Pennsylvania Courts (AOPC). Each magisterial district court is required to follow the procedures mandated under the authority of Rule 505 of the Pennsylvania Rules of Judicial Administration.

D. Magisterial District Judge During the Audit Period

Michael Faulkner was the Magisterial District Judge for the period January 1, 2016 to December 31, 2017.

2. Server Fees

Constables receive payment for services rendered from two sources. The magisterial district judge pays the constable for services rendered and recovers the cost from the defendant when the case is paid-in-full. However, when the defendant is found not guilty, sentenced to confinement, or cannot pay the assessments, the County of Lehigh pays the constable. As such, the costs represented in the financial statements are not inclusive of server costs incurred and paid for by the County of Lehigh.



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Magisterial District Judge Michael Faulkner
Magisterial District Court #31-3-02
5925 Tilghman Street, Suite 500
Allentown, PA 18104

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statement of Receipts and Disbursements and Changes in Cash Balance of Magisterial District Court #31-3-02 for the years January 1, 2016 to December 31, 2017 (hereinafter referred to as the Schedules) and have issued our report thereon dated September 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered Magisterial District Court #31-3-02's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-3-02'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 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 to 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Magisterial District Court #31-3-02's Schedules 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*. Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

Management's Response to the Audit

If provided, the Magisterial District Court #31-3-02's response to our audit is included in this report. We did not audit Magisterial District Court #31-3-02's response and, accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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. This report is intended solely for the information and use of management, the Magisterial District Judge, the Court, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Glenn Eckhart', with a long horizontal flourish extending to the right.

GLENN ECKHART
County Controller

September 19, 2018
Allentown, PA