



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY
NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

FRANK S. KEDL, CIA
Audit Manager

PHONE (610) 829-6615
FAX (610) 559-3137

TIMOTHY P. BRENNAN, ESQ.
Solicitor

INDEPENDENT AUDITORS' REPORT

Members of the Northampton County Council
John A. Brown, County Executive
Honorable Stephen G. Baratta, President Judge
County of Northampton, Pennsylvania

We have audited the Statements of Changes in Assets and Liabilities - Cash Basis of Magisterial District Court (MDC) 03-3-01 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2014 and December 31, 2015. These statements are the responsibility of MDC 03-3-01. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our tests did not include an examination of the State computer system/software. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 1, the accompanying Statements of Changes in Assets and Liabilities - Cash Basis of MDC 03-3-01 of the County of Northampton, Pennsylvania, for the years ended December 31, 2014 and December 31, 2015 were prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

These financial statements present only the MDC 03-3-01 financial activity and are not intended to present fairly the financial position and results of operations of the County of Northampton, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the financial position of MDC 03-3-01 of the County of Northampton, Pennsylvania, as of December 31, 2014 and December 31, 2015, on the basis of accounting described in Note 1.

Members of the Northampton County Council
John A. Brown, County Executive
Honorable Stephen G. Baratta, President Judge
County of Northampton, Pennsylvania
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In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016, on our consideration of the MDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements 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* and should be considered in assessing the results of our audit.

This report is intended for the information and use of the management of the County of Northampton, Pennsylvania, the Administrative Office of Pennsylvania Courts and the PA Auditor General. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stephen J. Barron, Jr.", with a large, stylized flourish extending to the right.

Stephen J. Barron, Jr., CFE
County Controller

September 22, 2016

A handwritten signature in black ink, reading "Stacy L. Duke", written in a cursive style.

Stacy L. Duke
Staff Auditor

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-01
Magisterial District Judge Robert A. Hawke

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COUNTY OF NORTHAMPTON, PENNSYLVANIA
 Magisterial District Court 03-3-01
 Statement of Changes in Assets and Liabilities - Cash Basis
 For the Year Ended December 31, 2014

	<u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2014</u>
<u>Assets</u>				
Cash	\$ 27,560	\$ 376,991	\$ 380,205	\$ 24,346
Total Assets	<u>\$ 27,560</u>	<u>\$ 376,991</u>	<u>\$ 380,205</u>	<u>\$ 24,346</u>
<u>Liabilities</u>				
State costs and fines	\$ 2,288	\$ 209,268	\$ 207,598	\$ 3,958
County costs and fines	5,395	69,423	70,481	4,337
Local fines:				
Chapman Borough	70	1,327	1,327	70
Lehigh Township	2,116	27,131	26,762	2,485
Moore Township	1,517	16,411	16,940	988
Northampton Area School District	31	444	418	57
Walnutport Borough	1,222	17,542	17,699	1,065
Escrow	14,921	35,290	38,825	11,386
Miscellaneous	<u>-</u>	<u>155</u>	<u>155</u>	<u>-</u>
Total Liabilities	<u>\$ 27,560</u>	<u>\$ 376,991</u>	<u>\$ 380,205</u>	<u>\$ 24,346</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-01
Statement of Changes in Assets and Liabilities - Cash Basis
For the Year Ended December 31, 2015

	<u>Balance</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2015</u>
<u>Assets</u>				
Cash	\$ 24,346	\$ 537,314	\$ 531,152	\$ 30,508
Total Assets	<u>\$ 24,346</u>	<u>\$ 537,314</u>	<u>\$ 531,152</u>	<u>\$ 30,508</u>
<u>Liabilities</u>				
State costs and fines	\$ 3,958	\$ 294,218	\$ 295,194	\$ 2,982
County costs and fines	4,337	92,148	88,852	7,633
Local fines:				
Allen Township	-	389	376	13
Bangor Borough	-	124	77	47
Catasauqua Area School District	-	991	795	196
Chapman Borough	70	623	393	300
Lehigh Township	2,485	49,917	48,721	3,681
Moore Township	988	20,353	19,876	1,465
Northampton Area School District	57	1,903	1,739	221
Northampton Borough	-	8,625	7,369	1,256
North Catasauqua Borough	-	2,344	1,979	365
Walnutport Borough	1,065	13,758	14,473	350
Wind Gap Borough	-	7	-	7
Escrow	11,386	51,914	51,308	11,992
Total Liabilities	<u>\$ 24,346</u>	<u>\$ 537,314</u>	<u>\$ 531,152</u>	<u>\$ 30,508</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-01
Notes to Financial Statement

NOTE 1: Summary of Significant Accounting Policies

Basis of Presentation - Fund Accounting

The accounts of a governmental entity are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. An agency fund is used to account for assets held by the MDC as an agent for individuals, private organizations or other governmental units. Since agency funds are custodial in nature, they do not involve measurement of operations.

Basis of Accounting

The financial statements are prepared on the cash basis of accounting. Under this basis, only cash transactions are recognized. Since the Commonwealth of Pennsylvania does not require the reporting of accounts receivable balances or accounts payable balances, they are not presented.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Northampton County Council
John A. Brown, County Executive
Honorable Stephen G. Baratta, President Judge
County of Northampton, Pennsylvania

We have audited the Statements of Changes in Assets and Liabilities - Cash Basis of Magisterial District Court (MDC) 03-3-01 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2014 and December 31, 2015, and have issued our report thereon dated September 22, 2016. We conducted our audit 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.

Internal Control over Financial Reporting

Management of the MDC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the MDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statements of Changes in Assets and Liabilities - Cash Basis, but not for the purpose of expressing an opinion on the effectiveness of the MDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MDC'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.

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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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MDC's financial statements 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*.

We noted certain matters that we reported to management of the MDC in the accompanying schedule of audit findings and recommendations.

The MDC's response to the findings identified in our audit is described in the accompanying schedule of audit findings and recommendations. We did not audit the MDC's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania, the Administrative Office of Pennsylvania Courts and the PA Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Stephen J. Barron, Jr., CFE
County Controller



Stacy L. Duke
Staff Auditor

September 22, 2016

County of Northampton
Magisterial District Judge Robert A. Hawke
Schedule of Audit Findings and Recommendations
Years Ended 12/31/14 and 12/31/15

A. Voids

OBSERVATION

We found that this office did not obtain endorsement of the Magistrate District Judge (MDJ) or a second Clerical Technician (CT) for four of six voids tested. Based on our conversation with the MDJ and CTs, all voids started being approved in February of 2016 after a policy and procedure reminder was sent out by the Deputy Court Administrator.

RECOMMENDATION

When a CT voids a receipt, they should obtain the initials of the MDJ or a second CT to provide evidence that a second individual has reviewed the void.

MANAGEMENT RESPONSE MDJ Robert A. Hawke, Magisterial District Judge

All voids are currently being endorsed since the February 2016 policy and procedure reminder which was sent by Court Administration.

B. Bank Reconciliations

OBSERVATION

Bank reconciliations were rotated between the second bank check signer and the other CT when it was a two person office. When the third CT was added in June 2015, the second bank check signer should have stopped performing the bank reconciliation.

RECOMMENDATION

The two CTs who are not the second bank check signer should rotate the duties of performing the bank reconciliation monthly.

MANAGEMENT RESPONSE MDJ Robert A. Hawke, Magisterial District Judge

Since this was always a two person office, the CTs were unaware of the policy that the second bank check signer is not able to do the monthly bank reconciliation. The situation will be corrected.