



RICHARD J. SZULBORSKI

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

PAUL L. ALBERT, CIA
Audit Manager

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

MICHAEL P. SHAY, ESQ.
Solicitor

Independent Auditor's Report

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
Honorable Stephen G. Baratta, President Judge
County of Northampton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying Statement of Changes in Assets and Liabilities – Cash Basis of Magisterial District Court (MDC) 03-2-01 of the County of Northampton, Pennsylvania, as of and for the period ended December 31, 2016 and December 31, 2017 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial 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 financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Changes in Assets and Liabilities – Cash Basis as of December 31, 2017 in accordance with accounting principles generally accepted in the United States of America. However, we noted control deficiencies or other management issues that are described in the accompanying Schedule of Audit Findings and Recommendations.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a 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.

Emphasis of Matter

(As discussed in Note 1, the accompanying financial statements are intended to present only the MDC financial activity and are not intended to present fairly the financial position and results of operations of the County of Northampton, Pennsylvania. They do not purport to, and do not, present fairly the financial position and results of operations of the County of Northampton, Pennsylvania, as of December 31, 2017 in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.)

Restriction on Use

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.

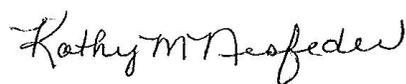
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018, on our consideration of the MDC 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* in considering the MDC internal control over financial reporting and compliance.

Very truly yours,



Richard J. Szulborski
County Controller



Kathy M. Nesfeder, CFE, CRMA
Auditor II

June 4, 2018

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-01
Magisterial District Judge Roy A. Manwaring II, Esq.
For the Year Ended December 31, 2017

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COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-01
Statement of Changes in Assets and Liabilities - Cash Basis
For the Year Ended December 31, 2016

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2016</u>
<u>Assets</u>				
Cash	\$ 29,364	\$ 576,950	\$ 570,781	\$ 35,533
Total Assets	<u>\$ 29,364</u>	<u>\$ 576,950</u>	<u>\$ 570,781</u>	<u>\$ 35,533</u>
<u>Liabilities</u>				
State costs and fines	\$ 3,040	\$ 195,469	\$ 195,508	\$ 3,001
County costs and fines	9,982	145,866	143,737	12,111
Local fines:				
Bethlehem Area Public Library	-	25	25	-
Bethlehem City	12,517	166,695	166,055	13,157
Lower Saucon	-	25	25	-
Escrow	3,822	68,870	65,431	7,261
Miscellaneous	<u>3</u>			<u>3</u>
Total Liabilities	<u>\$ 29,364</u>	<u>\$ 576,950</u>	<u>\$ 570,781</u>	<u>\$ 35,533</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-01
Statement of Changes in Assets and Liabilities - Cash Basis
For the Year Ended December 31, 2017

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2017</u>
<u>Assets</u>				
Cash	\$ 35,533	\$ 569,289	\$ 576,996	\$ 27,826
Total Assets	<u>\$ 35,533</u>	<u>\$ 569,289</u>	<u>\$ 576,996</u>	<u>\$ 27,826</u>
<u>Liabilities</u>				
State costs and fines	\$ 3,001	\$ 195,984	\$ 198,985	\$ -
County costs and fines	12,111	148,559	149,606	11,064
Local fines:				
Bethlehem City	13,157	162,126	163,893	11,390
Escrow	7,261	62,620	64,546	5,335
Miscellaneous	<u>3</u>	<u>-</u>	<u>(34)</u>	<u>37</u>
Total Liabilities	<u>\$ 35,533</u>	<u>\$ 569,289</u>	<u>\$ 576,996</u>	<u>\$ 27,826</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-02-01
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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PAUL L. ALBERT, CIA
Audit Manager

PHONE (610) 829-6615
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MICHAEL P. SHAY, ESQ.
Solicitor

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*

Independent Auditor's Report

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
Honorable Stephen G. Baratta, President Judge
County of Northampton, Pennsylvania

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Changes in Assets and Liabilities – Cash Basis of Magisterial District Court (MDC) 03-2-01 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2016 and December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MDC'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the MDC's internal control.

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 by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant 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 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 as items (A).

MDC's Response to Findings

The MDC's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Recommendations. The MDC's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

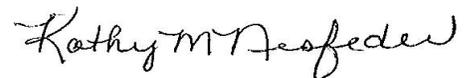
Purpose of this Report

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.

Very truly yours,



Richard J. Szulborski
County Controller



Kathy M. Nesfeder, CFE, CRMA
Auditor II

June 4, 2018

County of Northampton
Magisterial District Judge Roy A. Manwaring II, Esq.
Schedule of Audit Findings and Recommendations
Years Ending December 31, 2016 and December 31, 2017

A. Voided Receipts

OBSERVATION

We found that this office did not obtain approval of the MDJ or a second clerical technician for two of the five voided receipt transactions tested for 2016. The case files were NT-33-16 and TR-978-16. A memo was issued by Court Administration on July 18, 2014 that included instructions to obtain approval for voids. Subsequent memos with instructions on voids were also distributed on February 3, 2016, August 25, 2016 and August 18, 2017. This is a repeat finding from our 2014-2015 MDJ Audit which had four voided transactions without approval from the MDJ or a second clerical technician.

RECOMMENDATION

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

MANAGEMENT RESPONSE

The Court concedes the observation regarding the two voided transaction in question and accepts the recommendation of the Controller's Office. In the interest of clarity and transparency, it should be noted that one of the transactions was voided due to "wrong remitter" while the second transaction was voided due to the fact that the payment was received in the mail rather than paid at the window.