

**Magisterial District Court 23-3-02
County of Berks, Pennsylvania**

Magisterial District Judge Michael G. Hartman

Annual Financial Statement Audit

For the Year Ended December 31, 2017



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Internal Auditor's Report

Magisterial District Judge Michael G. Hartman
Magisterial District Court 23-3-02
100 Schaeffer Street, Suite 2
Boyertown, PA 19512

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements and the Changes in Cash Balance of Magisterial District Court 23-3-02 for the year ending December 31, 2017.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 statement 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 statement that is free from material misstatements, whether due to fraud or error.

Internal Auditor's Responsibility

Our responsibility is to annually audit the accounts of every magistrate or district judge within the County and to report the results of such audits to the Berks County Commissioners, the Berks County President Judge, 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.

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

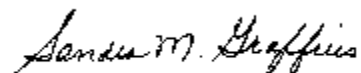
In our opinion, the financial statement referred to above presents fairly, in all material respects, its cash receipts, disbursements and cash balance for the year ending December 31, 2017 in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated September 11, 2018, on our evaluation of Magisterial District Court 23-3-02'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 the audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of the audit.



Sandra M. Graffius, Controller
September 11, 2018

**Magisterial District Court 23-3-02
County of Berks, Pennsylvania
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis
For the Year Ended December 31, 2017**

<u>Receipts</u>	\$ 574,788
<u>Disbursements</u>	
Commonwealth	343,550
County of Berks	106,203
Local authorities	82,515
Restitution, bail and collateral	24,039
Constable fees	12,618
Total Disbursements	568,925
Cash receipts in excess of disbursements	5,863
Cash, beginning of year	25,147
Cash, end of year	\$ 31,010

The accompanying notes are an integral part of the financial statement.

**Magisterial District Court 23-3-02
County of Berks, Pennsylvania
Notes to Financial Statement
For the Year Ended December 31, 2017**

Note 1: Nature of the office and significant accounting policies

Nature of the office:

Magisterial district courts have jurisdiction over the preliminary stages of all criminal cases. They have jurisdiction over all traffic and non-traffic summary cases and jurisdiction in civil cases where the amount in controversy is \$12,000 or less. They do not have jurisdiction over matters pertaining to real estate, except landlord and tenant matters. Magisterial district courts collect fines, costs, restitution, and bail from defendants. The funds are then distributed to the Commonwealth, the County of Berks, local authorities, constables, and victims of illegal activities.

Magisterial district courts are presided over by magisterial district judges. Appeals from magisterial district judge judgments are taken to the Court of Common Pleas.

Magisterial district judges are employees of the Commonwealth and the court secretaries are employees of the County of Berks.

Reporting Entity:

The financial statement of the Magisterial District Court includes only those transactions handled directly by the Magisterial 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 the citizens served by the Magisterial District Court. As such, the Magisterial District Court acts as a conduit for the Commonwealth, local municipalities, and constituents it serves. Consequently, the Magisterial District Court's cash balance at any point in time represents undisbursed funds to one (or all) of these parties. This report is only for internal auditing purposes.

The actual operating expenses of the Magisterial District Court are paid by the County of Berks, 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 Changes in Cash Balances.

Basis of accounting:

The Financial Statement of Magisterial District Court 23-3-02 has 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 (GAAP). The cash-basis of accounting differs from GAAP primarily because revenues are recognized when received rather than when earned and expenses are recorded when paid rather than incurred. The financial statement presents only cash and changes therein in the form of cash receipts and disbursements

**Magisterial District Court 23-3-02
County of Berks, Pennsylvania
Notes to Financial Statement - Continued
December 31, 2017**

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.

Administrative Guidelines:

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

Note 2: Cash

The following cash account is in the name of Magisterial District Court 23-3-02, County of Berks, and is not reflected in the County of Berks financial statements:

Bank	Account Type	Bank Balance	Carrying Value
BB&T	Checking	\$30,163	\$31,010

The cash account for Magisterial District Court 23-3-02 is assigned its own tax identification number.

The account holds funds received by Magisterial District Court 23-3-02 primarily in a trust and agency capacity and use of these funds by Magisterial District Court 23-3-02 is restricted.

Amounts on deposit do not exceed \$250,000 and therefore are fully covered by FDIC insurance.

Note 3: Legal Matters

Our audit disclosed no pending litigation involving the Magisterial District Court or Magisterial District Judge (Michael G. Hartman) that would affect the financial statement for the year ended December 31, 2017.

Note 4: Subsequent Events

Management has evaluated subsequent events through September 11, 2018, which is the date the financial statement was available to be issued.

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Internal Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Magisterial District Judge Michael G. Hartman
Magisterial District Court 23-3-02
100 Schaeffer Street, Suite 2
Boyertown, PA 19512

In planning and performing our audit of the financial statement of Magisterial District Court 23-3-02 for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Magisterial District Court 23-3-02's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Magisterial District Court 23-3-02's internal control. Accordingly, we do not express an opinion on the effectiveness of Magisterial District Court 23-3-02'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 statement 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 and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. 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.

As part of obtaining reasonable assurance about whether Magisterial District Court 23-3-02's financial statement is 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 in 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 the management of Magisterial District Court 23-3-02 in a separate letter dated September 11, 2018.

This report is intended solely for the information and use by the management of Magisterial District Court 23-3-02 and other affected county offices, 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 that reads "Sandra M. Graffius". The signature is written in a cursive style with a large initial 'S'.

Sandra M. Graffius, Controller
September 11, 2018