

Franklin County Municipal Court
(Agency Funds (Divisions) of Court)

Financial Statements

Year Ended December 31, 2012

(With Independent Auditors' Report)



Dave Yost • Auditor of State

Franklin County Municipal Court
375 South High Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Franklin County Municipal Court, Franklin County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Franklin County Municipal Court is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 20, 2013

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TABLE OF CONTENTS

Elected Officials.....	i
Key Administrative Personnel	ii
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-4
Combining Financial Statements:	
Combining Statement of Undisbursed Cash Balances	5
Combining Statement of Receipts, Disbursements, and Changes in Undisbursed Cash Balances	6
Notes to Combining Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8-9

<u>ELECTED OFFICIAL</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
James E. Green	Administrative and Presiding Judge	01/03/08 to 01/02/14
Harland Hale	Environmental Judge	01/08/10 to 01/07/16
Ted Barrows	Judge	01/02/10 to 01/01/16
Michael T. Brandt	Judge	01/03/12 to 01/02/18
Carrie Glaeden	Judge	01/05/10 to 01/04/16
Paul M. Herbert	Judge	01/04/10 to 01/03/16
Mark A. Hummer	Judge	01/03/10 to 01/02/16
James P. O'Grady	Judge	12/09/11 to 01/06/16
Andrea C. Peoples	Judge	01/01/12 to 12/31/17
H. William Pollitt, Jr.	Judge	01/01/10 to 12/31/15
Amy Salerno	Judge	01/02/08 to 01/01/14
Anne Taylor	Judge	01/06/10 to 01/05/16
David B. Tyack	Judge	01/09/10 to 01/08/16
Scott D. Van Der Karr	Judge	01/01/08 to 12/31/13
David C. Young	Judge	01/02/12 to 01/01/18
Lori M. Tyack	Clerk of Court	01/01/12 to 12/31/17

<u>NAME</u>	<u>TITLE</u>
Obie Lucas	Chief Deputy Clerk
Crystal Ross	Fiscal Administrator
Josh Kirschner	Internal Auditor
Rhonda Ferguson	Accounting Finance Manager
LeeAnne Sheppard	Quality Control Manager
Matt Davenport	Accounting Supervisor For Criminal
Jeff Dever	Accounting Supervisor For Civil

Independent Auditor's Report

Ms. Lori M. Tyack, Clerk of Courts
Franklin County Municipal Court
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying combining statement of undisbursed cash balances of Franklin County Municipal Court (the "Court") agency funds (divisions) of the City of Columbus, Ohio as of December 31, 2012 and the related combining statement of receipts, disbursements, and changes in undisbursed cash balances for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of cash receipts and disbursements as described in Note I; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 from 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 undisbursed cash balances arising from cash transactions of the Court agency funds (divisions) as of December 31, 2012 and its total receipts, disbursements, and changes in undisbursed cash balances for the year then ended, in accordance with the basis of accounting described in Note I.

Ms. Lori M. Tyack, Clerk of Courts
Franklin County Municipal Court
Columbus, Ohio

Basis of Accounting

We draw attention to Note 1, which explains that these financial statements present only the Court agency funds (divisions) and do not purport to, and do not, present fairly the financial position of the City of Columbus as of December 31, 2012, the changes in its financial position, and the changes in its cash flows, where applicable. Also, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive 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 Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013 on our consideration of Franklin County Municipal Court'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.

Plante & Moran, PLLC

May 24, 2013

The following Management's Discussion and Analysis ("MD&A") section of Franklin County Municipal Court's (the "Court") financial statements represents a discussion and analysis of the Court's financial performance during the fiscal year ended December 31, 2012. Please read it in conjunction with the Court's financial statements, which follow this section.

Overview of the Financial Statements

The Court's financial statements are presented on a cash receipts and disbursements basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

For financial reporting purposes, the Court is an agency fund group which consists of the agency funds of the four divisions of the Court: criminal/traffic/bail, civil, trusteeship, and rent escrow. The operating expenses of the Court are funded by the City of Columbus and Franklin County and are not, therefore, part of the reporting entity included in this report.

Combining Statement of Undisbursed Cash Balances

The following summarizes the Court's undisbursed cash balances as of December 31:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Civil Division	\$980,194	\$1,370,260	\$(390,066)	(28%)
Trusteeship Division	4,019	3,854	165	4%
Rent Escrow Division	136,333	109,989	26,344	24%
Criminal/Traffic/Bail Division	<u>1,566,405</u>	<u>1,438,678</u>	<u>127,727</u>	9%
 Total undisbursed cash balances	 <u>\$2,686,951</u>	 <u>\$2,922,781</u>	 <u>\$(235,830)</u>	 <u>(8%)</u>

Over time, increases and decreases in undisbursed cash balance indicate the funds held for case disposition as a result of yearly cash receipts and disbursements timing.

Statement of Receipts and Disbursements

The following schedule presents a summary of funds for the years ended December 31:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<u>Receipts</u>				
Civil Division	\$ 23,057,510	\$ 24,382,397	\$(1,324,887)	(5%)
Trusteeship Division	203,156	209,786	(6,630)	(3%)
Rent Escrow Division	303,017	259,095	43,922	17%
Criminal/Traffic/Bail Division	<u>21,680,956</u>	<u>18,734,711</u>	<u>2,946,245</u>	16%
 Total receipts	 <u>\$ 45,244,639</u>	 <u>\$ 43,585,989</u>	 <u>\$ 1,658,650</u>	 4%
<u>Disbursements</u>				
Civil Division	\$ 23,447,576	\$ 24,429,974	\$ (982,398)	(4%)
Trusteeship Division	202,991	208,727	(5,736)	(3%)
Rent Escrow Division	276,673	243,806	32,867	13%
Criminal/Traffic/Bail Division	<u>21,553,229</u>	<u>18,627,034</u>	<u>2,926,195</u>	16%
 Total disbursements	 <u>\$ 45,480,469</u>	 <u>\$ 43,509,541</u>	 <u>\$ 1,970,928</u>	 5%

Civil Division

The civil division receipts and disbursements decreased by 5% and 4%, respectively, due to a combination of a 1% decrease in cases filed and a 5% decrease in garnishments, which can vary in dollar amount depending on the nature of the individual cases. Garnishments are receipted and disbursed on cases for many years if necessary. Therefore, they can significantly increase or decrease the number of receipts and disbursements without cases significantly increasing or decreasing.

Trusteeship Division

The trusteeship division receipts and disbursements decreased by 3% and 3%, respectively, with a decrease of 4 cases filed from the previous year. Cases can vary in dollar amount depending on the nature of individual cases and can continue on for many years.

Rent Escrow Division

The rent escrow division receipts and disbursements increased by 17% and 13%, respectively, with an increase of 4 cases from the previous year. Cases can vary in dollar amount depending on the nature of individual cases. Therefore, it is possible for a decrease in cases filed and an increase in receipts and disbursements.

Criminal/Traffic/Bail Division

The criminal/traffic/bail division receipts and disbursements increased by 16% and 16%, respectively, with an increase of 21,021 cases filed or 17%.

Franklin County Municipal Court
(Agency Funds (Divisions) of Court)
Combining Statement of Undisbursed Cash Balances
December 31, 2012

Undisbursed Cash Balance

Civil division	\$ 980,194
Trusteeship division	4,019
Rent escrow division	136,333
Criminal/traffic/bail division	<u>1,566,405</u>
Total	\$ <u>2,686,951</u>

See notes to combining financial statements

Franklin County Municipal Court
(Agency Funds (Divisions) of Court)
Combining Statement of Receipts, Disbursements, and Changes in Undisbursed Cash Balances
For the Year Ended December 31, 2012

	<u>Civil</u>	<u>Trusteeship</u>	<u>Rent Escrow</u>	<u>Criminal/ Traffic/Bail</u>	<u>Combined Total</u>
Cash receipts	\$ 23,057,510	203,156	303,017	21,680,956	\$ 45,244,639
Cash disbursements	<u>23,447,576</u>	<u>202,991</u>	<u>276,673</u>	<u>21,553,229</u>	<u>45,480,469</u>
Total cash receipts over (under) cash disbursements	(390,066)	165	26,344	127,727	(235,830)
Undisbursed cash balance - December 31, 2011	<u>1,370,260</u>	<u>3,854</u>	<u>109,989</u>	<u>1,438,678</u>	<u>2,922,781</u>
Undisbursed cash balance - December 31, 2012	\$ <u>980,194</u>	<u>4,019</u>	<u>136,333</u>	<u>1,566,405</u>	\$ <u>2,686,951</u>

See notes to combining financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The more significant of Franklin County Municipal Court's accounting policies are described below:

A. Reporting entity

The Municipal Court (the "Court") was created and operates under the authority of Section 1901.01 of the Ohio Revised Code. Under the present law, the Court operates with 15 elected Judges and an elected Clerk of Court, each of whom serves a six-year term. The Court has been granted jurisdiction for the entire area of Franklin County.

For financial reporting purposes, the Court is an agency fund group which consists of the agency funds of the four divisions of the Court: criminal/traffic/bail, civil, trusteeship, and rent escrow. The operating expenses of the Court are funded by the City of Columbus and Franklin County and are not, therefore, part of the reporting entity included in this report.

B. Basis of accounting

The Court prepares its combining financial statements on the basis of cash receipts and disbursements. Under this accounting method, revenues are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when incurred.

C. Cash and cash equivalents

The Court maintains separate cash accounts for the four divisions.

The provisions of the Ohio Revised Code govern the investment and deposit of monies held by the Court. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Court to invest monies in certificates of deposit and saving accounts.

Public depositories must give security for all public funds on deposits. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation ("FDIC"), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investment to be maintained in the Court's name.

Deposits – At year end, the carrying amount of the Court's deposits was \$2,686,951 and the bank balance was \$3,226,113, with the difference attributed mainly to outstanding checks. As required by criteria described in Governmental Accounting Standards Board ("GASB") Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, 100% of the bank balance was covered by FDIC insurance. As of January 1, 2013, the unlimited insurance coverage for noninterest-bearing transaction accounts expired and, as a result, the amount of bank deposits that was uninsured was \$2,726,113. In addition, the Court also had \$7,502 of cash on hand.

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

Ms. Lori M. Tyack, Clerk of Courts
Franklin County Municipal Court
Columbus, Ohio

We have audited the combining statement of undisbursed cash balances of Franklin County Municipal Court (the "Court") agency funds (divisions) as of December 31, 2012 and the related combining statement of receipts, disbursements, and changes in undisbursed cash balances for the year then ended, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and have issued our report thereon dated May 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County Municipal Court'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 a 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.

Ms. Lori M. Tyack, Clerk of Courts
Franklin County Municipal Court
Columbus, Ohio

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County Municipal Court's financial statements are free from 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*.

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.

Plante & Morse, PLLC

Columbus, Ohio
May 24, 2013



Dave Yost • Auditor of State

FRANKLIN COUNTY MUNICIPAL COURT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 3, 2013