

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

Combining Financial Statements

Year Ended December 31, 2016

(With Independent Auditor's Report)



Dave Yost • Auditor of State

Lori Tyack, Clerk of Courts
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, 2016 through December 31, 2016. 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

June 1, 2017

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<u>ELECTED OFFICIAL</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Michael T. Brandt	Administrative and Presiding Judge	01/02/12 to 01/02/18
Daniel R. Hawkins	Environmental Judge	01/07/16 to 01/07/22
Ted Barrows	Judge	01/01/16 to 01/01/22
Cynthia L. Ebner	Judge	01/04/16 to 01/04/22
James E. Green	Judge	01/02/14 to 01/02/20
Paul M. Herbert	Judge	01/03/16 to 01/03/22
Mark A. Hummer	Judge	01/02/16 to 01/02/22
Teresa Liston	Judge Visting during VanderKarr Vacancy	01/08/16 to 04/28/16
Cindi Morehart	Judge *Replaced Young	12/02/15 to 01/01/18
James P. O'Grady	Judge	01/06/16 to 01/06/22
Eileen Y. Paley	Judge	01/05/16 to 01/05/22
Andrea C. Peeples	Judge	12/31/11 to 12/31/17
H. William Pollitt, Jr.	Judge	12/31/15 to 12/31/21
Amy Salerno	Judge	01/01/14 to 01/01/20
Jodi Thomas	Judge *Replaced VanderKarr	04/29/16 to 12/31/19
David B. Tyack	Judge	01/08/16 to 01/08/22
Scott D. VanderKarr	Judge	12/31/13 to 01/08/16
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	Executive Director Fiscal Administration
LeeAnne Sheppard	Director, Audit and Internal Controls
Rhonda Ferguson	Director, Accounting/Finance; Treasurer
Tim Fisher	Special Projects Coordinator
Josh Kirschner	Special Projects Coordinator
Craig Wiley	Special Projects Coordinator
Heather Kean	Deputy Director, Accounting/Finance
Jeff Dever	Accounting Supervisor For Civil
Kaleb Perry	Accounting Supervisor For Criminal
Matthew Davenport	Financial Analyst

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Independent Auditor's Report

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

Report on the Combining Financial Statements

We have audited the accompanying combining statement of undisbursed cash balances of Franklin County Municipal Court, Clerk of Court (the "Clerk of Court") agency funds (divisions) of the City of Columbus, Ohio as of December 31, 2016, and the related combining statement of receipts, disbursements, and undisbursed cash balances for the year then ended.

Management's Responsibility for the Combining Financial Statements

Management is responsible for the preparation and fair presentation of these combining financial statements in accordance with the basis of cash receipts and disbursements as described in Note 1; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the combining 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 combining 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 combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the undisbursed cash balances arising from cash transactions of the Clerk of Court agency funds (divisions) as of December 31, 2016, and its total receipts, disbursements, and undisbursed cash balances for the year then ended in accordance with the basis of accounting described in Note 1.

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

Basis of Accounting

We draw attention to Note 1, which explains that these combining financial statements present only the Clerk of Court agency funds (divisions) and do not purport to, and do not, present fairly the financial position of the City of Columbus, Ohio as of December 31, 2016, the changes in its financial position, and the changes in its cash flows, where applicable. Also, as described in Note 1, these combining 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

Our audit was conducted for the purpose of forming an opinion on the combining financial statements that collectively comprise the Clerk of Court agency fund's basic financial statements. The management's discussion and analysis and the listing of elected officials and key administrative personnel are presented for the purpose of additional analysis and are not a required part of the basic combining financial statements. The management's discussion and analysis and the listing of elected officials and key administrative personnel have not been subjected to the auditing procedures applied in the audit of the basic combining financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2017 on our consideration of Franklin County Municipal Court, Clerk of 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 3, 2017

The following management's discussion and analysis ("MD&A") section of the Franklin County Municipal Court, Clerk of Court's (hereinafter "Clerk of Court") combining financial statements represents a discussion and analysis of the Clerk of Court's financial performance during the fiscal year ended December 31, 2016. Please read it in conjunction with the Clerk of Court's financial statements, which follow this section.

Overview of the Financial Statements

The Clerk of Court's combining 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 Clerk of Court is an agency fund group which consists of the agency funds of the four divisions: Criminal/Traffic/Bail, Civil, Trusteeship, and Rent Escrow. The operating expenses of the Clerk of 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 Clerk of Court's undisbursed cash balances as of December 31:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Civil Division	\$1,361,309	\$1,013,668	\$347,641	34%
Trusteeship Division	12,265	6,167	6,098	99%
Rent Escrow Division	170,399	130,422	39,977	31%
Criminal/Traffic/Bail Division	<u>1,433,522</u>	<u>1,611,375</u>	<u>(177,853)</u>	(11%)
Total undisbursed cash balances	<u>\$2,977,495</u>	<u>\$2,761,632</u>	<u>\$215,863</u>	8%

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>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<u>Receipts</u>				
Civil Division	\$19,724,281	\$18,988,330	\$735,951	4%
Trusteeship Division	125,985	142,831	(16,846)	(12%)
Rent Escrow Division	390,742	357,669	33,073	9%
Criminal/Traffic/Bail Division	<u>20,547,837</u>	<u>20,048,918</u>	<u>498,919</u>	2%
Total receipts	<u>\$40,788,845</u>	<u>\$39,537,748</u>	<u>\$1,251,097</u>	3%
<u>Disbursements</u>				
Civil Division	\$19,376,640	\$19,178,900	\$197,740	1%
Trusteeship Division	119,887	142,421	(22,534)	(16%)
Rent Escrow Division	350,765	356,823	(6,058)	(2%)
Criminal/Traffic/Bail Division	<u>20,725,690</u>	<u>19,965,061</u>	<u>760,629</u>	4%
Total disbursements	<u>\$40,572,982</u>	<u>\$39,643,205</u>	<u>\$929,777</u>	2%

Civil Division

The civil division receipts and disbursements increased by 4% and increased by 1%, respectively, due to a combination of a decrease of 1,148 cases filed or 3% and a 1,354 decrease in garnishments or 2%, 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 12% and decreased by 16%, respectively, with a decrease of 5 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. Therefore, it is possible for an increase in cases filed and a decrease in receipts and disbursements.

Rent Escrow Division

The rent escrow division receipts and disbursements increased by 9% and decreased by 2%, respectively, with an increase of 7 cases filed from the previous year. Cases can vary in dollar amount depending on the nature of individual cases. Therefore, it is possible for an increase in cases filed and a decrease and increase in receipts and disbursements.

Criminal/Traffic/Bail Division

The criminal/traffic/bail division receipts and disbursements increased by 2% and increased by 4%, respectively, with a decrease of 90 or 0.07% of cases filed. Cases can vary in dollar amount and duration depending on the nature of individual cases. After a case is filed, there is no guarantee of payment because judges can dismiss fines and court costs in lieu of jail time or community service and they can determine defendants to be indigent or initiate time-payment schedules. Additionally, a court may not order a person to appear or issue a warrant for unpaid court costs. Therefore, it is possible for an increase in cases filed and a decrease in receipts and disbursements.

Franklin County Municipal Court, Clerk of Court
(Agency Funds (Divisions) of Court)
Combining Statement of Undisbursed Cash Balances
Year Ended December 31, 2016

Undisbursed Cash Balance

Civil division	\$ 1,361,309
Trusteeship division	12,265
Rent escrow division	170,399
Criminal/traffic/bail division	<u>1,433,522</u>
Total	\$ <u>2,977,495</u>

Franklin County Municipal Court, Clerk of Court
(Agency Funds (Divisions) of Court)
Combining Statement of Receipts, Disbursements, and Undisbursed Cash Balances
Year Ended December 31, 2016

	<u>Civil</u>	<u>Trusteeship</u>	<u>Rent Escrow</u>	<u>Criminal/ Traffic/Bail</u>	<u>Combined Total</u>
Cash receipts	\$19,724,281	\$125,985	\$390,742	\$20,547,837	\$40,788,845
Cash disbursements	<u>19,376,640</u>	<u>119,887</u>	<u>350,765</u>	<u>20,725,690</u>	<u>40,572,982</u>
Total cash receipts over (under) cash disbursements	347,641	6,098	39,977	(177,853)	215,863
Undisbursed cash balance - December 31, 2015	<u>1,013,668</u>	<u>6,167</u>	<u>130,422</u>	<u>1,611,375</u>	<u>2,761,632</u>
Undisbursed cash balance - December 31, 2016	<u>\$1,361,309</u>	<u>\$12,265</u>	<u>\$170,399</u>	<u>\$1,433,522</u>	<u>\$2,977,495</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant Clerk of Court accounting policies are described below:

A. Reporting entity

The Franklin County Municipal Court (hereinafter "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, on behalf of the Court, the Clerk of Court collects and accounts for all monies of the four divisions: Criminal/Traffic/Bail, Civil, Trusteeship, and Rent Escrow. The operating expenses of the Clerk of 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 Clerk of 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 Clerk of 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 Clerk of 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 Clerk of 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 individuals' 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 Clerk of Court's name.

Deposits – At year end, the carrying amount of the Clerk of Court's deposits was \$2,977,496 and the bank balance was \$3,258,921, 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*, \$250,000 of the bank balance was covered by FDIC insurance, and \$3,008,921 was collateralized by collateral pool, with securities being held by the pledging financial institution's agents, in the pool's name. In addition, the Clerk of 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

To Management and Ms. Lori M. Tyack, Clerk of Court
Franklin County Municipal Court, Clerk of Court

We have audited, 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, the combining financial statements of Franklin County Municipal Court, Clerk of Court (the "Clerk of Court") agency funds (divisions) of the City of Columbus, Ohio, which comprise the combining statement of undisbursed cash balances as of December 31, 2016, and the related combining statement of receipts, disbursements, and undisbursed cash balances for the year then ended, and the related notes to the combining financial statements, and have issued our report thereon dated May 3, 2017. The combining 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County Municipal Court, Clerk of 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk of Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Court'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 Clerk of Court'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 Franklin County Municipal Court, Clerk of 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*.

To Management and Ms. Lori M. Tyack, Clerk of Court
Franklin County Municipal Court, Clerk of Court

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 Clerk of Court'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 Clerk of Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

May 3, 2017



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
JUNE 13, 2017