



**County of Chester
Office of the Controller
Internal Audit Department**

**Audit Report
For the Years Ended
December 31, 2017 and 2016**

County of Chester
Office of the Recorder of Deeds

Annual Financial Statement
Audit

Margaret Reif, Controller

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
ANNUAL FINANCIAL STATEMENT AUDIT
AS OF DECEMBER 31, 2017 and 2016

Rick Loughery, Recorder of Deeds
Office of the Recorder of Deeds
313 W. Market Street, Suite 3302
PO Box 2748
West Chester, PA 19380-0991

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

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COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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Independent Auditor's Report

Rick Loughery, Recorder of Deeds
313 W. Market Street, Suite 3302
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Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Recorder of Deeds (*Recorder*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2017 and 2016, and the related statements of cash receipts, disbursements and cash balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to annually audit the accounts of every row office within the County and to report the results of such audits to the Chester County Commissioners, the Chester County Court of Common Pleas, 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 *Recorder*.

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 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 financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the *Recorder* as of December 31, 2017 and 2016, and its cash receipts, disbursements and cash balances for the years then ended in accordance with the cash basis of accounting described in Note 1.

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.

Other Matter

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated July 27, 2018, on our evaluation of the *Recorder'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 an audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of our audit.



Margaret Reif
Controller

July 27, 2018

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash - Municipal Account	\$ 3,801,121	\$ 3,778,653
Cash - Recording Account	564,611	700,837
Cash - Capital Technology Account	537,547	496,661
Cash - Recorder Records Fund Account	351,043	276,936
Cash - Holding Account	230,693	394,590
Cash - Petty Cash/Change Fund	<u>800</u>	<u>800</u>
Total Assets	<u><u>\$ 5,485,815</u></u>	<u><u>\$ 5,648,477</u></u>
<u>Liabilities</u>		
Due to Municipalities - Fees	\$ 3,801,121	\$ 3,778,653
Due to County - Fees	617,261	886,064
Due to Commonwealth of PA - Fees	178,043	209,364
Restricted Funds - Capital Technology Account	537,547	496,660
Restricted Funds - Recorder Records Fund	351,043	276,936
Due to County - Petty Cash/Change Fund	<u>800</u>	<u>800</u>
Total Liabilities	<u><u>\$ 5,485,815</u></u>	<u><u>\$ 5,648,477</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
MUNICIPAL ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
County of Chester	\$ 50,221,980	\$ 46,840,563
Interest	<u>29,073</u>	<u>14,651</u>
Total Receipts	50,251,053	46,855,214
<u>Disbursements</u>		
Municipalities	49,197,038	45,999,305
County of Chester	1,030,654	950,894
Bank Fees	<u>893</u>	<u>1,376</u>
Total Disbursements	<u>50,228,585</u>	<u>46,951,575</u>
Cash Increase (Decrease)	22,468	(96,361)
Cash, Beginning of Year	<u>3,778,653</u>	<u>3,875,014</u>
Cash, End of Year	<u><u>\$ 3,801,121</u></u>	<u><u>\$ 3,778,653</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
RECORDING ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
County of Chester	\$ 5,090,721	\$ 5,307,384
Commonwealth of PA	2,144,385	2,215,763
Interest	3,044	915
	7,238,150	7,524,062
Total Receipts	7,238,150	7,524,062
<u>Disbursements</u>		
County of Chester	4,782,421	4,809,059
Commonwealth of PA	2,176,613	2,203,272
Capital Technology Fund	213,433	214,962
Recorder Records Fund	201,909	203,109
	7,374,376	7,430,402
Total Disbursements	7,374,376	7,430,402
Cash Increase (Decrease)	(136,226)	93,660
Cash, Beginning of Year	700,837	607,177
Cash, End of Year	\$ 564,611	\$ 700,837

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
CAPITAL TECHNOLOGY ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Fee Collected	\$ 213,433	\$ 214,962
Interest	<u>2,295</u>	<u>636</u>
Total Receipts	215,728	215,598
<u>Disbursements</u>		
Disbursements	<u>174,842</u>	<u>170,754</u>
Total Disbursements	<u>174,842</u>	<u>170,754</u>
Cash Increase (Decrease)	40,886	44,844
Cash, Beginning of Year	<u>496,661</u>	<u>451,817</u>
Cash, End of Year	<u><u>\$ 537,547</u></u>	<u><u>\$ 496,661</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
RECORDER RECORDS FUND ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Fees Collected	\$ 201,909	\$ 203,109
Interest	<u>1,362</u>	<u>297</u>
Total Receipts	203,271	203,406
<u>Disbursements</u>		
County of Chester	<u>129,164</u>	<u>108,664</u>
Total Disbursements	<u>129,164</u>	<u>108,664</u>
Cash Increase (Decrease)	74,107	94,742
Cash, Beginning of Year	<u>276,936</u>	<u>182,194</u>
Cash, End of Year	<u><u>\$ 351,043</u></u>	<u><u>\$ 276,936</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
HOLDING ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Commonwealth of PA	\$ 46,799,227	\$ 43,710,620
County of Chester	<u>474,539</u>	<u>440,352</u>
Total Receipts	47,273,766	44,150,972
<u>Disbursements</u>		
Commonwealth of PA	46,963,286	43,631,886
Recording Account	<u>474,377</u>	<u>440,726</u>
Total Disbursements	<u>47,437,663</u>	<u>44,072,612</u>
Cash Increase (Decrease)	(163,897)	78,360
Cash, Beginning of Year	<u>394,590</u>	<u>316,230</u>
Cash, End of Year	<u><u>\$ 230,693</u></u>	<u><u>\$ 394,590</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Principles

Background and Reporting Entity

The *Recorder* acts as a conduit for the Commonwealth of Pennsylvania, the County of Chester, related political subdivisions, and the citizens it serves. Consequently, the *Recorder's* cash balance at any point in time represents undisbursed funds to one (or all) of these parties with the exception of the Recorder Records Fund, as explained below. For financial statement purposes, these undisbursed funds are included as a liability of the *Recorder*.

The actual operating expenses of the *Recorder* are paid by the County of Chester. These costs include the salary and wages of office employees, fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statements of Cash Receipts, Disbursements, and Cash Balances.

Basis of Accounting

The books and records of the *Recorder* are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when assessed or otherwise due and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and cash balance in accordance with generally accepted accounting principles.

Realty Transfer Tax

The Commonwealth of Pennsylvania requires the *Recorder* to collect realty transfer taxes on its behalf. The Commonwealth has set up a local bank account for these monies to be deposited daily. The bank account is controlled by the Commonwealth. The *Recorder* does not have withdrawal or check writing authority and does not receive bank statements. Consequently, the taxes collected and deposited into that account are not presented in the accompanying Statements of Receipts, Disbursements, and Cash Balances, pursuant to generally accepted accounting principles applicable to agency funds.

The Commonwealth of Pennsylvania bank account cannot be used as the initial receiving account for payments from Simplifile (e-recording). The vendor has no authority and is not bonded by the Commonwealth to make deposits to the state account. For this reason, the *Recorder* opened a

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Principles (continued)

Realty Transfer Tax (continued)

Holding Account in December, 2009 for the deposits from Simplifile. On a daily basis, these funds (less the County's 1% commission) are transferred to the Commonwealth of Pennsylvania account via an e-business transfer.

Recorder Records Fund

The *Recorder* established a new fund in 1998, as mandated by Act 8 of the Commonwealth. This fund is under the sole custody of the *Recorder*. This law authorizes a collection of a fee on each paper recorded that is to be used for the improvement of the *Recorder's* records system. The fee was increased from \$2 to \$5 as of August 2003 (Act 32). \$2 of this fee is remitted to the County of Chester as part of the monthly remittance. The remaining \$3 of the fee and interest earned is retained in a separate checking account. Any purchases made from this fund must be in accordance with the County of Chester budgeting, contract, and procurement procedures. Every four years from the inception of the Act, any balance plus interest remaining in the checking account must be turned over to the County for deposit in the County Records Improvement Fund.

Capital Technology Account

The *Recorder* established a new fund in 2012, instituting a \$5 "technology" fee for every document that the office e-records. Starting September 1, 2014 the "technology" fee was applied to in house documents also. The monies generated by the technology fee will be used by the *Recorder* for new and existing technology utilized to increase effective business practices and accuracy of the *Recorder*. Of this fee \$2 is remitted to the County of Chester as part of the monthly remittance. The remaining \$3 of the fee and interest earned is retained in a separate checking account. Any purchases made from this fund must be in accordance with the County of Chester budgeting, contract, and procurement procedures. If, at any time the Recorder ascertains that the technology needs of the *Recorder* may change, the Recorder retains the right to redirect the amount of the fee diverted to the County of Chester into the Recorder's Technology Account.

Note 2 - Legal Matters

After consultation with legal counsel, the Recorder of Deeds (Rick Loughery) is not aware of any matters that would have a material adverse effect on the *Recorder of Deeds's* financial position or result of operations.

SUPPLEMENTAL INFORMATION

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

SCHEDULES OF COUNTY OF CHESTER
REVENUES AND DIRECT EXPENDITURES

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
County Fines and Costs	\$ 4,953,617	\$ 4,971,451
<u>Direct Expenditures</u>		
Salaries, Wages and Benefits	\$ 1,111,221	\$ 1,074,702
Other Professional Services	354,081	313,371
Equipment	25,563	19,948
Equipment Repairs and Maintenance	15,928	14,870
Office Supplies	8,843	7,564
Legal Services	8,000	8,000
Training and Staff Development	7,277	5,417
Telephone and Pagers	6,490	4,636
Postage	5,096	6,701
Facilities Rentals	5,092	8,129
Books and Periodicals	3,491	2,940
Employee Travel and Mileage	1,886	-
Reproduction Services	391	377
PC Hardware and Software	219	1,300
Dues and Memberships	140	716
Total Direct Expenditures	\$ 1,553,718	\$ 1,468,671

Note 1: The revenue figure per the County of \$4,953,617 differs from the amount disbursed to the County by the Recorder of \$4,782,421. This results from the use of the cash basis of accounting by the Recorder and the modified accrual basis of accounting by the County. The Recorder recognizes the disbursement as of the check date, while the County recognizes the revenue in the year the fees are collected by the Recorder.



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July 27, 2018

Rick Loughery, Recorder of Deeds
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of the Office of the Recorder of Deeds (*Recorder*) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the *Recorder's* internal control over financial reporting as a basis for designing our audit procedures 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 *Recorder's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Recorder's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified.

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 *Recorder's* financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Our audit disclosed no material weaknesses that, in our opinion, pose a significant risk to the *Recorder* or the County of Chester.

This report is intended for the information of the Chester County Commissioners, the Chester County Court of Common Pleas, the Auditor General of Pennsylvania, and all other political affiliates served by the *Recorder*. This report is, however, a matter of public record, and its distribution is not limited.

Margaret Reif

Margaret Reif
Controller

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2017

An exit conference was not warranted for the audit of the Office of the Recorder of Deeds, Rick Loughery, Recorder of Deeds, has accepted the report as presented.