



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

**Annual Financial Statement Audit
For the Years Ended
December 31, 2018 and 2017**

*County of Chester
Office of the Recorder of
Deeds*

Independent Auditor's Report

Margaret Reif, Controller

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
ANNUAL FINANCIAL STATEMENT AUDIT
AS OF DECEMBER 31, 2018 and 2017

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COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
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INDEPENDENT AUDITOR'S REPORT

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, 2018 and 2017, 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 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, 2018 and 2017, 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 May 13, 2019 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

May 13, 2019

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash - Municipal Account	\$ 4,185,554	\$ 3,801,121
Cash - Recording Account	513,127	564,611
Cash - Capital Technology Account	553,014	537,547
Cash - Recorder Records Fund Account	392,271	351,043
Cash - Holding Account	286,867	230,693
Cash - Petty Cash/Change Fund	<u>500</u>	<u>800</u>
Total Assets	<u><u>\$ 5,931,333</u></u>	<u><u>\$ 5,485,815</u></u>
<u>Liabilities</u>		
Due to Municipalities - Fees	\$ 4,185,554	\$ 3,801,121
Due to County - Fees	641,142	617,261
Due to Commonwealth of PA - Fees	158,852	178,043
Restricted Funds - Capital Technology Account	553,014	537,547
Restricted Funds - Recorder Records Fund	392,271	351,043
Due to County - Petty Cash/Change Fund	<u>500</u>	<u>800</u>
Total Liabilities	<u><u>\$ 5,931,333</u></u>	<u><u>\$ 5,485,815</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Receipts</u>		
County of Chester	\$ 51,214,773	\$ 50,221,980
Interest	68,444	29,073
Total Receipts	51,283,217	50,251,053
<u>Disbursements</u>		
Municipalities	49,816,821	49,197,038
County of Chester	1,081,075	1,030,654
Bank Fees	888	893
Total Disbursements	50,898,784	50,228,585
Cash Increase (Decrease)	384,433	22,468
Cash, Beginning of Year	3,801,121	3,778,653
Cash, End of Year	\$ 4,185,554	\$ 3,801,121

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Receipts</u>		
County of Chester	\$ 4,704,635	\$ 5,090,721
Commonwealth of PA	2,230,766	2,144,385
Interest	2,833	3,044
	<hr/>	<hr/>
Total Receipts	6,938,234	7,238,150
 <u>Disbursements</u>		
County of Chester	4,367,800	4,782,421
Commonwealth of PA	2,248,832	2,176,613
Capital Technology Fund	189,000	213,433
Recorder Records Fund	184,086	201,909
	<hr/>	<hr/>
Total Disbursements	6,989,718	7,374,376
 Cash Increase (Decrease)	 (51,484)	 (136,226)
 Cash, Beginning of Year	 <hr/> 564,611	 <hr/> 700,837
Cash, End of Year	 <hr/> <u>\$ 513,127</u>	 <hr/> <u>\$ 564,611</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
CAPITAL TECHNOLOGY ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Receipts</u>		
Fee Collected	\$ 189,000	\$ 213,433
Interest	<u>2,450</u>	<u>2,295</u>
Total Receipts	191,450	215,728
<u>Disbursements</u>		
Disbursements	<u>175,983</u>	<u>174,842</u>
Total Disbursements	<u>175,983</u>	<u>174,842</u>
Cash Increase (Decrease)	15,467	40,886
Cash, Beginning of Year	<u>537,547</u>	<u>496,661</u>
Cash, End of Year	<u><u>\$ 553,014</u></u>	<u><u>\$ 537,547</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Receipts</u>		
Fees Collected	\$ 184,086	\$ 201,909
Interest	<u>1,624</u>	<u>1,362</u>
Total Receipts	185,710	203,271
<u>Disbursements</u>		
County of Chester	<u>144,482</u>	<u>129,164</u>
Total Disbursements	<u>144,482</u>	<u>129,164</u>
Cash Increase (Decrease)	41,228	74,107
Cash, Beginning of Year	<u>351,043</u>	<u>276,936</u>
Cash, End of Year	<u><u>\$ 392,271</u></u>	<u><u>\$ 351,043</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Receipts</u>		
Commonwealth of PA	\$ 47,943,936	\$ 46,799,227
County of Chester	484,904	474,539
Total Receipts	48,428,840	47,273,766
<u>Disbursements</u>		
Commonwealth of PA	47,888,939	46,963,286
Recording Account	483,727	474,377
Total Disbursements	48,372,666	47,437,663
Cash Increase (Decrease)	56,174	(163,897)
Cash, Beginning of Year	230,693	394,590
Cash, End of Year	\$ 286,867	\$ 230,693

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, 2018 and 2017

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, 2018 and 2017

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.



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May 13, 2019

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INDEPENDENT AUDITOR'S REPORT

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, 2018, 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

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

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*.

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, 2018

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.