

**Office of the Recorder of Deeds
County of Berks, Pennsylvania**

Frederick Sheeler, Recorder of Deeds

Annual Financial Statement Audit

For the Year Ended December 31, 2018



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Office of the Controller



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Christian Y. Leinbach, Chair
Kevin S. Barnhardt, Commissioner
Mark C. Scott, Esq., Commissioner

Sandra M. Graffius, Controller
Tony Distasio, Esq., Solicitor

Internal Auditor's Report

Frederick C. Sheeler, Recorder of Deeds
Office of the Recorder of Deeds
Services Center, 3rd Floor
633 Court Street
Reading, PA 19601

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements and the Changes in Cash Balance of the Office of the Recorder of Deeds for the year ending December 31, 2018.

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 ROW Offices within the County and to report the results of such audits to the Berks County Commissioners, the Berks County Solicitor, and the Auditor General of Pennsylvania.

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

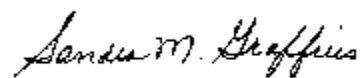
In our opinion, the financial statement referred to above presents fairly, in all material respects, its cash receipts, disbursements and cash balance for the year ending December 31, 2018 in accordance with the cash basis of accounting described in Note 1.

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 August 26, 2019 on our evaluation of the Office of the Recorder of Deeds' 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
August 26, 2019

**Office of the Recorder of Deeds
County of Berks, Pennsylvania
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis
For the Year Ended December 31, 2018**

Receipts

Local Realty Transfer Tax	18,408,294
State Share of Real Estate Transfer Tax	14,862,799
State Writ and Judicial Fees	1,618,069
County- Recording Fees	1,355,013
County- Affordable Housing	571,419
County- Parcel ID Fees	458,560
County- Commission on Local RTT	375,715
County- Image/Copy Sales	276,901
County- Record Improvement Funds	222,070
County- Commission on State RTT	150,129
Prepaid Receipts (Draw Down)	11,350
County- Miscellaneous	4,047
Interest Income	7,492
County- Previously Unrecognized Fees	1,506
County- Planning Commission Fees	1,240
County- Writ Commission	827
County- Rejection Fees	560
Total Receipts	38,325,991

Disbursements

Local Realty Transfer Tax	18,220,747
State Share of Realty Transfer Tax	14,904,132
County- Fees and Commissions	3,452,126
State Writ and Judicial Fees	1,634,856
Bank Fees and Charges	1,598
Total Disbursements	38,213,459

Cash receipts in excess of disbursements	112,532
Cash account balance as of January 1	2,267,949
Cash account balance as of December 31	\$ 2,380,481

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

**Office of the Recorder of Deeds
County of Berks, Pennsylvania
Notes to Financial Statement
For the Year Ended December 31, 2018**

Note 1: Nature of the office and significant accounting policies

Nature of the Office and Reporting Entity:

The Recorder of Deeds acts as a conduit for the Commonwealth of Pennsylvania, the County of Berks, related political subdivisions, and the citizens it serves. Consequently, the Recorder of Deeds' cash balance at any point in time represents undisbursed funds to one (or all) of these parties.

The actual operating expenses of the Recorder of Deeds are paid by the County of Berks. These costs include the salaries 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 Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Basis of accounting:

The books and records of the Recorder of Deeds 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 balances in accordance with generally accepted accounting principles.

Administrative Guidelines:

Frederick C. Sheeler was the Recorder of Deeds for the period January 1, 2018 to December 31, 2018.

**Office of the Recorder of Deeds
County of Berks, Pennsylvania
Notes to Financial Statement - Continued
December 31, 2018**

Note 2: Cash and equivalents

The following cash accounts are in the name of the County of Berks, Office of the Recorder of Deeds. The General, State Realty, and Writ Checking accounts are reflected in the County of Berks financial statements.

These accounts hold funds received by the Office of the Recorder of Deeds in a custodial capacity and use of these funds, by the Office of the Recorder of Deeds, is restricted.

<u>Bank</u>	<u>Account Title / Type</u>	<u>Bank Balance</u>	<u>Book Value</u>
VIST Bank	General - Checking	\$ 1,968,531	\$ 1,977,120
VIST Bank	State Realty - Checking	121,747	276,128
VIST Bank	Writ - Checking	113,659	127,233
		<u>\$ 2,203,937</u>	<u>\$ 2,380,481</u>

Amounts on deposit in excess of FDIC limits were collateralized by the financial institution with securities held by that entity.

Note 3: Funds held in escrow

In order for title searchers and other frequent users of the Office of the Recorder of Deeds services to be more efficient, individual escrow accounts are set up with the Office that are drawn upon as services are rendered. These funds are held in the general account and tracked through the County Fusion receipting/cashiering system. The balance as of December 31, 2018 was \$42,635.54.

Note 4: Legal Matters

Our audit disclosed no pending litigation involving the Office of the Recorder of Deeds or Recorder of Deeds Frederick C. Sheeler that would affect the financial statement for the year ended December 31, 2018.

Note 5: Subsequent Events

Management has evaluated subsequent events through August 26, 2019, 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

Frederick C. Sheeler, Recorder of Deeds
Office of the Recorder of Deeds
Services Center, 3rd Floor
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In planning and performing our audit of the financial statement of the Office of the Recorder of Deeds for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Office of the Recorder of Deeds' 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 the Office of the Recorder of Deeds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Office of the Recorder of Deeds' 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.

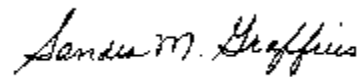
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify 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 the Office of the Recorder of Deeds' 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 the Office of the Recorder of Deeds in a separate letter dated August 26, 2019.

This report is intended solely for the information and use by the management of the Office of the Recorder of Deeds 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
August 26, 2019