

COUNTY OF BERKS, PENNSYLVANIA

Office of the Controller



Services Center, 12th Floor
633 Court Street
Reading, PA 19601-4311

Phone: 610.478.6150
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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

March 27, 2017

Mr. Frederick Sheeler
Recorder of Deeds
Office of the Recorder of Deeds
County of Berks, Pennsylvania

Re: Internal Auditor's Report

Dear Mr. Sheeler:

We have completed our audit of the financial statements for the Office of the Recorder of Deeds for the year ended December 31, 2016 and have attached the Final report. This report is intended for the use of the Office of the Recorder of Deeds' management. This restriction is not intended to limit the distribution of this report which is a matter of public record.

I would like to thank you for your cooperation and the courtesies extended by your staff to mine. If you have any questions concerning the attached report, I would be glad to discuss them with you.

Sincerely,

Oliver J. Arthur



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Mr. Frederick Sheeler
Recorder of Deeds
Office of the Recorder of Deeds
County of Berks, Pennsylvania

Re: Internal Auditor's Report

Dear Mr. Sheeler:

We have completed our audit of the financial statements for the Office of the Recorder of Deeds for the year ended December 31, 2016, and have attached the report for your review and consideration.

Since there was no material weakness/significant deficiency or instance of non-compliance noted during the audit, no response is required and the attached report is the final report.

This report is intended for the use of the Office of the Recorder of Deeds' management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

I would like to thank you for your cooperation and for the courtesies extended by your staff to mine during the course of our audit. If you have any questions concerning our audit or the attached report, I would be glad to discuss them with you.

Yours truly,

Sandra M. Graffius

**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, 2016

Contents

Report Distribution List	1
Internal Auditor's Report	2
Financial Statements	
Statement of Assets and Liabilities – Cash Basis	4
Statement of Receipts, Disbursements and Changes in Cash Balance - Cash Basis	5
Notes to Financial Statements	6
Supplemental Information	
Schedule of County of Berks Revenues and Direct Expenditures	8
Internal Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	9

Report Distribution List

1. Frederick Sheeler, Recorder of Deeds
2. Christian Y. Leinbach, County Commissioner Chair
3. Kevin S. Barnhardt, County Commissioner
4. Mark C. Scott, County Commissioner
5. Christine Sadler, County Solicitor
6. Ronald R. Seaman, Chief Administrative Officer
7. Allen R. Shollenberger, Solicitor
8. Eugene A. DePasquale, Pennsylvania Auditor General
9. Reinsel Kuntz Leshner LLP, Certified Public Accountants
10. Audit File

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Internal Auditor's Report

Mr. Frederick Sheeler
Recorder of Deeds
Office of the Recorder of Deeds
County of Berks, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Recorder of Deeds, which comprise the statement of assets and liabilities – cash basis as of December 31, 2016, and the related statement of receipts, disbursements and changes in cash balance – cash basis for the year 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 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 judgement, 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 assets and liabilities arising from cash transactions of the Office of the Recorder of Deeds as of December 31, 2016, and its cash receipts, disbursements and cash balance for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

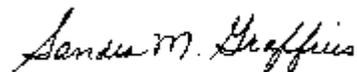
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The Supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic 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, Internal Audit has also issued a separate report dated March 27, 2017 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
March 27, 2017

**Office of the Recorder of Deeds
County of Berks, Pennsylvania
Statement of Assets and Liabilities – Cash Basis
As of December 31, 2016**

Assets

Cash - General Checking Account	\$ 1,563,628
Cash - State Realty Transfer Checking Account	134,040
Cash - Writs & Bonds Checking Account	120,638
Cash - Change Fund	<u>200</u>
Total Assets	<u><u>\$ 1,818,506</u></u>

Liabilities

Due to Local Authorities	\$ 1,230,961
Due to the County of Berks	299,031
Due to Commonwealth of PA-Realty Transfer Tax	133,715
Due to Commonwealth of PA-Writ and Judicial	120,638
Funds Held in Escrow	30,259
Due to County-interest and fees	3,702
Due to County - Change Fund	<u>200</u>
Total Liabilities	<u><u>\$ 1,818,506</u></u>

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

**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, 2016**

Receipts

County Recording Fees	1,365,276
County Image/Copy Sales	251,718
County Affordable Housing	617,253
County Commission on Local RTT	373,627
County Commission on State RTT	154,558
County-Writ Commission	872
Parcel ID Fee	480,140
State Writ and Bond Fees	30,319
Planning Commission Fees	1,120
Prepaid Receipts (Drawdown)	3,249
Local Realty Transfer Tax	18,306,984
State Judicial Fees	1,496,858
State Share of Real Estate Transfer Tax	15,301,207
Record Improvement Fund	231,070
County Miscellaneous	6,550
County Rejection Fee	6,705
Total Receipts	<u><u>38,627,506</u></u>

Disbursements

Realty Transfer Tax to Local Authorities	18,368,575
Realty Transfer Tax to Commonwealth	15,345,417
Recording Fees and Commission to County	1,889,322
Writ and Judicial Fees-Commonwealth	1,521,034
Record Improvement Fund	229,455
Parcel ID Fees	477,810
Image/Copy Sales to County	249,905
Planning Commission	1,220
Affordable Housing-Program Portion	521,138
Affordable Housing-7.5% ROD Portion	45,983
Affordable Housing-7.5% CD Portion	46,586
Interest Income less Bank Fees	5,656
Notary Fee to Commonwealth	1,203
Total Disbursements	<u><u>38,703,304</u></u>

Cash receipts in excess of disbursements (75,798)

Cash account balance as of January 1 1,894,304

Cash account balance as of December 31 \$ 1,818,506

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

**Office of the Recorder of Deeds
County of Berks, Pennsylvania
Notes to Financial Statements
For the Year Ended December 31, 2016**

Note 1: Summary of Significant Accounting Principles

Background 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.

Realty Transfer Tax:

The Office of the Recorder of Deeds collects a 1% realty transfer tax on behalf of the Commonwealth of Pennsylvania. These cash collections are deposited daily into a bank account maintained by the commonwealth. The Office of the Recorder of Deeds has no signature authority on this account nor has any rights to the funds kept in this account. This account does not appear on the books or records of the County of Berks. The Office of the Recorder of Deeds receives a 1% commission for collection efforts made on behalf of the Commonwealth.

Note 2: Cash and equivalents

The following cash accounts are in the name of the County of Berks, Office of the Recorder of Deeds, and are reflected in the County of Berks financial statements. These accounts hold funds received by the Office of the Recorder of Deeds in a trust and agency capacity and use of these funds, by the Office of the Recorder of Deeds, is restricted.

**Office of the Recorder of Deeds
County of Berks, Pennsylvania
Notes to Financial Statements
For the Year Ended December 31, 2016**

Note 2: Cash and equivalents (continued):

<u>Bank</u>	<u>Account Title / Type</u>	<u>Bank Balance</u>	<u>Book Value</u>
VIST Bank	General - checking	\$ 1,586,070	\$ 1,563,628
VIST Bank	State Realty	97,617	120,638
VIST Bank	Writ - checking	120,975	134,040
Cash	Change Fund	<u>200</u>	<u>200</u>
		<u>\$ 1,804,862</u>	<u>\$ 1,818,506</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 Record Fusion receipting/cashiering system. The balance presented as of December 31, 2016 is the amount of escrow funds currently in the Office of the Recorder of Deeds possession as of that date.

Note 4: Legal Matters

Our audit disclosed no pending litigation involving the Office of the Recorder of Deeds or its Recorder of Deeds (Frederick Sheeler) that would affect the financial statements for the year ended December 31, 2016.

SUPPLEMENTAL INFORMATION

**Office of the Recorder of Deeds
County of Berks, Pennsylvania
Schedule of County of Berks
Revenues and Direct Expenditures
For the Year Ended December 31, 2016
(Unaudited)**

<u>Revenues</u>	<u><u>\$ 2,704,017</u></u>
<u>Direct Expenditures</u>	
Salaries and Wages	\$ 587,923
Fringe Benefits	186,371
Other Professional Services	5,895
Software/Hardware Maintenance	15,653
Facilities Rental	6,994
Bank Charges	8,224
Office Supplies	3,746
Copier Maintenance	1,690
Telephone	1,951
Tuition Reimbursement	1,505
Conference and Training	1,272
Internet	1,146
Postage	697
Equipment	310
Employee Travel/Mileage	472
Other General Expenditures	<u>219</u>
Total Direct Expenditures	<u><u>\$ 824,068</u></u>

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

Mr. Frederick Sheeler
Recorder of Deeds
Office of the Recorder of Deeds
County of Berks, Pennsylvania

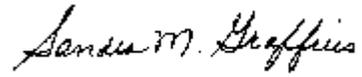
In planning and performing our audit of the financial statements of the Office of the Recorder of Deeds as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Recorder of Deeds' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Recorder of Deeds' internal control. Accordingly, we do not express an opinion on the effectiveness 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 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 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 Recorder of Deeds' 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 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.

This report is intended for the information and use of the County of Berks Board of Commissioners and Recorder of Deeds' management. This report is, however, 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
March 27, 2017