

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

**Mary Kozak, Recorder of Deeds**

**Annual Financial Statement Audit**

**For the Year Ended December 31, 2019**



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## **Report Distribution List**

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4. Michael S. Rivera, County Commissioner
5. Christine Sadler, County Solicitor
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# COUNTY OF BERKS, PENNSYLVANIA

## 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

Mary Kozak, Recorder of Deeds  
Office of the Recorder of Deeds  
Services Center, 3<sup>rd</sup> 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, 2019.

#### *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*

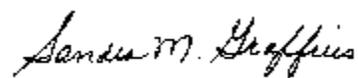
In our opinion, the financial statement referred to above presents fairly, in all material respects, its cash receipts, disbursements and cash balance for the year ending December 31, 2019 in accordance with the cash basis of accounting described in Note 1.

#### *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 4, 2020 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 4, 2020

**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, 2019**

**Receipts**

Local Realty Transfer Tax	23,051,869
State Share of Real Estate Transfer Tax	19,215,843
State Writ and Judicial Fees	1,656,435
County- Recording Fees	1,411,207
County- Affordable Housing	613,938
County- Parcel ID Fees	473,870
County- Commission on Local RTT	470,446
County- Image/Copy Sales	200,219
County- Record Improvement Funds	227,110
County- Commission on State RTT	194,118
Interest Income	16,834
County- Miscellaneous	5,887
County- Planning Commission Fees	1,180
County- Writ Commission	834
<b>Total Receipts</b>	<b>47,539,790</b>

**Disbursements**

Local Realty Transfer Tax	24,717,853
State Share of Realty Transfer Tax	19,241,616
County- Fees and Commissions	3,885,069
State Writ and Judicial Fees	1,783,341
Prepaid Receipts (Draw Down)	7,448
Bank Fees and Charges	135
<b>Total Disbursements</b>	<b>49,635,462</b>

<b>Cash disbursements in excess of receipts</b>	(2,095,672)
Cash account balance as of January 1	2,380,481
<b>Cash account balance as of December 31</b>	<b>\$ 284,809</b>

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, 2019**

**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, 2019 to December 31, 2019, which is the period under audit.

**Office of the Recorder of Deeds  
County of Berks, Pennsylvania  
Notes to Financial Statement - Continued  
December 31, 2019**

**Note 2: Cash and equivalents**

The following cash accounts are in the name of the County of Berks, Office of the Recorder of Deeds. For 2019, 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	\$ 2,415,038	\$ 34,247
VIST Bank	State Realty - Checking	250,236	250,236
VIST Bank	Writ - Checking	<u>153,097</u>	<u>326</u>
		<u>\$ 2,818,371</u>	<u>\$ 284,809</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, 2019 was \$33,965.35.

**Note 4: Legal Matters**

Our audit disclosed no pending litigation involving the Office of the Recorder of Deeds, former Recorder of Deeds Frederick C. Sheeler, or current Recorder of Deeds Mary Kozak that would affect the financial statement for the year ended December 31, 2019.

**Note 5: Subsequent Events**

Frederick C. Sheeler was the Recorder of Deeds for the period January 1, 2019 to December 31, 2019, which is the period under audit. Mary Kozak was sworn in as Recorder of Deeds in January 2020.

As of January 2020, the State Realty Checking account is now under the State of Pennsylvania's control and TIN, with the Recorder of Deeds having the ability to make deposits and permitted limited informational access. It is to be removed from the County of Berks financial statements.

Management has evaluated subsequent events through August 4, 2020, 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

Mary Kozak, Recorder of Deeds  
Office of the Recorder of Deeds  
Services Center, 3<sup>rd</sup> Floor  
633 Court Street  
Reading, PA 19601

In planning and performing our audit of the financial statement of the Office of the Recorder of Deeds for the year ended December 31, 2019, 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.

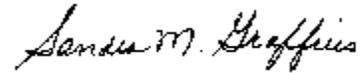
A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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.

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 4, 2020