



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

**Audit Report  
For the Years Ended  
December 31, 2016 and 2015**

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*County of Chester*  
*Office of the Recorder of Deeds*

Annual Financial Statement  
Audit

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Norman MacQueen, Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE RECORDER OF DEEDS**  
**ANNUAL FINANCIAL STATEMENT AUDIT**  
**AS OF DECEMBER 31, 2016 and 2015**

**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, 2016 and 2015**

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# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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NORMAN MACQUEEN  
*Controller*

## **Internal Auditor's Report**

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

### **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, 2016 and 2015, 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, 2016 and 2015, 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 September 5, 2017, 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.



Norman MacQueen  
Controller

September 5, 2017

**COUNTY OF CHESTER**

**OFFICE OF THE RECORDER OF DEEDS**

**STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS**

**DECEMBER 31, 2016 and 2015**

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b><u>Assets</u></b>		
Cash - Municipal Account	\$ 3,778,653	\$ 3,875,014
Cash - State Escrow Account	-	3,227,848
Cash - Recording Account	700,837	607,177
Cash - Capital Technology Account	496,661	451,817
Cash - Holding Account	394,590	316,230
Cash - Recorder Records Fund Account	276,936	182,194
Cash - Petty Cash/Change Fund	800	800
	<hr/>	<hr/>
<b>Total Assets</b>	<u><u>\$ 5,648,477</u></u>	<u><u>\$ 8,661,080</u></u>
<b><u>Liabilities</u></b>		
Due to Municipalities - Fees	\$ 3,778,653	\$ 3,875,014
Due to Commonwealth of PA - Escrow	-	3,227,848
Due to County - Fees	886,064	725,274
Due to Commonwealth of PA - Fees	209,364	198,133
Restricted Funds - Capital Technology Account	773,596	634,011
Due to County - Petty Cash/Change Fund	800	800
	<hr/>	<hr/>
<b>Total Liabilities</b>	<u><u>\$ 5,648,477</u></u>	<u><u>\$ 8,661,080</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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Receipts</u></b>		
County of Chester	\$ 46,840,563	\$ 43,050,450
Interest	14,651	4,291
<b>Total Receipts</b>	46,855,214	43,054,741
<b><u>Disbursements</u></b>		
Municipalities	45,999,305	42,252,953
County of Chester	950,894	866,635
Bank Fees	1,376	-
<b>Total Disbursements</b>	46,951,575	43,119,588
<b>Cash Increase (Decrease)</b>	(96,361)	(64,847)
Cash, Beginning of Year	3,875,014	3,939,861
<b>Cash, End of Year</b>	\$ 3,778,653	\$ 3,875,014

*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  
STATE ESCROW ACCOUNT**

**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Receipts</u></b>		
Fee Collected	\$ 1,481,232	\$ 3,227,848
<b>Total Receipts</b>	1,481,232	3,227,848
<b><u>Disbursements</u></b>		
Disbursements	4,709,080	-
<b>Total Disbursements</b>	4,709,080	-
<b>Cash Increase (Decrease)</b>	(3,227,848)	3,227,848
Cash, Beginning of Year	3,227,848	-
<b>Cash, End of Year</b>	* \$ -	\$ 3,227,848

\* Account opened in December 2015 and closed January 2016; see note on page 12

*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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Receipts</u></b>		
County of Chester	\$ 5,307,384	\$ 4,587,743
Commonwealth of PA	2,215,763	2,181,570
Interest	915	856
	7,524,062	6,770,169
<b>Total Receipts</b>		
<b><u>Disbursements</u></b>		
County of Chester	4,809,059	4,162,349
Commonwealth of PA	2,203,272	2,169,493
Capital Technology Fund	214,962	199,056
Recorder Records Fund	203,109	199,056
	7,430,402	6,729,954
<b>Total Disbursements</b>		
<b>Cash Increase (Decrease)</b>	93,660	40,215
Cash, Beginning of Year	607,177	566,962
<b>Cash, End of Year</b>	\$ 700,837	\$ 607,177

*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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b><u>Receipts</u></b>		
Fee Collected	\$ 214,962	\$ 199,056
Interest	<u>636</u>	<u>537</u>
<b>Total Receipts</b>	215,598	199,593
<b><u>Disbursements</u></b>		
Disbursements	<u>170,754</u>	<u>-</u>
<b>Total Disbursements</b>	<u>170,754</u>	<u>-</u>
<b>Cash Increase (Decrease)</b>	44,844	199,593
Cash, Beginning of Year	<u>451,817</u>	<u>252,224</u>
<b>Cash, End of Year</b>	<u><u>\$ 496,661</u></u>	<u><u>\$ 451,817</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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Receipts</u></b>		
Commonwealth of PA	\$ 43,710,620	\$ 40,066,006
County of Chester	<u>440,352</u>	<u>402,625</u>
<b>Total Receipts</b>	44,150,972	40,468,631
<b><u>Disbursements</u></b>		
Commonwealth of PA	43,631,886	39,959,780
Recording Account	<u>440,726</u>	<u>403,634</u>
<b>Total Disbursements</b>	<u>44,072,612</u>	<u>40,363,414</u>
<b>Cash Increase (Decrease)</b>	78,360	105,217
Cash, Beginning of Year	<u>316,230</u>	<u>211,013</u>
<b>Cash, End of Year</b>	<u><u>\$ 394,590</u></u>	<u><u>\$ 316,230</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b><u>Receipts</u></b>		
Fees Collected	\$ 203,109	\$ 199,056
Interest	<u>297</u>	<u>214</u>
<b>Total Receipts</b>	203,406	199,270
<b><u>Disbursements</u></b>		
County of Chester	<u>108,664</u>	<u>514,929</u>
<b>Total Disbursements</b>	<u>108,664</u>	<u>514,929</u>
<b>Cash Increase (Decrease)</b>	94,742	(315,659)
Cash, Beginning of Year	<u>182,194</u>	<u>497,853</u>
<b>Cash, End of Year</b>	<u><u>\$ 276,936</u></u>	<u><u>\$ 182,194</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, 2016 and 2015**

***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, 2016 and 2015**

*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*

Our audit disclosed no pending litigation involving the *Recorder* or its Recorder of Deeds (Rick Loughery) for the year ended December 31, 2016.

**COUNTY OF CHESTER**  
**OFFICE OF THE RECORDER OF DEEDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

*Note 3 – State Escrow Account*

**State Escrow Account**

Beginning December 3, 2015, following the directive of County Commissioners, *Recorder* ceased remittance of funds collected by *Recorder* on behalf of the Commonwealth. It was documented that *Recorder* would establish a new bank account, the State Escrow Account, which would hold these funds in escrow until the state budget impasse was resolved or upon further direction from the County Commissioners.

As of January 20, 2016, the State Escrow Account has been closed and all appropriate funds remitted to the Commonwealth.

**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, 2016 and 2015  
(Unaudited)

	<u>2016</u>	<u>2015</u>
<b><u>Revenues</u></b>		
County Fines and Costs	\$ 4,971,451	\$ 4,245,143
<b><u>Direct Expenditures</u></b>		
Salaries, Wages and Benefits	\$ 1,074,702	\$ 1,069,260
Other Professional Services	313,371	302,444
Equipment	19,948	16,720
Equipment Repairs and Maintenance	14,870	15,432
Facilities Rentals	8,129	8,443
Legal Services	8,000	5,000
Office Supplies	7,564	10,409
Postage	6,701	5,275
Training and Staff Development	5,417	2,749
Telephone/Pagers	4,636	5,520
Books and Periodicals	2,940	2,950
PC Hardware/Software	1,300	88
Dues and Memberships	716	340
Reproduction Services	377	503
Advertising	-	129
<b>Total Direct Expenditures</b>	<b>\$ 1,468,671</b>	<b>\$ 1,445,262</b>

Note 1: The revenue figure per the County of \$4,971,451 differs from the amount disbursed to the County by the Recorder of \$4,809,059. 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.



# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

313 WEST MARKET STREET, SUITE 6302, PO BOX 2748, WEST CHESTER, PA 19380-0991  
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

NORMAN MACQUEEN  
Controller

September 5, 2017

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

## **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, 2016, 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*.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Our audit disclosed no significant deficiencies or 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.



Norman MacQueen  
Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE RECORDER OF DEEDS**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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.