

**INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY
DEPARTMENT OF REAL ESTATE
AGENCY FUNDS
FOR THE YEAR ENDED
DECEMBER 31, 2007**

January 15, 2009

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November 27, 2008

Ms. Valerie McDonald Roberts
Manager
Department of Real Estate
101 County Office Building
542 Forbes Avenue
Pittsburgh, PA 15219

**SUBJECT: INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY DEPARTMENT OF REAL ESTATE
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Dear Ms. McDonald Roberts:

We have audited the accompanying Statement of Fiduciary Net Assets of the Allegheny County Department of Real Estate Agency Funds (formerly the Recorder of Deeds) as of December 31, 2007, and the related Statement of Changes in Fiduciary Net Assets for the year then ended. These financial statements are the responsibility of the management of the Office of Allegheny County Department of Real Estate (Department of Real Estate). 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 standards applicable to financial audits contained in *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our

November 27, 2008

audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements of the Department of Real Estate are not intended to present fairly the financial position and the respective changes in net assets of Allegheny County, Pennsylvania, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Allegheny County Department of Real Estate as of December 31, 2007 and the respective changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 27, 2008 on our consideration of the Allegheny County Department of Real Estate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Very truly yours,



Lori A. Churilla

Assistant Deputy Controller, Auditing



MARK PATRICK FLAHERTY
Controller

cc: Honorable Rich Fitzgerald, President, Allegheny County Council
Honorable William Russell Robinson, Allegheny County Council
Honorable Dan Onorato, Chief Executive
Mr. James M. Flynn, Jr., County Manager
Ms. Amy Griser, Budget Director
Ms. Jennifer Liptak, Budget Director, County Council
Mr. Joe Catanese, Director of Constituent Services, County Council
Mr. James V. Uziel, Deputy, Department of Real Estate
Ms. Judith A. Konitsney, Operations Manager, Department of Real Estate
Mr. Guy A. Tumolo, Deputy Controller
Mr. Robert J. Lentz, Assistant Deputy, Accounting
Ms. Pamela Goldsmith, Communications Director, Controller's Office

MARK PATRICK FLAHERTY
 CONTROLLER, COUNTY OF ALLEGHENY
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ALLEGHENY COUNTY DEPARTMENT OF REAL ESTATE
 AGENCY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 DECEMBER 31, 2007

	<u>FEE ACCOUNT</u>	<u>REALTY TRANSFER TAX ACCOUNT</u>	<u>TOTAL</u>
<u>Net Assets</u>			
Cash on Hand	\$ 2,389	\$ 0	\$ 2,389
Cash Deposits (Note 3)	216,520	4,532,584	4,749,104
Accounts Receivable (Note 4)	<u>13,660</u>	<u>0</u>	<u>13,660</u>
TOTAL NET ASSETS	<u>\$ 232,569</u>	<u>\$ 4,532,584</u>	<u>\$4,765,153</u>
<u>Net Liabilities</u>			
Due to Other Governments: (Note 5)			
Allegheny County	\$ 71,200	\$ 125,621	\$ 196,821
Commonwealth of Pennsylvania	120,147	158,120	278,267
Municipalities and School Districts	0	4,248,843	4,248,843
Due to Third Parties (Note 6)	<u>41,222</u>	<u>0</u>	<u>41,222</u>
TOTAL NET LIABILITIES	<u>\$ 232,569</u>	<u>\$ 4,532,584</u>	<u>\$4,765,153</u>

The notes to the financial statements are an integral part of this statement.

MARK PATRICK FLAHERTY
 CONTROLLER, COUNTY OF ALLEGHENY
 104 COURTHOUSE
 PITTSBURGH, PENNSYLVANIA 15219

**ALLEGHENY COUNTY DEPARTMENT OF REAL ESTATE
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>FEE ACCOUNT</u>	<u>REALTY TRANSFER TAX ACCOUNT</u>	<u>TOTAL</u>
ADDITIONS:			
Realty Transfer Taxes:			
Commonwealth of PA	\$ 0	\$ 42,034,271	\$ 42,034,271
Municipalities and School Districts	0	64,187,026	64,187,026
Recording and Filing Fees	7,497,480	0	7,497,480
Notary Public Fees	22,320	0	22,320
Commissions	3,388	1,734,539	1,737,927
PA Writs	91,694	0	91,694
JCP Fees	1,738,150	0	1,738,150
Draw Down Deposits	762,526	0	762,526
Interest Income	0	194,558	194,558
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TOTAL ADDITIONS:	10,115,558	108,150,394	118,265,952
DEDUCTIONS:			
Allegheny County Treasurer	7,491,964	1,708,576	9,200,540
Commonwealth of Pennsylvania	1,826,951	42,008,588	43,835,539
Municipalities and School Districts	0	62,927,577	62,927,577
Drawdown Distributions	721,304	0	721,304
Banking Fees	0	10,149	10,149
Interest Remitted	8,284	219,663	227,947
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TOTAL DEDUCTIONS:	10,048,503	106,874,553	116,923,056
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Changes in net assets	67,055	1,275,841	1,342,896
Net Assets at January 1, 2007	165,514	3,256,743	3,422,257
Net Assets at December 31, 2007	<u>\$ 232,569</u>	<u>\$ 4,532,584</u>	<u>\$ 4,765,153</u>

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ALLEGHENY COUNTY DEPARTMENT OF REAL ESTATE
AGENCY FUNDS
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

The Department of Real Estate performs all of the functions of the former Recorder of Deeds Office. The Department of Real Estate is a repository for most legal documents relative to property ownership on all property located in Allegheny County. The Department is responsible for recording other documents as specified by various acts of the legislature. It ensures that all documents are recorded, indexed, preserved, and maintained on a permanent basis. The Department of Real Estate is also responsible for the collection and disbursement of realty transfer taxes for the Commonwealth of Pennsylvania and 170 municipalities and school districts located in Allegheny County.

In 2003, an integrated recording system was implemented. This allowed for documents to be recorded, scanned, and made immediately available to the public. The system updates each evening, making the images available on the Internet by the next morning. In 2006, the eRecording feature was added to the system. This feature allows documents to be electronically received, recorded, and returned to the submitter.

In May 2005, Allegheny County voters approved the consolidation of six elected row offices. In January 2008, the Department of Real Estate replaced the Recorder of Deeds Office.

2. Summary of Significant Accounting Policies

The Statement of Fiduciary Net Assets of the Allegheny County Department of Real Estate is intended to present only the fiduciary financial position of the Department of Real Estate and not the entire financial reporting of the entity or Allegheny County, Pennsylvania (County). The accounting policies of the Department of Real Estate conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies:

a. Fund Accounting

The fiduciary transactions of the Department of Real Estate are accounted for in self-balancing agency funds. Monies are collected on behalf of the Commonwealth of Pennsylvania, Allegheny County, and municipalities and school districts within the County. Agency funds are custodial in nature and do not involve the measurement of results of operations. These funds are not maintained on Allegheny County's accounting system.

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ALLEGHENY COUNTY DEPARTMENT OF REAL ESTATE
AGENCY FUNDS
NOTES TO THE FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued):

The Department of Real Estate uses two agency funds to account for assets and liabilities. The Fee Account fund contains all recording and filing fees, uniform commercial code filings, miscellaneous service fees, and commissions for notaries and public officials. The Realty Transfer Tax fund is used to record the receipt and disbursement of realty transfer taxes received for and disbursed to the Commonwealth of Pennsylvania and municipalities and school districts within Allegheny County.

b. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

c. Distributions to Allegheny County

Fees and commissions collected for the County by the Department of Real Estate are held overnight in a vault. The next day, they are deposited in the Department's Fee bank account and remitted by check to the County Treasurer for deposit in the general fund.

The Realty Transfer Taxes (RTT) collected for the Commonwealth of Pennsylvania, municipalities and school districts within Allegheny County are deposited the day after collection into the Department of Real Estate's RTT bank account. The 1% Allegheny County commission is also remitted the next day by check to the County Treasurer for deposit in the General Fund. The County's 2% commission for collection of Realty Transfer Taxes (RTT) for municipalities and school districts is remitted by check to the County Treasurer once a month for deposit into the general fund.

3. Cash in Bank/Cash on Hand

At December 31, 2007, \$200,000 of the Department of Real Estate's bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$4,551,493 is uninsured, exposed to custodial credit risk, and is collateralized in accordance with Act 72. Act 72 requires the institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the

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AGENCY FUNDS
NOTES TO THE FINANCIAL STATEMENTS

institution's name. Cash on hand is used to make change for customers when filing for Department of Real Estate documents.

4. Accounts Receivable

Charge accounts receivable, net of allowance for doubtful accounts represents recording fees and copy services billed to customers with approved charge accounts (government entities, law firms, insurance companies, etc.). Payment is normally received within three months after the service is provided. As of December 31, 2007 four accounts totaling \$1,023 in filing fees had outstanding balances due dating back to 2003. These funds will most likely not be collected. Therefore, the amount was not included in the balance on the Statement of Fiduciary Assets.

5. Due to Other Governments

The amount at year-end represents monies held by the Department of Real Estate and owed to Allegheny County, the Commonwealth of Pennsylvania and municipalities and school districts within Allegheny County.

6. Due to Third Parties

The amount at year-end represents prepaid fees on deposits from entities such as title companies, attorneys, and banks for future filings.

7. Recorder Serving during Audit Period

The Honorable Valerie McDonald Roberts was the last elected Recorder of Deeds and served from January 2001 through December 2007. On January 7, 2008, the Allegheny County Department of Real Estate was created as part of the Row office consolidations. County Executive Onorato appointed Valerie McDonald Roberts as the first Manager of the newly created Department of Real Estate.

8. Prior Audit

The prior audit was completed by the Allegheny County Controller's Office for the years ended December 31, 2002 and December 31, 2003.