



# 2018 Municipal Annual Audit & Financial Report

Borough of ROCHESTER  
BEAVER County

Department of Community & Economic Development  
Governor's Center for Local Government Services  
Commonwealth Keystone Building  
400 North Street, 4<sup>th</sup> Floor  
Harrisburg, PA 17120-0225  
Ph: 888-223-6837 | fax: 717-783-1402

## INDEPENDENT AUDITOR'S REPORT

Members of Council  
Borough of Rochester  
350 Adams Street  
Rochester, Pennsylvania 15074

### Report on the Financial Statements

We have audited the Balance Sheet, Statement of Revenues and Expenditures, Debt Statement, and Statement of Capital Expenditures, and Employee Compensation - regulatory basis using the modified accrual basis of accounting as accepted by Department of Community and Economic Development (the Schedules) included in the Annual Audit and Financial Report of Rochester Borough, Commonwealth of Pennsylvania, as of December 31, 2018, and the results of its operations for the year then ended.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Schedules in accordance with the financial reporting provisions as described in the instructions provided by the Pennsylvania Department of Community and Economic Development (DCED) to meet filing requirements in Pennsylvania. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the Schedules, 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 Schedules 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 the evaluation of the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

To meet the financial reporting requirements of Pennsylvania, the Schedules are prepared by Rochester Borough on the basis of the instructions provided by DCED, which is a basis of accounting other than accounting principles generally accepted in the United States of America. These requirements permit the Schedules to be prepared without financial statement disclosures, without cash flows, without component unit financial information, without government-wide financial statements, without management's discussion and analysis, without budgetary comparisons and historical pension information and require all funds to be aggregated by fund type on the Schedules. The effects on the financial statements of the significant differences between the modified accrual basis of accounting and accounting principles generally accepted in the United States of America are that revenues are recorded when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (60 days). Expenditures are recorded when a liability is incurred with the exception of debt service expenditures, which are recorded only when payment is due.

The effects on the Schedules of the variances between the regulatory basis of accounting described above and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the Schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of Rochester Borough as of December 31, 2018 and the results of its operations for the year then ended.

### **Basis for Qualified Opinion on Regulatory Basis of Accounting**

In addition, our audit was limited because we did not audit the Municipal or Police Pension Fund Rochester Borough. Accordingly, we do not express an opinion on the Police Pension or Non-Uniform Pension Funds, Fiduciary Fund Types. Our audit was also limited because we did not audit the Volunteer Fire Department of Rochester Borough. Accordingly, we do not express an opinion on the Volunteer Fire Department of Rochester Borough, which is a blended component unit of Rochester Borough. We were unable to audit the general fixed assets because detail fixed asset records are not maintained.

### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects as discussed in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the Schedules referred to above present fairly, in all material respects, the regulatory basis financial position of each fund as of December 31, 2018 and the regulatory results of its operations for the year then ended in accordance with the financial reporting provisions described in the instructions provided by DCED.

*Cottrell, Arbutina and Assoc.*

Beaver, PA 15009  
March 25, 2019

## Balance Sheet December 31, 2018

	Governmental Funds						Fiduciary Funds	Account Groups		Total
	General Fund	Special Revenue (Including State Liquid Funds)	Capital Projects	Debt Service	Proprietary Funds			General Fixed Assets	General Long Term Debt	
					Enterprise	Internal Service				
<b>Assets and Other Debits</b>										
100-120 Cash and Investments	1,537,737									\$ 1,537,737
140-144 Tax Receivable	36,098									36,098
121-129										
145-149 Accounts Receivable (excluding taxes)	122,196									122,196
130 Due From Other Funds										
131-139										
150-159 Other Current Assets	52,350									52,350
160-169 Fixed Assets										
180-189 Other Debits										
<b>Total Assets and Other Debits</b>	<b>\$ 1,748,381</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 1,748,381</b>

Liabilities and Other Credits	
210-229 Payroll Taxes and Other Payroll Withholdings	\$ 33,589
200-209 All Other Current Liabilities	128,940
230 Due to Other Funds	-
260-269 Long-Term Liabilities	-
240-259 Current Portion of Long-Term Debt & Other Credits	-
<b>Total Liabilities and Other Credits</b>	<b>\$ 162,529</b>

Fund and Account Group Equity	
281-284 Contributed Capital	-
290 Investment in General Fixed Assets	-
270-289 Fund Balance / Retained Earnings on 12/31	1,585,852
291-299 Other Equity	-
<b>Total Fund and Account Group Equity</b>	<b>\$ 1,585,852</b>

<b>TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY</b>	<b>\$ 1,748,381</b>
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## Statement of Revenues and Expenditures December 31, 2018

Revenues	Governmental Funds					Proprietary Funds	Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Funds)	Capital Projects	Debt Service	Enterprise			
<b>Taxes</b>								
301.00 Real Estate Taxes	\$ 1,061,550							\$ 1,061,550
305.00 Occupation Taxes (levied under municipal code)								
308.00 Residence Taxes (levied by cities of 3rd class)								
309.00 Regional Asset District Sales Tax (Allegheny County municipalities only)								
310.00 Per Capita Taxes	9,747							9,747
310.10 Real Estate Transfer Taxes	20,343							20,343
310.20 Earned Income Taxes/Wage Taxes	290,292							290,292
310.30 Business Gross Receipts Taxes	124,571							124,571
310.40 Occupation Taxes (levied under Act 511)	9,261							9,261
310.50 Local Services Tax**	54,014							54,014
310.60 Amusement/Admission Taxes								
310.60 Mechanical Device Taxes	12,478							12,478
310.70 Other Local Tax Enabling Act/Act511 Taxes								
<b>Total Taxes</b>	\$ 1,582,256	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,582,256

Licenses and Permits	
320-322 All Other Licenses and Permits	\$ 55,524
321.80 Cable Television Franchise Fee:	45,429
<b>Total Licenses and Permits</b>	\$ 100,953

Fines and Forfeits	
330-332 Fines and Forfeits	\$ 83,901
<b>Total Fines and Forfeits</b>	\$ 83,901

Interest, Rents, and Royalties	
341.00 Interest Earnings	\$ 8,241
342.00 Rents and Royalties	24,188
<b>Total Interest, Rents, and Royalties</b>	\$ 32,429

# Statement of Revenues and Expenditures December 31, 2018

	Governmental Funds					Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds		
<b>Intergovernmental Revenues</b>							
<b>Federal</b>							
351.03							\$ -
351.09							
351.00							
352.01							
352.00							
353.00							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Total Federal</b>						

	Governmental Funds					Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds		
<b>State</b>							
354.03							\$ -
354.09							
354.15	50,000						50,000
354.00	1,646						1,646
355.01							
355.02-355.03		112,165					112,165
355.04	1,700						1,700
355.05	89,003						89,003
355.07	12,928						12,928
355.08	4,396						
355.09							
355.00							
356.00							
	\$ 159,673	\$ 112,165	\$ -	\$ -	\$ -	\$ -	\$ 271,838
	<b>Total State</b>						

	Governmental Funds					Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds		
<b>Local Governmental Units</b>							
357.03							\$ -
357.00							
358.00	253,964						253,964
359.00							
	\$ 253,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,964
	<b>Total Local Governmental Units</b>						

<b>TOTAL INTERGOVERNMENTAL REVENUES</b>							\$ 525,802
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# Statement of Revenues and Expenditures December 31, 2018

Revenues	Governmental Funds					Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds		
Charges for Service					Enterprise		
361.00 General Government	2,192						2,192
362.00 Public Safety	155,823						155,823
363.20 Parking							
363.00 All Other Charges for Highway & Street Services	10,885						10,885
364.10 Wastewater/Sewage Charges							
364.30 Solid Waste Collection & Disposal Charge(Trash)	283,939						283,939
364.60 Host Municipality Benefit Fee for Solid Waste Facility							
364.00 All Other Charges for Sanitation Services							
365.00 Health							
366.00 Human Services							
367.00 Culture and Recreation							
368.00 Airports							
369.00 Bars							
370.00 Cemeteries							
372.00 Electric System							
373.00 Gas System							
374.00 Housing System							
375.00 Markets							
377.00 Transit Systems							
378.00 Water System							
379.00 All Other Charges for Service	452,839						452,839
<b>Total Charges for Service</b>	<b>\$ 452,839</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 452,839</b>
<b>Unclassified Operating Revenues</b>							
383.00 Assessments							
386.00 Escheats (sale of personal property)							67,659
387.00 Contributions & Donations from Private Sectors	67,659						
388.00 Fiduciary Fund Pension Contributions							3,813
389.00 All Other Unclassified Operating Revenue	3,813						71,472
<b>Total Unclassified Operating Revenues</b>	<b>\$ 71,472</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,472</b>
<b>Other Financing Sources</b>							
391.00 Proceeds of General Fixed Asset Disposition	2,600						2,600
392.00 Interfund Operating Transfers	(0)						(0)
393.00 Proceeds of General Long-Term Debt							
394.00 Proceeds of Short-Term Debt							11,570
395.00 Refunds of Prior Year Expenditure	11,570						14,169
<b>Total Other Financing Sources</b>	<b>\$ 14,169</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,169</b>
<b>TOTAL REVENUES</b>	<b>\$ 2,751,656</b>	<b>\$ 112,166</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,863,821</b>

# Statement of Revenues and Expenditures December 31, 2018

## EXPENDITURES

	Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only	
<b>General Government</b>									
400.00 Legislative (Governing) Body	\$ 28,142							\$ 28,142	
401.00 Executive (Manager or Mayor)	67,533							67,533	
402.00 Auditing Services/Financial Administration	15,108							15,108	
403.00 Tax Collection	46,467							46,467	
404.00 Solicitor/Legal Services	24,456							24,456	
405.00 Secretary/Clerk	91,594							91,594	
406.00 Other General Government Administration	3,276							3,276	
407.00 IT-Networking Services-Data Processing	28,078							28,078	
408.00 Engineering Services	125,353							125,353	
409.00 General Government Buildings and Plan									
<b>Total General Government</b>	\$ 430,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 430,007	

## Public Safety

410.00 Police	\$ 950,646							\$ 950,646
411.00 Fire	70,229							70,229
412.00 Ambulance/Rescue								
413.00 UCC and Code Enforcement	13,726							13,726
414.00 Planning and Zoning	495							495
415.00 Emergency Management & Communications	41,509							41,509
416.00 Militia and Armories								
417.00 Examination of Licensed Occupations								
418.00 Public Scales (weights and measures)	16,589							16,589
419.00 Other Public Safety								
<b>Total Public Safety</b>	\$ 1,093,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,093,194

## Health and Human Services

420.00-425.00 Health and Human Services	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250
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## Public Works - Sanitation

426.00 Recycling Collection and Disposal								
427.00 Solid Waste Collection and Disposal (trash)	196,950							196,950
428.00 Weed Control								
429.00 Wastewater/Sewage Collection & Treatment	128,893							128,893
<b>Total Public Works - Sanitation</b>	\$ 325,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325,843



# Statement of Revenues and Expenditures December 31, 2018

## EXPENDITURES

	Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only	
<b>Public Works - Highways and Streets</b>									
430.00 General Services- Administration	\$ 156,817	\$ 112,165						\$ 268,982	
431.00 Cleaning of Streets and Gutters									
432.00 Winter Maintenance- Snow Removal									
433.00 Traffic Control Devices	18,371							18,371	
434.00 Street Lighting	78,676							78,676	
435.00 Sidewalks and Crosswalks									
436.00 Storm Sewers and Drains									
437.00 Repairs of Tools and Machinery									
438.00 Maintenance & Repairs of Roads & Bridges									
439.00 Highway Construction and Rebuilding Project									
<b>Total Public Works - Highways and Streets</b>	\$ 253,864	\$ 112,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 366,029	

Public Works - Other Services									
440.00 Airports									\$ -
441.00 Cemeteries									\$ -
442.00 Electric System									\$ -
443.00 Gas System									\$ -
444.00 Markets									\$ -
445.00 Parking									\$ -
446.00 Storm Water and Flood Control									\$ -
447.00 Transit System									\$ -
448.00 Water System									\$ -
449.00 Water Transport and Terminals									\$ -
<b>Total Public Works - Other Services</b>									\$ -

Culture and Recreation									
451.00 Culture-Recreation Administration		181							\$ 181
452.00 Participant Recreation		56,070							\$ 56,070
453.00 Special Recreation									\$ -
454.00 Parks									\$ -
455.00 Shade Trees									\$ -
456.00 Libraries		11,667							\$ 11,667
457.00 Civil and Military Celebrations									\$ -
458.00 Senior Citizens' Centers									\$ -
459.00 All Other Culture and Recreation									\$ -
<b>Total Culture and Recreation</b>		\$ 70,118	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,118

Community Development									
461.00 Conservation of Natural Resources									\$ -
462.00 Community Development and Housing									\$ -
463.00 Economic Development									\$ -
464.00 Economic Opportunity									\$ -
465.00-469.00 All Other Community Development									\$ -
<b>Total Community Development</b>									\$ -

# Statement of Revenues and Expenditures December 31, 2018

EXPENDITURES	Governmental Funds						Fiduciary Fund	Total
	Proprietary Funds							
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
<b>Debt Service</b>								
471.00 Debt Principal (short-term and long-term)	240,710						240,710	
472.00 Debt Interest (short-term and long-term)	41,886						41,886	
475.00 Fiscal Agent Fees	650						650	
<b>Total Debt Service</b>	\$ 283,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,245	

Employer Paid Benefits & Withholding Items	\$	\$	\$	\$	\$	\$
Employer Paid Withholding Taxes and Unemployment Compensation	44,214					44,214
Judgments and Losses	2,375					2,375
Pension/Retirement Fund Contributions	197,042					197,042
Workers Compensation Insurance	-					-
Group Insurance and Other Benefits	-					-
<b>Total Employer Paid Benefits &amp; Withholding Items</b>	\$ 243,631	\$ -	\$ -	\$ -	\$ -	\$ 243,631

Insurance	\$	502	\$	502
Insurance, Casualty, and Surety	\$	-	\$	-

Unclassified Operating Expenditures	\$	\$	\$	\$	\$
488.00 Fiduciary Fund Benefits and Refunds Paid	0.00				-
489.00 All Other Unclassified Expenditures	-				-
<b>Total Unclassified Operating Expenditures</b>	\$ -	\$ -	\$ -	\$ -	\$ -

Other Financing Uses	\$	\$	\$	\$	\$
491.00 Refund of Prior Year Revenues	3,939				3,939
492.00 Interfund Operating Transfers	-				-
493.00 All Other Financing Uses	-				-
<b>Total Other Financing Uses</b>	\$ 3,939	\$ -	\$ -	\$ -	\$ 3,939

<b>TOTAL EXPENDITURES</b>	\$ 2,704,593	\$ 112,165	\$ -	\$ -	\$ -	\$ 2,816,758
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<b>EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES</b>	\$	47,063	\$	-	\$	47,063
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Borough Council  
Borough of Rochester  
Attn: John Barrett, Manager  
350 Adams Street  
Rochester, Pennsylvania 15074

We have audited the financial statements, prepared in the Department of Community and Economic Development's (DCEd's) prescribed form, of Rochester Borough, Commonwealth of Pennsylvania, as of and for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 5, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. No new accounting policies were adopted, and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates noted during 2018.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 25, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

**Restriction on Use**

This information is intended solely for the use of Borough Council and the management of Rochester Borough and is not intended to be, and should not be, used by anyone other than these specified parties.

*Cottrill, Arbutina and Assoc.*

Beaver, PA 15009  
March 25, 2019