



2019 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, 4th 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, 2019, 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, 2019 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, 2019 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.



H2R CPA
Beaver, PA 15009
March 16, 2020

Balance Sheet December 31, 2019

Assets and Other Debits	Governmental Funds						Fiduciary Funds		Account Groups			Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds		Trust & Agency	General Fixed Assets	General Long Term Debt	Memorandum Only		
					Enterprise	Internal Service						
100-120 Cash and Investments	\$ 1,461,264	\$ 30,672		-						\$ 1,491,936		
140-144 Tax Receivable	85,386									85,386		
121-129												
145-149 Accounts Receivable (excluding taxes)	173,203									173,203		
130 Due From Other Funds	-									-		
131-139												
150-159 Other Current Assets	29,736									29,736		
160-169 Fixed Assets										-		
180-189 Other Debits	-									-		
Total Assets and Other Debits	\$ 1,749,589	\$ 30,672	\$	-	\$	-	\$	-	\$	\$ 1,780,261		

Liabilities and Other Credits	\$
210-229 Payroll Taxes and Other Payroll Withholdings	34,821
200-209	
231-239 All Other Current Liabilities	195,262
230 Due to Other Funds	-
260-269 Long-Term Liabilities	-
240-259 Current Portion of Long-Term Debt & Other Credits	-
Total Liabilities and Other Credits	\$ 230,083

Fund and Account Group Equity	\$
281-284 Contributed Capital	-
290 Investment in General Fixed Assets	30,672
270-289 Fund Balance / Retained Earnings on 12/31	1,519,506
291-299 Other Equity	-
Total Fund and Account Group Equity	\$ 1,519,506

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	\$ 1,780,261
--	---------------------

Statement of Revenues and Expenditures December 31, 2019

Revenues	Governmental Funds						Fiduciary Fund	Total	
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds				Trust and Agency
					Enterprise	Internal Service			
Taxes									
301.00 Real Estate Taxes	\$ 1,121,060							\$ 1,121,060	
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		10,084						10,084	
310.10 Real Estate Transfer Taxes		25,979						25,979	
310.20 Earned Income Taxes/Wage Taxes		302,323						302,323	
310.30 Business Gross Receipts Taxes		130,882						130,882	
310.40 Occupation Taxes (levied under Act 511)		10,377						10,377	
310.50 Local Services Tax**		53,379						53,379	
310.60 Amusement/Admission Taxes									
310.70 Mechanical Device Taxes		13,200						13,200	
310.90 Other Local Tax Enabling Act/Act511 Taxes									
Total Taxes	\$ 1,667,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,667,284	

Licenses and Permits	
320-322 All Other Licenses and Permits	\$ 63,091
321.80 Cable Television Franchise Fee:	44,125
Total Licenses and Permits	\$ 107,216

Fines and Forfeits	
330-332 Fines and Forfeits	\$ 110,499
Total Fines and Forfeits	\$ 110,499

Interest, Rents, and Royalties	
341.00 Interest Earnings	\$ 3,418
342.00 Rents and Royalties	21,731
Total Interest, Rents, and Royalties	\$ 25,149

Statement of Revenues and Expenditures December 31, 2019

Intergovernmental Revenues		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		
Federal											
351.03	Highways and Streets									\$ -	
351.09	Community Development									-	
351.00	All Other Federal Capital and Operating Grants									-	
352.01	National Forest									-	
352.00	All Other Federal Shared Revenue & Entitlements									-	
353.00	Federal Payments in Lieu of Taxe:									-	
	Total Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

State		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
354.03	Highways and Streets	\$ -	\$ -						\$ -
354.09	Community Development								-
354.15	Recycling / Act 101								-
354.00	All Other State Capital and Operating Grants	1,444							1,444
355.01	Public Utility Realty Tax (PURTA)								-
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		114,821						114,821
355.04	Alcoholic Beverage Licenses	2,100							2,100
355.05	General Municipal Pension System State Aid	102,410							102,410
355.07	Foreign Fire Insurance Tax Distribution	13,979							13,979
355.08	Local Share Assessment/Gaming Proceeds								-
355.09	Marcellus Shale Impact Fee Distribution	6,907							-
355.00	All Other State Shared Revenues and Entitlements								-
356.00	State Payment in Lieu of Taxes								-
	Total State	\$ 126,840	\$ 114,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,661

Local Governmental Units		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
357.03	Highways and Streets	\$ -							\$ -
357.00	All Other Local Governmental Units Capital and Operating Grants								-
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services	238,354							238,354
359.00	Local Governmental Units, Authorities and Payments in Lieu of Taxes								-
	Total Local Governmental Units	\$ 238,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,354

TOTAL INTERGOVERNMENTAL REVENUES		\$ 480,015							
---	--	------------	--	--	--	--	--	--	--

Statement of Revenues and Expenditures December 31, 2019

Revenues	Governmental Funds						Fiduciary Fund	Total	
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds				Trust and Agency
					Enterprise	Internal Service			
Charges for Service									
361.00	\$ 3,559							3,559	
362.00	61,459							61,459	
363.20									
363.00	11,070							11,070	
364.10									
364.30	288,615							288,615	
364.60									
364.00									
365.00									
366.00									
367.00									
368.00									
369.00									
370.00									
372.00									
373.00									
374.00									
375.00									
377.00									
378.00									
379.00	\$ 364,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364,703	
Total Charges for Service									

Unclassified Operating Revenues	
383.00	\$ -
386.00	
387.00	203,393
388.00	
389.00	5,005
Total Unclassified Operating Revenues	
	\$ 208,398

Other Financing Sources	
391.00	\$ -
392.00	
393.00	
394.00	27,187
395.00	27,187
Total Other Financing Sources	
	\$ 54,374

TOTAL REVENUES	\$ 2,875,630	\$ 115,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,990,728
-----------------------	--------------	------------	------	------	------	------	------	--------------

Statement of Revenues and Expenditures December 31, 2019

EXPENDITURES		Governmental Funds						Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds		Trust and Agency	Memorandum Only
						Enterprise	Internal Service		
General Government									
400.00	Legislative (Governing) Body	\$ 14,907							\$ 14,907
401.00	Executive (Manager or Mayor)	68,908							68,908
402.00	Auditing Services/Financial Administration	12,057							12,057
403.00	Tax Collection	47,436							47,436
404.00	Solicitor/Legal Services	24,000							24,000
405.00	Secretary/Clerk	95,390							95,390
406.00	Other General Government Administration	1,208							1,208
407.00	IT-Networking Services-Data Processing	9,655							9,655
408.00	Engineering Services	104,802							104,802
409.00	General Government Buildings and Plan								
	Total General Government	\$ 378,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,363

Public Safety		\$	\$	\$	\$	\$	\$	\$	\$
410.00	Police	958,006							958,006
411.00	Fire	69,370							69,370
412.00	Ambulance/Rescue								-
413.00	UCC and Code Enforcement	37,322							37,322
414.00	Planning and Zoning	630							630
415.00	Emergency Management & Communications	22,639							22,639
416.00	Militia and Armories								-
417.00	Examination of Licensed Occupations								-
418.00	Public Scales (weights and measures)	13,065							13,065
419.00	Other Public Safety								-
	Total Public Safety	\$ 1,101,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,101,032

Health and Human Services		\$	\$	\$	\$	\$	\$	\$	\$
420.00-425.00	Health and Human Services								-

Public Works - Sanitation		\$	\$	\$	\$	\$	\$	\$	\$
426.00	Recycling Collection and Disposal								-
427.00	Solid Waste Collection and Disposal (trash)	202,715							202,715
428.00	Weed Control								-
429.00	Wastewater/Sewage Collection & Treatment	113,962							113,962
	Total Public Works - Sanitation	\$ 316,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,677

Statement of Revenues and Expenditures December 31, 2019

EXPENDITURES	Governmental Funds						Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds			
Public Works - Highways and Streets								
430.00	\$ 402,741	-						\$ 402,741
431.00								
432.00								
433.00	6,479	84,426						90,905
434.00								
435.00								
436.00								
437.00								
438.00								
439.00								
Total Public Works - Highways and Streets	\$ 409,220	\$ 84,426	-	-	-	-	-	\$ 493,646

Public Works - Other Services								
440.00								
441.00								
442.00								
443.00								
444.00								
445.00								
446.00								
447.00								
448.00								
449.00								
Total Public Works - Other Services	\$ -	-	-	-	-	-	-	\$ -

Culture and Recreation								
451.00	\$ 430							\$ 430
452.00	242,846							242,846
453.00								
454.00								
455.00								
456.00	15,481							15,481
457.00								
458.00								
459.00								
Total Culture and Recreation	\$ 258,757	-	-	-	-	-	-	\$ 258,757

Community Development								
461.00								
462.00								
463.00								
464.00								
465.00-469.00								
Total Community Development	\$ -	-	-	-	-	-	-	\$ -

Statement of Revenues and Expenditures December 31, 2019

EXPENDITURES	Governmental Funds					Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds		
				Enterprise	Internal Service	Trust and Agency	Memorandum Only
Debt Service							
471.00	\$ 115,646						\$ 115,646
472.00	38,569						38,569
475.00	-						-
Total Debt Service	\$ 154,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,215

Employer Paid Benefits & Withholding Items							
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	\$ 46,629					\$ 46,629
482.00	Judgments and Losses	57,201					57,201
483.00	Pension/Retirement Fund Contributions	219,380					219,380
484.00	Workers Compensation Insurance	-					-
487.00	Group Insurance and Other Benefits	-					-
Total	Employer Paid Benefits & Withholding Items	\$ 323,210	\$ -	\$ -	\$ -	\$ -	\$ 323,210

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

Unclassified Operating Expenditures							
488.00	Fiduciary Fund Benefits and Refunds Paid	-					-
489.00	All Other Unclassified Expenditures	0					-
Total	Unclassified Operating Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Other Financing Uses							
491.00	Refund of Prior Year Revenues	-					-
492.00	Interfund Operating Transfers	-					-
493.00	All Other Financing Uses	-					-
Total	Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TOTAL EXPENDITURES	\$ 2,941,976	\$ 84,426	\$ -	\$ -	\$ -	\$ -	\$ 3,026,402
---------------------------	---------------------	------------------	-------------	-------------	-------------	-------------	---------------------

EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	\$ (66,346)	\$ 30,672	\$ -	\$ -	\$ -	\$ -	\$ (35,674)
---	--------------------	------------------	-------------	-------------	-------------	-------------	--------------------

DEBT STATEMENT

Purpose	Bond (B) Note (N)	Issue Date (year)	Maturity Date (year)	Original Amount of Issue	Outstanding Beginning of Year	Principal Incurred This Year (Additions)	Principal Paid This Year	Current Year Accretion of Compound Interest Bonds	Outstanding Year End	Plus (less) Unamortized Premium (Discount)	Total Balance
General Obligation Bonds and Notes											
GOB Series of 2013	B	2013	2029	2,275,000	1,255,000	-	100,000		1,155,000		1,155,000
Revenue Bonds and Notes											
											\$
Lease Rental Debt											
2016 Dump Truck		2016	2020	81,270	39,903	-	15,646		24,257		24,257
Other											
											\$
											\$ 1,155,000
											\$ 24,257
											\$ -
											\$ 1,179,257
											\$ -
											\$ 1,179,257

Total bonds and notes outstanding
 Capitalized lease obligations
 Other debt
TOTAL OUTSTANDING DEBT
 Minus assets held in bond reserve funds, and bond redemption funds
 Minus lease rental payments receivable
NET DEBT



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, 2019. 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 December 12, 2019. 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 2019. 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 2019.

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 16, 2020.

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.

H2R CPA

H2R CPA
Beaver, PA 15009
March 16, 2020