



2017 Municipal Annual Audit & Financial Report

Borough of **ROCHESTER**
BEAVER County

Department of Community & Economic Development
Governor's Center for Local Government Services
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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, 2017, 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, 2017 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, 2017 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
February 18, 2018

Balance Sheet December 31, 2017

	Governmental Funds						Proprietary Funds		Fiduciary Funds		Account Groups		Total
	General Fund	Special Revenue (Including State Liquid Funds)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long Term Debt	Memorandum Only			
										\$	\$	\$	\$
100-120 Cash and Investments	\$ 1,459,243	-	-	-	-	-	-	-	-	\$ 1,459,243	-	\$ 1,459,243	
140-144 Tax Receivable	46,797	-	-	-	-	-	-	-	-	46,797	-	46,797	
121-129	-	-	-	-	-	-	-	-	-	-	-	-	
145-149 Accounts Receivable (excluding taxes)	95,405	-	-	-	-	-	-	-	-	95,405	-	95,405	
130 Due From Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	
131-139	-	-	-	-	-	-	-	-	-	-	-	-	
150-159 Other Current Assets	59,656	-	-	-	-	-	-	-	-	59,656	-	59,656	
160-169 Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	
180-189 Other Debits	-	-	-	-	-	-	-	-	-	-	-	-	
Total Assets and Other Debits	\$ 1,661,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,661,101	

Liabilities and Other Credits	
210-229 Payroll Taxes and Other Payroll Withholdings	\$ 27,699
200-209	-
231-239 All Other Current Liabilities	94,613.0
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	\$ 122,312

Fund and Account Group Equity	
281-284 Contributed Capital	-
290 Investment in General Fixed Assets	-
270-289 Fund Balance / Retained Earnings on 12/31	1,538,789
291-299 Other Equity	-
Total Fund and Account Group Equity	\$ 1,538,789

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	\$ 1,661,101
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Statement of Revenues and Expenditures December 31, 2017

Revenues	Governmental Funds						Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
Taxes								
301.00 Real Estate Taxes	\$ 1,142,194							\$ 1,142,194
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	9,894							9,894
310.10 Real Estate Transfer Taxes	23,904							23,904
310.20 Earned Income Taxes/Wage Taxes	281,911							281,911
310.30 Business Gross Receipts Taxes	110,241							110,241
310.40 Occupation Taxes (levied under Act 511)	9,178							9,178
310.50 Local Services Tax**	54,940							54,940
310.60 Amusement/Admission Taxes								
310.70 Mechanical/Device Taxes	10,150							10,150
310.90 Other Local Tax Enabling Act/Act511 Taxes								
Total Taxes	\$ 1,642,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,642,412

Licenses and Permits	
320-322 All Other Licenses and Permits	\$ 67,326
321.80 Cable Television Franchise Fee	45,783
Total Licenses and Permits	\$ 113,109

Fines and Forfeits	
330-332 Fines and Forfeits	\$ 98,387
Total Fines and Forfeits	\$ 98,387

Interest, Rents, and Royalties	
341.00 Interest Earnings	\$ 7,193
342.00 Rents and Royalties	23,467
Total Interest, Rents, and Royalties	\$ 30,660

Statement of Revenues and Expenditures December 31, 2017

Intergovernmental Revenues		Governmental Funds					Fiduciary Fund	Total	
		General Fund	Special Revenue (Including State Liquids Fuels)	Capital Projects	Debt Service	Enterprise			Internal Service
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 Taxes:								-
	Total Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State									
354.03	Highways and Streets								\$ -
354.09	Community Development								-
354.15	Recycling / Act 101								-
354.00	All Other State Capital and Operating Grants	1,711							1,711
355.01	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		106,973						106,973
355.04	Alcoholic Beverage Licenses	1,700							1,700
355.05	General Municipal Pension System State Aid	78,934							78,934
355.07	Foreign Fire Insurance Tax Distribution	14,198							14,198
355.08	Local Share Assessment/Gaming Proceeds								-
355.09	Marcellus Shale Impact Fee Distribution	2,764							-
355.00	All Other State Shared Revenues and Entitlements								-
356.00	State Payment in Lieu of Taxes:								-
	Total State	\$ 99,307	\$ 106,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,280
Local Governmental Units									
357.03	Highways and Streets								\$ -
357.00	All Other Local Governmental Units Capital and Operating Grants								-
358.00	Contracted Intergovernmental Services	211,868							211,868
359.00	Local Governmental Units, Authorities and Payments in Lieu of Taxes:								-
	Total Local Governmental Units	\$ 211,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,868
TOTAL INTERGOVERNMENTAL REVENUES		\$ 418,148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,148

Statement of Revenues and Expenditures December 31, 2017

Revenues	Governmental Funds						Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds			
Charges for Service					Enterprise	Internal Service	Memorandum Only	
361.00 General Government	\$ 11,685						\$ 11,685	
362.00 Public Safety	77,630						77,630	
363.20 Parking								
363.00 All Other Charges for Highway & Street Services	10,466						10,466	
364.10 Wastewater/Sewage Charges								
364.30 Solid Waste Collection & Disposal Charge (Trash)	308,691						308,691	
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								
Total Charges for Service	\$ 408,472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 408,472	

Unclassified Operating Revenues	
383.00 Assessments	\$ -
386.00 Escheats (sale of personal property)	-
387.00 Contributions & Donations from Private Sectors	6,950
388.00 Fiduciary Fund Pension Contributions	445
389.00 All Other Unclassified Operating Revenues:	-
Total Unclassified Operating Revenues	\$ 7,395

Other Financing Sources	
391.00 Proceeds of General Fixed Asset Disposition	\$ 5,305
392.00 Interfund Operating Transfers	106,973
393.00 Proceeds of General Long-Term Debt	-
394.00 Proceeds of Short-Term Debt	-
395.00 Refunds of Prior Year Expenditures	10,597
Total Other Financing Sources	\$ 122,875

TOTAL REVENUES	\$ 2,734,485	\$ 106,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,841,458
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Statement of Revenues and Expenditures December 31, 2017

EXPENDITURES	Governmental Funds					Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Proprietary Funds		
General Government							
400.00	\$ 20,065						\$ 20,065
401.00	62,369						62,369
402.00	13,347						13,347
403.00	45,160						45,160
404.00	24,827						24,827
405.00	81,430						81,430
406.00							
407.00	2,027						2,027
408.00	21,898						21,898
409.00	85,405						85,405
	\$ 356,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 356,528
Total General Government							

Public Safety							
410.00	\$ 851,955						\$ 851,955
411.00	45,408						45,408
412.00							
413.00	17,808						17,808
414.00	1,864						1,864
415.00	20,475						20,475
416.00							
417.00							
418.00	9,817						9,817
419.00	947,327						947,327
	\$ 947,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 947,327
Total Public Safety							

Health and Human Services							
420.00-425.00	\$ 250						\$ 250
Health and Human Services							

Public Works - Sanitation							
426.00							
427.00	192,162						192,162
428.00							
429.00	112,410						112,410
	\$ 304,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304,572
Total Public Works - Sanitation							

Statement of Revenues and Expenditures December 31, 2017

EXPENDITURES

	Governmental Funds				Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Proprietary Funds		
				Enterprise	Internal Service	Trust and Agency
Public Works - Highways and Streets						
430.00	\$ 228,574					\$ 228,574
431.00						
432.00						
433.00	11,042					11,042
434.00	76,442					76,442
435.00						
436.00						
437.00						
438.00						
439.00						
Total Public Works - Highways and Streets	\$ 316,058					\$ 316,058

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	\$ 683					\$ 683
452.00	16,082					16,082
453.00						
454.00						
455.00	10,992					10,992
456.00						
457.00						
458.00						
459.00						
Total Culture and Recreation	\$ 27,757					\$ 27,757

Community Development

461.00						
462.00						
463.00						
464.00						
465.00-469.00						
Total Community Development						

Statement of Revenues and Expenditures December 31, 2017

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							
Debt Principal (short-term and long-term)	\$ 238,741						\$ 238,741
Debt Interest (short-term and long-term)	48,122						48,122
Fiscal Agent Fees	-						-
Total Debt Service	\$ 286,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,863

Employer Paid Benefits & Withholding Items	\$	502	\$	502	\$
Employer Paid Withholding Taxes and Unemployment Compensation	\$ 53,793				\$ 53,793
Judgments and Losses	75,987,000				75,987,000
Pension/Retirement Fund Contributions	195,287				195,287
Workers Compensation Insurance	-				-
Group Insurance and Other Benefits	-				-
Employer Paid Benefits & Withholding Items	\$ 325,047	\$ -	\$ -	\$ -	\$ 325,047

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

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

Other Financing Uses	\$	30,404	\$	30,404	\$
Refund of Prior Year Revenues	-				-
Interfund Operating Transfers	106,973				106,973
All Other Financing Uses	-				-
Total Other Financing Uses	\$ 30,404	\$ 106,973	\$ -	\$ -	\$ 137,377

TOTAL EXPENDITURES	\$ 2,595,308	\$ 106,973	\$ -	\$ -	\$ 2,702,281
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	\$ 139,177	\$ -	\$ -	\$ -	\$ 139,177
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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, 2017. 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 2017. 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 2017.

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 February 18, 2018.

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
February 18, 2018