



**VILLAGE OF ROCHESTER  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**VILLAGE OF ROCHESTER  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Rochester  
Lorain County  
316 North State Street  
Rochester, Ohio 44049

To the Members of Village Council:

We have audited the accompanying financial statements of the Village of Rochester, Lorain County, Ohio, (Village) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits provide a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Rochester, Lorain County, Ohio, as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

August 16, 2000

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Village of Rochester  
 Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund  
 Cash Balances - All Governmental Fund Types -  
 for the year ended December 31, 1999

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
Receipts:				
Local Taxes	\$6,013	\$0	\$0	\$6,013
Intergovernmental	39,495	6,098	62,274	107,867
Charges for Services	75	0	0	75
Fines, Licenses, and Permits	340	0	0	340
Interest	875	0	0	875
Miscellaneous	484	0	0	484
<b>Total Receipts</b>	<b>47,282</b>	<b>6,098</b>	<b>62,274</b>	<b>115,654</b>
Disbursements:				
Current:				
Security of Persons and Property	2,461	0	0	2,461
Public Health Services	9,385	0	0	9,385
Leisure Time Activities	4,396	0	0	4,396
Community Environment	232	0	0	232
Public Works	0	11,804	0	11,804
General Government	10,755	0	0	10,755
Capital Outlay	0	0	62,274	62,274
<b>Total Disbursements</b>	<b>27,229</b>	<b>11,804</b>	<b>62,274</b>	<b>101,307</b>
<b>Total receipts over/(under) disbursements</b>	<b>20,053</b>	<b>(5,706)</b>	<b>0</b>	<b>14,347</b>
Fund Balances January 1, 1999	31,520	21,671	0	53,191
Fund Balances, December 31, 1999	<u>\$51,573</u>	<u>\$15,965</u>	<u>\$0</u>	<u>\$67,538</u>

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

Village of Rochester  
 Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund  
 Cash Balances - All Governmental Fund Types -  
 for the year ended December 31, 1998

	<u>Governmental Fund Types</u>		(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Receipts:			
Local Taxes	\$6,011	\$0	\$6,011
Intergovernmental	20,080	5,988	26,068
Fines, Licenses, and Permits	105	0	105
Interest	779	0	779
Miscellaneous	764	0	764
	<u>27,739</u>	<u>5,988</u>	<u>33,727</u>
Total Receipts			
Disbursements:			
Current:			
Security of Persons and Property	2,638	0	2,638
Leisure Time Activities	4,191	0	4,191
Community Environment	7,908	0	7,908
Public Works	0	797	797
General Government	11,725	0	11,725
	<u>26,462</u>	<u>797</u>	<u>27,259</u>
Total Disbursements			
Total receipts over/(under) disbursements	<u>1,277</u>	<u>5,191</u>	<u>6,468</u>
Fund Balances January 1, 1998	<u>30,243</u>	<u>16,480</u>	<u>46,723</u>
Fund Balances, December 31, 1998	<u>\$31,520</u>	<u>\$21,671</u>	<u>\$53,191</u>

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



**Village of Rochester**  
**Notes to the Financial Statements**  
**December 31, 1999 and December 31, 1998**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Village of Rochester, Lorain County, (Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations (recreation) and street maintenance.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Ohio Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Ohio Auditor of State.

**C. Cash and Investments**

Investments held by the Village include a Certificate of Deposit (C.D.) and a Money Market account. The C.D. is valued at cost and is maintained at Fifth Third Bank. The Money Market account is valued at cost and is maintained at First Merit Bank. Demand deposits are held by First Merit Bank on behalf of the Village.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

*Street Construction, Maintenance and Repair Fund* - This fund is used to account for gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project fund:

*Capital Improvement Fund* - This fund is used to account for proceeds of State Issue 2 grants. The proceeds are being used for various street improvement projects.

**Village of Rochester**  
**Notes to the Financial Statements**  
**December 31, 1999 and December 31, 1998**  
**(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The Lorain County Budget Commission must also approve estimated resources.

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The Lorain County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments as required by Ohio Revised Code § 5705.41(D).

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. Equity in Pooled Cash and Cash Equivalents**

The Village maintains a cash and cash equivalents pool used by all funds. The carrying amount of cash and cash equivalents at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand Deposits	\$12,533	\$39,061
Certificates of Deposit	14,887	14,130
Money Market Account	<u>40,118</u>	<u>0</u>
Total deposits	<u>\$67,538</u>	<u>\$53,191</u>

**Deposits:**

Deposits are insured by the Federal Depository Insurance Corporation.

**Village of Rochester**  
**Notes to the Financial Statements**  
**December 31, 1999 and December 31, 1998**  
**(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 was as follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$31,440	\$47,282	\$15,842
Special Revenue	12,103	6,098	(6,005)
Capital Projects	<u>0</u>	<u>62,274</u>	<u>62,274</u>
Total	<u>\$43,543</u>	<u>\$115,654</u>	<u>\$72,111</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$58,642	\$27,229	\$31,413
Special Revenue	25,890	11,804	14,086
Capital Projects	<u>62,274</u>	<u>62,274</u>	<u>0</u>
Total	<u>\$146,806</u>	<u>\$101,307</u>	<u>\$45,499</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$29,337	\$27,739	\$(1,598)
Special Revenue	<u>13,377</u>	<u>5,988</u>	<u>(7,389)</u>
Total	<u>\$42,714</u>	<u>\$33,727</u>	<u>\$(8,987)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$62,381	\$26,462	\$35,919
Special Revenue	<u>24,850</u>	<u>797</u>	<u>24,053</u>
Total	<u>\$87,231</u>	<u>\$27,259</u>	<u>\$59,972</u>

During 1999, the Village violated Ohio Revised Code § 5705.39 for the Ohio Public Works Grant Fund.

**Village of Rochester**  
**Notes to the Financial Statements**  
**December 31, 1999 and December 31, 1998**  
**(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the Lorain County Auditor. The property owners must file a list of such property with the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. Retirement Systems**

Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is cost-sharing, multiple-employer plan. PERS provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**6. Risk Management**

The Village is a member of the Public Entities Pool of Ohio. The Pool assumes the risk of loss up to the limits of the Village's policy. The following risks are covered by the Pool:

- General liability
- Public official's liability
- Vehicle

**7. Related Party Transactions**

A Village Council member's daughter and son-in-law are owners of a mowing and snow plowing business from which the Village acquired services during 1998 and 1999. The Village paid \$2,118 and \$6,002, respectively, for these services.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Village of Rochester  
Lorain County  
316 North State Street  
Rochester, Ohio 44049

To the Members of Village Council:

We have audited the financial statements of Village of Rochester, Lorain County, Ohio as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated August 16, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village of Rochester's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998/99-30847-001 and 1999-30847-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village of Rochester in a separate letter dated August 16, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Village of Rochester's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village of Rochester in a separate letter dated August 16, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

**Jim Petro**  
Auditor of State

August 16, 2000

**VILLAGE OF ROCHESTER  
LORAIN COUNTY  
JANUARY 1, 1998 TO DECEMBER 31, 1999**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1998/99-30847-001</b>
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Ohio Revised Code Section 5705.41 (D), requires in part that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from previous encumbrances.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
  
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

During 1998 and 1999, the Village did not adhere to the prior certification requirements. We recommend that all contracts or expenditures of moneys, should first obtain the prior certification as required by ORC Section 5705.41 (D). This certification should be documented through the use of purchase orders and/or then and now certificates.

<b>Finding Number</b>	<b>1999-30847-002</b>
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Ohio Revised Code Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 1999, the Village did not certify to the County Auditor the Ohio Public Works Grant monies paid directly to the contractor. When a grant is approved the grant monies are deemed appropriated; therefore, the Village should certify to the County Auditor the estimated revenue. The Capital Projects Fund had total appropriations of \$62,274 while estimated revenue was \$0.

We recommend that the Village certify to the County Auditor all grant monies so that the appropriations do not exceed their estimated revenue.







STATE OF OHIO  
OFFICE OF THE AUDITOR

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**VILLAGE OF ROCHESTER**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 19, 2000**