

ROCKLEIGH SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF ROCKLEIGH)
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

ROCKLEIGH SEWERAGE AUTHORITY

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-5
A	Comparative Statements of Net Assets as of December 31, 2011 and 2010	6
B	Comparative Statements of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2011 and 2010	7
C	Comparative Statements of Cash Flows for the years ended December 31, 2011 and 2010	8
	Notes to Financial Statements	9-13
<u>Schedule</u>		
1	Schedule of Revenues Compared to Budget	14
2	Schedule of Expenditures Compared to Budget	15
3	Schedule of Cash Receipts, Disbursements and Changes in Cash and Cash Equivalents and Investments - Unrestricted	16
4	Schedule of Cash Receipts, Disbursements and Changes in Cash and Cash Equivalents – Restricted	16
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17-18
	Roster of Officials	19
	General Comments and Recommendations	20

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INDEPENDENT AUDITOR'S REPORT

Honorable Commissioners
Rockleigh Sewerage Authority
Rockleigh, New Jersey

We have audited the accompanying basic financial statements of the Rockleigh Sewerage Authority, a component unit of the Borough of Rockleigh as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rockleigh Sewerage Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockleigh Sewerage Authority as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

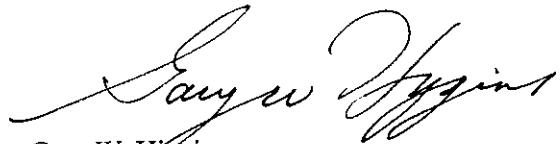
In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of the Rockleigh Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Rockleigh Sewerage Authority as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Rockleigh Sewerage Authority. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKLEIGH SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

This section of the Rockleigh Sewerage Authority's (the "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2011. Please read it in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Authority's total net assets decreased \$7,628 (2%).
- Cash and Cash Equivalents decreased \$56,049 (18%).
- Operating Revenues increased \$5,809 (1%).
- Operating Expenses increased \$37,446 (10%).

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Enterprise Fund statements offer short- and long-term financial information about the activities and operations of the Authority. These statements are presented in the manner prescribed by the Government Accounting Standards Board ("GASB").

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets – The following table summarizes Net Assets at December 31, 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Assets:			
Invested in Capital Assets	\$ 43,193	\$ 52,729	\$ 62,767
Restricted	679	678	677
Unrestricted	<u>271,851</u>	<u>269,944</u>	<u>235,733</u>
 Total Net Assets	 <u>\$ 315,723</u>	 <u>\$ 323,351</u>	 <u>\$ 299,177</u>

The Authority's Net Assets decreased \$7,628 or (2%) in the fiscal year ended December 31, 2011.

ROCKLEIGH SEWERAGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2011 (Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Capital Assets as of December 31, 2011, 2010 and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Capital Assets:</u>			
Infrastructure	\$ 183,095	\$ 183,095	\$ 183,095
Machinery and Equipment	<u>72,140</u>	<u>72,140</u>	<u>72,140</u>
	255,235	255,235	255,235
Less:			
Accumulated Depreciation	<u>212,042</u>	<u>202,506</u>	<u>192,468</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>\$ 43,193</u>	<u>\$ 52,729</u>	<u>\$ 62,767</u>

OPERATING ACTIVITIES

The following table summarizes revenues, expenses and changes in net assets for fiscal years 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>OPERATING REVENUES:</u>			
User Charges and Fees	<u>\$ 401,800</u>	<u>\$ 395,991</u>	<u>\$ 352,000</u>
Total Operating Revenues	<u>401,800</u>	<u>395,991</u>	<u>352,000</u>
<u>OPERATING EXPENSES</u>			
Administration-Other Expenses	131,128	147,668	154,299
Cost of Providing Services - Other Expenses	269,277	214,789	214,026
Depreciation	<u>9,536</u>	<u>10,038</u>	<u>10,876</u>
Total Operating Expenses	<u>409,941</u>	<u>372,495</u>	<u>379,201</u>
OPERATING INCOME/(LOSS)	<u>(8,141)</u>	<u>23,496</u>	<u>(27,201)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Interest on Investments and Deposits	<u>513</u>	<u>678</u>	<u>1,618</u>
Total Nonoperating Revenues	<u>513</u>	<u>678</u>	<u>1,618</u>
Change in Net Assets	(7,628)	24,174	(25,583)
Total Net Assets, Beginning of Year	<u>323,351</u>	<u>299,177</u>	<u>324,760</u>
Total Net Assets, End of Year	<u>\$ 315,723</u>	<u>\$ 323,351</u>	<u>\$ 299,177</u>

ROCKLEIGH SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011
(Continued)

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Borough of Rockleigh's citizens with a general overview of the Authority's finances to demonstrate the Authority's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Borough Administrator, Rockleigh, New Jersey.

FINANCIAL STATEMENTS

**ROCKLEIGH SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010**

ASSETS	<u>2011</u>	<u>2010</u>
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 253,465	\$ 309,515
User Fees Receivable	<u>37,880</u>	<u>4,232</u>
Total Unrestricted Current Assets	<u>291,345</u>	<u>313,747</u>
Restricted Current Assets		
Cash and Cash Equivalents - Unemployment Account	<u>679</u>	<u>678</u>
Total Restricted Current Assets	<u>679</u>	<u>678</u>
Noncurrent Assets		
Capital Assets (Net of Accumulated Depreciation)		
Infrastructure	42,265	45,927
Machinery and Equipment	<u>928</u>	<u>6,802</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>43,193</u>	<u>52,729</u>
Total Assets	<u>\$ 335,217</u>	<u>\$ 367,154</u>
 LIABILITIES AND FUND EQUITY		
Current Liabilities (Payable from Unrestricted Assets)		
Customer Deposits	\$ 2,000	\$ 2,000
Unearned Revenue	17,494	15,730
Intergovernmental Payable	<u>-</u>	<u>26,073</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>19,494</u>	<u>43,803</u>
Net Assets		
Investment in Capital Assets	43,193	52,729
Restricted	679	678
Unrestricted	<u>271,851</u>	<u>269,944</u>
Total Net Assets	<u>315,723</u>	<u>323,351</u>
 TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 335,217</u>	<u>\$ 367,154</u>

The Notes to the Financial Statements are an integral part of this statement

ROCKLEIGH SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
User Charges and Fees	\$ 401,800	\$ 395,991
Total Operating Revenues	<u>401,800</u>	<u>395,991</u>
Operating Expenses		
Administration		
Other Expenses	131,128	147,668
Cost of Providing Services		
Other Expenses	269,277	214,789
Depreciation	<u>9,536</u>	<u>10,038</u>
Total Operating Expenses	<u>409,941</u>	<u>372,495</u>
Operating Income (Loss)	<u>(8,141)</u>	<u>23,496</u>
Non-Operating Revenues		
Interest on Investments and Deposits	<u>513</u>	<u>678</u>
Total Non-Operating Revenues	<u>513</u>	<u>678</u>
Change in Net Assets	(7,628)	24,174
Total Net Assets, Beginning of Year	<u>323,351</u>	<u>299,177</u>
Total Net Assets, End of Year	<u>\$ 315,723</u>	<u>\$ 323,351</u>

The Notes to the Financial Statements are an integral part of this statement

ROCKLEIGH SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash Received from User Fees	\$ 369,916	\$ 407,489
Cash Paid Suppliers for Goods and Services	<u>(426,478)</u>	<u>(343,490)</u>
Net Cash Provided (Used) by Operating Activities	<u>(56,562)</u>	<u>63,999</u>
Cash Flows from Investing Activities:		
Interest on Investments and Deposits	<u>513</u>	<u>678</u>
Net Cash Provided by Investing Activities	<u>513</u>	<u>678</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(56,049)	64,677
Cash and Cash Equivalents, Beginning of Year	<u>310,193</u>	<u>245,516</u>
Cash and Cash Equivalents, End of Year	<u>\$ 254,144</u>	<u>\$ 310,193</u>
Analysis of Balance, December 31		
Unrestricted - Cash and Cash Equivalents	\$ 253,465	\$ 309,515
Restricted - Cash and Cash Equivalents	<u>679</u>	<u>678</u>
	<u>\$ 254,144</u>	<u>\$ 310,193</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	<u>\$ (8,141)</u>	<u>\$ 23,496</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	9,536	10,038
(Increase)/Decrease in Accounts Receivable	(33,648)	(4,232)
Increase / (Decrease) in Accounts Payable	-	(7,106)
Increase/ (Decrease) in Unearned Revenue	1,764	15,730
Increase/(Decrease) in Intergovernmental Payable	<u>(26,073)</u>	<u>26,073</u>
Total Adjustments	<u>(48,421)</u>	<u>40,503</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (56,562)</u>	<u>\$ 63,999</u>

The Notes to the Financial Statements are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Rockleigh Sewerage Authority was established by an Ordinance enacted by the governing body of the Borough of Rockleigh to improve and provide sewer facilities to certain non-residential and residential properties in the Borough of Rockleigh, Bergen County, New Jersey.

The Authority is governed by a Board of Commissioners (the "Board") consisting of five members each of whom is appointed by the Borough's governing body.

The Authority maintains sewer lines in the Borough of Rockleigh. Revenues are derived from the collection of sewer user fees.

The Authority and the Borough of Rockleigh have entered into a thirty (30) year agreement that commenced on January 1, 2008 with the Town of Orangetown and the Orangetown Sewer District (jointly known as the "Town"), whereby the Town will provide sanitary sewer service including treatment of sewerage originating in the Borough of Rockleigh. This agreement replaced the previous agreement dated November 11, 1968 which had an expiration date of November 11, 2008.

GASB has issued Statement No. 39, which requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority has no component units. The Authority would be includable as a component unit of the Borough of Rockleigh on the basis of such criteria.

The Authority has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of funds. The Authority maintains an Enterprise Fund to account for its operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A description of the Authority's fund type, that it maintains to account for its financial transactions, is as follows:

Proprietary Fund Types – This fund type accounts for operations that are organized to be self-supporting and includes Enterprise Funds.

An enterprise fund is used to account for those operations that are financed and operated in a manner similar to a private business or where the entity has decided that the periodic determination of revenues earned, costs incurred and/or net income is appropriate for management accountability purposes.

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all asset and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Authority has elected to follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board (FASB) standards issued prior to November 30, 1989. Subsequent to this date, the Authority accounts for its proprietary funds as presented by GASB.

C. Assets, Liabilities and Net Assets

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments held by the Authority approximate fair value, which is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

State statutes authorize the Authority to invest in certain types of investments. These investment vehicles are summarized in Note 3.

Inventory - The Authority does not record inventory on its balance sheets. The cost of inventory items are deemed immaterial and are recognized as expenditures when purchased.

Capital Assets - Improvements and equipment acquired or constructed by the Authority are stated at cost which includes direct construction costs and other expenditures related to construction. Depreciation is determined on a straight-line basis for all machinery and equipment. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Infrastructure	50 Years
Machinery and Equipment	10 Years

Accounts Receivable – All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Net Assets – Restricted net assets represent funds segregated in conjunction with a specific purpose. Unrestricted net assets represent funds available to be used at the discretion of the Authority for any legally authorized purpose.

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Accounting

The Authority annually prepares an operating budget. The budget is prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Unexpended appropriations lapse at year end.

The annual budget is approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

Six Year Capital budgets are also prepared. Included within the budget are individual projects along with their estimated cost, completion date and source of funding.

The encumbrance method of accounting is utilized by the Authority for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either cancelled or are included as reappropriations of fund equity for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis, automatically carry forward along with their related appropriations and are not subject to annual cancellations and reappropriations.

NOTE 3 DEPOSITS AND INVESTMENTS

The Authority considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

Deposits

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. At December 31, 2011 and 2010, the book value of the Authority's deposits were \$254,144 and \$310,193 and bank balances of the Authority's cash and deposits amounted to \$256,102 and \$310,193. The Authority's deposits which are displayed on the balance sheets as "cash and cash equivalents" are categorized as:

ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

<u>Depository Account</u>	<u>2011</u>	<u>Bank Balance</u>	<u>2010</u>
Insured	<u>\$256,102</u>		<u>\$310,193</u>

Investments

The Authority is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Authority or bonds or other obligations of the school districts which are a part of the Authority or school districts located within the Authority, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

The Authority had no outstanding investments as of December 31, 2011 and 2010.

NOTE 4 CAPITAL ASSETS

Capital Asset activity for the years ended December 31, 2011 and 2010 was as follows:

	Balance January 1, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Capital Assets, Being Depreciated:				
Infrastructure	\$ 183,095			\$ 183,095
Machinery and Equipment	<u>72,140</u>	<u>-</u>	<u>-</u>	<u>72,140</u>
Total Capital Assets Being Depreciated	<u>255,235</u>	<u>-</u>	<u>-</u>	<u>255,235</u>
Less Accumulated Depreciation for:				
Infrastructure	(137,168)	\$ (3,662)		(140,830)
Machinery and Equipment	<u>(65,338)</u>	<u>(5,874)</u>	<u>-</u>	<u>(71,212)</u>
Total Accumulated Depreciation	<u>(202,506)</u>	<u>(9,536)</u>	<u>-</u>	<u>(212,042)</u>
Total Capital Assets, Being Depreciated, net	<u>52,729</u>	<u>(9,536)</u>	<u>-</u>	<u>43,193</u>
Total Capital Assets, net	<u>\$ 52,729</u>	<u>\$ (9,536)</u>	<u>\$ -</u>	<u>\$ 43,193</u>

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 CAPITAL ASSETS (Continued)

	Balance January 1, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Capital assets, Being Depreciated:				
Infrastructure	\$ 183,095			\$ 183,095
Machinery and Equipment	<u>72,140</u>	-	-	<u>72,140</u>
Total Capital Assets Being Depreciated	<u>255,235</u>	-	-	<u>255,235</u>
Less Accumulated Depreciation for:				
Infrastructure	(133,506)	\$ (3,662)		(137,168)
Machinery and Equipment	<u>(58,962)</u>	<u>(6,376)</u>	-	<u>(65,338)</u>
Total Accumulated Depreciation	<u>(192,468)</u>	<u>(10,038)</u>	-	<u>(202,506)</u>
Total Capital Assets, Being Depreciated, net	<u>62,767</u>	<u>(10,038)</u>	-	<u>52,729</u>
Total Capital Assets, net	<u>\$ 62,767</u>	<u>\$ (10,038)</u>	<u>\$ -</u>	<u>\$ 52,729</u>

NOTE 5 RELATED PARTY TRANSACTIONS

In 2001, the Authority entered into a lease agreement with the Borough of Rockleigh. The lease is for the use of space at the DPW Building. The lease commenced on December 1, 2001 and expired on October 1, 2008. The lease agreement has been extended on an annual basis after October 1, 2008. The current lease expires September 30, 2012. Under the terms of the lease, the Authority is to pay the Borough of Rockleigh an annual base rent of \$60,000 payable monthly in advance in the amount of \$5,000 a month.

Additionally, the Authority has entered into a shared services agreement dated March 14, 2006 with the Borough of Rockleigh which provides that the Borough shall make available to the Authority the services of certain Borough employees to perform the required services and functions of the Authority. Under the agreement, the Authority will reimburse the Borough for the cost of salaries and fringe benefits of said employees performing services for the Authority. The original agreement was for a five year period that expired on or about March 14, 2011. On February 2, 2011, the Authority authorized entering into a new five year agreement through March 14, 2016.

SUPPLEMENTARY SCHEDULES

ROCKLEIGH SEWERAGE AUTHORITY
SCHEDULE OF REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011 Modified <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
OPERATING REVENUES			
User Charges and Fees	\$ 397,000	\$ 401,800	\$ 395,991
	397,000	401,800	395,991
NON-OPERATING REVENUE			
Interest on Investments and Deposits	-	513	678
	<u>\$ 397,000</u>	<u>\$ 402,313</u>	<u>\$ 396,669</u>

ROCKLEIGH SEWERAGE AUTHORITY
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011 Modified <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
Administration			
Depreciation		\$ 9,536	\$ 10,038
Other Expenses	<u>\$ 127,000</u>	<u>131,128</u>	<u>147,668</u>
Total Administration	<u>127,000</u>	<u>140,664</u>	<u>157,706</u>
Cost of Providing Service			
Other Expenses	<u>270,000</u>	<u>269,277</u>	<u>214,789</u>
Total Appropriations	<u>\$ 397,000</u>	<u>\$ 409,941</u>	<u>\$ 372,495</u>

**ROCKLEIGH SEWERAGE AUTHORITY
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS AND INVESTMENTS - UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2011**

Cash and Investments, January 1, 2011		\$ 309,515
Cash Receipts:		
User Charges and Fees	\$ 369,916	
Interest on Investments and Deposits	<u>512</u>	
		<u>370,428</u>
		679,943
Cash Disbursements:		
Cost of Operations	400,405	
Payments to Other Governments	<u>26,073</u>	
		<u>426,478</u>
Cash and Investments, December 31, 2011		<u>\$ 253,465</u>

SCHEDULE 4

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS - RESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2011**

Cash, January 1, 2011		\$ 678
Cash Receipts		
Interest on Investments and Deposits		<u>1</u>
Cash, December 31, 2011		<u>\$ 679</u>

**GOVERNMENT AUDITING STANDARDS
AND
COMMENTS AND RECOMMENDATIONS**

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and Members
of the Board of Trustees
Rockleigh Sewerage Authority
Rockleigh, New Jersey

We have audited the basic financial statements of the Rockleigh Sewerage Authority as of and for the year ended December 31, 2011, and have issued our report thereon dated March 26, 2012. 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.

Internal Control Over Financial Reporting

Management of the Rockleigh Sewer Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Rockleigh Sewerage Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

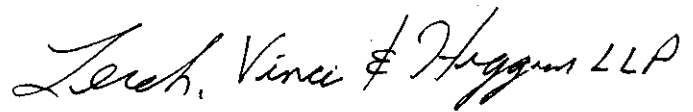
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

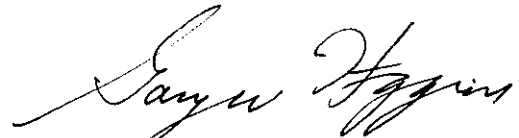
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rockleigh Sewerage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Commissioners of the Rockleigh Sewerage Authority, management, New Jersey State Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
March 26, 2012

ROCKLEIGH SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2011

Frank Cumiskey	Chairman
Joseph Agresta	Vice Chairman
James Pontone	Member
Robert R. Schaffer	Member
Patrick Wellbank	Member
Nicholas Phodiatis	Alternate #1 Member
Vacant	Alternate #2 Member
William J. McGuire (1)	Administrator
Robert Reagan	Attorney
Anne E. Murphy	Chief Financial Officer
Marcella Giampiccolo	Secretary

(1) Surety Bond coverage provided by Travelers Casualty and Surety Company of America in the amount of \$8,571.

ROCKLEIGH SEWERAGE AUTHORITY

GENERAL COMMENTS AND RECOMMENDATIONS

There are none.

Status of Prior Year Recommendations

No recommendations were reported in the prior audit.