ROCKLEIGH SEWERAGE AUTHORITY (A COMPONENT UNIT OF THE BOROUGH OF ROCKLEIGH) REPORT OF AUDIT FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208

FAIR LAWN, NJ 07410

TELEPHONE (201) 791-7100

FACSIMILE (201) 791-3035

WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA GARY J. VINCI, CPA, RMA, PSA GARY W. HIGGINS, CPA, RMA, PSA JEFFREY C. BLISS, CPA, RMA, PSA PAUL J. LERCH, CPA, RMA, PSA DONNA L. JAPHET, CPA, PSA JULIUS B. CONSONI, CPA, PSA ELIZABETH A. SHICK, CPA, RMA, PSA
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DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' 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, 2010 and 2009, 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 <u>Government Auditing Standards</u>, 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, 2010 and 2009, 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 <u>Government Auditing Standards</u>, we have also issued our report dated March 22, 2011 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 <u>Government Auditing Standards</u> and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Rockleigh Sewerage Authority. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

LERCH, VINCI & HIGGINS, LLI

Certified Public Accountants
Registered Municipal Accountants

Gary W. Higgins

Registered Municipal Accountant

RMA Number CR00405

Fair Lawn, New Jersey March 22, 2011 MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2010

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, 2010. Please read it in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Authority's total net assets increased \$24,174 (8%).
- Cash and Cash Equivalents increased \$64,677 (26%).
- Operating Revenues increased \$43,991 (12%).
- Operating Expenses decreased \$6,706 (2%).

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, 2010, 2009 and 2008:

		<u>2010</u>		2009	<u>2008</u>		
Net Assets:							
Invested in Capital Assets	\$	52,729	\$	62,767	\$	73,643	
Restricted		678		677		672	
Unrestricted		269,944		235,733		250,445	
Total Net Assets	\$	323,351	<u>\$</u>	299,177	\$	324,760	

The Authority's Net Assets increased \$24,174 or (8%) in the fiscal year ended December 31, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2010 (Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Capital Assets as of December 31, 2010, 2009 and 2008 were as follows:

		<u>2010</u>	<u>2009</u>	<u>2008</u>		
Capital Assets: Infrastructure Machinery and Equipment	\$	183,095 72,140	\$ 183,095 72,140	\$	183,095 72,140	
		255,235	255,235		255,235	
Less: Accumulated Depreciation		202,506	 192,468		181,592	
Total Capital Assets (Net of Accumulated Depreciation	n) <u>\$</u>	52,729	\$ 62,767	<u>\$</u>	73,643	

OPERATING ACTIVITIES

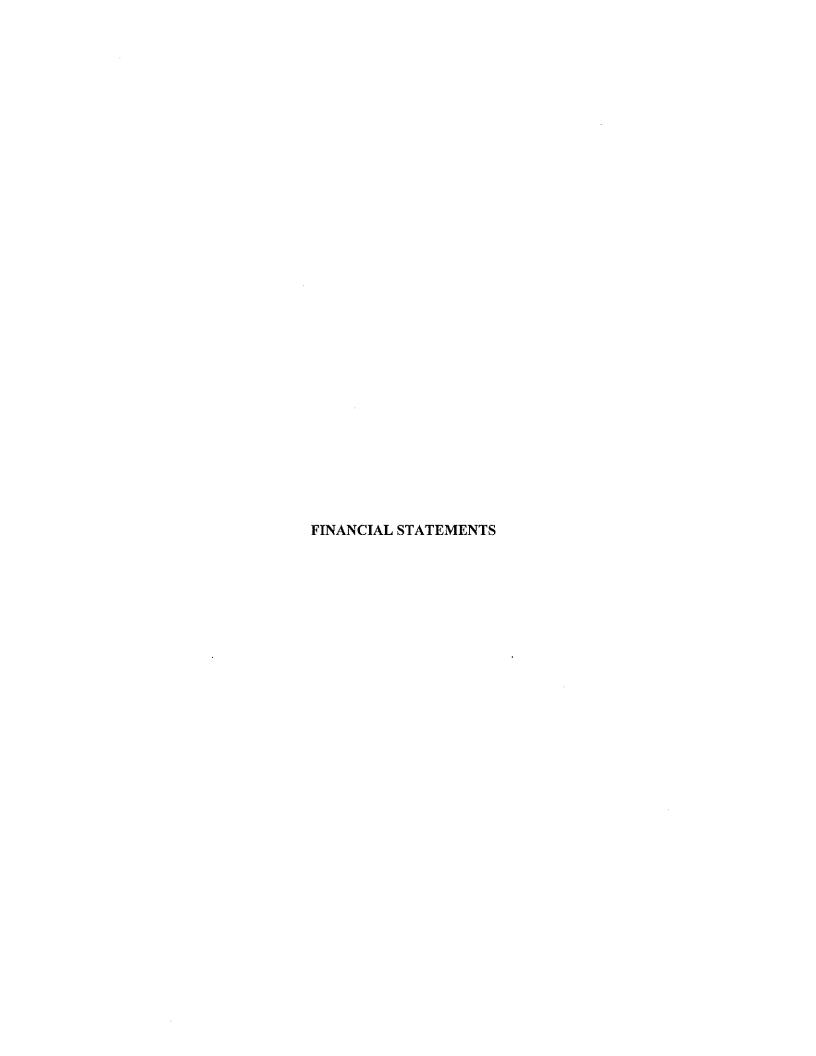
The following table summarizes revenues, expenses and changes in net assets for fiscal years 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES: User Charges and Fees	\$ 395,991	\$ 352,000	\$ 285,704
Total Operating Revenues	395,991	352,000	285,704
OPERATING EXPENSES		,	
Administration-Other Expenses	147,668	154,299	126,164
Cost of Providing Services - Other Expenses	214,789	214,026	215,420
Depreciation	10,038	10,876	10,876
Total Operating Expenses	372,495	379,201	352,460
OPERATING INCOME/(LOSS)	23,496	(27,201)	(66,756)
NONOPERATING REVENUES (EXPENSES):			
Interest on Investments and Deposits	678	1,618	6,468
Tatal Name and the Day and	(70	1 (10	(4(0
Total Nonoperating Revenues	678	1,618	6,468
Change in Net Assets	24,174	(25,583)	(60,288)
Total Net Assets, Beginning of Year	299,177	324,760	385,048
Total Net Assets, End of Year	\$ 323,351	\$ 299,177	\$ 324,760

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2010 (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.



ROCKLEIGH SEWERAGE AUTHORITY COMPARATIVE STATEMENTS OF NET ASSETS AS OF DECEMBER 31, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 309,515	\$ 244,839
User Fees Receivable	4,232	<u> </u>
Total Unrestricted Current Assets	313,747	244,839
Restricted Current Assets		
Cash and Cash Equivalents - Unemployment Account	678	677
Total Restricted Current Assets	678	677
Total Restricted Current Assets		
Noncurrent Assets		
Capital Assets (Net of Accumulated Depreciation)		
Infrastructure	45,927	49,589
Machinery and Equipment	6,802	13,178
Total Capital Assets (Net of Accumulated Depreciation)	52,729	62,767
Total Assets	\$ 367,154	\$ 308,283
LIABILITIES AND FUND EQUITY	,	
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	_	7,106
Customer Deposits	2,000	2,000
Unearned Revenue	15,730	
Intergovernmental Payable	26,073	_
intergovernmentar i ayabie		
Total Comment Lightities (Develop from Unrectricted Assets)	43,803	9,106
Total Current Liabilities (Payable from Unrestricted Assets)		<u></u>
Net Assets		
Investment in Capital Assets	52,729	62,767
Restricted	678	
Unrestricted	269,944	
O III VOIL AVIVU		
Total Net Assets	\$ 323,351	\$ 299,177
		

ROCKLEIGH SEWERAGE AUTHORITY COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

		<u>2010</u>	<u>2009</u>
Operating Revenues User Charges and Fees	\$	395,991	\$ 352,000
Total Operating Revenues	**********	395,991	352,000
Operating Expenses			
Administration Other Expenses		147,668	154,299
Cost of Providing Services Other Expenses Depreciation		214,789 10,038	 214,026 10,876
Total Operating Expenses		372,495	 379,201
Operating Income (Loss)		23,496	 (27,201)
Non-Operating Revenues Interest on Investments and Deposits		678	 1,618
Total Non-Operating Revenues		678	 1,618
Change in Net Assets		24,174	(25,583)
Total Net Assets, Beginning of Year		299,177	324,760
Total Net Assets, End of Year	<u>\$</u>	323,351	\$ 299,177

ROCKLEIGH SEWERAGE AUTHORITY COMPARATIVE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

		<u>2010</u>		2009
Cash Flows from Operating Activities:	Φ.	405 400	Φ	252.000
Cash Received from User Fees	\$	407,489	\$	352,000
Cash Paid Suppliers for Goods and Services		(369,563)		(361,219)
Net Cash Provided (Used) by Operating Activities		37,926		(9,219)
Cash Flows from Investing Activities: Interest on Investments and Deposits		678		1,618
Net Cash Provided by Investing Activities		678		1,618
Net Increase (Decrease) in Cash and Cash Equivalents		38,604		(7,601)
Cash and Cash Equivalents, Beginning of Year		245,516		253,117
Cash and Cash Equivalents, End of Year	\$	284,120	\$	245,516
Analysis of Balance, December 31				
Unrestricted - Cash and Cash Equivalents	\$	309,515	\$	244,839
Restricted - Cash and Cash Equivalents		678		677
	<u>\$</u>	310,193	\$	245,516
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)				
by Operating Activities Operating Income (Loss)	\$	23,496	<u>\$</u>	(27,201)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense		10,038		10,876
(Increase)/Decrease in Accounts Receivable		(4,232)		,
Increase / (Decrease) in Accounts Payable		(7,106)		7,106
Increase/ (Decrease) in Unearned Revenue		15,730		. ,
Increase/Decrease in Intergovernmental Payable		26,073		
Total Adjustments		40,503		17,982
Net Cash Provided (Used) by Operating Activities	<u>\$</u> _	63,999	\$	(9,219)

NOTES TO FINANCIAL STATEMENTS

ROCKLEIGH SEWERAGE AUTHORITY NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2010 AND 2009

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.

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:

<u>Proprietary Fund Types</u> – 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, 2010 AND 2009

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.

<u>Inventory</u> - 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.

<u>Capital Assets</u> - 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

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

<u>Net Assets</u> – 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, 2010 AND 2009

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 public deposits and to deposit these amounts with the Federal Reserve Bank 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, 2010 and 2009, the book value of the Authority's deposits were \$310,193 and \$245,516 and bank balances of the Authority's cash and deposits amounted to \$310,193 and \$247,126. 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, 2010 AND 2009

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

 Depository Account
 Bank Balance 2010

 Insured
 \$310,193
 \$247,126

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, 2010 and 2009.

NOTE 4 CAPITAL ASSETS

Capital Asset activity for the years ended December 31, 2010 and 2009 was as follows:

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

ROCKLEIGH SEWERAGE AUTHORITY NOTES TO FINANCIAL STATEMENTS (Continued) YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 4 CAPITAL ASSETS (Continued)

		Balance]	Balance,	
	Ja	anuary 1,				December 31,		
		<u>2009</u>	<u> I</u> 1	ncreases	<u>Decreases</u>		<u>2009</u>	
2009								
Capital assets, Being Depreciated:								
Infrastructure	\$	183,095				\$	183,095	
Machinery and Equipment		72,140			-		72,140	
Total Capital Assets Being Depreciated		255,235		-			255,235	
Less Accumulated Depreciation for:								
Infrastructure		(129,844)	\$	(3,662)			(133,506)	
Machinery and Equipment		(51,748)		(7,214)			(58,962)	
Total Accumulated Depreciation		(181,592)		(10,876)			(192,468)	
Total Capital Assets, Being Depreciated, net		73,643		(10,876)			62,767	
Total Capital Assets, net	\$	73,643	<u>\$</u>	(10,876)	\$ -	<u>\$</u>	62,767	

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, 2011. 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.

SUPPLEMENTARY SCHEDULES

ROCKLEIGH SEWERAGE AUTHORITY SCHEDULE OF REVENUES COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2010

(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	2010 <u>Budget</u>				
OPERATING REVENUES					
User Charges and Fees	\$ 388,00	0 \$ 395,991	\$ 352,000		
NON-OPERATING REVENUE	388,00	0 395,991	352,000		
Interest on Investments and Deposits		. 678	1,618		
	\$ 388,00	0 \$ 396,669	\$ 353,618		

ROCKLEIGH SEWERAGE AUTHORITY SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND CASH EQUIVALENTS AND INVESTMENTS - UNRESTRICTED FOR THE YEAR ENDED DECEMBER 31, 2010

Cash and Investments, January 1, 2010			\$	244,839
Cash Receipts: User Charges and Fees Interest on Investments and Deposits	\$	407,489 677		
				408,166
				653,005
Cash Disbursements:				
Cost of Operations				369,563
Cash and Investments, December 31, 2010			\$	283,442
			SCH	EDULE 4
SCHEDULE OF CASH RECEIPTS, DISBURSEMENT CHANGES IN CASH AND CASH EQUIVALENTS - RES FOR THE YEAR ENDED DECEMBER 31, 201	STRI			
Cash, January 1, 2010			\$	677
Cash Receipts Interest on Investments and Deposits				1
Cash, December 31, 2010			\$	678

GOVERNMENT AUDITING STANDARDS AND

COMMENTS AND RECOMMENDATIONS

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208

FAIR LAWN, NJ 07410

TELEPHONE (201) 791-7100

FACSIMILE (201) 791-3035

WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA GARY J. VINCI, CPA, RMA, PSA GARY W. HIGGINS, CPA, RMA, PSA JEFFREY C. BLISS, CPA, RMA, PSA PAUL J. LERCH, CPA, RMA, PSA DONNA L. JAPHET, CPA, PSA JULIUS B. CONSONI, CPA, PSA ELIZABETH A. SHICK, CPA, RMA, PSA
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RALPH M. PICONE, CPA, RMA, PSA

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, 2010, and have issued our report thereon dated March 22, 2011. 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

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 <u>deficiency in internal control</u> 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 <u>material weakness</u> 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 <u>Government Auditing Standards</u>.

This report is intended solely for the information and use of the Rockleigh Sewerage Authority board members, 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, LLF

Certified Public Accountants

Registered Municipal Accountants

Gary W. Higgins

Registered Municipal Accountant

RMA Number CR00405

Fair Lawn, New Jersey March 22, 2011

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2010

Nicholas Langella Chairman

James Pontone Vice Chairman

Frank Cumiskey Member

Patrick Wellbank Member

Joseph Agresta Member

Peter Layne Alternate #1 Member

Vacant Alternate #2 Member

William J. McGuire (1) Administrator

John B. Hall 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.

GENERAL COMMENTS AND RECOMMENDATIONS

There are none.

Status of Prior Year Recommendations

Corrective action was taken on the prior year recommendation.