

**ROCKLEIGH SEWERAGE AUTHORITY**  
**(A COMPONENT UNIT OF THE BOROUGH OF ROCKLEIGH)**  
**REPORT OF AUDIT**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2016 AND 2015**

# 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 Position as of December 31, 2016 and 2015	6
B	Comparative Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2016 and 2015	7
C	Comparative Statements of Cash Flows for the years ended December 31, 2016 and 2015	8
	Notes to Financial Statements	9-15
<u>Schedule</u>		
1	Schedule of Revenues Compared to Budget	16
2	Schedule of Expenditures Compared to Budget	17
3	Schedule of Cash Receipts, Disbursements and Changes in Cash and Cash Equivalents - Unrestricted	18
4	Schedule of Cash Receipts, Disbursements and Changes in Cash and Cash Equivalents – Restricted	18
	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 – Independent Auditor's Report	19-20
	Roster of Officials	21
	General Comments and Recommendations	22



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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Board of Commissioners  
Rockleigh Sewerage Authority  
Rockleigh, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Rockleigh Sewerage Authority, a component unit of the Borough of Rockleigh as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Rockleigh Sewerage Authority's financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis identified in the table of contents 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.

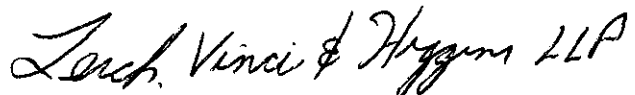
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rockleigh Sewerage Authority’s basic financial statements. 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.

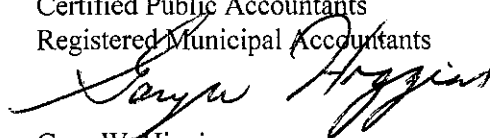
The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rockleigh Sewerage Authority’s internal control over financial reporting and compliance.



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



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
February 27, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ROCKLEIGH SEWERAGE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2016**

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, 2016. Please read it in conjunction with the Authority's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- The Authority's total net position decreased \$50,799 (15%).
- Cash and Cash Equivalents decreased \$39,284 (13%).
- Operating Revenues remained the same from the prior year.
- Operating Expenses increased \$41,728 (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 Position* – The following table summarizes Net Position at December 31, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Position:			
Net Investment in Capital Assets	\$ 52,884	\$ 60,348	\$ 67,812
Restricted	686	684	683
Unrestricted	<u>241,474</u>	<u>284,811</u>	<u>285,949</u>
 Total Net Position	 <u>\$ 295,044</u>	 <u>\$ 345,843</u>	 <u>\$ 354,444</u>

The Authority's Net Position decreased \$50,799 or (15%) in the fiscal year ended December 31, 2016.

Net Investment in Capital Assets decreased by \$7,464 during 2016 due to current year depreciation. Unrestricted net position decreased by \$43,337 in 2016 as a result of current year operations.

**ROCKLEIGH SEWERAGE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2016**  
**(Continued)**

**FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)**

Capital Assets as of December 31, 2016, 2015 and 2014 were as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Capital Assets:</b>			
Infrastructure	\$ 190,195	\$ 190,195	\$ 190,195
Machinery and Equipment	<u>108,738</u>	<u>108,738</u>	<u>108,738</u>
	298,933	298,933	298,933
Less:			
Accumulated Depreciation	<u>246,049</u>	<u>238,585</u>	<u>231,121</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>\$ 52,884</u>	<u>\$ 60,348</u>	<u>\$ 67,812</u>

**OPERATING ACTIVITIES**

The following table summarizes revenues, expenses and changes in net position for fiscal years 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES:</b>			
User Charges and Fees	\$ 404,800	\$ 404,800	\$ 404,800
Total Operating Revenues	<u>404,800</u>	<u>404,800</u>	<u>404,800</u>
<b>OPERATING EXPENSES</b>			
Administration-Other Expenses	91,538	93,774	101,846
Cost of Providing Services - Other Expenses	357,852	313,888	326,418
Depreciation	<u>7,464</u>	<u>7,464</u>	<u>7,464</u>
Total Operating Expenses	<u>456,854</u>	<u>415,126</u>	<u>435,728</u>
OPERATING INCOME/(LOSS)	<u>(52,054)</u>	<u>(10,326)</u>	<u>(30,928)</u>
<b>NONOPERATING REVENUES:</b>			
Interest on Deposits and Assessments	<u>1,255</u>	<u>1,725</u>	<u>4,335</u>
Total Nonoperating Revenues	<u>1,255</u>	<u>1,725</u>	<u>4,335</u>
Change in Net Position	(50,799)	(8,601)	(26,593)
Total Net Position, Beginning of Year	<u>345,843</u>	<u>354,444</u>	<u>381,037</u>
Total Net Position, End of Year	<u>\$ 295,044</u>	<u>\$ 345,843</u>	<u>\$ 354,444</u>

**ROCKLEIGH SEWERAGE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2016**  
*(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 POSITION  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 265,679	\$ 304,963
User Fees Receivable	<u>973</u>	<u>4,487</u>
Total Unrestricted Current Assets	<u>266,652</u>	<u>309,450</u>
Restricted Current Assets		
Cash and Cash Equivalents - Unemployment Account	<u>686</u>	<u>684</u>
Total Restricted Current Assets	<u>686</u>	<u>684</u>
Noncurrent Assets		
Capital Assets (Net of Accumulated Depreciation)		
Infrastructure	30,522	34,327
Machinery and Equipment	<u>22,362</u>	<u>26,021</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>52,884</u>	<u>60,348</u>
Total Assets	<u>\$ 320,222</u>	<u>\$ 370,482</u>
<b>LIABILITIES</b>		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 2,872	\$ 2,872
Unearned Revenue	<u>22,306</u>	<u>21,767</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>25,178</u>	<u>24,639</u>
Total Liabilities	<u>25,178</u>	<u>24,639</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	52,884	60,348
Restricted	686	684
Unrestricted	<u>241,474</u>	<u>284,811</u>
Total Net Position	<u>\$ 295,044</u>	<u>\$ 345,843</u>

**ROCKLEIGH SEWERAGE AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
User Charges and Fees	\$ 404,800	\$ 404,800
Total Operating Revenues	<u>404,800</u>	<u>404,800</u>
OPERATING EXPENSES		
Administration		
Other Expenses	91,538	93,774
Cost of Providing Services		
Other Expenses	357,852	313,888
Depreciation	<u>7,464</u>	<u>7,464</u>
Total Operating Expenses	<u>456,854</u>	<u>415,126</u>
OPERATING INCOME (LOSS)	<u>(52,054)</u>	<u>(10,326)</u>
NON-OPERATING REVENUES		
Interest on Deposits and Assessments	<u>1,255</u>	<u>1,725</u>
Total Non-Operating Revenues	<u>1,255</u>	<u>1,725</u>
CHANGE IN NET POSITION	(50,799)	(8,601)
Total Net Position, Beginning of Year	<u>345,843</u>	<u>354,444</u>
Total Net Position, End of Year	<u>\$ 295,044</u>	<u>\$ 345,843</u>

**ROCKLEIGH SEWERAGE AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash Received from User Fees	\$ 408,853	\$ 455,617
Cash Paid Suppliers for Goods and Services	<u>(449,390)</u>	<u>(582,117)</u>
Net Cash Provided (Used) by Operating Activities	<u>(40,537)</u>	<u>(126,500)</u>
Cash Flows from Investing Activities:		
Interest on Deposits and Assessments	<u>1,255</u>	<u>1,725</u>
Net Cash Provided by Investing Activities	<u>1,255</u>	<u>1,725</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(39,282)	(124,775)
Cash and Cash Equivalents, Beginning of Year	<u>305,647</u>	<u>430,422</u>
Cash and Cash Equivalents, End of Year	<u>\$ 266,365</u>	<u>\$ 305,647</u>
Analysis of Balance, December 31		
Unrestricted - Cash and Cash Equivalents	\$ 265,679	\$ 304,963
Restricted - Cash and Cash Equivalents	<u>686</u>	<u>684</u>
	<u>\$ 266,365</u>	<u>\$ 305,647</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	<u>\$ (52,054)</u>	<u>\$ (10,326)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	7,464	7,464
(Increase)/Decrease in Accounts Receivable	3,514	31,303
Increase / (Decrease) in Accounts Payable		(174,455)
Increase/ (Decrease) in Unearned Revenue	<u>539</u>	<u>19,514</u>
Total Adjustments	<u>11,517</u>	<u>(116,174)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (40,537)</u>	<u>\$ (126,500)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**ROCKLEIGH SEWERAGE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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 Financial Statement 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 THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Measurement Focus, Basis of Accounting and Financial Statement 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 assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Authority follows GAAP prescribed by the Governmental Accounting Standards Board (GASB) applicable to proprietary funds.

**C. Assets, Liabilities and Net Position**

*1. Cash, Cash Equivalents and Investments*

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 are reported at fair value and are limited by N.J.S.A. 40A:5-15.1.

*2. Inventory*

The costs of inventories are deemed immaterial and are recognized as expenses when purchased rather than when consumed. The Authority does not record inventory on its statement of net position.

*3. 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.

*4. Restricted Assets*

Certain assets are classified as restricted since their use is limited to the payment of State of New Jersey unemployment claims.

*5. 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

**ROCKLEIGH SEWERAGE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Net Position (Continued)**

**6. *Net Position***

Restricted net position is limited to outside third-party restrictions either by law or by other organizations or persons external to the Authority. Unrestricted net position represents the net position neither restricted nor invested in capital assets, net of related debt.

**7. *Net Position Flow Assumption***

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**D. Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sewer services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. *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.



**ROCKLEIGH SEWERAGE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

***1. Budgetary Accounting (Continued)***

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.

***2. Revenues***

User fees for commercial/industrial customers are levied based upon the actual water purchases in the prior year. User fees for residential customers are based on a flat annual usage charge. Revenue is recognized in the year that the user is billed.

***3. Designated Unrestricted Net Position***

The Authority is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net position. The Authority Board of Commissioners may formally dedicate net position to establish designations of unrestricted net position to meet policy adopted by the Board.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

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

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 pledge collateral equal to at least 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.

**ROCKLEIGH SEWERAGE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2016 and 2015, the book value of the Authority's deposits were \$266,365 and \$305,647 and bank balances of the Authority's cash and deposits amounted to \$255,166 and \$306,075. The Authority's deposits which are displayed on the balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2016</u>	<u>2015</u>
Insured	<u>\$255,166</u>	<u>\$306,075</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of December 31, 2016 and 2015, none of the Authority's bank balances were exposed to custodial credit risk.

**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, 2016 and 2015.

**ROCKLEIGH SEWERAGE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 4 CAPITAL ASSETS**

Capital Asset activity for the years ended December 31, 2016 and 2015 was as follows:

	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Capital Assets, Being Depreciated:				
Infrastructure	\$ 190,195			\$ 190,195
Machinery and Equipment	108,738	-	-	108,738
Total Capital Assets Being Depreciated	<u>298,933</u>	<u>-</u>	<u>-</u>	<u>298,933</u>
Less Accumulated Depreciation for:				
Infrastructure	(155,868)	\$ (3,805)		(159,673)
Machinery and Equipment	(82,717)	(3,659)	-	(86,376)
Total Accumulated Depreciation	<u>(238,585)</u>	<u>(7,464)</u>	<u>-</u>	<u>(246,049)</u>
Total Capital Assets, Being Depreciated, net	<u>60,348</u>	<u>(7,464)</u>	<u>-</u>	<u>52,884</u>
Total Capital Assets, net	<u>\$ 60,348</u>	<u>\$ (7,464)</u>	<u>\$ -</u>	<u>\$ 52,884</u>
	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Capital Assets, Being Depreciated:				
Infrastructure	\$ 190,195			\$ 190,195
Machinery and Equipment	108,738	-	-	108,738
Total Capital Assets Being Depreciated	<u>298,933</u>	<u>-</u>	<u>-</u>	<u>298,933</u>
Less Accumulated Depreciation for:				
Infrastructure	(152,064)	\$ (3,804)		(155,868)
Machinery and Equipment	(79,057)	(3,660)	-	(82,717)
Total Accumulated Depreciation	<u>(231,121)</u>	<u>(7,464)</u>	<u>-</u>	<u>(238,585)</u>
Total Capital Assets, Being Depreciated, net	<u>67,812</u>	<u>(7,464)</u>	<u>-</u>	<u>60,348</u>
Total Capital Assets, net	<u>\$ 67,812</u>	<u>\$ (7,464)</u>	<u>\$ -</u>	<u>\$ 60,348</u>

**ROCKLEIGH SEWERAGE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 5 RELATED PARTY TRANSACTIONS**

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. On December 7, 2015, the Authority authorized extending the agreement for an additional five years from March 14, 2016 through March 14, 2021.

On October 3, 2012 the Authority and the Borough of Rockleigh entered into a shared services agreement that took effect on January 1, 2013 and shall expire on December 31, 2017. Pursuant to the agreement, the Authority will compensate the Borough for the use of the Rockleigh Borough Hall as their offices. The annual rent of \$39,228 is based upon the Authority utilizing 24.04 percent of building area of the Borough Hall. Actual utilities and administrative expenses incurred by the Borough will also be charged to the Authority at the same percentage as the rent.

**SUPPLEMENTARY SCHEDULES**

**ROCKLEIGH SEWERAGE AUTHORITY**  
**SCHEDULE OF REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016 Modified <u>Budget</u>	2016 <u>Actual</u>	2015 <u>Actual</u>
<b>OPERATING REVENUES</b>			
User Charges and Fees	\$ 404,800	\$ 404,800	\$ 404,800
Total Operating Revenues	<u>404,800</u>	<u>404,800</u>	<u>404,800</u>
<b>NON-OPERATING REVENUES</b>			
Interest on Deposits and Assessments	<u>-</u>	<u>1,255</u>	<u>1,725</u>
Total Non-Operating Revenues	<u>-</u>	<u>1,255</u>	<u>1,725</u>
<b>UNRESTRICTED NET POSITION UTILIZED</b>	<u>-</u>	<u>-</u>	<u>8,468</u>
Total Revenues	<u>\$ 404,800</u>	<u>\$ 406,055</u>	<u>\$ 414,993</u>

**ROCKLEIGH SEWERAGE AUTHORITY**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016 Modified <u>Budget</u>	2016 <u>Actual</u>	2015 <u>Actual</u>
Administration			
Other Expenses	\$ 103,200	\$ 91,538	\$ 93,774
Total Administration	<u>103,200</u>	<u>91,538</u>	<u>93,774</u>
Cost of Providing Service			
Depreciation (Non-Budgeted)		7,464	7,464
Other Expenses	<u>301,600</u>	<u>357,852</u>	<u>313,888</u>
	<u>301,600</u>	<u>365,316</u>	<u>321,352</u>
Total Appropriations	<u>\$ 404,800</u>	<u>\$ 456,854</u>	<u>\$ 415,126</u>

**ROCKLEIGH SEWERAGE AUTHORITY  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH AND CASH EQUIVALENTS - UNRESTRICTED  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash and Cash Equivalents, January 1, 2016	\$ 304,963
Cash Receipts:	
User Charges and Fees	\$ 408,853
Interest on Deposits and Assessments	<u>1,253</u>
	<u>410,106</u>
	715,069
Cash Disbursements:	
Cost of Operations	<u>449,390</u>
Cash and Cash Equivalents, December 31, 2016	<u>\$ 265,679</u>

## SCHEDULE 4

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH AND CASH EQUIVALENTS - RESTRICTED  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash, January 1, 2016	\$ 684
Cash Receipts:	
Interest on Deposits	<u>2</u>
Cash, December 31, 2016	<u>\$ 686</u>



**GOVERNMENT AUDITING STANDARDS  
AND  
COMMENTS AND RECOMMENDATIONS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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  
ANDREW D. PARENTE, CPA, RMA, PSA

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ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
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DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLSI, 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

### INDEPENDENT AUDITOR’S REPORT

Honorable Chairman and Members of the  
Board of Commissioners  
Rockleigh Sewerage Authority  
Rockleigh, New Jersey

We have audited, in accordance with the 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, the financial statements of the Rockleigh Sewerage Authority, as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Rockleigh Sewerage Authority’s basic financial statements, and have issued our report thereon dated February 27, 2017.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Rockleigh Sewerage Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Rockleigh Sewerage Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockleigh Sewerage Authority’s internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

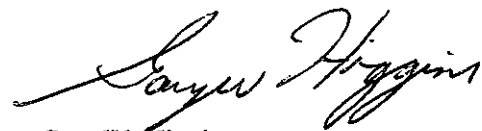
As part of obtaining reasonable assurance about whether the Rockleigh Sewerage Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rockleigh Sewerage Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rockleigh Sewerage Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
February 27, 2017

**ROCKLEIGH SEWERAGE AUTHORITY**

**ROSTER OF OFFICIALS**

**AS OF DECEMBER 31, 2016**

Frank Cumiskey	Chairman
James Pontone	Vice Chairman
Joseph Agresta, Jr. (1/1/16-1/31/16)	Member
Claire Marie Feulner (2/1/16-Present)	Member
Robert R. Schaffer	Member
Nicholas Phodiatis	Member
Claire Marie Feulner (1/1/16-1/31/16)	Alternate #1 Member
Vacant (2/1/16-Present)	Alternate #1 Member
Vacant	Alternate #2 Member
William J. McGuire	Administrator
Robert Reagan	Attorney
Kunjesh Trivedi	Chief Financial Officer
Marcella Giampiccolo	Secretary

Employee theft coverage is provided by Statewide Insurance Fund in the blanket amount of \$1,000,000 with a \$5,000 deductible.

**ROCKLEIGH SEWERAGE AUTHORITY**

**GENERAL COMMENTS AND RECOMMENDATIONS**

There are none.

**Status of Prior Year Recommendations**

No recommendations were reported in the prior year's audit.