

ROCKLEIGH SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF ROCKLEIGH)
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019	6
B	Comparative Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2020 and 2019	7
C	Comparative Statements of Cash Flows for the years Ended December 31, 2020 and 2019	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, 2020 and 2019, 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, 2020 and 2019, 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 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.

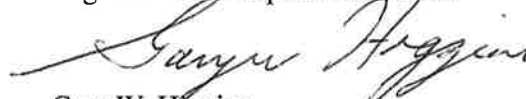
The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 May 25, 2021 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 solely 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 effectiveness of the Rockleigh Sewerage Authority's 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKLEIGH SEWERAGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2020

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, 2020. Please read it in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$22,007 (7%).
- Cash and Cash Equivalents increased \$3,615 (1%).
- Operating Revenues remained the same from the prior year.
- Operating Expenses decreased \$16,781 (4%)

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, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Position:			
Net Investment in Capital Assets	\$ 23,030	\$ 30,493	\$ 37,957
Restricted	542	661	660
Unrestricted	<u>333,011</u>	<u>303,422</u>	<u>290,817</u>
Total Net Position	<u>\$ 356,583</u>	<u>\$ 334,576</u>	<u>\$ 329,434</u>

The Authority's Net Position increased \$22,007 or (7%) in the fiscal year ended December 31, 2020.

Net Investment in Capital Assets decreased by \$7,463 during 2020 due to current year depreciation. Unrestricted net position increased by \$29,589 in 2020 as a result of current year operations.

ROCKLEIGH SEWERAGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2020 (Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Capital Assets as of December 31, 2020, 2019 and 2018 were as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Capital Assets:</u>			
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>275,903</u>	<u>268,440</u>	<u>260,976</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>\$ 23,030</u>	<u>\$ 30,493</u>	<u>\$ 37,957</u>

OPERATING ACTIVITIES

The following table summarizes revenues, expenses and changes in net position for fiscal years 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:			
User Charges and Fees	\$ 434,805	\$ 434,805	\$ 434,805
Total Operating Revenues	<u>434,805</u>	<u>434,805</u>	<u>434,805</u>
OPERATING EXPENSES			
Administration-Other Expenses	102,552	105,373	93,855
Cost of Providing Services - Other Expenses	306,069	320,028	313,143
Depreciation	<u>7,463</u>	<u>7,464</u>	<u>7,464</u>
Total Operating Expenses	<u>416,084</u>	<u>432,865</u>	<u>414,462</u>
OPERATING INCOME	<u>18,721</u>	<u>1,940</u>	<u>20,343</u>
NONOPERATING REVENUES:			
Interest on Deposits, User Charges and Fees	<u>3,286</u>	<u>3,202</u>	<u>3,174</u>
Total Nonoperating Revenues	<u>3,286</u>	<u>3,202</u>	<u>3,174</u>
Change in Net Position	22,007	5,142	23,517
Total Net Position, Beginning of Year	<u>334,576</u>	<u>329,434</u>	<u>305,917</u>
Total Net Position, End of Year	<u>\$ 356,583</u>	<u>\$ 334,576</u>	<u>\$ 329,434</u>

ROCKLEIGH SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020
(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority has committed itself to financial excellence. Its system for financial planning, budgeting, and internal financial controls is audited and it plans to continue to manage its finances in order to meet the many challenges ahead.

The budget for the year ended December 31, 2021 was approved by the Division of Local government Services and adopted by the Authority. The budget includes the utilization of \$28,640 of unrestricted net position.

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 POSITION
AS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 328,734	\$ 325,000
User Fees Receivable	<u>5,101</u>	<u>2,375</u>
Total Unrestricted Current Assets	<u>333,835</u>	<u>327,375</u>
Restricted Current Assets		
Cash and Cash Equivalents - Unemployment Account	<u>542</u>	<u>661</u>
Total Restricted Current Assets	<u>542</u>	<u>661</u>
Noncurrent Assets		
Capital Assets (Net of Accumulated Depreciation)		
Infrastructure	15,307	19,111
Machinery and Equipment	<u>7,723</u>	<u>11,382</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>23,030</u>	<u>30,493</u>
Total Assets	<u>\$ 357,407</u>	<u>\$ 358,529</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 237	\$ 23,421
Unearned Revenue	<u>587</u>	<u>532</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>824</u>	<u>23,953</u>
Total Liabilities	<u>824</u>	<u>23,953</u>
NET POSITION		
Net Investment in Capital Assets	23,030	30,493
Restricted	542	661
Unrestricted	<u>333,011</u>	<u>303,422</u>
Total Net Position	<u>\$ 356,583</u>	<u>\$ 334,576</u>

ROCKLEIGH SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
User Charges and Fees	\$ 434,805	\$ 434,805
Total Operating Revenues	<u>434,805</u>	<u>434,805</u>
OPERATING EXPENSES		
Administration		
Other Expenses	102,552	105,373
Cost of Providing Services		
Other Expenses	306,069	320,028
Depreciation	<u>7,463</u>	<u>7,464</u>
Total Operating Expenses	<u>416,084</u>	<u>432,865</u>
OPERATING INCOME	<u>18,721</u>	<u>1,940</u>
NON-OPERATING REVENUES		
Interest on Deposits, User Charges and Fees	<u>3,286</u>	<u>3,202</u>
Total Non-Operating Revenues	<u>3,286</u>	<u>3,202</u>
CHANGE IN NET POSITION	22,007	5,142
Total Net Position, Beginning of Year	<u>334,576</u>	<u>329,434</u>
Total Net Position, End of Year	<u>\$ 356,583</u>	<u>\$ 334,576</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash Received from User Fees	\$ 432,134	\$ 435,563
Cash Paid Suppliers for Goods and Services	<u>(431,805)</u>	<u>(407,273)</u>
Net Cash Provided by Operating Activities	<u>329</u>	<u>28,290</u>
Cash Flows from Investing Activities:		
Interest on Deposits, User Charges and Fees	<u>3,286</u>	<u>3,202</u>
Net Cash Provided by Investing Activities	<u>3,286</u>	<u>3,202</u>
Net Increase in Cash and Cash Equivalents	3,615	31,492
Cash and Cash Equivalents, Beginning of Year	<u>325,661</u>	<u>294,169</u>
Cash and Cash Equivalents, End of Year	<u>\$ 329,276</u>	<u>\$ 325,661</u>
Analysis of Balance, December 31		
Unrestricted - Cash and Cash Equivalents	\$ 328,734	\$ 325,000
Restricted - Cash and Cash Equivalents	<u>542</u>	<u>661</u>
	<u>\$ 329,276</u>	<u>\$ 325,661</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	<u>\$ 18,721</u>	<u>\$ 1,940</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	7,463	7,464
(Increase)/Decrease in Accounts Receivable	(2,726)	966
Increase/ (Decrease) in Accounts Payable	(23,184)	18,128
Increase/ (Decrease) in Unearned Revenue	<u>55</u>	<u>(208)</u>
Total Adjustments	<u>(18,392)</u>	<u>26,350</u>
Net Cash Provided by Operating Activities	<u>\$ 329</u>	<u>\$ 28,290</u>

NOTES TO THE FINANCIAL STATEMENTS

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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. New Accounting Standards

For fiscal year 2020, there were no GASB statements required to be adopted and implemented by the Authority.

Accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 87, *Leases*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objectives of this Statement is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2021. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently.
- GASB No. 92, *Omnibus 2020*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022 except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.
- GASB No. 96, *Subscription – Based Information Technology Arrangements*, will be effective beginning with the fiscal year ending June 30, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

C. 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.

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.

ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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

6. Net Position

In the statement of net position, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of capital assets less accumulated depreciation.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

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.

E. 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.

Five 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 are reversed at year-end and cancelled.

2. *Revenues*

Sewer 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.

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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), National Credit Union Share Insurance Fund (NCUSFI), 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 or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2020 and 2019, the book value of the Authority's deposits were \$329,276 and \$325,661 and bank balances of the Authority's cash and deposits amounted to \$237,175 and \$345,960, respectively. 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>2020</u>	<u>2019</u>
Insured	<u>\$237,175</u>	<u>\$345,960</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, 2020 and 2019, 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, 2020 and 2019.

ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 CAPITAL ASSETS

Capital Assets activity for the years ended December 31, 2020 and 2019 was as follows:

	Balance January 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2020</u>
<u>2020</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	(171,084)	\$ (3,804)		(174,888)
Machinery and Equipment	(97,356)	(3,659)	-	(101,015)
Total Accumulated Depreciation	<u>(268,440)</u>	<u>(7,463)</u>	<u>-</u>	<u>(275,903)</u>
Total Capital Assets, Being Depreciated, net	<u>30,493</u>	<u>(7,463)</u>	<u>-</u>	<u>23,030</u>
Total Capital Assets, net	<u>\$ 30,493</u>	<u>\$ (7,463)</u>	<u>\$ -</u>	<u>\$ 23,030</u>
	Balance January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
<u>2019</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	(167,280)	\$ (3,804)		(171,084)
Machinery and Equipment	(93,696)	(3,660)	-	(97,356)
Total Accumulated Depreciation	<u>(260,976)</u>	<u>(7,464)</u>	<u>-</u>	<u>(268,440)</u>
Total Capital Assets, Being Depreciated, net	<u>37,957</u>	<u>(7,464)</u>	<u>-</u>	<u>30,493</u>
Total Capital Assets, net	<u>\$ 37,957</u>	<u>\$ (7,464)</u>	<u>\$ -</u>	<u>\$ 30,493</u>

**ROCKLEIGH SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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, 2017. On December 7, 2015, the Authority authorized extending the agreement for an additional five years from March 15, 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. On October 2, 2017 the shared services agreement was amended to extend the term of the agreement from January 1, 2018 to December 31, 2022. All other terms remained the same.

SUPPLEMENTARY SCHEDULES

ROCKLEIGH SEWERAGE AUTHORITY
SCHEDULE OF REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020 Modified <u>Budget</u>	2020 <u>Actual</u>	2019 <u>Actual</u>
OPERATING REVENUES			
User Charges and Fees	\$ 434,160	\$ 434,805	\$ 434,805
Total Operating Revenues	<u>434,160</u>	<u>434,805</u>	<u>434,805</u>
NON-OPERATING REVENUES			
Interest on Deposits, User Charges and Fees	<u>-</u>	<u>3,286</u>	<u>3,202</u>
Total Non-Operating Revenues	<u>-</u>	<u>3,286</u>	<u>3,202</u>
UNRESTRICTED NET POSITION UTILIZED	<u>28,640</u>	<u>28,640</u>	<u>28,640</u>
Total Revenues	<u>\$ 462,800</u>	<u>\$ 466,731</u>	<u>\$ 466,647</u>

ROCKLEIGH SEWERAGE AUTHORITY
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020 Modified <u>Budget</u>	2020 <u>Actual</u>	2019 <u>Actual</u>
Administration			
Other Expenses	\$ 108,747	\$ 102,552	\$ 105,373
Total Administration	<u>108,747</u>	<u>102,552</u>	<u>105,373</u>
Cost of Providing Service			
Depreciation (Non-Budgeted)		7,463	7,464
Other Expenses	<u>354,053</u>	<u>306,069</u>	<u>320,028</u>
	<u>354,053</u>	<u>313,532</u>	<u>327,492</u>
Total Appropriations	<u>\$ 462,800</u>	<u>\$ 416,084</u>	<u>\$ 432,865</u>

**ROCKLEIGH SEWERAGE AUTHORITY
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS - UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2020**

Cash and Cash Equivalents, January 1, 2020	\$ 325,000
Cash Receipts:	
User Charges and Fees	\$ 432,134
Interest on Deposits and Assessments	<u>3,285</u>
	<u>435,419</u>
	760,419
Cash Disbursements:	
Cost of Operations	<u>431,685</u>
Cash and Cash Equivalents, December 31, 2020	<u>\$ 328,734</u>

SCHEDULE 4

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS - RESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2020**

Cash and Cash Equivalents, January 1, 2020	\$ 661
Cash Receipts:	
Interest on Deposits	<u>1</u>
	662
Cash Disbursements	
Cost of Operations	<u>120</u>
Cash and Cash Equivalents, December 31, 2020	<u>\$ 542</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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

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ROBERT W. HAAG, CPA, PSA
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MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, CPA
CHRISTINA CUIFFO, 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, 2020, 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 May 25, 2021.

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.

However, we noted a certain matter that is not required to be reported under Government Auditing Standards that we reported to management in the section of this report entitled "General Comments and Recommendations".

Purpose of this Report

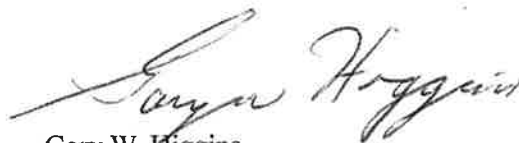
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rockleigh Sewerage Authority's internal control or on compliance. This report is an integral part of 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
May 25, 2021

ROCKLEIGH SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2020

Frank Cumiskey	Chairman
James Pontone	Vice Chairman
Claire Feulner	Member
Robert Schaffer	Member
Nicholas Photiadis	Member
John Mender	Alternate #1 Member
David Hansen	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

Finding – The audit of the Agency's bank reconciliation as of December 31, 2020 indicated that certain bank errors that occurred during the calendar year 2020 were not reviewed and cleared of record.

Recommendation – It is recommended that reconciling items on the monthly bank reconciliation be renewed and cleared of record on a timely basis.

Status of Prior Year Recommendations

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

