

WOODRIDGE LAKE SEWER DISTRICT
FINANCIAL REPORT
JUNE 30, 2018

WOODRIDGE LAKE SEWER DISTRICT

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JUNE 30, 2018

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CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Woodridge Lake Sewer District
Goshen, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Woodridge Lake Sewer District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic 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 the financial statements based on our audit. 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. 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 that 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 respective financial position of the governmental activities and the major funds of Woodridge Lake Sewer District, as of June 30, 2018, and the respective changes in financial position for the year 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 and budgetary comparison information on pages 3-5 and 21-22 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 Woodridge Lake Sewer District's basic financial statements. The supplemental schedules consisting of the report on sewer assessment taxes and statement of debt limitations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules 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 supplemental schedules 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 November 7, 2018, on our consideration of Woodridge Lake Sewer District'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 Woodridge Lake Sewer District's internal control over financial reporting and compliance.



Rocky Hill, Connecticut
November 7, 2018

WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The Woodridge Lake Sewer District ("WLSD") is a governmental entity organized under the statutes of the State of Connecticut. Its purpose is to provide wastewater treatment services to the 697 homes within the watershed surrounding Woodridge Lake in Goshen, Connecticut.

The District's financials are reported under various accounting methods to meet governmental and accounting standards. The District has received an unmodified (clean) opinion from our auditors.

This report will focus on the Statement of Net Position, Operations of our General Fund and Capital Projects Fund including the budget comparisons for the fiscal year ended June 30, 2018 on pages 21-22.

Also, the report will provide an update on the long range facilities plan and discussions with Connecticut State Department of Energy and Environmental Protection (DEEP).

Statement of Net Position

WLSD net assets at June 30, 2018 totaled \$3,328,474, an increase from \$3,290,595 last year. As discussed below, we began our major capital improvement program increasing capital assets which were funded from current revenues, our unrestricted reserves and a grant and loan from the US Department of Agriculture Rural Development (USDA-RD) program.

Condensed Comparative Financial Information for the Years Ended June 30

TABLE 1
CONDENSED STATEMENTS OF NET POSITION

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 505,494	\$ 781,266	\$ (275,772)
Capital assets	3,543,460	3,224,526	318,934
Total assets	<u>4,048,954</u>	<u>4,005,792</u>	<u>43,162</u>
Noncurrent liabilities	667,002	676,636	(9,634)
Other liabilities	53,478	38,561	14,917
Total liabilities	<u>720,480</u>	<u>715,197</u>	<u>5,283</u>
Net investment in capital assets	2,876,458	2,547,890	328,568
Unrestricted	452,016	742,705	(290,689)
Total net position	<u>\$ 3,328,474</u>	<u>\$ 3,290,595</u>	<u>\$ 37,879</u>

WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Condensed Comparative Financial Information for the Years Ended June 30 (Continued)

TABLE 2
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Charges for services	\$ 2,060	\$ 6,180	\$ (4,120)
Operating grants and contributions	54,514	-	54,514
Total program revenues	<u>56,574</u>	<u>6,180</u>	<u>50,394</u>
Sewer assessment taxes, interest, and fees	1,059,489	1,057,672	1,817
Cell tower rental and other	44,527	36,194	8,333
Unrestricted investment earnings	5,690	2,754	2,936
Total general revenues	<u>1,109,706</u>	<u>1,096,620</u>	<u>13,086</u>
Total revenues	<u>1,166,280</u>	<u>1,102,800</u>	<u>63,480</u>
General government expenses	947,621	942,671	4,950
Depreciation	180,780	169,253	11,527
Total program expenses	<u>1,128,401</u>	<u>1,111,924</u>	<u>16,477</u>
Total expenses	<u>1,128,401</u>	<u>1,111,924</u>	<u>16,477</u>
Change in net position	37,879	(9,124)	47,003
Beginning net position	3,290,595	3,299,719	(9,124)
Ending net position	<u>\$ 3,328,474</u>	<u>\$ 3,290,595</u>	<u>\$ 37,879</u>

General Fund (see page 21)

The General Fund year end resulted in a surplus of \$377,185. The General Fund transferred \$647,280 to the Capital Fund. This was even better than our original budget forecast of \$260,231 surplus. The General Fund balance at year end was \$479,241.

The General Fund revenue amounted to \$1,172,755, which exceeded the budget by \$72,834, \$54,514 of which was as a result of applying for and receiving an additional Clean Water Fund Grant for the development of our Facilities Plan. The District has put in place a proactive delinquent collections process. The current outstanding amount is \$8,825.

The General Fund's actual expenditures were \$795,570, \$44,120 lower than the budget. This was primarily due to lower spending on Professional Fees and Insurance costs offset by higher Plant and Collection costs due to emergency repairs at a pumping station. We did not utilize the contingency reserve of \$25,000.

We budgeted Professional Fees of \$76,258 related to closing on both the USDA \$15.5 million financing and the bank construction loan. Since both events did not occur, we did not incur outside legal services saving \$47,677.

WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Capital Projects Fund (see page 22)

We expected to initiate the construction of a transfer pipeline to the existing regional Torrington Water Pollution Control facility during the 2017/2018 fiscal year and budgeted \$3,050,000. Unfortunately this did not occur due to a delayed decision from Torrington's WPCA which pushed the negotiations of the required Inter-Municipal Agreement (IMA) into the 2018/2019 fiscal year.

On March 19, 2018 the Torrington WPCA approved our application to construct and connect the sewer line to their system.

On September 9, 2018 we received the first draft of the IMA from Torrington.

We hope to complete the IMA during December 2018 but are preparing to initiate contractor bidding before the end of 2018 in any event.

In support of gaining Torrington WPCA approval and moving the pipeline project forward, we spent \$203,306 on system design, site investigation (borings), and meeting preparation costs (legal, engineering, and meeting materials).

The district continued its annual inspection, monitoring and repair of four miles of our collection system this year with \$89,630 expended.

We completed the purchase of a 150KVA portable standby generator for \$82,790 and within the "Other Capital Improvements" were the replacement for the pickup truck, repair of collection system, and replacement of the water pump.

In total, the capital expenditures were lower than budget by \$3,070,386.

During the past year, the District's focus was to overcome the intervention by the Torrington Water Company and their lawyers and to convince the DPH that the extra protections that we designed into the project would protect the watershed. We developed hundreds of pages of technical reports and arguments in support of the project. The DEEP also took an active role in supporting the project's approval.

Looking Forward

On August 29, 2017 the DPH issued a conditional approval of the proposed route as well as specifying the conditions under which we would be able to proceed. It is our goal to meet all of these conditions. The next and last steps in moving forward with the project will be the completion of the construction documents to include the comments received from the Torrington WPCA staff, the Department of Transportation, USDA-RD and DPH; as well as to complete the IMA with Torrington. It is our plan to begin construction in the spring of 2019. The District has adequate financing for the project through USDA long term loan commitment and a construction loan commitment from CoBank to proceed.

WOODRIDGE LAKE SEWER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Total Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 380,878
Sewer assessment tax receivable	8,825
Grant receivable	95,230
Prepaid expense	20,561
Capital assets	7,113,744
Accumulated depreciation	<u>(3,570,284)</u>
Total assets	<u>\$ 4,048,954</u>
LIABILITIES	
Accounts payable	\$ 19,852
Prepaid cell tower rental revenue	1,500
Accrued payroll and payroll taxes	17,468
Accrued interest	14,658
Noncurrent liabilities:	
Due within one year	9,905
Due in more than one year	<u>657,097</u>
Total liabilities	<u>720,480</u>
NET POSITION	
Investment in capital assets, net of related debt	2,876,458
Unrestricted	<u>452,016</u>
Total net position	<u>\$ 3,328,474</u>

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Governmental activities				
General Government	\$ 947,621	\$ 2,060	\$ 54,514	\$ (891,047)
Depreciation (unallocated)	180,780			(180,780)
Total governmental activities	\$ 1,128,401	\$ 2,060	\$ 54,514	\$ -
General revenues				
Sewer assessment taxes, interest, and fees				1,059,489
Cell tower rental and other				44,527
Unrestricted investment earnings				5,690
Total general revenues				1,109,706
Change in net position				37,879
Net position - beginning				3,290,595
Net position - ending				\$ 3,328,474

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
 JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 380,878	\$ -	\$ 380,878
Sewer assessment tax receivable	8,825	-	8,825
Grant receivable	95,230	-	95,230
Prepaid expenses	<u>20,561</u>	<u>-</u>	<u>20,561</u>
Total assets	<u>\$ 505,494</u>	<u>\$ -</u>	<u>\$ 505,494</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 3,977	\$ 15,875	\$ 19,852
Deferred sewer tax revenue	3,308	-	3,308
Prepaid cell tower rental revenue	1,500	-	1,500
Accrued payroll and payroll taxes	<u>17,468</u>	<u>-</u>	<u>17,468</u>
Total liabilities	<u>26,253</u>	<u>15,875</u>	<u>42,128</u>
FUND BALANCES			
Fund balance - unassigned	<u>479,241</u>	<u>(15,875)</u>	<u>463,366</u>
Total fund balances	<u>479,241</u>	<u>(15,875)</u>	<u>463,366</u>
Total liabilities and fund balance	<u>\$ 505,494</u>	<u>\$ -</u>	<u>\$ 505,494</u>

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUE			
Sewer assessment taxation	\$ 1,065,964	\$ -	\$ 1,065,964
Grant	54,514	-	54,514
Investment income	5,690	-	5,690
Other	44,527	-	44,527
Sewer permit fees / connection charge	<u>2,060</u>	<u>-</u>	<u>2,060</u>
Total revenues	<u>\$ 1,172,755</u>	<u>\$ -</u>	<u>\$ 1,172,755</u>
EXPENDITURES			
<u>Personnel</u>			
Payroll, payroll taxes and employee benefits	\$ 463,608	\$ -	\$ 463,608
<u>Operations</u>			
Power and heat	86,188	-	86,188
Plant & collection system maintenance	108,778	-	108,778
Other	27,593	-	27,593
<u>Office</u>			
Office trailer lease and other office expenses	15,947	-	15,947
<u>Insurance</u>			
Insurance coverage	64,875	-	64,875
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	<u>28,581</u>	<u>126,214</u>	<u>154,795</u>
Total operations	<u>795,570</u>	<u>126,214</u>	<u>921,784</u>
<u>Debt service</u>			
Principal	-	9,634	9,634
Interest	<u>-</u>	<u>19,453</u>	<u>19,453</u>
Total debt service	<u>-</u>	<u>29,087</u>	<u>29,087</u>
<u>Capital outlay</u>			
Engineering design for proposed pipeline	-	203,306	203,306
Pipe lining, clean & TV collection system	-	89,630	89,630
Standby generator	-	82,790	82,790
Other capital improvements	<u>-</u>	<u>132,128</u>	<u>132,128</u>
Total capital outlay	<u>-</u>	<u>507,854</u>	<u>507,854</u>
Total expenditures	<u>795,570</u>	<u>663,155</u>	<u>1,458,725</u>

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Total expenditures	<u>795,570</u>	<u>663,155</u>	<u>1,458,725</u>
Excess (Deficiency) of revenues over expenditures	<u>\$ 377,185</u>	<u>\$ (663,155)</u>	<u>\$ (285,970)</u>
OTHER FINANCING SOURCES			
Transfers in	-	647,280	647,280
Transfers out	(647,280)	-	(647,280)
Proceeds from sale of capital assets	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total other financing sources	<u>(645,780)</u>	<u>647,280</u>	<u>1,500</u>
Net Change in Fund Balances	<u>(268,595)</u>	<u>(15,875)</u>	<u>(284,470)</u>
Fund Balance - Beginning of year	<u>747,836</u>	<u>-</u>	<u>747,836</u>
Fund Balance - End of year	<u>\$ 479,241</u>	<u>\$ (15,875)</u>	<u>\$ 463,366</u>

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

Fund balance - governmental funds		\$ 463,366
<p>Amounts reported for governmental activities in the statement of net position are different because of the following:</p>		
<p>Capital assets used in government activities are not financial resources and therefore are not reported in the governmental fund.</p>		
Governmental capital assets	\$ 7,113,744	
Less accumulated depreciation	(3,570,284)	
Net capital assets	3,543,460	
<p>Uncollected sewer assessment taxes not available to pay for current period expenditures are deferred in the governmental fund.</p>		
		3,308
<p>Long-term liabilities, including capital leases are not due and payable in the current period, and therefore not reported in the governmental funds</p>		
Bond payable		(667,002)
Accrued interest		(14,658)
		(681,660)
Net position of governmental activities		\$ 3,328,474

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balance - governmental funds \$ (284,470)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following items reflect the various adjustments for capital assets.

Total capital outlay	\$ 507,854	
Less: portion expensed	-	
Portion of capital outlay capitalized	<u>507,854</u>	
Less: current year proceeds from sale of capital asset	(1,500)	
Less: current year loss on disposal of equipment	(6,640)	
Less: current year depreciation	<u>(180,780)</u>	
		318,934

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest	256
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Debt service principal payments reported as expenditures in the governmental funds are reported as reduction of liabilities in the district-wide financial statements	9,634
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Revenue from sewer assessment taxes in the statement of activities is based on billings, while such revenue is reported in the governmental fund when it becomes currently available.

Adjustment from available sewer assessment taxes to adjusted billed balances	<u>(6,475)</u>
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Changes in net position of governmental activities \$ 37,879

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Woodridge Lake Sewer District (the District) have been prepared substantially in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The following is a summary of the more significant policies:

District Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non fiduciary activities of the District.

The statement of activities demonstrates the degree to which direct expenses offset program revenues. Direct expenses are those that are clearly identifiable with a specific revenue. Program revenues include 1) charges for services provided by a given function and 2) grants and contributions, either operating or capital that are restricted to meeting a particular function. Property (sewer assessment) taxes, cell tower rental, investment earnings, and delinquent interest which are not restricted, are recorded as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Sewer assessment taxes are recognized in the year for which they are levied.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenues are recognized when the eligibility requirements have been met. Expenditures are generally recorded when a liability is incurred, except for debt service expenditures and claims and judgments which are recorded only when payment is due.

Miscellaneous charges for services, as well as delinquent interest and lien fees, are recorded as revenues when received.

The District reports the following funds

Major Governmental Funds:

General Fund - General operating fund of the District used to account for all financial resources except those required to be accounted for in another fund. This fund accounts for general governmental operations, which is principally the District's wastewater treatment function.

Capital Projects Fund - Capital projects fund accounts for resources used for the acquisition and/or construction of capital facilities, except those accounted for in proprietary funds.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

An annual budget for the General Fund is approved at a District meeting each spring. For management purposes, the budget is informally amended.

General Reporting Entity

The Woodridge Lake Sewer District is a separately organized governmental entity located within the Town of Goshen, Connecticut and is not reported as a component unit of the Town.

The financial statements include all of the funds of the District which meet the criteria for defining the reporting entity as set forth by generally accepted accounting principles.

Property Taxes

Sewer assessment taxes are levied each July on assessed valuations of the preceding October 1st for all real property located within the District. Taxes are generally payable in two installments; first on July 1st and the second on January 1st. Unpaid real estate taxes are liened after January. Since all unpaid taxes may be liened and ultimately collected, there is no allowance for uncollectible taxes.

Interest on delinquent property tax payments is recorded upon collection.

Permit Fees and Sewer Connection charges

Charges for sewer system connection are recorded as revenue when received.

Vacation Pay and Sick Leave

Employees are paid by prescribed formulas for absence due to vacation or illness. Although these benefits are not cumulative, they are not based on the District's fiscal year, and accordingly, an estimated liability for unused vacation time is recognized at the year end.

Risk Management

The District is exposed to various risks of loss relating to public official liability, theft or impairment of assets, errors or omissions, injuries to employees and natural disasters. The District purchases commercial insurance coverage to protect against losses from these risks. Additionally, employee health coverage is purchased from a commercial carrier, with no portion being self-insured.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts or other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is frequently employed by governmental units. However, the District does not utilize an encumbrance accounting system.

Fund equity and net assets

In the District-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets - This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Currently there are no restricted net assets.

Unrestricted Net Assets - This category represents the net assets of the District, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories and their general meanings have been restated since prior years in accordance with Governmental Accounting Standards Board Statement 54. The categories are as follows:

Committed Fund Balance - indicates that portion of fund equity which is available for appropriation through a District meeting. There was no committed fund balance at June 30, 2018.

Unassigned Fund Balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

Long-term obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 - RECONCILIATIONS OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

Page 11 of the basic financial statements includes a reconciliation between fund balance - governmental funds and net assets - governmental activities as reported in the district-wide statement of net assets.

Page 12 of the basic financial statements includes a reconciliation between the statement of revenues, expenditures, and changes in fund balance of the governmental funds and changes in net assets of governmental activities as reported in the district-wide statement of activities.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS:

Cash and cash equivalents consist of the following accounts at June 30, 2018:

Deposits	
Demand accounts	\$ 380,863
Total deposits	<u>380,863</u>
Petty cash	<u>15</u>
Total cash and cash equivalents	<u><u>\$ 380,878</u></u>

NOTE 4 - DEPOSIT AND INVESTMENT RISK

Legal and Contractual Provisions

State statutes allow for the investment in obligations of the United States, including its agencies, in obligations of any state (including Connecticut) or any political subdivision, authority or agency thereof provided the obligations meet certain requirements of recognized rating services; or in any custodial arrangement, pool or no-load open-end management-type investment company or investment trust provided certain requirements are met.

Deposits with financial institutions in Connecticut are partially protected against loss in excess of deposit insurance through assessment against segregated collateral required to be maintained by all qualified public depositories in the amount of 10% to 120% of their outstanding public deposits depending on the bank's financial strength as shown by its risk-based capital ratio.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 - DEPOSIT AND INVESTMENT RISK (Continued)

Deposits

At June 30, 2018, total bank balances were \$413,474. A total of \$250,000 was insured under the Federal Depository Insurance Corporation.

The balance, \$163,474, was uninsured and exposed to custodial credit risk which is defined as the risk, that in event of a bank failure, the District's deposits might not be recovered.

A total of \$61,481 of the uninsured amount is collateralized with securities held by the financial institution, its trust department or agent, but not in the District's name.

NOTE 5 - CAPITAL ASSETS

Capital assets include land, the wastewater collection system, the treatment plant, vehicles and equipment and furnishings. The capital assets have been accumulated over many years without a formal policy to establish a minimum amount an asset must cost before it is capitalized and depreciated. However, a minimum of \$5,000 has been established as a guideline.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

With the exception of land, capital assets are depreciated over their estimated useful lives by the straight line method. Depreciation expense for 2017-2018 totaled \$180,780. Estimated useful lives of the capital assets range from 5 years for office equipment and certain vehicles to 50 years for buildings and the wastewater collection and treatment system.

Capital asset activity for 2017-2018 was as follows:

<u>Description</u>	<u>Adjusted Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land (not depreciated)	\$ 110,000	\$ -	\$ -	\$ 110,000
Depreciable assets:				
Wastewater treatment plant and system	5,682,697	382,294	-	6,064,991
Equipment	770,166	101,740	44,510	827,396
Vehicles	102,178	40,607	31,428	111,357
Total capital assets being depreciated:	6,555,041	524,641	75,938	7,003,744
Less: accumulated depreciation	3,440,515	180,780	51,011	3,570,284
Capital assets being depreciated - net	3,114,526	343,861	24,927	3,433,460
 Total capital assets - net	 \$ 3,224,526	 \$ 343,861	 \$ 24,927	 \$ 3,543,460

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable:					
General obligation bonds	\$ 676,636	\$ -	\$ 9,634	\$ 667,002	\$ 9,905
Long-Term liabilities	<u>\$ 676,636</u>	<u>\$ -</u>	<u>\$ 9,634</u>	<u>\$ 667,002</u>	<u>\$ 9,905</u>

The District issued a general obligation bond to provide funds for major capital projects.

General obligation bonds are direct obligations of the District for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the District. General obligation bonds currently outstanding are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Outstanding June 30, 2018</u>
Bonds Payable:					
General obligation	9/30/2015	\$ 686,000	2.88%	9/1/2055	\$ 667,002

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2018:

<u>Year Ending June 30th,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 9,905	\$ 19,176	\$ 29,081
2020	10,189	18,892	29,081
2021	10,482	18,599	29,081
2022	10,784	18,297	29,081
2023	11,094	17,987	29,081
2024-2028	60,440	84,966	145,406
2029-2033	69,643	75,763	145,406
2034-2038	80,246	65,160	145,406
2039-2043	92,464	52,942	145,406
2044-2048	106,543	38,863	145,406
2049-2053	122,765	22,641	145,406
2054-2056	82,447	4,792	87,239
	<u>\$ 667,002</u>	<u>\$ 438,078</u>	<u>\$ 1,105,080</u>

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – LONG TERM LIABILITIES (Continued)

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the District shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2018.

NOTE 7 – RETIREMENT PLAN

The District maintains a Simplified Employee Pension Plan which covers employees. Annual discretionary contributions are made by the District to separate Individual Retirement Accounts (IRA's) maintained by each participant. Accordingly, a pension trust fund is not maintained by the District. Employer contributions totaling \$30,519 were made during 2017-2018.

The Plan is available to all employees over 21 years old who have worked at least one year and earned over a minimal amount. The plan is noncontributory by employees and provides for employer discretionary contributions based on an equal percentage of each employee's earnings.

Although the plan may be terminated by the District at any time, its original adoption was under Section 408(k) of the Internal Revenue Code, and as such, amendments must adhere to changes in the Code.

NOTE 8 - LEASE OF CELL TOWER SITE

During 2004-2005 the District entered into a rental agreement for land and access for a wireless communication base station and antenna. The agreement had an initial term of five years, effective November 29, 2004, with an option to extend 4 additional terms of 5 years each and has been extended for 7 additional five year terms, and may be further extended for three more years at the option of the lessee. A total of \$44,527 was collected during 2017-2018.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9 - COMMITMENTS/CONTINGENCY

In 1989 the District agreed to a consent order with the State of Connecticut Department of Environmental Protection. The agreement required a number of steps to determine and analyze alternative solutions to problems with insufficient capacity and plant design. During 2004-2005 a scope of study plan to determine long-term solutions for resolving the consent order was completed. The estimated costs of various options ranged from approximately ten million dollars to nearly twenty million dollars at that time. In July 2009 the Department of Environmental Protection submitted a letter further defining requirements for alternative solutions and requesting additional information and cost analysis. During the year the District obtained the services of an engineering firm to further study and evaluate solutions for resolving the consent order. A grant from the State of Connecticut Clean Water Fund has been obtained to provide reimbursement of 55% of eligible study costs. The final outcome of this matter cannot be estimated and it is not known what future governmental grant funds and/or low interest loans would be available to assist with the cost of any required actions.

In March 2016, USDA-RD formally committed to financing the District's \$15.5 million long range facility project with \$2.8 million in grants and the balance in a 40 year loan at 2.25% interest rate. On June 13, 2016, after the District's taxpayers had previously voted to approve the \$15.5 million appropriation by 194 yes votes and one no vote, the Board ratified the signatures of James Mersfelder and Alfred Shull on two sets of resolution papers from the USDA-RD to secure the grant and loan totaling \$15.5 million. None of the proceeds associated with this particular funding had been advanced to the District as of June 30, 2018. The District also has a construction loan commitment from CoBank; this commitment is intended to provide funding to bridge the gap between required cash outlays for the project and receipt of USDA loan proceeds.

NOTE 10 – INTERFUND TRANSFERS

The District routinely transfers unrestricted receipts to various funds in order to finance the costs in those funds. Transfers for the year ended June 30, 2018 are as follows:

Fund	Transfers In	Transfers Out	Net Transfers
Major Governmental Funds			
General Fund	\$ -	\$ (647,280)	\$ (647,280)
Capital Projects Fund	647,280	-	647,280
Total	\$ 647,280	\$ (647,280)	\$ -

NOTE 11 - DATE OF MANAGEMENT'S REVIEW

The District has evaluated events and transactions subsequent to June 30, 2018 for potential recognition and disclosure through November 7, 2018, the date the financial statements were available to be issued. There are no material subsequent events which require recognition or disclosure.

WOODRIDGE LAKE SEWER DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – DISTRICT GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE			
Sewer assessment taxation	\$ 1,057,421	\$ 1,065,964	\$ 8,543
Grant	-	54,514	54,514
Investment income	2,000	5,690	3,690
Other - cell tower rent	37,000	44,527	7,527
Sewer permit fees / connection charge	3,500	2,060	(1,440)
Total revenues	<u>\$ 1,099,921</u>	<u>\$ 1,172,755</u>	<u>\$ 72,834</u>
EXPENDITURES			
<u>Personnel</u>			
Payroll, payroll taxes and employee benefits	\$ 463,218	\$ 463,608	\$ (390)
<u>Operations</u>			
Power and heat	81,000	86,188	(5,188)
Plant & collection system maintenance	68,500	108,778	(40,278)
Other	35,500	27,593	7,907
Contingency	25,000	-	25,000
<u>Office</u>			
Office trailer lease and other office expenses	16,100	15,947	153
<u>Insurance</u>			
Insurance coverage	74,114	64,875	9,239
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	76,258	28,581	47,677
Total operations	<u>839,690</u>	<u>795,570</u>	<u>44,120</u>
Excess (Deficiency) of revenues over expenditures	<u>260,231</u>	<u>377,185</u>	<u>116,954</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(647,280)	(647,280)
Proceeds from sale of capital assets	-	1,500	1,500
Total other financing sources	<u>-</u>	<u>(645,780)</u>	<u>(645,780)</u>
Net Change in Fund Balances	<u>260,231</u>	<u>(268,595)</u>	<u>(528,826)</u>
Fund Balance - Beginning of year		<u>747,836</u>	
Fund Balance - End of year		<u>\$ 479,241</u>	

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	\$ -	\$ 126,214	\$ (126,214)
Total operations	<u>-</u>	<u>126,214</u>	<u>(126,214)</u>
<u>Debt service</u>			
Principal	9,905	9,634	271
Interest	57,307	19,453	37,854
Total debt service	<u>67,212</u>	<u>29,087</u>	<u>38,125</u>
<u>Capital outlay</u>			
Engineering design for proposed pipeline	346,000	203,306	142,694
Torrington pipeline construction	3,050,000	-	3,050,000
Pipe lining, clean & TV collection system	142,240	89,630	52,610
Standby generator	-	82,790	(82,790)
Other capital improvements	40,000	132,128	(92,128)
Total capital outlay	<u>3,578,240</u>	<u>507,854</u>	<u>3,070,386</u>
Total expenditures	<u>3,645,452</u>	<u>663,155</u>	<u>2,982,297</u>
Excess (Deficiency) of revenues over expenditures	<u>(3,645,452)</u>	<u>(663,155)</u>	<u>2,982,297</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	647,280	647,280
Total other financing sources	<u>-</u>	<u>647,280</u>	<u>647,280</u>
Net Change in Fund Balances	<u>(3,645,452)</u>	<u>(15,875)</u>	<u>3,629,577</u>
Fund Balance - Beginning of year		<u>-</u>	
Fund Balance - End of year		<u>\$ (15,875)</u>	

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT
SEWER ASSESSMENT TAXES COLLECTED AND UNCOLLECTED BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

List Year	Uncollected Taxes July 1, 2017 and Current Billings	Corrections and Adjustments	Actual Collections				Uncollected Sewer Assessment Taxes June 30, 2018
			Sewer Assessment Taxes	Interest	Lien Fees	Total	
2016	\$ 1,052,558	\$ -	\$ 1,047,214	\$ 5,760	\$ -	\$ 1,052,974	\$ 5,344
2015	8,291	-	7,168	712	-	7,880	1,123
2014	1,608	-	933	435	-	1,368	675
2013	1,212	-	538	-	24	562	674
2012	1,146	-	472	-	-	472	674
2011	335	-	-	-	-	-	335
Totals:	\$ 1,065,150	\$ -	\$ 1,056,325	\$ 6,907	\$ 24	\$ 1,063,256	\$ 8,825

The accompanying notes are an integral part of the financial statements.

WOODRIDGE LAKE SEWER DISTRICT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2018

Base:

Receipts from taxation	\$ 1,063,256	
Property tax relief for elderly	<u>-</u>	
Total base		<u><u>\$ 1,063,256</u></u>

Debt limitation:	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>
2-1/4 times base	2,392,326	-	-	-
4-1/2 times base	-	4,784,652	-	-
3-3/4 times base	-	-	3,987,210	-
3-1/4 times base	-	-	-	3,455,582
Total debt limitation	<u>2,392,326</u>	<u>4,784,652</u>	<u>3,987,210</u>	<u>3,455,582</u>
Indebtedness:				
Notes payable	<u>-</u>	<u>-</u>	<u>667,002</u>	<u>-</u>
Total indebtedness	<u>-</u>	<u>-</u>	<u>667,002</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 2,392,326</u></u>	<u><u>\$ 4,784,652</u></u>	<u><u>\$ 3,320,208</u></u>	<u><u>\$ 3,455,582</u></u>

The accompanying notes are an integral part of the financial statements.



CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Woodridge Lake Sewer District
Goshen, Connecticut

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 governmental activities and the major funds of Woodridge Lake Sewer District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Woodridge Lake Sewer District's basic financial statements, and have issued our report thereon dated November 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Woodridge Lake Sewer District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodridge Lake Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodridge Lake Sewer District'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 Woodridge Lake Sewer District'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*.

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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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cannery, Roy and Gould, P.C.

Rocky Hill, Connecticut
November 7, 2018