

WOODRIDGE LAKE SEWER DISTRICT
FINANCIAL REPORT
JUNE 30, 2013

WOODRIDGE LAKE SEWER DISTRICT

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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 fund of Woodridge Lake Sewer District, as of and for the year ended June 30, 2013, 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 fund of Woodridge Lake Sewer District, as of and for the year ended June 30, 2013, 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 19 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, the schedule of insurance, 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 October 11, 2013, 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
October 11, 2013

WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The Woodridge Lake Sewer District ("WLS D") is a governmental entity organized under the statutes of the State of Connecticut. Its purpose is to provide wastewater treatment services to the homes encompassing approximately 20 square miles surrounding Woodridge Lake in Goshen, Connecticut. The following narrative is an overview and analysis of the financial activities for the fiscal year ended June 30, 2013 and a forward perspective.

Financial Summary:

WLS D net assets at June 30, 2013 consisted of net investment in capital assets of \$1,481,488 compared to last year of \$1,542,704 and unrestricted reserves of \$992,226 compared to last year of \$984,497. The WLS D does not have long-term debt other than a capital lease of \$11,851 for a tractor and accessories.

WLS D operations and capital requirements are provided under an annual budget authorized and approved by the District taxpayers each year. WLS D primary revenue is the annual mill rate applied to the assessed property values maintained by the Town of Goshen for the properties served by the WLS D. The District developed a Scope of Work ("SOP") to update our Facilities Plan to deal with outstanding issues with the Department of Energy and Environmental Protection ("DEEP"). WLS D had planned to complete the SOP during the summer of 2011; however the plan has now been extended into 2014. This resulted in a lower spending rate than budgeted and resulted in a favorable variance of \$868,748 as of June 30, 2013.

Explanation of Revenue Variances:

The total revenue collected was \$1,190,352, resulting in the favorable variance of \$199,405 to the budget of which \$190,166 was grant income from the Clean Water Act with a favorable variance of \$7,936 due to higher than budgeted fees from sewer assessment taxation. The District has put in place a proactive delinquent collections process thereby the "Sewer assessment tax receivable" has decreased from June 30, 2012 to June 30, 2013 from \$31,332 to \$20,819. The District has an active collections program to collect the outstanding amount of \$17,351 with a State Marshal who is dealing with eleven taxpayers and we have agreed payment plans with six taxpayers.

Explanation of Operating Variances:

The overall Operating Budget actual expenditure was \$716,585, resulting in the favorable variance of \$25,466 to the budget.

Personnel - Staff headcount was at the budgeted level for most of the year however employee benefits caused a \$9,270 unfavorable variance.

Operations - Under spending in Facilities, Plant and Collection System Maintenance produced a \$17,391 favorable variance.

Insurance - Produced an unfavorable variance of \$14,091 as a result of higher than anticipated insurance rates.

Professional Fees - Produced a favorable variance of \$6,693 resulting from less than budgeted use of legal counsel.

Contingency - Was not utilized producing a favorable variance of \$25,000.

Grant Receivable on the balance sheet was for Clean Water Funds applied for from the State in the amount of \$128,006.

Accounts Payable on the balance sheet was for payments to our engineering firm for work performed and billed but not yet paid pending receipt of the outstanding Grant from the State in the amount of \$235,576.

WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Explanation of Capital Projects:

The Capital Budget actual expenditure was \$320,945 of which the state paid \$189,762. In our revised plan our expenditures were less than plan by \$996,647. The major reasons for the delay were the need to have an established goal agreed to by the DEEP before proceeding, expanded I & I investigations and the need to obtain more favorable loan than originally planned for.

DEEP Scope of Work - The project came in under budget resulting in a favorable variance of \$124,262 because of delays in the project; these amounts will be expended in the following year.

I & I Investigation was on plan.

The I & I Remediation plan was not started because of the need to CCTV the entire collection system and was under budget by \$474,001.

The SCADA / Pump Station Projects were delayed due to a delay in completing plans and obtaining favorable funding and were under budget by \$431,055.

Looking Forward:

For the past several years, the Woodridge Lake Sewer District (WLS D), its Planning Committee and its engineering consultants, Woodard & Curran (W&C) have been working on a new Facilities Plan, as required by the Connecticut Department of Energy and Environmental Protection (DEEP). The WLS D's treatment plant is 40 years old and the new Facilities Plan will guide its replacement. Two options are being considered: building a new treatment plant adjacent to the existing plant; or, building a pipeline and pumping stations to pump the WLS D's wastewater to Torrington.

This past spring and summer, the WLS D met with DEEP management to discuss our recommendations and submitted a preliminary report (the Report), prepared by W&C, to be reviewed by DEEP staff. We asked DEEP for a certain amount of flexibility in their Guidelines for NEW groundwater disposal systems to enable us to continue using our disposal fields and to accommodate the connection of newly constructed houses to our wastewater collection system. The Report recommends a new treatment plant adjacent to the existing plant. Not only do we believe this option will be environmentally sound, but, W&C estimated its cost at \$11.5 million as compared to \$20.5 million for the Torrington option.

In October of 2012, the taxpayers of the WLS D approved two major capital projects: a project to reduce the inflow and infiltration (I/I) into our sewer system; and a project to upgrade our existing pumping stations. The taxpayers also approved a loan of \$ 983,000 from DEEP for 20 years at 2%, unless another lender offered more favorable terms.

The 20-year loan was approved by DEEP, and we expected to execute both capital projects this fall. However, earlier this year, we were advised by officials of the United States Department of Agriculture (USDA), that the WLS D was likely eligible for a 40 year loan from the USDA for the implementation of the new Facilities Plan, inclusive of the I/I and pump station projects. Since, if approved, the USDA loan terms appear superior to those of DEEP we have delayed the I/I and pump station projects to develop a USDA application, and to make sure that the bidding process for these projects complies with USDA rules. The USDA application has now been submitted. In addition, USDA advised that, under USDA rules, they can only fund the on-site replacement project and not the Torrington pipeline. This makes agreement with DEEP on the on-site solution even more important.

WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

After a review of the preliminary Report last summer, DEEP staff asked for a final report and all of W&C's studies and test data, particularly the studies and data related to the disposal capacity of our groundwater disposal fields. The final report and all of the requested data was quickly delivered to DEEP staff, which is currently completing its review. When DEEP is ready, we have asked for a meeting at which we will advocate for the on-site replacement of our treatment plant, the continued use of our groundwater disposal fields and an increase in our current treatment limit. We hope to reach agreement with DEEP on an environmentally sound and economically acceptable Facilities Plan for the WLSD's long-term wastewater treatment and disposal requirements. An article in Breezes has notified the taxpayers that, under any circumstances implementing an approved Facilities Plan will be expensive and our sewer taxes will go up.

As indicated above, W&C inspected our 16 miles of sewer pipe and recommended repairs, which have been included in the I/I project. Several of the problems with the collection system were deemed serious by W&C. The Board of the WLSD therefore determined to go forward this fall with repairs to certain segments of our sewer pipe. We have received bids for the work and the two of the most serious repairs are being completed now, the balance will be addressed in the spring.

The Board has complied with all DEEP requirements and investigated financing options for the new plant alternative. As developments unfold with DEEP and the financing option, the Board will inform the community promptly.

WOODRIDGE LAKE SEWER DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2013

	Total Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 881,064
Investments	210,286
Sewer assessment tax receivable	20,819
Grant receivable	128,006
Prepaid expense	26,831
Capital assets	4,511,513
Accumulated depreciation	<u>(3,018,174)</u>
Total assets	<u>\$ 2,760,345</u>
LIABILITIES	
Accounts payable	\$ 263,945
Accrued payroll and payroll taxes	10,835
Notes payable - current portion	<u>11,851</u>
Total liabilities	<u>286,631</u>
NET ASSETS	
Investment in capital assets, net of related debt	1,481,488
Unrestricted	<u>992,226</u>
Total net assets	<u>\$ 2,473,714</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, 2013

	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	\$ 1,124,331	4,120	\$ 190,166	\$ (930,045)
Depreciation (unallocated)	109,625			(109,625)
Total governmental activities	1,233,956	4,120	190,166	(1,039,670)
 General revenues				
Sewer assessment taxes, interest, and fees				953,800
Cell tower rental and other				35,026
Unrestricted investment earnings				2,157
Loss on disposal of assets				(4,800)
Total general revenues				986,183
Change in net assets				(53,487)
Net assets - beginning				2,527,201
Net assets - ending				\$ 2,473,714

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

WOODRIDGE LAKE SEWER DISTRICT
BALANCE SHEET – GOVERNMENTAL (GENERAL) FUND
JUNE 30, 2013

	General Fund
ASSETS	
Cash and cash equivalents	\$ 881,064
Investments	210,286
Sewer assessment tax receivable	20,819
Grant receivable	128,006
Prepaid expenses	26,831
Total assets	\$ 1,267,006
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 263,945
Deferred sewer tax revenue	19,749
Accrued payroll and payroll taxes	10,835
Total liabilities	294,529
FUND BALANCES	
Fund balance - committed	518,952
Fund balance - unassigned	453,525
Total fund balances	972,477
Total liabilities and fund balance	\$ 1,267,006

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 (GENERAL) FUND

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>
REVENUE	
Sewer assessment taxation	\$ 958,883
Intergovernmental grant	190,166
Investment income	2,157
Other	35,026
Sewer permit fees / connection charge	<u>4,120</u>
Total revenues	<u>1,190,352</u>
EXPENDITURES	
<u>Personnel</u>	
Payroll	\$ 289,724
Payroll taxes and employee benefits	107,807
<u>Operations</u>	
Power and heat	68,746
Vehicle operation	10,231
Chemicals and supplies	4,766
Telephone/beepers	3,065
Plant equipment - repair and maintenance	36,301
Collection system - repairs and maintenance	26,284
Other maintenance and miscellaneous	19,055
Strison alarm and maintenance	5,860
<u>Office</u>	
Office trailer lease	4,085
Office expenses	12,763
<u>Insurance</u>	
Insurance coverage	67,191
<u>Professional fees</u>	
Legal, audit, engineering and testing and other	60,707
<u>Debt service</u>	
Capital lease	12,111
<u>Capital outlay</u>	
Capital outlay	<u>448,844</u>
Total expenditures	<u>1,177,540</u>
Excess (Deficiency) of revenues over expenditures	12,812
Fund Balance - Beginning of year	<u>959,665</u>
Fund balance - End of year	<u>\$ 972,477</u>

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

WOODRIDGE LAKE SEWER DISTRICT

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL (GENERAL) FUND TO THE
STATEMENT OF NET ASSETS**

JUNE 30, 2013

Fund balance - governmental (general) fund **\$ 972,477**

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

Capital assets used in government activities are not
financial resources and therefore are not reported in
the governmental fund.

Governmental capital assets	\$ 4,511,513	
Less accumulated depreciation	<u>(3,018,174)</u>	
		1,493,339

Uncollected sewer assessment taxes not available to pay
for current period expenditures are deferred in the
governmental fund. 19,749

Long-term liabilities, including capital leases are not due and
payable in the current period, and therefore not reported in
the governmental funds

Liability for capital lease	<u>(11,851)</u>
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Net assets of governmental activities **\$ 2,473,714**

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 (GENERAL) FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balance - governmental (general) fund \$ 12,812

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 amount by which depreciation expense exceeds capital expenditures.

Total capital outlay	\$ 448,844	
Less: portion expensed	406,879	
Portion capitalized	<u>41,965</u>	
Less: current year depreciation	<u>109,625</u>	(67,660)

The net effect of disposing and writing off certain assets results in a loss that reduces net assets. (4,800)

Governmental funds report capital lease repayments as debt service expenditures. However only the interest portion of the expenditures are reported in the statement of activity. (Interest charged to expense was \$867) 11,244

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 (5,083)

Changes in net assets of governmental activities \$ (53,487)

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

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 assets 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 fund 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.

There are no other major or non-major governmental funds.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013

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.

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

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

Page 10 of the basic financial statements includes a reconciliation between fund balance - governmental (general) fund and net assets - governmental activities as reported in the district-wide statement of net assets.

Page 11 of the basic financial statements includes a reconciliation between the statement of revenues, expenditures, and changes in fund balance of the governmental (general) fund and changes in net assets of governmental activities as reported in the district-wide statement of activities.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS:

Cash and cash equivalents consist of the following accounts at June 30, 2013:

Deposits	
Demand accounts	\$ 380,167
Certificates of deposit	500,847
Total deposits	<u>881,014</u>
Petty cash	<u>50</u>
Total cash and cash equivalents	<u>\$ 881,064</u>

Investments consist of a bank certificate of deposit totaling \$210,286 with a maturity date longer than three months.

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.

Deposits

At June 30, 2013, total bank balances were \$1,137,761. A total of \$960,287 was insured under the Federal Depository Insurance Corporation.

The balance, \$177,474, 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 \$176,620 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.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 \$1,000 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 2012-2013 totaled \$109,625 . 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 2012-2013 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	3,550,132	41,965	57,500	3,534,597
Equipment	770,166	-	-	770,166
Vehicles	96,750	-	-	96,750
Total capital assets being depreciated:	4,417,048	41,965	57,500	4,401,513
Less: accumulated depreciation	2,961,249	109,625	52,700	3,018,174
Capital assets being depreciated - net	1,455,799	(67,660)	4,800	1,383,339
 Total capital assets - net	 <u>\$ 1,565,799</u>	 <u>\$ (67,660)</u>	 <u>\$ 4,800</u>	 <u>\$ 1,493,339</u>

NOTE 6 – 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 \$28,762 were made during 2012-2013.

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.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 - COMMITTED FUND BALANCE

As of June 30, 2013, a portion of the fund balance of the general fund has been committed for specific purposes as follows:

A total of \$518,952 has been committed for expenditures in the 2013-2014 general fund budget as approved at the District annual budget meeting held on May 25, 2013.

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 \$33,826 was collected during 2012-2013.

NOTE 9 - CAPITAL LEASE

During 2009-2010 the District entered into an equipment lease-purchase agreement for a tractor and accessories. The agreement requires five annual principal and interest payments of \$12,111 through November 2013. The agreement is collateralized with the equipment. The cost of the equipment is recorded as \$54,633 and is included with other capital assets. Accumulated amortization totaled \$19,118 at year end. Interest expense attributable to this agreement totaled \$867 for the 2012-2013 year.

The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at June 30, 2013.

	Year Ending June 30th	Amount
	<u>2014</u>	<u>\$ 12,111</u>
Total minimum lease payments		12,111
Less: amount representing interest		<u>260</u>
Present value of future minimum lease payments		<u><u>\$ 11,851</u></u>

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 10 - 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.

NOTE 11 - DATE OF MANAGEMENT'S REVIEW

The District has evaluated events and transactions subsequent to June 30, 2013 for potential recognition and disclosure through October 11, 2013, 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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Sewer assessment taxation	\$ 950,947	\$ 950,947	\$ 958,883	\$ 7,936
Intergovernmental grant	-	-	190,166	190,166
Investment income	3,000	3,000	2,157	(843)
Other - cell tower rent	31,000	31,000	35,026	4,026
Sewer permit fees / connection charge	<u>6,000</u>	<u>6,000</u>	<u>4,120</u>	<u>(1,880)</u>
Total revenues	<u>990,947</u>	<u>990,947</u>	<u>1,190,352</u>	<u>199,405</u>
EXPENDITURES				
<u>Personnel</u>				
Payroll	\$ 288,090	\$ 288,090	\$ 289,724	\$ (1,634)
Payroll taxes and employee benefits	100,171	100,171	107,807	(7,636)
<u>Operations</u>				
Power and heat	77,500	77,500	68,746	8,754
Vehicle operation	8,300	8,300	10,231	(1,931)
Chemicals and supplies	4,000	4,000	4,766	(766)
Telephone/beepers	3,600	3,600	3,065	535
Plant equipment - repair and maintenance	30,000	30,000	36,301	(6,301)
Collection system - repairs and maintenance	25,000	25,000	26,284	(1,284)
Other maintenance and miscellaneous	32,300	32,300	19,056	13,244
Strison alarm maintenance	5,000	5,000	5,860	(860)
Manhole raisings	6,000	6,000	-	6,000
Contingency	25,000	25,000	-	25,000
<u>Office</u>				
Office trailer lease	4,090	4,090	4,085	5
Office expenses	12,500	12,500	12,762	(262)
<u>Insurance</u>				
Insurance coverage	53,100	53,100	67,191	(14,091)
<u>Professional fees</u>				
Legal, audit, engineering and testing and other	67,400	67,400	60,707	6,693
<u>Debt service</u>				
Capital lease	21,304	21,304	12,111	9,193
<u>Capital outlay</u>				
Capital outlay	<u>618,217</u>	<u>1,317,592</u>	<u>448,844</u>	<u>868,748</u>
Total expenditures	<u>1,381,572</u>	<u>2,080,947</u>	<u>1,177,540</u>	<u>903,407</u>
Excess (Deficiency) of revenues over expenditures	(390,625)	(1,090,000)	12,812	1,102,812
Fund Balance - Beginning of year			<u>959,665</u>	
Fund Balance - End of year			<u>\$ 972,477</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, 2013

List Year	Uncollected Taxes July 1, 2012 and Current Billings	Corrections and Adjustments	Actual Collections				Uncollected Sewer Assessment Taxes June 30, 2013
			Sewer Assessment Taxes	Interest	Lien Fees	Total	
2011	\$ 941,489	\$ 152	\$ 927,694	\$ 5,003	\$ 420	\$ 933,117	\$ 13,947
2010	20,757	123	16,684	3,324	504	20,512	4,196
2009	7,729	77	6,125	1,315	240	7,680	1,681
2008	2,270	57	1,332	481	48	1,861	995
2007	576	154	730	48	24	802	-
Totals:	\$ 972,821	\$ 563	\$ 952,565	\$ 10,171	\$ 1,236	\$ 963,972	\$ 20,819

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

WOODRIDGE LAKE SEWER DISTRICT

SCHEDULE OF INSURANCE

JUNE 30, 2013

INSURANCE:

<u>Blanket Buildings and Contents</u>	\$ 4,890,390	100% Coinsurance, \$10,000 Deductible Per Occurrence
<u>Equipment Coverage</u>		
Small Tools and Equip.	40,100	Small Tools and Equipment Deductible \$1,000
Scheduled Equipment	155,525	Scheduled equipment Deductible \$2,500
<u>General Liability</u>	3,000,000	General Aggregate Limit
	1,000,000	Each Occurrence Limit
	10,000	Medical Expense Limit (any one person)
<u>Public Officials and Employee Liability</u>	3,000,000	Aggregate Limit
	1,000,000	Each Wrongful Act or Offense
	-	Retention \$5,000
<u>Umbrella Policy</u>	10,000,000	Aggregate Limit
	10,000,000	Each Occurrence
<u>Motor Vehicles</u>	1,000,000	Single-Limit Liability Each Accident
	1,000,000	Uninsured Motorist Each Accident
	1,000	Comprehensive Deductible
	1,000	Collision Deductible
<u>Crime</u>		Employee Dishonesty Coverage, including
Theft	250,000	Theft and Fraud
Fraud	250,000	Deductible \$2,500
<u>Pollution Liability</u>	10,000,000	General Aggregate Limit
	5,000,000	Each Occurrence Limit
		Deductible \$10,000

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

WOODRIDGE LAKE SEWER DISTRICT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2013

Base:

Receipts from taxation	\$ 963,972	
Property tax relief for elderly	<u>-</u>	
Total base		<u><u>\$ 963,972</u></u>

Debt limitation:	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>
2-1/4 times base	2,168,937	-	-	-
4-1/2 times base	-	4,337,874	-	-
3-3/4 times base	-	-	3,614,895	-
3-1/4 times base	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,132,909</u>
Total debt limitation	<u>2,168,937</u>	<u>4,337,874</u>	<u>3,614,895</u>	<u>3,132,909</u>
Outstanding debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 2,168,937</u></u>	<u><u>\$ 4,337,874</u></u>	<u><u>\$ 3,614,895</u></u>	<u><u>\$ 3,132,909</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 fund of Woodridge Lake Sewer District, as of and for the year ended June 30, 2013, 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 October 11, 2013.

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*.

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 Lord, P.C.

Rocky Hill, Connecticut
October 11, 2013