

**WOODRIDGE LAKE SEWER DISTRICT**  
**FINANCIAL REPORT**  
**JUNE 30, 2012**

# 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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Woodridge Lake Sewer District's management. Our responsibility is to express opinions on these 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, 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* and should be considered in assessing the results of our audit.

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 through 5 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woodridge Lake Sewer District's financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Carneg, Roy and Smith, P.C.*

Rocky Hill, Connecticut  
September 28, 2012

**WOODRIDGE LAKE SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2012

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, 2012 and a forward perspective.

**Financial Summary:**

WLS D net assets at June 30, 2012 consisted of net investment in capital assets of \$1,542,704 compared to last year of \$1,550,449 and unrestricted reserves of \$984,497 compared to last year of \$852,736. The WLS D does not have long-term debt other than a capital lease of \$23,095 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 2013. This resulted in a lower spending rate than budgeted and resulted in a favorable variance of \$320,462 as of June 30, 2012.

**Explanation of Revenue Variances:**

The total revenue collected was \$1,087,922, resulting in the favorable variance of \$83,208 to the budget of which \$91,264 was grant income from the Clean Water Act with a negative off-set of \$22,280 due to lower than budgeted fees from sewer permits and connection charges. The District has put in place a proactive delinquent collections process whereby the "Sewer assessment tax receivable" has decreased from June 30, 2011 to June 30, 2012 from \$43,046 to \$31,332. The District has an active collections program to collect the outstanding amount of \$31,332 with a State Marshal who is dealing with seven taxpayers and we have agreed payment plans with eleven taxpayers.

**Explanation of Operating Variances:**

The overall Operating Budget actual expenditure was \$621,442, resulting in the favorable variance of \$265,711 to the budget.

1. Personnel - Staff headcount was at the budgeted level for most of the year and resulted in a \$39,420 favorable variance.
2. Operations – Under spending in Facilities, Plant and Collection System Maintenance produced a \$96,124 favorable variance.
3. Office – The office expenses produced a favorable variance of \$4,855.
4. Insurance - Produced a favorable variance of \$48,731 as a result of lower than anticipated insurance rates attributable to loss ratios.
5. Professional Fees - Produced a favorable variance of \$51,581 resulting from less than budgeted use of legal counsel.

**WOODRIDGE LAKE SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2012

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

**Explanation of Capital Projects:**

The Capital Budget actual expenditure was \$313,257 of which the state paid \$91,264, resulting in the favorable variance of \$61,507 to the budget.

- DEEP Scope of Work - The project came in under budget resulting in a favorable variance of \$57,236 because of delays in the project; these amounts will be expended in the following year.
- Ground Water Bed Preparation – DEEP required additional work to prepare the beds for ground water testing which was not budgeted this resulted in a negative variance of \$10,004.
- Right of Way Clearing – This project generated an unfavorable variance of \$14,450, the balance of the project will be completed next year.
- Plant Equipment – The expenditure for the planned generator generated a positive variance as did several risk management issues resolved, the planned water circulation pumps and anodes were deferred and these were offset by unplanned but required purchases of a maintenance quad, a brush hog and several valves; all these resulted in a favorable variance of \$21,217.

**Looking Forward:**

During the summer of last year, under a Scope of Work project, the District will be reimbursed by 55% through a grant from the DEEP. WLSD, its Planning Committee and our consultant Woodard and Curran (W&C) began a study and analysis of the capabilities of our current system to guide further activities.

W&C has completed its analysis of the absorption capacity of our disposal fields. We believe the results are positive, indicating that complete reconstruction of the disposal fields may not be necessary, and instead reconfiguration and rehabilitation of the existing disposal fields may be permitted. W&C is preparing a report to be submitted to DEEP. At this writing, DEEP has not seen our results and until they are fully accepted by DEEP we cannot rely on the use our disposal fields as part of an upgraded wastewater treatment system. When this report is finalized and submitted to DEEP, it will be posted on the WLSD website.

Also, at this writing, W&C is completing a separate report on their analysis of the flow of wastewater into our collection system. When this report is finalized and submitted to DEEP, it will also be posted on the WLSD website. The flow of sanitary wastewater into our collection system is estimated by W&C at an annual average of 50,000 gallons of wastewater per day. However, Infiltration and Inflow (I&I) into the system results in total daily flows into the collection system ranging from 43,000 gallons per day to 402,000 gallons per day, with an average I&I flow of 55,000 gallons per day.

It is essential to eliminate as much of I&I from the collection system as possible, in order to process 100,000 gallons per day, which is the DEEP standard. Also, this work is necessary to continue using our wastewater treatment system and to insure that we do not re-size the plant to larger than necessary.

As reported in earlier issues of Breezes and in this year's budget letter to taxpayers we (the WLSD Board, your staff and W&C) made a significant start reducing the I&I gathered in our collection system. W&C now recommends that we establish a goal of eliminating an additional 19,000 to 27,000 gallons per day of I&I from the system.

**WOODRIDGE LAKE SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2012

Last June, a member of the WLS D Board, a member of its Finance Committee, Counsel to the WLS D and W&C met with DEEP to discuss funding for I&I removal. DEEP advised that they have special fund reserve for "projects to reduce infiltration and inflow entering sanitary sewer systems", to be awarded on a first come first serve basis. The reserve provides fully amortizing 2% loans to be repaid over 20 years.

DEEP also advised us that they have a similar reserve (2% loan for 20 years) for pump station projects to improve emergency readiness and energy efficiency of the pumps, wastewater flow monitoring and controls. WLS D has eight pumping stations around the lake, which would qualify for this funding; DEEP confirmed the availability of the above funding for the WLS D.

After review by both the Planning Committee and the WLS D Board, the Board voted to recommend to the taxpayers for approval funding of both projects to further reduce I&I, a project to upgrade the pump stations, and upgrades and the completion of a SCADA (supervisory control and data acquisition) system to manage the collections system network. At this time these projects with contingency reserve are estimated to cost approximately \$1,000,000 to be funded by DEEP through a 2%, amortizing 20-year loan. Such a loan would cost the WLS D approximately \$60,000 a year.

If divided evenly it would cost each property about \$100 a year. More details will be provided to the taxpayers at a Special Meeting, to be held in October, to consider approval of these projects, the loan and the spending of funds this year that were approved but unspent last year. Taxpayer approval is required for these items.

Other significant activities underway, or soon to be undertaken by WLS D, include:

1. The Rights of Way (easements have been largely cleared of trees and other obstacles) enabling access to the sewer lines below ground for examination for I&I. Homeowners have been understanding and cooperative during this project.
2. W&C will, in the next several months, begin an analysis of the upgrades likely to be required to our wastewater treatment system and the projected capital and annual costs.
3. W&C will also, in the next several months, begin an analysis of what would be involved in transporting our wastewater to Torrington for treatment and the capital and annual costs of such a project, as well as the potential long-term costs to WLS D that are often associated with end-of-pipe inter-municipal connections.

Following completion of the Scope of Work Project, WLS D will seek to reach agreement with the DEEP on an environmentally and economically acceptable plan for the long-term wastewater treatment and disposal requirements of the WLS D. The ultimate solution and its costs are unknown until WLS D can obtain competitive bids.

**WOODRIDGE LAKE SEWER DISTRICT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2012**

	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 738,148
Investments	207,587
Sewer assessment tax receivable	31,332
Prepaid expense	25,000
Capital assets	4,527,048
Accumulated depreciation	<u>(2,961,249)</u>
<b>Total assets</b>	<b>\$ <u>2,567,866</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 9,059
Accrued payroll and payroll taxes	8,511
Notes payable - current portion	11,244
Notes payable - long-term portion	<u>11,851</u>
<b>Total liabilities</b>	<b><u>40,665</u></b>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	1,542,704
Unrestricted	<u>984,497</u>
<b>Total net assets</b>	<b>\$ <u>2,527,201</u></b>

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



**WOODRIDGE LAKE SEWER DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>				
Governmental activities				
General Government	\$ 844,059	4,120	\$ 91,264	\$ (748,675)
Depreciation (unallocated)	<u>105,811</u>			<u>(105,811)</u>
<b>Total governmental activities</b>	<u>949,870</u>	<u>4,120</u>	<u>91,264</u>	<u>(854,486)</u>
<b>General revenues</b>				
Sewer assessment taxes, interest, and fees				950,572
Cell tower rental				29,842
Unrestricted investment earnings				2,774
Loss on disposal of assets				<u>(4,686)</u>
<b>Total general revenues</b>				<u>978,502</u>
<b>Change in net assets</b>				124,016
<b>Net assets - beginning</b>				<u>2,403,185</u>
<b>Net assets - ending</b>				<u>\$ 2,527,201</u>

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

**WOODRIDGE LAKE SEWER DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL (GENERAL) FUND**  
**JUNE 30, 2012**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 738,148
Investments	207,587
Sewer assessment tax receivable	31,332
Prepaid expenses	<u>25,000</u>
<b>Total assets</b>	<b>\$ <u>1,002,067</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 9,059
Deferred sewer tax revenue	24,832
Accrued payroll and payroll taxes	<u>8,511</u>
<b>Total liabilities</b>	<u>42,402</u>
<b>FUND BALANCES</b>	
Fund balance - committed	390,625
Fund balance - unassigned	<u>569,040</u>
<b>Total fund balances</b>	<u>959,665</u>
<b>Total liabilities and fund balance</b>	<b>\$ <u>1,002,067</u></b>

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, 2012

	<u>General Fund</u>
<b>REVENUE</b>	
Sewer assessment taxation	\$ 959,922
Intergovernmental grant	91,264
Investment income	2,774
Other - cell tower rent	29,842
Sewer permit fees / connection charge	<u>4,120</u>
<b>Total revenues</b>	<u>1,087,922</u>
<b>EXPENDITURES</b>	
<u>Personnel</u>	
Payroll	\$ 248,829
Payroll taxes and employee benefits	94,338
<u>Operations</u>	
Power and heat	72,280
Vehicle operation	7,901
Chemicals and supplies	9,763
Telephone/beepers	2,859
Plant equipment - repair and maintenance	15,183
Collection system - repairs and maintenance	34,711
Other maintenance and miscellaneous	18,925
Strison alarm and maintenance	5,349
Manhole raisings	6,205
<u>Office</u>	
Office trailer lease	4,085
Office expenses	11,245
<u>Insurance</u>	
Insurance coverage	60,850
<u>Professional fees</u>	
Legal, audit, engineering and testing and other	28,919
<u>Debt service</u>	
Capital lease	12,111
<u>Capital outlay</u>	
Capital outlay	<u>313,257</u>
<b>Total expenditures</b>	<u>946,810</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	141,112
<b>Fund Balance - Beginning of year</b>	<u>818,553</u>
<b>Fund balance - End of year</b>	<u>\$ 959,665</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, 2012

**Fund balance - governmental (general) fund** \$ 959,665

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	\$ 4,527,048	
Less accumulated depreciation	<u>(2,961,249)</u>	
		1,565,799

Uncollected sewer assessment taxes not available to pay  
for current period expenditures are deferred in the  
governmental fund. 24,832

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>(23,095)</u>
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**Net assets of governmental activities** \$ 2,527,201

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, 2012

**Net change in fund balance - governmental (general) fund** **\$ 141,112**

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	\$	313,257	
Less: portion expensed		221,177	
Portion capitalized		92,080	
Less: current year depreciation		105,811	(13,731)

The net effect of disposing and writing off certain assets results in a loss that reduces net assets. (4,686)

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 \$1,440) 10,671

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 (9,350)

**Changes in net assets of governmental activities** **\$ 124,016**

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

# WOODRIDGE LAKE SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 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, 2012

### 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, 2012

### 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, 2012

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS:**

Cash and cash equivalents consist of the following accounts at June 30, 2012:

Deposits	
Demand accounts	\$ 487,726
Certificates of deposit	250,372
Total deposits	<u>738,098</u>
Petty cash	<u>50</u>
Total cash and cash equivalents	<u>\$ 738,148</u>

Investments consist of a bank certificate of deposit totaling \$207,587 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, 2012, total bank balances were \$967,028. A total of \$498,312 was insured under the Federal Depository Insurance Corporation.

The balance, \$468,716, 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 \$468,344 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, 2012

**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 2011-2012 totaled \$105,811 . 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 2011-2012 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	3,738,216	79,271	267,355	3,550,132
Equipment	777,104	12,809	19,747	770,166
Vehicles	96,750	-	-	96,750
Total capital assets being depreciated:	4,612,070	92,080	287,102	4,417,048
Less: accumulated depreciation	3,137,854	105,811	282,416	2,961,249
Capital assets being depreciated - net	1,474,216	(13,731)	4,686	1,455,799
Total capital assets - net	\$ 1,584,216	\$ (13,731)	\$ 4,686	\$ 1,565,799

**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 \$30,310 were made during 2011-2012.

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, 2012**

**NOTE 7 - COMMITTED FUND BALANCE**

As of June 30, 2012, a portion of the fund balance of the general fund has been committed for specific purposes as follows:

A total of \$390,625 has been committed for expenditures in the 2012-2013 general fund budget as approved at the District annual budget meeting held on May 26, 2012.

**NOTE 8 - LEASE OBLIGATION:**

During 2007-2008 the District entered into a five year arrangement to lease an office copier. The agreement is accounted for as an operating lease. 2011-2012 lease expense totaled \$1,232. The following is a schedule of future minimum lease payments:

	<b>Year Ending June 30th</b>	<b>Amount</b>
	2013	\$ 300
Total minimum lease payments		<u>\$ 300</u>

**NOTE 9 - 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.

At year end, current monthly rent was \$2,497. A total of \$29,842 was collected during 2011-2012.

**WOODRIDGE LAKE SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2012

**NOTE 10 - 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 \$13,656 at year end. Interest expense attributable to this agreement totaled \$1,440 for the 2011-2012 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, 2012.

	<b>Year Ending June 30th</b>	<b>Amount</b>
	2013	\$ 12,111
	2014	12,111
Total minimum lease payments		24,222
Less: amount representing interest		1,127
Present value of future minimum lease payments		<u>\$ 23,095</u>

**NOTE 11 - 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 12 - DATE OF MANAGEMENT'S REVIEW**

The District has evaluated events and transactions subsequent to June 30, 2012 for potential recognition and disclosure through September 28, 2012, 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, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUE</b>				
Sewer assessment taxation	\$ 945,314	\$ 945,314	\$ 959,922	\$ 14,608
Intergovernmental grant	-	-	91,264	91,264
Investment income	3,000	3,000	2,774	(226)
Other - cell tower rent	30,000	30,000	29,842	(158)
Sewer permit fees / connection charge	<u>26,400</u>	<u>26,400</u>	<u>4,120</u>	<u>(22,280)</u>
<b>Total revenues</b>	<u>1,004,714</u>	<u>1,004,714</u>	<u>1,087,922</u>	<u>83,208</u>
<b>EXPENDITURES</b>				
<u>Personnel</u>				
Payroll	\$ 279,975	\$ 279,975	\$ 248,829	\$ 31,146
Payroll taxes and employee benefits	102,612	102,612	94,338	8,274
<u>Operations</u>				
Power and heat	77,000	77,000	72,280	4,720
Vehicle operation	9,500	9,500	7,901	1,599
Chemicals and supplies	10,000	10,000	9,763	237
Telephone/beepers	3,600	3,600	2,859	741
Plant equipment - repair and maintenance	50,000	50,000	15,183	34,817
Collection system - repairs and maintenance	60,000	60,000	34,711	25,289
Other maintenance and miscellaneous	30,200	30,200	18,925	11,275
Strison alarm maintenance	4,000	4,000	5,349	(1,349)
Manhole raisings	25,000	25,000	6,205	18,795
Contingency	25,000	25,000	-	25,000
<u>Office</u>				
Office trailer lease	4,085	4,085	4,085	-
Office expenses	16,100	16,100	11,245	4,855
<u>Insurance</u>				
Insurance coverage	109,581	109,581	60,850	48,731
<u>Professional fees</u>				
Legal, audit, engineering and testing and other	80,500	80,500	28,919	51,581
<u>Debt service</u>				
Capital lease	13,411	13,411	12,111	1,300
<u>Capital outlay</u>				
Capital outlay	<u>283,500</u>	<u>283,500</u>	<u>313,257</u>	<u>(29,757)</u>
<b>Total expenditures</b>	<u>1,184,064</u>	<u>1,184,064</u>	<u>946,810</u>	<u>237,254</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	(179,350)	(179,350)	141,112	320,462
<b>Fund Balance - Beginning of year</b>			<u>818,553</u>	
<b>Fund Balance - End of year</b>			<u>\$ 959,665</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, 2012**

List Year	Uncollected Taxes July 1, 2011 and Current Billings	Corrections and Adjustments	Actual Collections				Total	Uncollected Sewer Assessment Taxes June 30, 2012
			Sewer Assessment Taxes	Interest	Lien Fees			
2010	\$ 936,215	\$ 5	\$ 915,463	\$ 4,215	\$ 344	\$ 920,022	\$ 20,757	
2009	24,473	-	16,744	3,521	454	20,719	7,729	
2008	9,544	-	7,274	2,214	312	9,800	2,270	
2007	6,316	-	5,740	1,276	216	7,232	576	
2006	2,315	-	2,315	799	120	3,234	-	
2005	398	-	398	141	50	589	-	
<b>Totals:</b>	<b>\$ 979,261</b>	<b>\$ 5</b>	<b>\$ 947,934</b>	<b>\$ 12,166</b>	<b>\$ 1,496</b>	<b>\$ 961,596</b>	<b>\$ 31,332</b>	

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

**WOODRIDGE LAKE SEWER DISTRICT**

**SCHEDULE OF INSURANCE**

JUNE 30, 2012

**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 1,000,000 10,000	General Aggregate Limit Each Occurrence Limit Medical Expense Limit (any one person)
<u>Public Officials and Employee Liability</u>	3,000,000 1,000,000 -	Aggregate Limit Each Wrongful Act or Offense Retention \$5,000
<u>Umbrella Policy</u>	10,000,000 10,000,000	Aggregate Limit Each Occurrence
<u>Motor Vehicles</u>	1,000,000 1,000,000 1,000 1,000	Single-Limit Liability Each Accident Uninsured Motorist Each Accident Comprehensive Deductible 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 5,000,000	General Aggregate Limit 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, 2012

**Base:**

Receipts from taxation	\$ 961,596	
Property tax relief for elderly	<u>-</u>	
<b>Total base</b>		<b><u>\$ 961,596</u></b>

<b>Debt limitation:</b>	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>
2-1/4 times base	2,163,591	-	-	-
4-1/2 times base	-	4,327,182	-	-
3-3/4 times base	-	-	3,605,985	-
3-1/4 times base	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,125,187</u>
<b>Total debt limitation</b>	<u>2,163,591</u>	<u>4,327,182</u>	<u>3,605,985</u>	<u>3,125,187</u>
<b>Outstanding debt</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Debt limitation in excess of outstanding and authorized debt</b>	<u>\$ 2,163,591</u>	<u>\$ 4,327,182</u>	<u>\$ 3,605,985</u>	<u>\$ 3,125,187</u>

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





# CARNEY, ROY AND GERROL, P.C.

*Certified Public Accountants*

## **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 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, 2012, which collectively comprise Woodridge Lake Sewer District's basic financial statements and have issued our report thereon dated September 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of Woodridge Lake Sewer District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Woodridge Lake Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodridge Lake Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodridge Lake Sewer District's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodridge Lake Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Woodridge Lake Sewer District, in a separate letter dated September 28, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and appropriate state agencies and is not intended to be and should not be used by anyone other than these specified parties.



Rocky Hill, Connecticut  
September 28, 2012