

**WOODRIDGE LAKE SEWER DISTRICT**  
**FINANCIAL REPORT**  
**JUNE 30, 2016**

# WOODRIDGE LAKE SEWER DISTRICT

## CONTENTS

JUNE 30, 2016

	<b>PAGE</b>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-4
<b>BASIC FINANCIAL STATEMENTS</b>	
District-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet - Governmental Funds	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	8-9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12-19
<b>REQUIRED SUPPLEMENTARY INFORMATION-BUDGET TO ACTUAL REPORT</b>	
General Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	20
Capital Projects Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	21
<b>SUPPLEMENTARY FINANCIAL DATA</b>	
Sewer Assessment Taxes Collected and Uncollected Balances	22
Statement of Debt Limitation	23
Schedule of Expenditures of Federal Awards	24 - 25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	26 - 27
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance	28 – 29

**WOODRIDGE LAKE SEWER DISTRICT**

**CONTENTS**

**JUNE 30, 2016**

Schedule of Findings and Questioned Costs

30



# 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, 2016, 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 June 30, 2016, 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 3-4 and 20-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Woodridge Lake Sewer District's basic financial statements. The supplemental schedules consisting of the report on sewer assessment taxes and statement of debt limitations are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental schedules and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of Woodridge Lake Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woodridge Lake Sewer District's internal control over financial reporting and compliance.



Rocky Hill, Connecticut  
November 21, 2016

**WOODRIDGE LAKE SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2016

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 691 homes within the watershed surrounding Woodridge Lake in Goshen, Connecticut.

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

This report will focus on the Statement of Net Position, Operations of our General Fund and Capital Projects Fund including the budget comparisons for the fiscal year ended June 30, 2016 on pages 20-21 included our financial report.

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

**Statement of Net Position**

WLS D net assets at June 30, 2016 totaled \$3,299,719, an increase from \$2,573,342 from last year. As discussed below, we began our major capital improvement program increasing capital assets which were funded both from current revenues, our unrestricted reserves and a grant and loan from the US Department of Agriculture Rural Development (USDA-RD).

**General Fund**

The General Fund year end resulted in a surplus of \$394,833 of which \$52,711 has been transferred to the Capital Fund. This was even better than our original budget forecast of \$235,993 surplus. The General Fund balance at year end was \$1,134,169.

The general fund revenue collected of \$1,103,941 exceeded budget by \$14,987. The District has put in place a proactive delinquent collections process. The current outstanding amount is \$19,097. The State Marshal is assigned to collect \$10,305 dealing with five taxpayers including one in foreclosure. The Operating Budget actual expenditure was \$709,108, some \$143,853 lower than the budget. Staff related expenses were under the budgeted levels because one employee was on a medical disability plus overtime and health insurance were under budget as well resulting in combined payroll savings of \$23,195. Lower maintenance requirements for Facilities, Plant and Collection Systems produced a \$26,330 favorable variance. We were over budget by \$12,128 in power usage during the installation and testing of our new electronic monitoring system (SCADA) for our sewer collection system. Insurance expense was lower than plan by \$8,138.

We budgeted Professional Fees of \$120,700 related to closing on both the USDA \$15.5 million financing and the bank construction loan. Since both events did not occur, we did not incur outside legal services saving \$84,397. We did not utilize the contingency reserve of \$25,000.

**Capital Projects Fund**

This year, the District completed its major multi-year capital program to update, repair, and improve the monitoring of its sixteen mile collection system. This project was a precondition in anticipation of the eventual decision by the Connecticut State Department of Energy and Environmental Protection (DEEP) on the processing treatment method for the system's effluent by either using our current local facilities with significant upgrades or building a transfer pipeline to the existing regional Torrington Water Pollution Control facility.

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

JUNE 30, 2016

With the completion of our multi-year program to update our collection system, we qualified and received \$561,000 of USDA-RA grant funds. We also completed the USDA-RA bond financing for \$686,000 of these costs at 2.88% interest over 40 years. The General Fund also transferred some \$52,711 to fund these costs. The remaining \$99,924 representing an outstanding bill for engineering work will be funded from 2017 General Fund transfers.

On November 12, 2015 the Board officially informed DEEP we were suspending work on the local option and will only focus on the Torrington option. Our actual expenditures were \$1,363,331 versus a budget of \$1,456,028. We continued the work on the Facilities Plan spending \$100,836 or \$52,836 more than expected. There were three significant pump failures requiring refurbishment of these units (rebuilding the pumps to as new condition) resulting in an unfavorable variance of \$176,731. Electronic monitoring system and sewer collection system repairs were \$559,073 this period versus a budget of \$808,028 because the collection system construction costs were less involved than expected. We spent \$493,686 with our engineering firm in designing the pipeline to Torrington versus a budget of \$575,000 for favorable variance of \$81,314.

**Long Range Facility Plan and Connecticut State DEEP Discussions**

On November 12, 2015 the Board officially informed the DEEP that we are suspending work on the local option and will only focus on the Torrington option. On December 8, 2015 we held a joint meeting between the DEEP, Torrington WPCA staff and our Planning Committee to discuss the sewer service area, project timeline, funding issues and the elements of an Inter Municipal Agreement between us and Torrington. On December 20, 2015 we presented our planned route to the Torrington Planning & Zoning Commission as part of their 8-24 review which was unanimously approved. On December 21, 2015 the Torrington WPCA approved continuing discussions regarding the project and requested a project timeline. On January 20, 2016 the Goshen Planning & Zoning Commission completed their 8-24 review and unanimously approved the project. In February 2016, the Torrington WPCA staff indicated that they would require a connection charge which increased project cost by approximately \$2.5 million to \$17 million. In March 2016, we had meetings with potential contractors who indicated that construction costs can be reduced by \$1.5 million bringing total costs down to \$15.5 million. In March 2016, USDA-RD formally committed to financing the \$15.5 million project with \$2.8 million in grants and the balance in a 40 year loan at 2.25% interest rate. On April 30, 2016 the Board at its Annual Meeting presented to the public the project details, the funding commitment and the need for an appropriation for the \$15.5 million and bond authorization to construct the wastewater transmission facility. On May 9, 2016 the Facility Plan Summary Report was submitted to the DEEP for their review and comment. On May 17, 2016 the DEEP approved the submitted Facilities Plan without comment or changes. On May 28, 2016, at a Special Meeting, the District's taxpayers voted to approve the \$15.5 million appropriation by 194 yes votes and one no vote. On June 13, 2016 the Board ratified the signatures of James Mersfelder and Alfred Shull on two sets of resolution papers from the USDA-RD to secure the grant and loan totaling \$15.5 million. On June 21, 2016 the Torrington Water Company voiced their concerns regarding our route and in response to their concerns we offered some improvements which were rejected by their Board who announced that they would become interveners during our following approval process.

The Board continues to believe that the proposed route is both economically and environmentally appropriate and will continue present it as preferred as we continue to seek approvals.

**WOODRIDGE LAKE SEWER DISTRICT**

**STATEMENT OF NET POSITION**

JUNE 30, 2016

	<b><u>Total Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 426,709
Investments	654,195
Sewer assessment tax receivable	15,468
Grant receivable	40,716
Prepaid expense	53,517
Capital assets	6,228,212
Accumulated depreciation	<u>(3,271,262)</u>
<b>Total assets</b>	<b><u>\$ 4,147,555</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 131,337
Accrued payroll and payroll taxes	15,370
Accrued interest	15,129
Noncurrent liabilities:	
Due within one year	9,359
Due in more than one year	<u>676,641</u>
<b>Total liabilities</b>	<b><u>847,836</u></b>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	2,270,950
Unrestricted	<u>1,028,769</u>
<b>Total net position</b>	<b><u>\$ 3,299,719</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, 2016**

	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>FUNCTIONS/PROGRAMS</b>					
<b>Governmental activities</b>					
<b>General Government</b>	\$ 760,541	\$ 8,240	\$ -	\$ 561,000	\$ (191,301)
<b>Depreciation (unallocated)</b>	152,639				(152,639)
<b>Total governmental activities</b>	\$ 913,180	\$ 8,240	\$ -	\$ 561,000	(343,940)
<b>General revenues</b>					
Sewer assessment taxes, interest, and fees					1,050,221
Cell tower rental and other					39,246
Unrestricted investment earnings					2,344
Loss on disposal of assets					(21,494)
<b>Total general revenues</b>					1,070,317
<b>Change in net position</b>					726,377
<b>Net position - beginning</b>					2,573,342
<b>Net position - ending</b>					\$ 3,299,719

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

**WOODRIDGE LAKE SEWER DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
 JUNE 30, 2016

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 426,709	\$ -	\$ 426,709
Investments	654,195	-	654,195
Sewer assessment tax receivable	15,468	-	15,468
Grant receivable	40,716	-	40,716
Prepaid expenses	53,517	-	53,517
<b>Total assets</b>	<b>\$ 1,190,605</b>	<b>\$ -</b>	<b>\$ 1,190,605</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 31,413	\$ 99,924	\$ 131,337
Deferred sewer tax revenue	9,653	-	9,653
Accrued payroll and payroll taxes	15,370	-	15,370
<b>Total liabilities</b>	56,436	99,924	156,360
<b>FUND BALANCES</b>			
Fund balance - committed	-	-	-
Fund balance - unassigned	1,134,169	(99,924)	1,034,245
<b>Total fund balances</b>	1,134,169	(99,924)	1,034,245
<b>Total liabilities and fund balance</b>	<b>\$ 1,190,605</b>	<b>\$ -</b>	<b>\$ 1,190,605</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 FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>			
Sewer assessment taxation	\$ 1,054,111	\$ -	\$ 1,054,111
Grant	-	561,000	561,000
Investment income	2,344	-	2,344
Other	39,246	-	39,246
Sewer permit fees / connection charge	<u>8,240</u>	<u>-</u>	<u>8,240</u>
<b>Total revenues</b>	<u>\$ 1,103,941</u>	<u>\$ 561,000</u>	<u>\$ 1,664,941</u>
<b>EXPENDITURES</b>			
<u>Personnel</u>			
Payroll, payroll taxes and employee benefits	\$ 416,951	\$ -	\$ 416,951
<u>Operations</u>			
Power and heat	78,128	-	78,128
Plant & collection system maintenance	46,970	-	46,970
Other	37,818	-	37,818
<u>Office</u>			
Office trailer lease and other office expenses	15,861	-	15,861
<u>Insurance</u>			
Insurance coverage	77,077	-	77,077
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	<u>36,303</u>	<u>36,304</u>	<u>72,607</u>
<b>Total operations</b>	<u>709,108</u>	<u>36,304</u>	<u>745,412</u>
<u>Capital outlay</u>			
DEEP facilities plan	-	100,836	100,836
Emergency refurbishment of sewer pumps	-	201,731	201,731
Electronic monitoring and collection rebuild	-	559,073	559,073
Engineering design for proposed pipeline	-	493,686	493,686
Other capital improvements	<u>-</u>	<u>8,005</u>	<u>8,005</u>
<b>Total capital outlay</b>	<u>-</u>	<u>1,363,331</u>	<u>1,363,331</u>
<b>Total expenditures</b>	<u>709,108</u>	<u>1,399,635</u>	<u>2,108,743</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	<u>\$ 394,833</u>	<u>\$ (838,635)</u>	<u>\$ (443,802)</u>

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

**WOODRIDGE LAKE SEWER DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	\$ 394,833	\$ (838,635)	\$ (443,802)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	52,711	52,711
Transfers out	(52,711)	-	(52,711)
Bond proceeds	<u>-</u>	<u>686,000</u>	<u>686,000</u>
<b>Total other financing sources</b>	<u>(52,711)</u>	<u>738,711</u>	<u>686,000</u>
<b>Net Change in Fund Balances</b>	<u>342,122</u>	<u>(99,924)</u>	<u>242,198</u>
<b>Fund Balance - Beginning of year</b>	<u>792,047</u>	<u>-</u>	<u>792,047</u>
<b>Fund Balance - End of year</b>	<u>\$ 1,134,169</u>	<u>\$ (99,924)</u>	<u>\$ 1,034,245</u>

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

**WOODRIDGE LAKE SEWER DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION**

JUNE 30, 2016

**Fund balance - governmental funds** \$ 1,034,245

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

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

Governmental capital assets	\$ 6,228,212	
Less accumulated depreciation	<u>(3,271,262)</u>	
Net capital assets		2,956,950

Uncollected sewer assessment taxes not available to pay for current period expenditures are deferred in the governmental fund. 9,653

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

Bond payable	(686,000)	
Accrued interest	<u>(15,129)</u>	

**Net position of governmental activities** \$ 3,299,719

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

**WOODRIDGE LAKE SEWER DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

**Net change in fund balance - governmental funds** \$ 242,198

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	\$ 1,363,331	
Less: portion expensed	-	
Portion capitalized	1,363,331	
Less: current year depreciation	152,639	1,210,692

The net effect of disposing and writing off certain assets results in a loss that reduces net assets. (21,494)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond payable (686,000)

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

Accrued interest (15,129)

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 (3,890)

**Changes in net position of governmental activities** \$ 726,377

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

# WOODRIDGE LAKE SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

#### *District Wide and Fund Financial Statements*

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

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

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

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

#### *The District reports the following funds*

##### *Major Governmental Funds:*

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

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

# WOODRIDGE LAKE SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### 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, 2016

**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.

*Long-term obligations*

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

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

**WOODRIDGE LAKE SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

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

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

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

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

Cash and cash equivalents consist of the following accounts at June 30, 2016:

Deposits	
Demand accounts	\$ 365,975
Certificates of deposit	<u>60,684</u>
Total deposits	426,659
Petty cash	<u>50</u>
Total cash and cash equivalents	<u><u>\$ 426,709</u></u>

Investments consist of four certificates of deposit totaling \$654,195 with maturity dates 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.

**WOODRIDGE LAKE SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**NOTE 4 - DEPOSIT AND INVESTMENT RISK (Continued)**

*Deposits*

At June 30, 2016, total bank balances were \$1,163,068. A total of \$964,881 was insured under the Federal Depository Insurance Corporation.

The balance, \$198,187, 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 \$80,888 of the uninsured amount is collateralized with securities held by the financial institution, its trust department or agent, but not in the District's name.

**NOTE 5 - CAPITAL ASSETS**

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

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

With the exception of land, capital assets are depreciated over their estimated useful lives by the straight line method. Depreciation expense for 2015-2016 totaled \$152,639 . 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 2015-2016 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	3,991,791	1,363,331	109,254	5,245,868
Equipment	770,166	-	-	770,166
Vehicles	102,178	-	-	102,178
Total capital assets being depreciated:	4,864,135	1,363,331	109,254	6,118,212
Less: accumulated depreciation	3,206,383	152,639	87,760	3,271,262
Capital assets being depreciated - net	1,657,752	1,210,692	21,494	2,846,950
Total capital assets - net	<u>\$ 1,767,752</u>	<u>\$ 1,210,692</u>	<u>\$ 21,494</u>	<u>\$ 2,956,950</u>

**WOODRIDGE LAKE SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**NOTE 6 – LONG TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable:					
General obligation bonds	\$ -	\$ 686,000	\$ -	\$ 686,000	\$ 9,359
Long-Term liabilities	<u>\$ -</u>	<u>\$ 686,000</u>	<u>\$ -</u>	<u>\$ 686,000</u>	<u>\$ 9,359</u>

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

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

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Outstanding June 30, 2016</u>
Bonds Payable:					
General obligation	9/30/2015	\$ 686,000	2.88%	9/1/2055	\$ 686,000

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2016:

	<u>Year Ending June 30th,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017		\$ 9,359	\$ 19,722	\$ 29,081
2018		9,628	19,453	29,081
2019		9,905	19,176	29,081
2020		10,189	18,892	29,081
2021		10,482	18,599	29,081
2022-2026		57,109	88,297	145,406
2027-2031		65,805	79,601	145,406
2032-2036		75,824	69,582	145,406
2037-2041		87,369	58,037	145,406
2042-2046		100,671	44,735	145,406
2047-2051		115,999	29,407	145,406
2052-2055		133,660	10,938	144,598
		<u>\$686,000</u>	<u>\$ 476,439</u>	<u>\$ 1,162,439</u>

**WOODRIDGE LAKE SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 6 – LONG TERM LIABILITIES (Continued)**

*Statutory Debt Limitation*

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the District shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2016.

**NOTE 7 – RETIREMENT PLAN**

The District maintains a Simplified Employee Pension Plan which covers employees. Annual discretionary contributions are made by the District to separate Individual Retirement Accounts (IRA's) maintained by each participant. Accordingly, a pension trust fund is not maintained by the District. Employer contributions totaling \$24,984 were made during 2015-2016.

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

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

**NOTE 8 - LEASE OF CELL TOWER SITE**

During 2004-2005 the District entered into a rental agreement for land and access for a wireless communication base station and antenna. The agreement had an initial term of five years, effective November 29, 2004, with an option to extend 4 additional terms of 5 years each and has been extended for 7 additional five year terms, and may be further extended for three more years at the option of the lessee. A total of \$39,246 was collected during 2015-2016.

**WOODRIDGE LAKE SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**NOTE 9 - COMMITMENTS/CONTINGENCY**

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

In March 2016, USDA-RD formally committed to financing the District's \$15.5 million long range facility project with \$2.8 million in grants and the balance in a 40 year loan at 2.25% interest rate. On June 13, 2016, after the District's taxpayers had previously voted to approve the \$15.5 million appropriation by 194 yes votes and one no vote, the Board ratified the signatures of James Mersfelder and Alfred Shull on two sets of resolution papers from the USDA-RD to secure the grant and loan totaling \$15.5 million. None of the proceeds associated with this particular funding had been advanced to the District prior to year-end.

**NOTE 10 – INTERFUND TRANSFERS**

The District routinely transfers unrestricted receipts to various funds in order to finance the costs in those funds. Transfers for the year ended June 30, 2016 are as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Net Transfers</b>
Major Governmental Funds			
General Fund	\$ -	\$ (52,711)	\$ (52,711)
Capital Projects Fund	52,711	-	52,711
<b>Total</b>	<b>\$ 52,711</b>	<b>\$ (52,711)</b>	<b>\$ -</b>

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

The District has evaluated events and transactions subsequent to June 30, 2016 for potential recognition and disclosure through November 21, 2016, 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, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUE</b>			
Sewer assessment taxation	\$ 1,048,454	\$ 1,054,111	\$ 5,657
Investment income	2,000	2,344	344
Other - cell tower rent	35,000	39,246	4,246
Sewer permit fees / connection charge	3,500	8,240	4,740
<b>Total revenues</b>	<b>\$ 1,088,954</b>	<b>\$ 1,103,941</b>	<b>\$ 14,987</b>
<b>EXPENDITURES</b>			
<u>Personnel</u>			
Payroll, payroll taxes and employee benefits	\$ 440,146	\$ 416,951	\$ 23,195
<u>Operations</u>			
Power and heat	66,000	78,128	(12,128)
Plant & collection system maintenance	73,300	46,970	26,330
Other	26,500	37,818	(11,318)
Contingency	25,000	-	25,000
<u>Office</u>			
Office trailer lease and other office expenses	16,100	15,861	239
<u>Insurance</u>			
Insurance coverage	85,215	77,077	8,138
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	120,700	36,303	84,397
<b>Total operations</b>	<b>852,961</b>	<b>709,108</b>	<b>143,853</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>235,993</b>	<b>394,833</b>	<b>158,840</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	-	(52,711)	(52,711)
<b>Total other financing sources</b>	<b>-</b>	<b>(52,711)</b>	<b>(52,711)</b>
<b>Net Change in Fund Balances</b>	<b>235,993</b>	<b>342,122</b>	<b>106,129</b>
<b>Fund Balance - Beginning of year</b>		<b>792,047</b>	
<b>Fund Balance - End of year</b>		<b>\$ 1,134,169</b>	

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

**WOODRIDGE LAKE SEWER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET**  
**AND ACTUAL – CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUE</b>			
Grant	\$ -	\$ 561,000	\$ 561,000
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ 561,000</b>	<b>\$ 561,000</b>
<b>EXPENDITURES</b>			
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	\$ -	\$ 36,304	\$ (36,304)
<b>Total operations</b>	<b>-</b>	<b>36,304</b>	<b>(36,304)</b>
<u>Capital outlay</u>			
DEEP facilities plan	48,000	100,836	(52,836)
Emergency refurbishment of sewer pumps	25,000	201,731	(176,731)
Electronic monitoring and collection rebuild	808,028	559,073	248,955
Engineering design for proposed pipeline	575,000	493,686	81,314
Other capital improvements	-	8,005	(8,005)
<b>Total capital outlay</b>	<b>1,456,028</b>	<b>1,363,331</b>	<b>92,697</b>
<b>Total expenditures</b>	<b>1,456,028</b>	<b>1,399,635</b>	<b>56,393</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>(1,456,028)</b>	<b>(838,635)</b>	<b>617,393</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	52,711	52,711
Bond proceeds	-	686,000	686,000
<b>Total other financing sources</b>	<b>-</b>	<b>738,711</b>	<b>738,711</b>
<b>Net Change in Fund Balances</b>	<b>(1,456,028)</b>	<b>(99,924)</b>	<b>1,356,104</b>
<b>Fund Balance - Beginning of year</b>		<b>-</b>	
<b>Fund Balance - End of year</b>		<b>\$ (99,924)</b>	

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, 2016**

<b>List Year</b>	<b>Uncollected Taxes July 1, 2015 and Current Billings</b>	<b>Corrections and Adjustments</b>	<b>Actual Collections</b>				<b>Uncollected Sewer Assessment Taxes June 30, 2016</b>
			<b>Sewer Assessment Taxes</b>	<b>Interest</b>	<b>Lien Fees</b>	<b>Total</b>	
2014	\$ 1,043,805	\$ 290	\$ 1,034,464	\$ 5,030	\$ 174	1,039,668	\$ 9,631
2013	9,479	(647)	5,647	1,238	168	7,053	3,185
2012	3,494	-	1,479	457	48	1,984	2,015
2011	1,527	-	890	602	24	1,516	637
2010	-	-	-	-	-	-	-
<b>Totals:</b>	<b>\$ 1,058,305</b>	<b>\$ (357)</b>	<b>\$ 1,042,480</b>	<b>\$ 7,327</b>	<b>\$ 414</b>	<b>\$ 1,050,221</b>	<b>\$ 15,468</b>

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

**WOODRIDGE LAKE SEWER DISTRICT**

**STATEMENT OF DEBT LIMITATION**

JUNE 30, 2016

**Base:**

Receipts from taxation	\$ 1,050,221	
Property tax relief for elderly	<u>-</u>	
<b>Total base</b>		<b><u><u>\$ 1,050,221</u></u></b>

<b>Debt limitation:</b>	<b><u>General Purposes</u></b>	<b><u>Schools</u></b>	<b><u>Sewers</u></b>	<b><u>Urban Renewal</u></b>
2-1/4 times base	2,362,997	-	-	-
4-1/2 times base	-	4,725,995	-	-
3-3/4 times base	-	-	3,938,329	-
3-1/4 times base	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,413,218</u>
<b>Total debt limitation</b>	<b><u>2,362,997</u></b>	<b><u>4,725,995</u></b>	<b><u>3,938,329</u></b>	<b><u>3,413,218</u></b>
<b>Indebtedness:</b>				
Notes payable	<u>-</u>	<u>-</u>	<u>686,000</u>	<u>-</u>
<b>Total indebtedness</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>686,000</u></b>	<b><u>-</u></b>
<b>Debt limitation in excess of outstanding and authorized debt</b>	<b><u><u>\$ 2,362,997</u></u></b>	<b><u><u>\$ 4,725,995</u></u></b>	<b><u><u>\$ 3,252,329</u></u></b>	<b><u><u>\$ 3,413,218</u></u></b>

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

**WOODRIDGE LAKE SEWER DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor / Program</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>		
Water and Waste Disposal Systems for Rural Communities (grant)	10.760	\$ 561,000
Water and Waste Disposal Systems for Rural Communities (loan)	10.760	<u>686,000</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,247,000</u>
<b>Total expenditures of federal awards</b>		<u>\$ 1,247,000</u>

See accompanying notes to schedule of expenditures of federal awards.

**WOODRIDGE LAKE SEWER DISTRICT**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

**NOTE A—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Woodridge Lake Sewer District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Woodridge Lake Sewer District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Woodridge Lake Sewer District.

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Generally, federal awards in the forms of grants and cost reimbursement contracts are considered expended when the expenditure or expense transactions occur; federal awards in the form of loans are considered expended when the loan proceeds are used by the District.

**NOTE C—INDIRECT COST RATE**

Woodridge Lake Sewer District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D—SUBRECIPIENTS**

Woodridge Lake Sewer District did not pass through any federal awards to subrecipients.

**NOTE E—FEDERAL LOANS AWARDED**

The District received a loan for its Waste Water System Rehabilitation Project from the U.S. Department of Agriculture. The loan proceeds of \$686,000 were received and considered expended during the fiscal year ended June 30, 2016. Expenditures made during the year are included in the federal expenditures presented in the schedule. Balances and transactions relating to this loan are included in the District's basic financial statements. The balance of the loan outstanding at June 30, 2016 is \$686,000.



# 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, 2016, and the related notes to the financial statements, which collectively comprise Woodridge Lake Sewer District's basic financial statements, and have issued our report thereon dated November 21, 2016.

### **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.

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

Rocky Hill, Connecticut  
November 21, 2016



# CARNEY, ROY AND GERROL, P.C.

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

### **Report on Compliance for Each Major Federal Program**

We have audited Woodridge Lake Sewer District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Woodridge Lake Sewer District's major federal programs for the year ended June 30, 2016. Woodridge Lake Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Woodridge Lake Sewer District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Woodridge Lake Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Woodridge Lake Sewer District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Woodridge Lake Sewer District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of the Woodridge Lake Sewer District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Woodridge Lake Sewer District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Woodridge Lake Sewer District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rocky Hill, Connecticut  
November 21, 2016



**WOODRIDGE LAKE SEWER DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Woodridge Lake Sewer District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Woodridge Lake Sewer District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Woodridge Lake Sewer District expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule. There were no such findings to be reported.
7. The programs tested as major programs were: Water and Waste Disposal Systems for Rural Communities (CFDA 10.760).
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Woodridge Lake Sewer District was not determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None