

**WOODRIDGE LAKE SEWER DISTRICT
FINANCIAL REPORT
JUNE 30, 2010**

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**WOODRIDGE LAKE SEWER DISTRICT
FINANCIAL REPORT
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Woodridge Lake Sewer District
Goshen, Connecticut

Dear Members:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Woodridge Lake Sewer District, Goshen, Connecticut as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and 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 the Woodridge Lake Sewer District as of and for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated on our consideration of the Woodridge Lake Sewer District's internal control over financial reporting and 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 the 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.

The management's discussion and analysis on pages 3 through 6 and the general fund budget to actual report on page 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules consisting of the report on sewer assessment taxes, the schedule of insurance, and statement of debt limitation are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DeLeo & Company, P.C.
Certified Public Accountants

New Milford, Connecticut

**WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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 in a District encompassing approximately 20 square miles surrounding Woodridge Lake in Goshen, Connecticut. The following information is a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010 and a forward looking perspective.

Financial Summary

The WLS D net assets at June 30, 2010 consisted of net investment in capital assets of \$1,419,700 and unrestricted reserves of \$797,559. The WLS D does not carry any long term debt other than lease of \$33,767 for a tractor and accessories.

The WLS D operations and capital requirements are provided under an annual budget authorized and approved by the District members each year. The WLS D primary source of revenues is the annual assessment of a mill rate applied to the assessed property values maintained by the Town of Goshen for the homes served by the WLS D within the district.

Explanation of Operating Variances:

- Payroll - \$229,230 vs. an adjusted budget of \$172,800. The overrun was attributable to hiring a new Plant Superintendent in September 2009, the resignation of two employees and increased overtime resulting from pump repairs at the plant and at station 6.
- Payroll taxes and benefits - \$51,101 vs. \$32,497 budgeted. The overrun was attributable to hiring of the new Plant Superintendent.
- Power and Heat - \$70,945 vs. \$92,500 budgeted. Actual expenses were under budget because the District entered into a reduced rate offering from CL&P and there was a mild winter.
- Collection system maintenance - \$112,783 vs. \$60,000 budgeted. The overrun was attributable to major pump station seal problems at plant and pump station 6 requiring use of outside vendors.
- Insurance coverages - \$40,288 vs. \$64,736 budgeted. Actual expenses were under budget because the District budget is prepared in May of each year based on quote estimates from the carriers. Actual rates were less than the carriers' estimates.
- Capital Lease - \$12,111 vs. \$0 budget. The District leased a new tractor rather than repair the old tractor.

Capital Improvements

Capital improvements during the fiscal year of \$250,000 were as follows:

- The District acquired a new Ford F-450 Super Duty for \$40,750 to replace an older truck that was beyond economic repair.
- The District purchased a John Deere tractor, loader and rotary cutter for \$54,000 for the fields at the sewer plant.
- The District rehabbed the tertiary system's wet side valves for \$55,000; installed new valves at the plant pump station for \$46,000; collection system raised and sealed 38 manholes for \$25,000; and new pumps for pump station #8 for \$20,000.

**WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Capital Improvements (Continued)

These capital expenditures were necessary to maintain the infra-structure of the 40 year old plants and collection system.

Looking Forward

The District has been operating under conditions of a consent order issued in 1989 by the Connecticut Department of Environmental Protection (DEP). These conditions relate to the hydraulic capacity of our filter beds that the DEP believes are not absorbing all of our wastewater as well as the nutrient levels (nitrogen and phosphorous) of the wastewater exiting our plant. The DEP has expressed in both letters and meetings during 2010 that the District must take prompt action to remedy this situation.

The District operates under a DEP groundwater permit that requires us to keep all of our wastewater in the ground for 21 days travel time and not have any of it emerge as surface water. The DEP has designated most of the watershed in this area with its AA water quality classification which is its highest classification and reserved for drinking water quality. The DEP has indicated it will not issue any new surface water permits in our watershed. WLSO must achieve compliance with current treatment and disposal requirements to renew its groundwater disposal permit or pipe its effluent to Torrington for treatment and disposal.

The District, working with consultants, is examining three alternatives to meet the long-term needs of the District:

1. Existing plant with groundwater recharge
2. Upgraded plant with groundwater recharge
3. Pipeline to Torrington WPCF

It is unlikely the DEP will issue WLSO a new groundwater permit without significant improvements to the treatment plant to remove nitrogen and phosphorous from our wastewater as well as proof of adequate hydraulic capacity in our filter beds. The District has developed a Scope of Work to update our Facilities Plan to deal with these and other issues. Other issues to be addressed include the substantial inflow and infiltration of both rain and groundwater into our collection system, environmental assessments, flow and pollutant loadings, and data monitoring of our collection system. The District forwarded an application for the funding of our Scope of Work to the DEP in December. The cost of this work is estimated at \$563,000 and has been submitted to the DEP for a planning grant under its Clean Water Fund. As the District went through a DEP required Qualifications Based Selection process for selecting our consultants, we believe the DEP will approve a grant for 55% of the cost of this work leaving the District with 45%, or approximately \$253,000. Both the Board and the taxpayers of the District approved this expenditure in December 2010. On February 3, 2011 the DEP sent a notice that it approved the District's revised plan and will be supporting their share of the cost through a grant.

**WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Looking Forward (Continued)

Following completion of this work in the summer of 2011, the District will seek to reach agreement with the DEP on an environmentally and economically acceptable plan for the long term waste water treatment and disposal requirements of the District. The ultimate solution and its costs are unknown at this time but preliminary estimates of the financial consequences range from \$6 million to \$20 million.

Overview of the Financial Statements

For a full discussion of the nature of the district wide and fund financial statements and the related accounting policies, please refer to Note 1 of the Financial Statements. In summary, the District Wide Financial Statements reflect the annual operating activities of the District and the full statement of net assets including net capital assets for the District. A condensed presentation of these statements is shown below. In addition, the WLSD provides government fund statements of its general fund and reconciliations back to the District Wide Statements. In brief, the governmental (general) fund includes the revenues and expenditures for both operations and capital outlays as well as only recognizes revenues if received within a limited period after year end.

District-Wide Financial Analysis

Condensed Financial Information:

Woodridge Lake Sewer District
Net Assets at June 30, 2010 and 2009

	2010	2009
Current and other Assets	\$ 846,858	\$ 899,804
Capital Assets (Net)	1,463,593	1,301,075
Total Assets	2,310,451	2,200,879
 Liabilities		
Current	59,425	58,108
Non-current	33,767	-
Total Liabilities	93,192	58,108
 Net Assets:		
Invested in capital assets, net of related debt	1,419,700	1,301,075
Unrestricted	797,559	841,696
Total Net Assets	\$ 2,217,259	\$ 2,142,771

**WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

District Wide Financial Analysis (Continued)

Woodridge Lake Sewer District
Changes in Net Assets for the
Years Ended June 30, 2010 and 2009

	2010		2009
Revenues:			
<u>General Revenues:</u>			
Sewer assessment taxes and delinquent charges	\$ 781,873	\$	808,917
Investment earnings	6,247		21,326
Other	40,390		37,404
<u>Total Revenues</u>	828,510		867,647
Expenses:			
General government (including unallocated depreciation)	754,022		646,593
<u>Total Expenses</u>	754,022		646,593
Change in Net Assets	74,488		221,054
Net Assets – Beginning	2,142,771		1,927,746
Adjustment to beginning net assets	-		(6,029)
Net Assets - Ending	\$ 2,217,259	\$	2,142,771

As reported above, a substantial portion of the District's net assets consist of capital assets (land, buildings, wastewater disposal infrastructure, equipment and furnishings).

The unrestricted net assets at June 30, 2010 have been accumulated to provide for anticipated and potential future expenditure requirements.

Investment earnings are lower due to reduced interest rates and a lower amount invested in certificates of deposit.

Financial Analysis of the District's Governmental Fund:

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and unexpended fund balances for both operating and capital outlays. See the previous explanation of operating variances regarding the outcome of the 2009-2010 General Fund budget to actual comparison in which the overall expenditures exceeded amounts budgeted.

Basic Financial Statements

WOODRIDGE LAKE SEWER DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

		Total Governmental Activities
ASSETS		
Cash and cash equivalents	\$	132,820
Sewer assessment tax receivable		36,268
Investments		677,770
Capital assets		4,509,637
Accumulated depreciation		(3,046,044)
TOTAL ASSETS		2,310,451
 LIABILITIES		
Accounts payable		41,693
Accrued payroll and payroll taxes		7,606
Liability for capital lease:		
Current portion		10,126
Non-current portion		33,767
TOTAL LIABILITIES		93,192
 NET ASSETS		
Investment in capital assets, net of related debt		1,419,700
Unrestricted		797,559
TOTAL NET ASSETS	\$	2,217,259

The notes to the financial statements are an integral part of this statement

**WOODRIDGE LAKE SEWER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS				
Governmental activities				
General Government	\$ 666,642	\$ 10,300	\$ -	\$ (656,342)
Depreciation (unallocated)	87,380	-	-	(87,380)
Total governmental activities	\$ 754,022	\$ 10,300	\$ -	(743,722)
General revenues				
Sewer assessment taxes, interest and fees				781,873
Cell tower rental				30,090
Unrestricted investment earnings				6,247
Total general revenues				818,210
Change in net assets				74,488
Net assets-beginning				2,142,771
Net assets - ending				<u>\$ 2,217,259</u>

The notes to the financial statements are an integral part of this statement

WOODRIDGE LAKE SEWER DISTRICT
BALANCE SHEET - GOVERNMENTAL (GENERAL) FUND
JUNE 30, 2010

	General Fund
ASSETS	
Cash and cash equivalents	\$ 132,820
Sewer assessment tax receivable	36,268
Investments	677,770
TOTAL ASSETS	\$ 846,858
 LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 41,693
Accrued payroll and payroll taxes	7,606
Deferred sewer assessment tax revenue	32,805
TOTAL LIABILITIES	82,104
FUND EQUITY (unreserved)	
Fund balance - designated	12,111
Fund balance - undesignated	752,643
TOTAL FUND EQUITY	764,754
TOTAL LIABILITIES AND FUND BALANCE	\$ 846,858

The notes to the financial statements are an integral part of this statement

WOODRIDGE LAKE SEWER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL (GENERAL) FUND
FOR THE YEAR ENDED JUNE 30, 2010

		General Fund
REVENUES		
Taxes	\$	765,939
Interest and lien fees		12,681
Investment income		6,247
Permit fees and connection charges		10,300
Other - cell tower rent		30,090
TOTAL REVENUES		825,257
EXPENDITURES		
<u>Personnel</u>		
Payroll		229,230
Payroll taxes and benefits		51,101
<u>Operations</u>		
Power and heat		70,945
Vehicle operation		18,416
Chemical supplies		3,733
Telephone/Beeper		4,556
Facilities and plant equipment maintenance		27,914
Collection system maintenance		112,783
Strison alarm maintenance		3,926
Other		10,403
<u>Office</u>		
Office Expenses		8,473
<u>Insurance</u>		
Insurance coverages		40,288
<u>Contingency Funds</u>		
Unanticipated expenditures		11,625
<u>Professional Fees</u>		
Legal, audit, engineering and testing		29,315
Consulting/Management - Project Coordinator		6,750
<u>Total Operating Expenses</u>		629,458
<u>Capital and Other</u>		
Capital outlay		285,762
<u>Debt Service</u>		
Capital lease		12,111
TOTAL EXPENDITURES		927,331
Excess (deficiency) of revenues over expenditures		(102,074)
Other Financing Sources		
Equipment lease-purchase		54,683
Excess (deficiency) of revenues and other financing sources over expenditures		(47,391)
Fund Balance at beginning of year		812,145
Fund Balance at end of year	\$	764,754

The notes to the financial statements are an integral part of this statement

**WOODRIDGE LAKE SEWER DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL (GENERAL) FUND TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Fund balance - governmental (general) fund \$ 764,754

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

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

Governmental capital assets	\$ 4,509,637	
Less accumulated depreciation	<u>(3,046,044)</u>	1,463,593

Uncollected sewer assessment taxes not available to pay for current period expenditures are deferred in the governmental funds.		32,805
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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>(43,893)</u>	

Net assets of governmental activities		<u><u>\$ 2,217,259</u></u>
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The notes to the financial statements are an integral part of this statement

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, 2010

Net change in fund balance - governmental (general) fund \$ \$ (47,391)

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 are
reflected in the current year:

Total capital outlay	285,762	
Less: portion expensed	<u>(35,863)</u>	
Portion capitalized	249,899	
Less current year depreciation	<u>(87,380)</u>	162,519

Funds provided through an equipment lease-purchase
agreement result in a current financial resource to
governmental funds, while a long-term obligation is created
which is reported as a liability in the statement of net assets. (54,683)

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 \$1,321) 10,790

Revenue from sewer assessment taxes in the statement of
activities is based on billings, while such revenue is reported
in the governmental fund when it becomes currently available.

Adjustment from available sewer assessment taxes to adjusted billed balances	<u>3,253</u>
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Change in net assets of governmental activities	<u><u>\$ 74,488</u></u>
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The notes to the financial statements are an integral part of this statement

**WOODRIDGE LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 nonfiduciary 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.

**WOODRIDGE LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Sewer Connection Fees

Sewer system connection fees are recorded as revenue when received.

**WOODRIDGE LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**WOODRIDGE LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories and their general meanings are as follows:

Reserved Fund Balance – indicates that portion of fund equity which has been legally segregated for specific purposes. Currently, no portion of the fund balance is reserved.

Unreserved Fund Balance – indicates that portion of fund equity which is available for appropriation and expenditure in future periods. A portion of this balance may be designated for certain uses.

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

Page 11 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 12 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.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS:

Cash, cash equivalents and investments consist of the following accounts at June 30, 2010:

Deposits	\$	
Demand Account		35,198
Certificates of Deposit		677,770
Total Deposits		712,968
Edward Jones – Cash Equivalent Account		97,572
Petty Cash		50
Total		810,590
Less: Certificates of deposit due at various times during the 2009-2010 year, and classified as investments (at market)		677,770
Total cash and cash equivalent	\$	132,820

**WOODRIDGE LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, total bank balances were \$718,287 and were covered by Federal Depository Insurance.

Cash Equivalents

At June 30, 2010, the District maintained an Edward Jones brokerage cash account for \$97,572 which was insured by the Securities Investor Protection Corporation (SIPC).

The amounts reported are applicable to both governmental activities and the general fund which is the only governmental fund.

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.

**WOODRIDGE LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 – CAPITAL ASSETS: (Continued)

With the exception of land, capital assets are depreciated over their estimated useful lives by the straight line method. Depreciation expense for 2009-2010 totaled \$87,380. 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 2009-2010 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	3,477,551	82,233	34,000	3,525,784
Equipment	697,986	126,916	47,799	777,103
Vehicles	56,000	40,750	-	96,750
Total Capital Assets being Depreciated	4,231,537	249,899	81,799	4,399,637
Less: Accumulated Depreciation	3,040,462	87,380	81,798	3,046,044
Capital Assets Being Depreciated – Net	1,191,075	162,519	(1)	1,353,593
Total Capital Assets – Net	\$ 1,301,075	\$ 162,519	\$ (1)	\$ 1,463,593

NOTE 6 – RETIREMENT PLAN:

The District maintains a Simplified Employee Pension Plan which covered three 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 \$10,943 were made during 2009-2010.

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, 2010**

NOTE 7 - DESIGNATED FUND BALANCE:

As of June 30, 2010, a portion of the fund balance of the general fund has been designated for specific purposes as follows:

A total of \$12,111 has been designated for debt service on an equipment lease-purchase agreement.

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. 2009-2010 lease expense totaled \$1,234. The following is a schedule of future minimum lease payments:

Year	Amount
2010-2011	1,200
2011-2012	1,200
2012-2013	\$ 300
Total	<u>2,700</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, and has been extended for an additional five year term, and may be further extended for three more five year terms at the option of the lessee. At year end, current monthly rent was \$2,452 after other communications companies have been added to the antenna. A total of \$30,090 was collected during 2009-2010.

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 \$2,732 at year end.

**WOODRIDGE LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10 - CAPITAL LEASE (Continued)

The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at June 30, 2010.

Year Ending June 30th	Amount
2011	\$ 12,111
2012	12,111
2013	12,111
2014	12,111
Total minimum lease payments	48,444
Less: Amount representing interest	4,551
Present value of future minimum lease payments	\$ <u>43,893</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 continued providing information and conducting ongoing discussion with DEP officials. The issues have not been resolved; the final outcome of this matter cannot be estimated and it is not known what state grant funds and/or low interest loans would be available to fund any actions.

NOTE 12 - DATE OF MANAGEMENT'S REVIEW:

The District has evaluated events and transactions subsequent to June 30, 2010 for potential recognition and disclosure through _____, the date the financial statements were available to be issued.

NOTE 13 - BUDGET VARIANCE:

For the year ended June 30, 2010 actual District General Fund Expenditures totaled \$927,331 and exceeded original budgeted expenditures by \$187,165 and amended budgeted expenditures by \$207,798.

* * * * *

**Required Supplementary Information -
Budget to Actual Report**

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 760,540	\$ 755,540	\$ 765,939	\$ 10,399
Interest and lien fees	500	5,500	12,681	7,181
Investment income	15,000	15,000	6,247	(8,753)
Permit fees and connection charges	11,000	11,000	10,300	(700)
Other - cell tower rent	30,000	30,000	30,090	90
TOTAL REVENUES	817,040	817,040	825,257	8,217
EXPENDITURES				
Personnel				
Payroll	225,930	172,800	229,230	(56,430)
Payroll taxes and benefits	-	32,497	51,101	(18,604)
Operations				
Power and heat	92,500	92,500	70,945	21,555
Vehicle operation	12,000	12,000	18,416	(6,416)
Chemical supplies	3,500	5,500	3,733	1,767
Telephone/Beeper	3,000	3,000	4,556	(1,556)
Facilities and plant equip maint.	25,000	23,000	27,914	(4,914)
Collection system maint.	60,000	60,000	112,783	(52,783)
Strison alarm maint.	4,000	4,000	3,926	74
Other	7,500	7,500	10,403	(2,903)
Office				
Office expenses	6,000	6,000	8,473	(2,473)
Insurance				
Insurance coverages	64,736	64,736	40,288	24,448
Contingency Funds				
Unanticipated expenditures	25,000	25,000	11,625	13,375
Professional Fees				
Legal, audit, engineering and testing	28,500	28,500	29,315	(815)
Consulting/Management - Project Coordinator	6,000	6,000	6,750	(750)
Total Operating Expenses	563,666	543,033	629,458	(86,425)
Capital and Other				
Capital outlay	176,500	176,500	285,762	(109,262)
Debt Service				
Capital lease	-	-	12,111	(12,111)
TOTAL EXPENDITURES	740,166	719,533	927,331	(207,798)
Excess (deficiency) of revenues over expenditures	76,874	97,507	(102,074)	(199,581)
OTHER FINANCING SOURCES				
Equipment lease-purchase	-	-	54,683	54,683
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ 76,874</u>	<u>\$ 97,507</u>	(47,391)	<u>\$ (144,898)</u>
Fund Balance at beginning of year			<u>812,145</u>	
Fund Balance at end of year			<u>\$ 764,754</u>	

SUPPLEMENTARY FINANCIAL DATA

**WOODRIDGE LAKE SEWER DISTRICT
SEWER ASSESSMENT TAXES COLLECTED AND UNCOLLECTED BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

List Year	Uncollected Taxes July 1, 2009 and Current Billings	Corrections and Adjustments	Actual Collections			Lien Fees	Total	Uncollected Sewer Assessment Taxes June 30, 2010
			Sewer Assessment Taxes	Interest				
2008	\$ 768,663	529	\$ 750,107	\$ 5,002	\$ 224	\$ 755,333	\$ 19,085	
2007	26,055	-	15,706	3,155	384	19,245	10,349	
2006	9,398	-	4,150	2,280	172	6,602	5,248	
2005	3,707	-	2,569	1,032	96	3,697	1,138	
2004	614	-	166	312	24	502	448	
Totals	\$ 808,437	\$ 529	\$ 772,698	\$ 11,781	\$ 900	\$ 785,379	\$ 36,268	

**THE WOODRIDGE LAKE SEWER DISTRICT
SCHEDULE OF INSURANCE
June 30, 2010**

INSURANCE:

<u>Blanket Buildings and Contents</u>	\$	4,736,735	100 % Coinsurance, \$5,000 Deductible Per Occurrence
<u>Unscheduled Property</u>	\$	25,000	Owned and Non-owned tools and Small Equipment Deductible \$500
<u>General Liability</u>	\$	3,000,000	General Aggregate Limit
	\$	1,000,000	Personal and Advertising Injury Limit
	\$	1,000,000	Each Occurrence Limit
	\$	100,000	Damage to Rental Premises Limit
	\$	10,000	Medical Expense Limit (any one person)
	\$	3,000,000	Products-Completed Operations - Aggregate Limit
<u>Public Officials and Employee Liability</u>	\$	3,000,000	Aggregate Limit
		1,000,000	Each wrongful act or offense
		5,000	Defense expense for Injunctive Relief Deductible of \$2,500
<u>Umbrella Policy</u>	\$	10,000,000	Aggregate limit, Self Insured Retention of \$10,000
<u>Motor Vehicles</u>	\$	1,000,000	Single-Limit Liability Each Accident
	\$	1,000,000	Uninsured Motorists Each Accident
	\$	250	Comprehensive Deductible
	\$	1,000	Collision Deductible
<u>Workers' Compensation</u>			Statutory Limits Within:
	\$	500,000	Bodily Injury by Accident (each accident)
	\$	500,000	Bodily Injury by Disease (policy limit)
	\$	500,000	Bodily Injury by Disease (each employee)
<u>Crime</u>	\$	250,000	Employee Dishonesty Coverage, with \$2,500 deductible

**WOODRIDGE LAKE SEWER DISTRICT
STATEMENT OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Receipts from taxation</u>	\$	785,379
 <u>Property tax relief for elderly</u>		<u>-</u>
 <u>Total Base</u>		\$ <u><u>785,379</u></u>

	General Purposes	Schools	Sewers	Urban Renewal
	\$	\$	\$	\$
<u>Debt Limitation:</u>				
2-1/4 times base	1,767,103	-	-	-
4-1/2 times base	-	3,534,206	-	-
3-3/4 times base	-	-	2,945,171	-
3-1/4 times base	-	-	-	2,552,482
 <u>Total Debt Limitation</u>	<u>1,767,103</u>	<u>3,534,206</u>	<u>2,945,171</u>	<u>2,552,482</u>
 <u>Outstanding Debt</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>Debt Limitation in Excess of Outstanding and Authorized Debt</u>	<u>\$ 1,767,103</u>	<u>\$ 3,534,206</u>	<u>\$ 2,945,171</u>	<u>\$ 2,552,482</u>

**WOODRIDGE LAKE SEWER DISTRICT
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS**

Board of Directors
Woodridge Lake Sewer District
Goshen, Connecticut

Dear Members:

We have audited the financial statements of the governmental activities and each major fund of the Woodridge Lake Sewer District, Goshen, Connecticut as of and for the year ended June 30, 2010, which collectively comprise the Woodridge Lake Sewer District's basic financial statements and have issued our report thereon dated

. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

**WOODRIDGE LAKE SEWER DISTRICT
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS**

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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Woodridge Lake Sewer District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Woodridge Lake Sewer District's financial statements that is more than inconsequential will not be prevented or detected by the Woodridge Lake Sewer District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. Listed are findings 2010-1 and 2010-2. However, these deficiencies were addressed during 2009-2010 as described in the schedule.

A material weakness is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Woodridge Lake Sewer District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Woodridge Lake Sewer District's basic 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 or 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*.

Woodridge Lake Sewer District's response to the findings identified in our audit is described in the schedule of findings and responses. We did not audit the Woodridge Lake Sewer District's response and accordingly, we express no opinion on it.

**WOODRIDGE LAKE SEWER DISTRICT
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS**

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

DeLEO & COMPANY, P.C.
Certified Public Accountants

New Milford, Connecticut

**WOODRIDGE LAKE SEWER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010**

Internal Control – Significant Deficiencies

Finding 2010-1 Account Reconciliations

Condition - In prior years we noted that key general ledger accounts were not reconciled on an ongoing basis.

Criteria - Internal controls should be in place to provide reasonable assurance that key general ledger accounts are reconciled and reviewed on a periodic basis.

Effect - Absent reconciliation, key general ledger accounts such as investments, payables, payroll and related taxes may reflect incorrect information relied on by management and the Board of Directors.

Recommendation - Our previous recommendation to establish a routine for reconciliation of key general ledger accounts was accomplished by the end of the year with the engagement of an outside accountant to assist with and oversee such reconciliations.

Finding 2010-2 – Accounting Procedures

Condition – During 2009-2010 accounting functions continue to be performed by two officials in the District office, the clerk and the tax collector. While both make bank deposits, the clerk records and accounts for expenditures and payables and the tax collector accounts for sewer tax billings and collections and payroll preparation.

Criteria – Duties which include control over both receipts and disbursements are normally considered incompatible and weaken controls.

Recommendation - We agree with the Board actions taken after the end of the year to provide new procedures regarding accounting for bank deposits and receipts.

**WOODRIDGE LAKE SEWER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010**

Audit Responses

Finding 2010-1 Account Reconciliations

Response - Although not always previously reflected in the general ledger, cash and investment accounts are reviewed and monitored by officials. Overall financial activities are reported to the Board of Directors on an ongoing basis, which provides for control even though the actual general ledger was not formally reconciled due to the limited staff. As acknowledged by the auditors, by year end, key general ledger balances were reconciled with the assistance of an outside accountant.

Finding 2010-2 Accounting Procedures

Response – As acknowledged by the auditors, subsequent to the year end, new procedures have been established to strengthen controls over bank deposits and receipts.