

WOODRIDGE LAKE SEWER DISTRICT
FINANCIAL REPORT
JUNE 30, 2017

WOODRIDGE LAKE SEWER DISTRICT

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JUNE 30, 2017

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CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Woodridge Lake Sewer District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Woodridge Lake Sewer District, as of June 30, 2017, 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 supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of Woodridge Lake Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woodridge Lake Sewer District's internal control over financial reporting and compliance.



Rocky Hill, Connecticut
November 7, 2017

WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The Woodridge Lake Sewer District ("WLSD") is a governmental entity organized under the statutes of the State of Connecticut. Its purpose is to provide wastewater treatment services to the 695 homes within the watershed surrounding Woodridge Lake in Goshen, Connecticut.

The District's financials are reported under various accounting methods to meet governmental and accounting standards. The District has received an 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, 2017 on pages 20-21.

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

Statement of Net Position

WLSD net assets at June 30, 2017 totaled \$3,290,595, a decrease from \$3,299,719 last year. As discussed below, we began our major capital improvement program increasing capital assets which were funded from current revenues, our unrestricted reserves and a grant and loan from the US Department of Agriculture Rural Development (USDA-RD) program.

General Fund

The General Fund year end resulted in a surplus of \$408,840. The General Fund transferred \$795,173 to the Capital Fund. This was even better than our original budget forecast of \$287,134 surplus. The General Fund balance at year end was \$747,836.

The general fund revenue amounted to \$1,102,670, which exceeded the budget by \$4,342. The District has put in place a proactive delinquent collections process. The current outstanding amount is \$12,592. The State Marshal is assigned to collect \$7,714 dealing with seven taxpayers including one in foreclosure.

The Operating Budget's actual expenditures were \$693,830, some \$117,364 lower than the budget. Staff related expenses were under the budgeted levels because reduced overtime and health insurance costs resulting in combined payroll savings of \$6,052. Lower maintenance requirements for Facilities, Plant and Collection Systems produced a \$20,123 favorable variance. Insurance expense was lower than plan by \$13,585. We did not utilize the contingency reserve of \$25,000.

We budgeted Professional Fees of \$71,700 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 \$51,683.

Capital Projects Fund

Last 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 in anticipation of the eventual decision by the Connecticut State DEEP on the processing treatment method for the system's effluent by building the transfer pipeline to the existing regional Torrington Water Pollution Control facility.

On June 21, 2016 the Torrington Water Company voiced concerns regarding our route and in response to their concerns we offered improvements which were rejected by its Board who announced that they would become interveners during the District's regulatory approval process.

WOODRIDGE LAKE SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

On August 4, 2016 the Goshen Inland Wetlands Commission held a public meeting on our proposed pipeline application, and in spite of the intervention of the Torrington Water Company, the Commission unanimously approved our pipeline permit on September 1, 2016.

On August 16, 2016 the Torrington Inland Wetlands Commission Public Hearing was closed by the Commissioners in spite of the continued intervention of the Torrington Water Company. On September 20, 2016 Torrington Inland Wetlands Commission unanimously approved our permit.

On September 1, 2016 the Torrington Water Company requested the CT Department of Public Health (DPH) to “correct the threat to water supply” as a result of the route through their watershed.

At this point the City of Torrington’s Water Pollution Control Authority informed us that we needed to clear the concerns of the water company and the DPH before moving forward with its review.

The District realized that it was not going to be able move forward with the construction of the transmission pipeline. In late 2016, we suspended the engineering work on the detailed pipeline engineering design work. However we required additional engineering work in support of the continued permit hearings and DPH review process. These changes in the work priorities resulted in under budget spending of \$853,382 for the planned engineering design work.

The Torrington Water Company’s intervention in the regulatory approval process resulted in unplanned legal expenses of \$ 229,334 for the District to defend the planned route approved by the DEEP. The halting of construction project resulted in under budget spending of \$3,050,000.

The district planned to initiate its annual inspection, monitoring and repair of four miles of our collection system this year but was distracted by the issues in the regulatory process resulting in under spending of \$182,240. We planned two other projects: the acquisition of the new standby generator and inspection of the forced main to the plant from Beach Street, both were slowed resulting in under budget spending of \$41,936.

In total the regulatory delays resulted in under spending of \$3,855,749.

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

Looking Forward

On August 29, 2017 the DPH issued a conditional approval of the proposed route as well as specifying the conditions under which we would be able to proceed. It is our goal to meet all of these conditions. The next and last steps in moving forward with the project will be the completion of the construction documents to include the comments received from the Torrington WPCA staff, the Department of Transportation, USDA-RD and DPH; as well as to obtain the approval of the Torrington WPCA to make the connection. It is our plan to begin construction in the spring of 2018. The District has adequate financing for the project through USDA long term loan commitment and a construction loan commitment from CoBank to proceed.

WOODRIDGE LAKE SEWER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Total Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 699,848
Sewer assessment tax receivable	12,592
Grant receivable	40,716
Prepaid expense	28,110
Capital assets	6,665,041
Accumulated depreciation	<u>(3,440,515)</u>
Total assets	<u>\$ 4,005,792</u>
LIABILITIES	
Accounts payable	\$ 4,460
Accrued payroll and payroll taxes	19,187
Accrued interest	14,914
Noncurrent liabilities:	
Due within one year	9,628
Due in more than one year	<u>667,008</u>
Total liabilities	<u>715,197</u>
NET POSITION	
Investment in capital assets, net of related debt	2,547,890
Unrestricted	<u>742,705</u>
Total net position	<u>\$ 3,290,595</u>

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

WOODRIDGE LAKE SEWER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Governmental activities				
General Government	\$ 942,671	\$ 6,180	\$ -	\$ (936,491)
Depreciation (unallocated)	169,253			(169,253)
Total governmental activities	\$ 1,111,924	\$ 6,180	\$ -	(1,105,744)
General revenues				
Sewer assessment taxes, interest, and fees				1,057,672
Cell tower rental and other				36,194
Unrestricted investment earnings				2,754
Total general revenues				1,096,620
Change in net position				(9,124)
Net position - beginning				3,299,719
Net position - ending				\$ 3,290,595

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

WOODRIDGE LAKE SEWER DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
 JUNE 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 699,848	\$ -	\$ 699,848
Sewer assessment tax receivable	12,592	-	12,592
Grant receivable	40,716	-	40,716
Prepaid expenses	28,110	-	28,110
Total assets	\$ 781,266	\$ -	\$ 781,266
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 4,460	\$ -	\$ 4,460
Deferred sewer tax revenue	9,783	-	9,783
Accrued payroll and payroll taxes	19,187	-	19,187
Total liabilities	33,430	-	33,430
FUND BALANCES			
Fund balance - unassigned	747,836	-	747,836
Total fund balances	747,836	-	747,836
Total liabilities and fund balance	\$ 781,266	\$ -	\$ 781,266

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, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUE			
Sewer assessment taxation	\$ 1,057,542	\$ -	\$ 1,057,542
Investment income	2,754	-	2,754
Other	36,194	-	36,194
Sewer permit fees / connection charge	6,180	-	6,180
Total revenues	\$ 1,102,670	\$ -	\$ 1,102,670
EXPENDITURES			
<u>Personnel</u>			
Payroll, payroll taxes and employee benefits	\$ 425,570	\$ -	\$ 425,570
<u>Operations</u>			
Power and heat	80,907	-	80,907
Plant & collection system maintenance	53,177	-	53,177
Other	25,028	-	25,028
<u>Office</u>			
Office trailer lease and other office expenses	21,544	-	21,544
<u>Insurance</u>			
Insurance coverage	67,587	-	67,587
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	20,017	229,334	249,351
Total operations	693,830	229,334	923,164
<u>Debt service</u>			
Principal	-	9,364	9,364
Interest	-	19,722	19,722
Total debt service	-	29,086	29,086
<u>Capital outlay</u>			
Emergency refurbishment of sewer pumps	-	132,876	132,876
Engineering design for proposed pipeline	-	265,889	265,889
Other capital improvements	-	38,064	38,064
Total capital outlay	-	436,829	436,829
Total expenditures	693,830	695,249	1,389,079
Excess (Deficiency) of revenues over expenditures	\$ 408,840	\$ (695,249)	\$ (286,409)

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, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Excess (Deficiency) of revenues over expenditures	\$ 408,840	\$ (695,249)	\$ (286,409)
OTHER FINANCING SOURCES			
Transfers in	-	795,173	795,173
Transfers out	(795,173)	-	(795,173)
Total other financing sources	(795,173)	795,173	-
Net Change in Fund Balances	(386,333)	99,924	(286,409)
Fund Balance - Beginning of year	1,134,169	(99,924)	1,034,245
Fund Balance - End of year	\$ 747,836	\$ -	\$ 747,836

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, 2017

Fund balance - governmental funds	\$	747,836
<p>Amounts reported for governmental activities in the statement of net position are different because of the following:</p>		
<p>Capital assets used in government activities are not financial resources and therefore are not reported in the governmental fund.</p>		
Governmental capital assets	\$ 6,665,041	
Less accumulated depreciation	<u>(3,440,515)</u>	
Net capital assets		3,224,526
<p>Uncollected sewer assessment taxes not available to pay for current period expenditures are deferred in the governmental fund.</p>		
		9,783
<p>Long-term liabilities, including capital leases are not due and payable in the current period, and therefore not reported in the governmental funds</p>		
Bond payable		(676,636)
Accrued interest		<u>(14,914)</u>
Net position of governmental activities	\$	<u>3,290,595</u>

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, 2017

Net change in fund balance - governmental funds **\$ (286,409)**

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	\$	436,829	
Less: portion expensed		-	
Portion capitalized		436,829	
Less: current year depreciation		169,253	267,576

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			215
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Debt service principal payments reported as expenditures in the governmental funds are reported as reduction of liabilities in the district-wide financial statements			9,364
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Revenue from sewer assessment taxes in the statement of activities is based on billings, while such revenue is reported in the governmental fund when it becomes currently available.

Adjustment from available sewer assessment taxes to adjusted billed balances			130
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Changes in net position of governmental activities **\$ (9,124)**

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

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Fund equity and net assets

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

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

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

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

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

Committed Fund Balance - indicates that portion of fund equity which is available for appropriation through a District meeting. There was no committed fund balance at June 30, 2017.

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, 2017

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, 2017:

Deposits	
Demand accounts	\$ 699,768
Total deposits	<u>699,768</u>
Petty cash	<u>80</u>
 Total cash and cash equivalents	 <u><u>\$ 699,848</u></u>

NOTE 4 - DEPOSIT AND INVESTMENT RISK

Legal and Contractual Provisions

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

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

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - DEPOSIT AND INVESTMENT RISK (Continued)

Deposits

At June 30, 2017, total bank balances were \$779,788. A total of \$250,000 was insured under the Federal Depository Insurance Corporation.

The balance, \$529,788, 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 \$442,963 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 2016-2017 totaled \$169,253. 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 2016-2017 was as follows:

<u>Description</u>	<u>Adjusted Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land (not depreciated)	\$ 110,000	\$ -	\$ -	\$ 110,000
Depreciable assets:				
Wastewater treatment plant and system	5,245,868	436,829	-	5,682,697
Equipment	770,166	-	-	770,166
Vehicles	102,178	-	-	102,178
Total capital assets being depreciated:	6,118,212	436,829	-	6,555,041
Less: accumulated depreciation	3,271,262	169,253	-	3,440,515
Capital assets being depreciated - net	2,846,950	267,576	-	3,114,526
 Total capital assets - net	 \$ 2,956,950	 \$ 267,576	 \$ -	 \$ 3,224,526

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 – LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	<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	\$ -	\$ 9,364	\$ 676,636	\$ 9,628
Long-Term liabilities	<u>\$ 686,000</u>	<u>\$ -</u>	<u>\$ 9,364</u>	<u>\$ 676,636</u>	<u>\$ 9,628</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	\$ 676,636

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2017:

Year	<u>Ending June 30th,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		10,784	18,297	29,081
2023-2027		58,751	86,655	145,406
2028-2032		67,697	77,709	145,406
2033-2037		78,004	67,402	145,406
2038-2042		89,880	55,526	145,406
2043-2047		103,565	41,841	145,406
2048-2052		119,334	26,072	145,406
2053-2056		108,417	7,903	116,320
		<u>\$676,636</u>	<u>\$457,525</u>	<u>\$ 1,134,161</u>

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017.

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 \$24,682 were made during 2016-2017.

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 \$36,194 was collected during 2016-2017.

WOODRIDGE LAKE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 9 - COMMITMENTS/CONTINGENCY

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

In March 2016, USDA-RD formally committed to financing the District's \$15.5 million long range facility project with \$2.8 million in grants and the balance in a 40 year loan at 2.25% interest rate. On June 13, 2016, after the District's taxpayers had previously voted to approve the \$15.5 million appropriation by 194 yes votes and one no vote, the Board ratified the signatures of James Mersfelder and Alfred Shull on two sets of resolution papers from the USDA-RD to secure the grant and loan totaling \$15.5 million. None of the proceeds associated with this particular funding had been advanced to the District as of June 30, 2017. The District also has a construction loan commitment from CoBank; this commitment is intended to provide funding to bridge the gap between required cash outlays for the project and receipt of USDA loan proceeds.

NOTE 10 – INTERFUND TRANSFERS

The District routinely transfers unrestricted receipts to various funds in order to finance the costs in those funds. Transfers for the year ended June 30, 2017 are as follows:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Major Governmental Funds			
General Fund	\$ -	\$ (795,173)	\$ (795,173)
Capital Projects Fund	795,173	-	795,173
Total	<u>\$ 795,173</u>	<u>\$ (795,173)</u>	<u>\$ -</u>

NOTE 11 - DATE OF MANAGEMENT'S REVIEW

The District has evaluated events and transactions subsequent to June 30, 2017 for potential recognition and disclosure through November 7, 2017, 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, 2017**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Sewer assessment taxation	\$ 1,053,328	\$ 1,057,542	\$ 4,214
Investment income	2,000	2,754	754
Other - cell tower rent	39,000	36,194	(2,806)
Sewer permit fees / connection charge	4,000	6,180	2,180
Total revenues	\$ 1,098,328	\$ 1,102,670	\$ 4,342
EXPENDITURES			
<u>Personnel</u>			
Payroll, payroll taxes and employee benefits	\$ 431,622	\$ 425,570	\$ 6,052
<u>Operations</u>			
Power and heat	81,000	80,907	93
Plant & collection system maintenance	73,300	53,177	20,123
Other	31,300	25,028	6,272
Contingency	25,000	-	25,000
<u>Office</u>			
Office trailer lease and other office expenses	16,100	21,544	(5,444)
<u>Insurance</u>			
Insurance coverage	81,172	67,587	13,585
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	71,700	20,017	51,683
Total operations	811,194	693,830	117,364
Excess (Deficiency) of revenues over expenditures	287,134	408,840	121,706
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(795,173)	(795,173)
Total other financing sources	-	(795,173)	(795,173)
Net Change in Fund Balances	287,134	(386,333)	(673,467)
Fund Balance - Beginning of year		1,134,169	
Fund Balance - End of year		\$ 747,836	

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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	\$ -	\$ 229,334	\$ (229,334)
Total operations	-	229,334	(229,334)
<u>Debt service</u>			
Principal	29,087	9,364	19,723
Interest	32,400	19,722	12,678
Total debt service	61,487	29,086	32,401
<u>Capital outlay</u>			
Emergency refurbishment of sewer pumps	58,000	132,876	(74,876)
Electronic monitoring and collection rebuild	182,240	-	182,240
Engineering design for proposed pipeline	1,119,271	265,889	853,382
Torrington pipeline construction	3,050,000	-	3,050,000
Other capital improvements	80,000	38,064	41,936
Total capital outlay	4,489,511	436,829	4,052,682
Total expenditures	4,550,998	695,249	3,855,749
Excess (Deficiency) of revenues over expenditures	(4,550,998)	(695,249)	3,855,749
OTHER FINANCING SOURCES (USES)			
Transfers in	-	795,173	795,173
Bond proceeds	3,375,547	-	(3,375,547)
Total other financing sources	3,375,547	795,173	(2,580,374)
Net Change in Fund Balances	(1,175,451)	99,924	1,275,375
Fund Balance - Beginning of year		(99,924)	
Fund Balance - End of year		\$ -	

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, 2017

List Year	Uncollected Taxes July 1, 2016 and Current Billings	Corrections and Adjustments	Actual Collections				Uncollected Sewer Assessment Taxes June 30, 2017
			Sewer Assessment Taxes	Interest	Lien Fees	Total	
2015	\$ 1,048,452	\$ (2,708)	\$ 1,037,453	\$ 5,940	\$ 237	1,043,630	\$ 8,291
2014	9,631	(290)	7,733	1,464	262	9,459	1,608
2013	3,185	-	1,973	614	48	2,635	1,212
2012	2,015	-	869	633	99	1,601	1,146
2011	637	-	302	45	-	347	335
Totals:	\$ 1,063,920	\$ (2,998)	\$ 1,048,330	\$ 8,696	\$ 646	\$ 1,057,672	\$ 12,592

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

WOODRIDGE LAKE SEWER DISTRICT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2017

Base:

Receipts from taxation	\$ 1,057,672	
Property tax relief for elderly	<u>-</u>	
Total base		<u><u>\$ 1,057,672</u></u>

Debt limitation:	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>
2-1/4 times base	2,379,762	-	-	-
4-1/2 times base	-	4,759,524	-	-
3-3/4 times base	-	-	3,966,270	-
3-1/4 times base	-	-	-	<u>3,437,434</u>
Total debt limitation	<u>2,379,762</u>	<u>4,759,524</u>	<u>3,966,270</u>	<u>3,437,434</u>
Indebtedness:				
Notes payable	<u>-</u>	<u>-</u>	<u>676,636</u>	<u>-</u>
Total indebtedness	<u>-</u>	<u>-</u>	<u>676,636</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 2,379,762</u></u>	<u><u>\$ 4,759,524</u></u>	<u><u>\$ 3,289,634</u></u>	<u><u>\$ 3,437,434</u></u>

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



CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major funds of Woodridge Lake Sewer District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Woodridge Lake Sewer District's basic financial statements, and have issued our report thereon dated November 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Woodridge Lake Sewer District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodridge Lake Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodridge Lake Sewer District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carneg, Roy and Gend, P.C.

Rocky Hill, Connecticut
November 7, 2017