

**WOODRIDGE LAKE SEWER DISTRICT**  
**FINANCIAL REPORT**  
JUNE 30, 2019

**WOODRIDGE LAKE SEWER DISTRICT**

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**JUNE 30, 2019**

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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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 21-22 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 11, 2019, 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 11, 2019

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

JUNE 30, 2019

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 697 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 unmodified (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, 2019 on pages 21-22.

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**

WLS D net assets at June 30, 2019 totaled \$3,467,175, an increase from \$3,328,474 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.

**Condensed Comparative Financial Information for the Years Ended June 30**

**TABLE 1**  
**CONDENSED STATEMENTS OF NET POSITION**

	2019	2018	Change
Current and other assets	\$ 408,588	\$ 505,494	\$ (96,906)
Capital assets	3,834,893	3,543,460	291,433
<b>Total assets</b>	<b>4,243,481</b>	<b>4,048,954</b>	<b>194,527</b>
Noncurrent liabilities	657,091	667,002	(9,911)
Other liabilities	119,215	53,478	65,737
<b>Total liabilities</b>	<b>776,306</b>	<b>720,480</b>	<b>55,826</b>
Net investment in capital assets	3,177,802	2,876,458	301,344
Unrestricted	289,373	452,016	(162,643)
<b>Total net position</b>	<b>\$3,467,175</b>	<b>\$3,328,474</b>	<b>\$ 138,701</b>

**WOODRIDGE LAKE SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 JUNE 30, 2019

**Condensed Comparative Financial Information for the Years Ended June 30 (Continued)**

**TABLE 2**  
**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Charges for services	\$ 260	\$ 2,060	\$ (1,800)
Operating grants and contributions	-	54,514	(54,514)
<b>Total program revenues</b>	<u>260</u>	<u>56,574</u>	<u>(56,314)</u>
Sewer assessment taxes, interest, and fees	1,124,066	1,059,489	64,577
Cell tower rental and other	45,290	44,527	763
Unrestricted investment earnings	6,045	5,690	355
<b>Total general revenues</b>	<u>1,175,401</u>	<u>1,109,706</u>	<u>65,695</u>
<b>Total revenues</b>	<u>1,175,661</u>	<u>1,166,280</u>	<u>9,381</u>
General government expenses	853,916	947,621	(93,705)
Depreciation	183,044	180,780	2,264
<b>Total program expenses</b>	<u>1,036,960</u>	<u>1,128,401</u>	<u>(91,441)</u>
<b>Total expenses</b>	<u>1,036,960</u>	<u>1,128,401</u>	<u>(91,441)</u>
Change in net position	138,701	37,879	100,822
Beginning net position	3,328,474	3,290,595	37,879
<b>Ending net position</b>	<u>\$3,467,175</u>	<u>\$3,328,474</u>	<u>\$ 138,701</u>

**General Fund (see page 21)**

The General Fund year end resulted in a surplus of \$407,112. The General Fund transferred \$516,071 to the Capital Fund. This was even better than our original budget forecast of \$348,130 surplus. The General Fund balance at year end was \$370,862.

The General Fund revenue amounted to \$1,171,346, which was less than the budget by \$5,131. The District has put in place a proactive delinquent collections process. The current outstanding amount is \$10,361.

The General Fund's actual expenditures were \$764,234, \$64,113 lower than the budget. This was primarily due to lower spending on Professional Fees and Insurance costs offset by higher Plant and Collection costs due to emergency repairs at a pumping station. We did not utilize the contingency reserve of \$25,000.

We budgeted Professional Fees of \$103,300 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 \$83,568.

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

JUNE 30, 2019

**Capital Projects Fund (see page 22)**

During the first half of the fiscal year the District worked to accelerate the completion of the bid documents for the Torrington project with Woodard & Curran, we continued the negotiations with the City of Torrington towards an acceptable Inter Municipal Agreement, and continued to submit documents to the Department of Public Health in compliance of their Order dated August 29, 2017.

As a result of the failure of Woodard & Curran to meet committed delivery dates on January 22, 2019 the District contracted with DPC Engineering to complete the bid documents for the Torrington project. By May the bid documents were completed and distributed to potential bidders. The total engineering design costs for the fiscal year were \$381,926 which was \$228,926 over plan.

On June 14, 2019 the bids for the Torrington project were opened and, combined with the increased charges requested by Torrington in the still unresolved IMA, resulted in an increase in the total project cost of \$7 million. The District immediately completed a formal request to our funder, the USDA-RD, to raise the funding level from the approved level of \$15.508 million to \$22.550 million. The funder indicated that they could not support the new increase.

On June 29, 2019 the District held a taxpayer information meeting at the Clubhouse and announced the issues raised by the USDA regarding the funding. As a result the District put the Torrington project on hold. As a result, we did not spend the budgeted \$1,050,000 for planned construction.

As per our ongoing Infiltration and Inflow (I/I) Reduction Project, during the year we cleaned and CCTVed four-miles of sewer lines. The required CCTV work, analysis, and repairs were budgeted at \$180,000 and were contracted during the last quarter but the work was not completed during this fiscal year and so the project was under plan.

Our total capital plan was to spend \$1,510,400 against an actual spend of \$474,477.

**Looking Forward**

On September 10, 2019 WLSD engaged DPC Engineering, LLC to develop a Preliminary Engineering Report (PER) and Environmental Report (ER) to review three options: the Torrington pipeline utilizing Clean Water Funding, the local alternative, and the Litchfield option with USDA funding for the last two options. Included in this work is coordination with DEEP permitting requirements, an implementation plan for the options, and coordination between USDA and the District. This is the next step towards resolving the long standing consent decree.

**WOODRIDGE LAKE SEWER DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2019**

	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 299,331
Sewer assessment tax receivable	10,361
Grant receivable	95,230
Prepaid expense	3,666
Capital assets	7,588,221
Accumulated depreciation	<u>(3,753,328)</u>
<b>Total assets</b>	<b>\$ 4,243,481</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 89,034
Accrued payroll and payroll taxes	15,698
Accrued interest	14,483
Noncurrent liabilities:	
Due within one year	10,189
Due in more than one year	<u>646,902</u>
<b>Total liabilities</b>	<b><u>776,306</u></b>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	3,177,802
Unrestricted	<u>289,373</u>
<b>Total net position</b>	<b>\$ <u>3,467,175</u></b>

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



**WOODRIDGE LAKE SEWER DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>FUNCTIONS/PROGRAMS</b>				
Governmental activities				
General Government	\$ 853,916	\$ -	\$ -	\$ (853,656)
Depreciation (unallocated)	183,044			(183,044)
<b>Total governmental activities</b>	<b>\$ 1,036,960</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,036,700)</b>
<b>General revenues</b>				
Sewer assessment taxes, interest, and fees				1,124,066
Cell tower rental and other				45,290
Unrestricted investment earnings				<u>6,045</u>
<b>Total general revenues</b>				<u>1,175,401</u>
<b>Change in net position</b>				138,701
<b>Net position - beginning</b>				<u>3,328,474</u>
<b>Net position - ending</b>				<u><u>\$ 3,467,175</u></u>

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

**WOODRIDGE LAKE SEWER DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
 JUNE 30, 2019

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 299,331	\$ -	\$ 299,331
Sewer assessment tax receivable	10,361	-	10,361
Grant receivable	95,230	-	95,230
Prepaid expenses	3,666	-	3,666
<b>Total assets</b>	<b>\$ 408,588</b>	<b>\$ -</b>	<b>\$ 408,588</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 14,405	\$ 74,629	\$ 89,034
Deferred sewer tax revenue	7,623	-	7,623
Accrued payroll and payroll taxes	15,698	-	15,698
<b>Total liabilities</b>	<b>37,726</b>	<b>74,629</b>	<b>112,355</b>
<b>FUND BALANCES</b>			
Fund balance - unassigned	370,862	(74,629)	296,233
<b>Total fund balances</b>	<b>370,862</b>	<b>(74,629)</b>	<b>296,233</b>
<b>Total liabilities and fund balance</b>	<b>\$ 408,588</b>	<b>\$ -</b>	<b>\$ 408,588</b>

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

**WOODRIDGE LAKE SEWER DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>			
Sewer assessment taxation	\$ 1,119,751	\$ -	\$ 1,119,751
Investment income	6,045	-	6,045
Other	45,290	-	45,290
Sewer permit fees / connection charge	<u>260</u>	<u>-</u>	<u>260</u>
<b>Total revenues</b>	<u>\$ 1,171,346</u>	<u>\$ -</u>	<u>\$ 1,171,346</u>
<b>EXPENDITURES</b>			
<u>Personnel</u>			
Payroll, payroll taxes and employee benefits	\$ 405,423	\$ -	\$ 405,423
<u>Operations</u>			
Power and heat	85,666	-	85,666
Plant & collection system maintenance	143,778	-	143,778
Other	31,258	-	31,258
<u>Office</u>			
Office trailer lease and other office expenses	16,456	-	16,456
<u>Insurance</u>			
Insurance coverage	61,921	-	61,921
<u>Professional fees</u>			
Legal, audit, engineering and testing and other	<u>19,732</u>	<u>71,261</u>	<u>90,993</u>
<b>Total operations</b>	<u>764,234</u>	<u>71,261</u>	<u>835,495</u>
<u>Debt service</u>			
Principal	-	9,911	9,911
Interest	<u>-</u>	<u>19,176</u>	<u>19,176</u>
<b>Total debt service</b>	<u>-</u>	<u>29,087</u>	<u>29,087</u>
<u>Capital outlay</u>			
Engineering design for proposed pipeline	-	381,926	381,926
Pipe lining, clean & TV collection system	-	81,999	81,999
Snow plow & sanding equipment	<u>-</u>	<u>10,552</u>	<u>10,552</u>
<b>Total capital outlay</b>	<u>-</u>	<u>474,477</u>	<u>474,477</u>
<b>Total expenditures</b>	<u>764,234</u>	<u>574,825</u>	<u>1,339,059</u>

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

**WOODRIDGE LAKE SEWER DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Total expenditures</b>	764,234	574,825	1,339,059
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>\$ 407,112</b>	<b>\$ (574,825)</b>	<b>\$ (167,713)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	516,071	516,071
Transfers out	(516,071)	-	(516,071)
Proceeds from sale of capital assets	580	-	580
<b>Total other financing sources</b>	<b>(515,491)</b>	<b>516,071</b>	<b>580</b>
<b>Net Change in Fund Balances</b>	<b>(108,379)</b>	<b>(58,754)</b>	<b>(167,133)</b>
<b>Fund Balance - Beginning of year</b>	479,241	(15,875)	463,366
<b>Fund Balance - End of year</b>	<b>\$ 370,862</b>	<b>\$ (74,629)</b>	<b>\$ 296,233</b>

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, 2019**

**Fund balance - governmental funds** \$ 296,233

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

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

Governmental capital assets	\$ 7,588,221	
Less accumulated depreciation	<u>(3,753,328)</u>	
Net capital assets		3,834,893

Uncollected sewer assessment taxes not available to pay for current period expenditures are deferred in the governmental fund.		7,623
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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.

Bond payable		(657,091)
Accrued interest		<u>(14,483)</u>

**Net position of governmental activities** \$ 3,467,175

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, 2019

**Net change in fund balance - governmental funds** **\$ (167,133)**

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 various adjustments for capital assets.

Total capital outlay	\$	474,477	
Less: portion expensed		-	
Portion of capital outlay capitalized		<u>474,477</u>	
Less: current year depreciation		<u>(183,044)</u>	
			291,433

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			175
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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			9,911
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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			<u>4,315</u>
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<b>Changes in net position of governmental activities</b>			<b><u>\$ 138,701</u></b>
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The accompanying notes are an integral part of the financial statements.

# WOODRIDGE LAKE SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

### 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, 2019**

**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, 2019

### 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, 2019.

*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, 2019

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

Page 11 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 12 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, 2019:

Deposits	
Demand accounts	\$ 299,328
Total deposits	<u>299,328</u>
Petty cash	<u>3</u>
 Total cash and cash equivalents	 <u><u>\$ 299,331</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, 2019

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

*Deposits*

At June 30, 2019, total bank balances were \$314,811. A total of \$250,000 was insured under the Federal Depository Insurance Corporation.

The balance, \$64,811, 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 \$61 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 2018-2019 totaled \$183,044. 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 2018-2019 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	6,064,991	463,925	-	6,528,916
Equipment	827,396	-	-	827,396
Vehicles	111,357	10,552	-	121,909
Total capital assets being depreciated:	7,003,744	474,477	-	7,478,221
Less: accumulated depreciation	3,570,284	183,044	-	3,753,328
Capital assets being depreciated - net	3,433,460	291,433	-	3,724,893
Total capital assets - net	\$ 3,543,460	\$ 291,433	\$ -	\$ 3,834,893