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To the Board of Directors
Eastern Highlands Health District
Mansfield, Connecticut

We have audited the financial statements of the governmental activities and each major fund information of the Eastern Highlands Health District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 28, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Eastern Highlands Health District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was as follows:

> Management's estimate of the net other post employment benefit (OPEB) liability is based on an actuarial valuation utilizing various assumptions and estimates approved by management. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear. There were no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the management's discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

RESTRICTION OF USE

This information is intended solely for the information and use of the Board of Directors and management of the Eastern Highlands Health District and is not intended to be and should not be, used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 5, 2019

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Independent Auditors' 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 Members of the Board of Directors
Eastern Highlands Health District
Mansfield, 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 each major fund of the Eastern Highlands Health District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Eastern Highlands Health District's basic financial statements, and have issued our report thereon dated November 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Eastern Highlands Health 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 the Eastern Highlands Health District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Eastern Highlands Health 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 the Eastern Highlands Health District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Eastern Highlands Health District'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 Eastern Highlands Health District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 5, 2019

step forward →

EASTERN HIGHLANDS HEALTH DISTRICT

FINANCIAL STATEMENTS
JUNE 30, 2019

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EASTERN HIGHLANDS HEALTH DISTRICT
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JUNE 30, 2019

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Independent Auditors' Report

To the Board of Directors
Eastern Highlands Health District
Mansfield, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Eastern Highlands Health District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Eastern Highlands Health 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.

Auditors' Responsibility

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

An independent member of Baker Tilly International

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 each major fund of the Eastern Highlands Health District as of June 30, 2019 and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 OPEB schedule, as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019 on our consideration of the Eastern Highlands Health 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 solely 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 effectiveness of the Eastern Highlands Health District's 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 the Eastern Highlands Health District's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 5, 2019

Eastern Highlands Health District

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Management of the Eastern Highlands Health District (the District) offers readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $653,786 (*net position*). Of this amount, $521,926 (*unrestricted net position*) may be used to meet the District's ongoing obligations to creditors.
- The District's total net position increased by $65,502. The District had an operational surplus of $79,127 coming from revenues in excess of budget ($39,696), less budgeted use of fund balance ($31,407) which did not occur, and expenditures less than budget ($65,928) in the General Fund, plus an increase of $4,910 in Capital Projects from unspent revenues. The operational surplus was offset by an increase in the compensated absence liability and depreciation in excess of asset additions.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $564,075, an increase of $79,127 in comparison with the prior year. Of combined fund balances, $432,295 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $432,295 or 58% of total General Fund expenditures and transfers out.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Health Grants Fund and Capital Projects Fund, all of which are considered to be major funds.

The General Fund is the general operating fund of the District and operates under a budget. Annually, the budget is voted upon by District Board Members. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of Eastern Highlands Health District, assets exceeded liabilities by $653,786 at the close of the most recent fiscal year.

Of the net position, $131,860 reflects the District's investment in capital assets (e.g., office equipment and vehicles). These assets are not available for future spending.

EASTERN HIGHLANDS HEALTH DISTRICT
NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018 (as Restated)
Current and other assets	$ 629,782	$ 565,602
Capital assets, net of accumulated depreciation	131,860	150,141
Total assets	761,642	715,743
Deferred outflows of resources	180	
Long-term liabilities outstanding	42,250	46,805
Other liabilities	65,707	80,654
Total liabilities	107,957	127,459
Deferred inflows of resources	79	
Net Position:		
Net investment in capital assets	131,860	150,141
Unrestricted	521,926	438,143
Total Net Position	$ 653,786	$ 588,284

At the end of the current fiscal year, the District is able to report positive balances in both of the categories of net position.

- **Governmental Activities** - The District's net position increased by $65,502 during the current fiscal year. The District had an operational surplus of $79,127 coming from revenues in excess of budget ($39,696), less budgeted use of fund balance ($31,407) which did not occur, and expenditures less than budget ($65,928), primarily from unanticipated staff vacancies in the General Fund, plus an increase of $4,910 in Capital Projects from unspent revenues. The operational surplus was offset by an increase in the compensated absence liability ($6,537) and depreciation in excess of asset additions.

EASTERN HIGHLANDS HEALTH DISTRICT
CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Revenues:		
Program revenues:		
Charges for services	$ 298,887	$ 295,456
Operating grants and contributions	223,378	236,878
General revenues:		
Assessment to member towns	429,258	429,280
Miscellaneous	1,910	
Total revenues	953,433	961,614
Expenses:		
Health services	887,931	940,347
Change in net position	65,502	21,267
Net Position - July 1	588,284	581,003
Restatement		(13,986)
Net Position - June 30	$ 653,786	$ 588,284

- Charges for services increased from the prior year by $3,431, primarily due to fluctuations in demand for the following services: food protection services increase of $12,562, engineered plan reviews increase of $2,855 and septic permits increase of $7,265, offset by a decrease in wellness program services for Mansfield of $20,118.

- Operating grants and contributions decreased by a net of $13,500, primarily due to the following:

  - Decrease in the State Grant in Aid for $16,658
  - Increase for the receipt of the Medical Reserve Corp (MRC) grant for Region 4 for $2,344

- Assessment to member towns showed no major change.

Health services expenditures decreased by $52,416, primarily due to a decrease in salaries and benefits due to unfilled vacancies partially offset by an increase in purchased services.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $564,075, an increase of $79,127 in comparison with the prior year. Of the ending fund balances, $432,295 constitutes unassigned fund balance, which is available for spending at the District's discretion.

The General Fund is the operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was $432,295.

The fund balance of the District's General Fund increased by $74,217 during the current fiscal year. The key factors in this increase are revenues in excess of budget by $39,696, primarily in charge for services and expenditures less than budget primarily for salaries and benefits due to unfilled vacancies,

The Capital Projects Fund has a total fund balance of $131,780, all of which is restricted for capital projects. There was no Capital outlay for the fiscal year. Disposals for the year included a 2006 vehicle and computer equipment, totaling $16,103.

General Fund Budgetary Highlights

During the year, expenditures were less than budgetary estimates by $65,928. The key factors are a reduction in salary and benefit costs of $53,882 primarily due to unfilled vacancies. In addition, there were savings in multiple service and supply accounts, including: training ($1,744), legal expense ($1,555), liability insurance ($1,449), purchased services ($3,827) and office equipment ($2,339).

Capital Assets

Capital Assets - The District's investment in capital assets for its governmental activities as of June 30, 2019 amounts to $131,860 (net of accumulated depreciation). This investment in capital assets includes office equipment and vehicles. Depreciation expense was $16,671 for the year. Asset disposals this year for $16,103 included a 2006 vehicle ($13,504) and computer equipment ($2,599).

EASTERN HIGHLANDS HEALTH DISTRICT CAPITAL ASSETS (NET OF DEPRECIATION)

	2019	2018
Office equipment	$ 87,604	$ 96,651
Vehicles	44,256	53,490
Total	$ 131,860	$ 150,141

Economic Factors and Next Year's Budgets and Rates

The facilities and offices of the Eastern Highlands Health District are located east of Hartford, Connecticut. The Eastern Highlands Health District is one of 20 local health districts in the state of Connecticut. Established on June 6, 1997, it now serves the towns of Andover, Ashford, Bolton, Chaplin, Columbia, Coventry, Scotland, Tolland, Willington and Mansfield, with a total district population of 82,082. The main District office is located in the town of Mansfield.

The budget for fiscal year 2020 was passed by its Board of Directors on February 21, 2019 for $836,382. We anticipate being able to operate according to the Board's Adopted Budget for fiscal year 19/20.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cheryl A. Trahan, Director of Finance, Town of Mansfield, 4 South Eagleville Road, Mansfield, CT 06268.

EXHIBIT I

EASTERN HIGHLANDS HEALTH DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities
Assets:		
Cash and cash equivalents	$	609,465
Receivables:		
Accounts		20,317
Capital assets being depreciated (net of accumulated depreciation):		
Office equipment		87,604
Vehicles		44,256
Total assets		761,642
Deferred Inflows of Resources:		
Deferred inflows of resources related to OPEB		180
Liabilities:		
Accounts payable		4,378
Accrued liabilities		20,783
Unearned revenue		40,546
Noncurrent liabilities:		
Compensated absences, due within one year		5,256
Compensated absences, due in more than one year		21,026
Total OPEB liability		15,968
Total liabilities		107,957
Deferred Outflows of Resources:		
Deferred outflows of resources related to OPEB		79
Net Position:		
Net investment in capital assets		131,860
Unrestricted		521,926
Total Net Position	$	653,786

The accompanying notes are an integral part of the financial statements

EXHIBIT II

EASTERN HIGHLANDS HEALTH DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position: Total Governmental Activities
Governmental Activities:				
Health services	$ 887,931	$ 298,887	$ 223,378	$ (365,666)
General revenues:				
Assessment to member towns				429,258
Miscellaneous				1,910
Total general revenues				431,168
Change in Net Position				65,502
Net Position at Beginning of Year, as Restated				588,284
Net Position at End of Year				$ 653,786

The accompanying notes are an integral part of the financial statements

EASTERN HIGHLANDS HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Funds			
	General	Health Grants	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 450,467	$ 27,218	$ 131,780	$ 609,465
Receivables:				
Accounts	3,222	17,095		20,317
Total Assets	$ 453,689	$ 44,313	$ 131,780	$ 629,782
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	$ 835	$ 3,543	$	$ 4,378
Accrued liabilities	20,559	224		20,783
Unearned revenue		40,546		40,546
Total liabilities	21,394	44,313	-	65,707
Fund Balances:				
Restricted for capital projects			131,780	131,780
Unassigned	432,295			432,295
Total fund balances	432,295	-	131,780	564,075
Total Liabilities and Fund Balances	$ 453,689	$ 44,313	$ 131,780	$ 629,782

(Continued on next page)

EASTERN HIGHLANDS HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:		
Total Fund Balances (Exhibit III, Page 1)		$ 564,075
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	$ 273,314	
Less accumulated depreciation	(141,454)	
Net capital assets		131,860
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Deferred outflows of resources related to OPEB		180
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences		(26,282)
Deferred inflows of resources related to OPEB		(79)
Total OPEB liability		(15,968)
Net Position of Governmental Activities (Exhibit I)		$ 653,786

The accompanying notes are an integral part of the financial statements

EASTERN HIGHLANDS HEALTH DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds			
	General	Health Grants	Capital Projects	Total Governmental Funds
Revenues:				
Member town contributions	$ 429,258	$ 51,597	$	$ 480,855
Intergovernmental	133,327	79,400		212,727
Septic permits	51,145			51,145
Well permits	12,955			12,955
B100a building permit review	29,445			29,445
Soil testing service	40,960			40,960
Engineered plan review	29,535			29,535
Food protection service	83,961			83,961
Non-engineered plan review	60			60
Group home/daycare inspection	1,210			1,210
Subdivision review	1,170			1,170
Food plan review	4,290			4,290
Other health services	3,210		1,910	5,120
Total revenues	820,526	130,997	1,910	953,433
Expenditures:				
Current:				
Payroll and benefits	656,231	78,300		734,531
Other purchased services	54,114	38,927		93,041
Liability insurance	14,351			14,351
Supplies and services	11,308	4,847		16,155
Repairs and maintenance	2,663			2,663
Other	4,642	8,923		13,565
Total expenditures	743,309	130,997	-	874,306
Excess of Revenues over Expenditures	77,217	-	1,910	79,127
Other Financing Sources (Uses):				
Transfers in			3,000	3,000
Transfers out	(3,000)			(3,000)
Total other financing sources (uses)	(3,000)	-	3,000	-
Net Change in Fund Balances	74,217	-	4,910	79,127
Fund Balances at Beginning of Year	358,078	-	126,870	484,948
Fund Balances at End of Year	$ 432,295	$ -	$ 131,780	$ 564,075

(Continued on next page)

EASTERN HIGHLANDS HEALTH DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	$ 79,127
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. This is the amount by which depreciation exceeded capital outlays in the current period:	
Depreciation expense	(16,671)
Loss on disposal of capital assets	(1,610)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred outflows of resources related to OPEB	180
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 governmental funds:	
Compensated absences	6,537
Change in deferred inflows of resources related to OPEB	(79)
Change in total OPEB liability	(1,982)
Change in Net Position of Governmental Activities (Exhibit II)	$ 65,502

The accompanying notes are an integral part of the financial statements

EASTERN HIGHLANDS HEALTH DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Member town contributions	$ 429,270	$ 429,270	$ 429,258	$ (12)
Intergovernmental	123,280	123,280	133,327	10,047
Septic permits	40,080	40,080	51,145	11,065
Well permits	15,960	15,960	12,955	(3,005)
B100a building permit review	30,700	30,700	29,445	(1,255)
Soil testing service	32,550	32,550	40,960	8,410
Engineered plan review	9,190	9,190	29,535	20,345
Food protection service	73,400	73,400	83,961	10,561
Non-engineered plan review	15,340	15,340	60	(15,280)
Group home/daycare inspection	1,320	1,320	1,210	(110)
Subdivision review	1,940	1,940	1,170	(770)
Food plan review	2,820	2,820	4,290	1,470
Other health services	4,980	4,980	3,210	(1,770)
Total revenues	780,830	780,830	820,526	39,696
Expenditures:				
Current:				
Regular salaries - nonunion	502,013	502,013	459,360	(42,653)
Social Security	36,240	36,240	31,967	(4,273)
Workers' compensation	10,150	10,150	9,183	(967)
Medicare	8,430	8,430	7,476	(954)
ICMA	33,980	33,980	29,585	(4,395)
Life insurance	2,450	2,450	1,810	(640)
RHS contribution	2,210	2,210	2,222	12
Dues and subscriptions	2,000	2,000	2,024	24
Training	2,000	2,000	256	(1,744)
Mileage reimbursement	600	600	140	(460)
Professional and technical	7,120	7,120	7,086	(34)
Legal	2,000	2,000	445	(1,555)
Audit expense	6,800	6,800	6,700	(100)
Vehicle repair and maintenance	3,200	3,200	2,663	(537)
General liability	15,800	15,800	14,351	(1,449)
Medical insurance	116,220	116,220	116,220	-
Long-term disability Insurance	640	640	630	(10)
Advertising	1,000	1,000	598	(402)
Printing and binding	1,000	1,000	1,151	151

(Continued on next page)

EASTERN HIGHLANDS HEALTH DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Postage	$ 1,500	$ 1,500	$ 1,517	$ 17
Copier maintenance fees	1,000	1,000		(1,000)
Other purchased services	11,340	11,340	8,513	(2,827)
Voice communications	3,800	3,800	3,250	(550)
Instructional supplies	800	800		(800)
Books and periodicals	200	200	199	(1)
Supplies	2,000	2,000	3,427	1,427
Gasoline	2,600	2,600	3,015	415
Office equipment	3,000	3,000	661	(2,339)
Equipment - other	600	600	740	140
Administrative overhead	28,544	28,544	28,120	(424)
Total expenditures	809,237	809,237	743,309	(65,928)
Excess of Revenues over (under) Expenditures	(28,407)	(28,407)	77,217	105,624
Other Financing Sources (Uses):				
Appropriation of fund balance	31,407	31,407	-	(31,407)
Transfers out	(3,000)	(3,000)	(3,000)	-
Total other financing sources (uses)	28,407	28,407	(3,000)	(31,407)
Net Change in Fund Balances	$ -	$ -	74,217	$ 74,217
Fund Balances at Beginning of Year			358,078	
Fund Balances at End of Year			$ 432,295	

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Eastern Highlands Health District (the District) was formed in June 1997 as a cooperative effort to create a regional, full-time professional health department and consists of the following member towns in the state of Connecticut: Andover, Ashford, Bolton, Chaplin, Columbia, Coventry, Mansfield, Scotland, Tolland and Willington. The Board of Directors of the District consists of appointed representatives from each member town. The District provides a wide range of public health services for its member towns. The services are funded by local assessments, federal and state grants and direct charges for specific services.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by member town assessments and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member town assessments and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Member town assessments, expenditure reimbursement type grants, certain intergovernmental revenues and transfers associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Health Grants Fund* accounts for the grants activity of the District. The major source of revenue for this fund is governmental grants.

The *Capital Projects Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases. The major source of revenue for this fund is transfers from the General Fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

C. Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

D. Receivables

Intergovernmental receivables are considered to be fully collectible, and no allowance has been recorded.

E. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Office equipment	5-10
Vehicles	6-10

F. Compensated Absences

A limited amount of vacation earned may be accumulated by employees until termination of their employment, at which time they are paid for accumulated vacation. Sick time does not vest.

G. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position.

H. Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows related to OPEB in the government-wide statement of net position. A deferred outflow of resources related to OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports a deferred inflow of resources related to OPEB in the government-wide statement of net position. A deferred inflow of resources related to OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner.

J. Interfund Transfers

Transfers are for regularly recurring operational transfers that are appropriated in the General Fund and paid to other funds during the year.

K. Fund Equity and Net Position

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets
This category presents the net position that reflects the value of capital assets, net of accumulated depreciation.

Unrestricted Net Position
This category presents the net position of the District that is not restricted.

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

Nonspendable Fund Balance
This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance
This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance
This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Eastern Highlands Health District Board of Directors).

Assigned Fund Balance
This represents amounts constrained for the intent to be used for a specific purpose by the Director of Health.

Unassigned Fund Balance
This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

L. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The District adheres to the following procedures in establishing the budgetary data included in the financial statements of the General Fund, the only fund with a legally adopted annual budget.

Annually, the budget is voted upon by District Board members.

The District Board may amend the budget. A public hearing is required if the per capita costs to the member towns increase as a result of the amendment. With the exception of payroll, Social Security, workers' compensation, Medicare, retirement, health insurance and life insurance, the Director of Health may make necessary line item transfers in the operating portion of the budget without Board approval, provided the total operating portion of the budget does not increase. Transfers greater than $5,000 shall be reported to the Finance committee. Changes in payroll, Social Security, workers' compensation, Medicare, retirement, health insurance and life insurance line items shall be approved by the Finance committee. There were no additional appropriations this year.

Formal budgetary integration is employed as a management control device during the year.

Legal level of control (the level at which expenditures may not legally exceed appropriations) is at the total budget level.

Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reported in budgetary reports (Exhibit V) as expenditures in the current year. Generally, all unencumbered appropriations lapse after a year, except those of the Capital Projects Fund. Encumbered appropriations are carried forward to the ensuing fiscal year, and as of June 30, 2019, the District did not have outstanding encumbrances.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits

At June 30, 2019, the carrying amount of the District's deposits was $609,465 and is part of the Town of Mansfield, Connecticut's pooled cash account. The District does not have a deposit policy for custodial credit risk. Separate risk classification is not available.

B. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Office equipment	$ 141,390	$	$ 2,599	$ 138,791
Vehicles	148,027		13,504	134,523
Total capital assets being depreciated	289,417	-	16,103	273,314
Less accumulated depreciation for:				
Office equipment	44,739	8,787	2,339	51,187
Vehicles	94,537	7,884	12,154	90,267
Total accumulated depreciation	139,276	16,671	14,493	141,454
Total capital assets being depreciated, net	150,141	(16,671)	1,610	131,860
Governmental Activities Capital Assets, Net	$ 150,141	$ (16,671)	$ 1,610	$ 131,860

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Health Services	$ 16,671

C. Interfund Transfers

Transfers are used to transfer budgeted resources to other funds to finance various projects. For the year ended June 30, 2019, the District transferred $3,000 from the General Fund to the Capital Projects Fund.

D. Long-Term Debt

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Total OPEB Liability	$ 13,986	$ 1,982	$	$ 15,968	$
Compensated Absences	32,819	35,827	42,364	26,282	5,256
Total governmental activities:					
Long-Term Liabilities	$ 46,805	$ 37,809	$ 42,364	$ 42,250	$ 5,256

4. OTHER POST EMPLOYMENT BENEFITS PLAN

Plan Description

The District administers one single-employer, post-retirement healthcare plan, the plan. The plan provides medical benefits to eligible retirees and their spouses. The plan is administered by the District. Plan provisions are determined by District Policy.

The District currently pays for post employment health care benefits on a pay-as-you-go basis. As of June 30, 2019, the District has not established a trust fund to irrevocably segregate assets to fund liability associated with the postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. Administration costs are financed from current operations.

Benefit Provided

The District plan provides for medical and dental benefits for all eligible retirees. Benefit provisions are set by District policy, and require employees to complete 25 years of aggregate service; or attainment of age 55 with 10 years of continuous service or 15 years of aggregate service.

Employees Covered by Benefit Terms

Membership in the plan consisted of the following at July 1, 2018, the date of the last actuarial valuation.

Active Employees	8

Total OPEB Liability

The District's total OPEB liability of $15,968 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.60%
Salary increases	3.60%, average, including inflation
Discount rate	3.51%
Healthcare cost trend rates	7.00% in 2018, reducing by 0.5% each year to an ultimate rate of 4.60% per year rate for 2023 and later
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees

The discount rate was based on the 20-year AA municipal bond index.

Mortality rates were based on RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

The actuarial assumptions used in the July 1, 2018 valuation were based on standard tables modified for certain plan features and input from the plan sponsor.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of July 1, 2018	$ 13,986
Changes for the year:	
Service cost	1,278
Interest on total OPEB liability	590
Difference between expected and actual experience	(90)
Changes in assumptions or other inputs	204
Net changes	1,982
Balances as of June 30, 2019	$ 15,968

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 16,509	$ 15,968	$ 15,395

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.60%) or 1 percentage point higher (8.00% decreasing to 5.60%) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 14,714	$ 15,968	$ 17,333

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $1,881. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 79
Changes of assumptions or other inputs	180	
Total	$ 180	$ 79

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30		
2020	$	13
2021		13
2022		13
2023		13
2024		13
Thereafter		36

5. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatement was recorded to the beginning of net position of the governmental activities as a result of a change in estimate regarding GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

Governmental Activities:		
Net position at June 30, 2018, as previously reported	$	602,270
Adjustment:		
Record total OPEB liability per GASB No. 75		(13,986)
Net Position at July 1, 2018, as Restated	$	588,284

6. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to public officials, torts, injuries to employees or acts of God. The District purchases commercial insurance for all risks of loss, except for medical insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Hospital and medical surgical health coverage for District employees is administered by the Town of Mansfield, Connecticut (the Town), which has been recorded in the Town's records as an internal service fund. The fund's general objectives are to formulate, on behalf of the members, a health insurance program at lower cost of coverage and to develop a systematic method to control health costs.

A third party administers the plan through a contract with the Town for which the fund pays a fee. The fund has purchased $175,000 of combined medical surgical and major medical individual stop-loss coverage.

B. Related Party Transactions

As disclosed in Note 1, the District's Board of Directors consists of appointed representatives from the member towns consisting of Andover, Ashford, Bolton, Chaplin, Columbia, Coventry, Mansfield, Scotland, Tolland and Willington. Revenues received from these member towns are as follows for the year ended June 30, 2019:

Andover	$	17,268
Ashford		22,493
Bolton		26,178
Chaplin		11,926
Columbia		28,849
Coventry		66,019
Mansfield		137,895
Scotland		8,910
Tolland		78,540
Willington		31,180
	$	429,258

No amounts were due to or from the member towns as of June 30, 2019.

C. Contingent Liabilities

The District's management indicates that there are no material or substantial claims, judgments or litigation against the District.

EASTERN HIGHLANDS HEALTH DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR*

		2019
Total OPEB liability:		
Service cost	$	1,278
Interest		590
Differences between expected and actual experience		(90)
Changes of assumptions and other inputs		204
Net change in total OPEB liability		1,982
Total OPEB liability - beginning		13,986
Total OPEB Liability - Ending	$	15,968
Covered payroll	$	585,429
Total OPEB liability as a percentage of covered-employee payroll		2.73%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

The discount rate was changed from 3.87% in 2018 to 3.51% in 2019.