

EASTERN HIGHLANDS HEALTH DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2013

EASTERN HIGHLANDS HEALTH DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

<u>EXHIBITS</u>	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
 <u>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</u>	
EX I Statement of Net Position	9
EX II Statement of Activities	10
 <u>FUND FINANCIAL STATEMENTS:</u>	
EX III Balance Sheet - Governmental Funds	11-12
EX IV Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	13-14
EX V Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund	15-16
 <u>NOTES TO BASIC FINANCIAL STATEMENTS</u>	
Notes to Basic Financial Statements	17-23

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Directors
Eastern Highlands Health District

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, 2013, 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 of 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.

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, 2013 and the respective changes in financial position thereof, 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 on pages 3 through 8 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, which 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 9, 2013 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 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 the Eastern Highlands Health District's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 9, 2013



4 South Eagleville Road • Mansfield CT 06268 • Tel: (860) 429-3325 • Fax: (860) 429-3321 • Web: www.EHHD.org

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$531,300 (*net position*). Of this amount, \$459,205 (*unrestricted net position*) may be used to meet the District's ongoing obligations to creditors.
- The District's total net position increased by \$26,049. This was primarily due to more than anticipated grant revenue for salary and benefit expenses (\$24,579).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$496,427, an increase of \$48,573 in comparison with the prior year. Of combined fund balances, \$354,937 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 \$354,937 or 47% 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 \$531,300 at the close of the most recent fiscal year.

Of the net position, \$72,095 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, 2013 AND 2012**

	2013	2012
Current and other assets	\$ 565,327	\$ 513,450
Capital assets, net of accumulated depreciation	72,095	88,690
Total assets	637,422	602,140
Long-term liabilities outstanding	37,222	31,293
Other liabilities	68,900	65,596
Total liabilities	106,122	96,889
Net Position:		
Net investment in capital assets	72,095	88,690
Unrestricted	459,205	416,561
Total Net Position	\$ 531,300	\$ 505,251

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 \$26,049 during the current fiscal year. The increase is primarily the result of more than anticipated grant funding for salaries and benefits.

**EASTERN HIGHLANDS HEALTH DISTRICT
CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 278,790	\$ 229,365
Operating grants and contributions	344,078	346,753
General revenues:		
Assessment to member towns	371,615	373,027
Total revenues	994,483	949,145
Expenses:		
Health services	968,434	876,677
Change in net position	26,049	72,468
Net Position - July 1	505,251	432,783
Net Position - June 30	\$ 531,300	\$ 505,251

- Charges for services increased from the prior year by \$49,425, primarily due to an increase of \$39,718 for additional Be Well contracted services. Other services fluctuated slightly due to demand for services.
- Operating grants and contributions decreased slightly by a net of \$2,675, primarily due to the following major changes in funding from the prior year:
 - Increase in the Community Transformation Grant \$48,767
 - Addition of Policy/Environmental Change for Chronic Disease \$11,101
 - Elimination of Preventative Health Block Grant \$11,297
 - Reduction in the Achieve Grant \$6,428
 - Elimination of the H1N1 Grant \$31,447
 - Reduction in the Comprehensive Cancer Control Grant \$22,805
- Health services expenditures increased by \$91,757, primarily due to expenses related to the new Be Well contracts; also, positions vacant in FY 2012 were filled for FY 2013.

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 \$496,427, an increase of \$48,573 in comparison with the prior year. Of the ending fund balances, \$354,937 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 \$354,937.

The fund balance of the District's General Fund decreased by \$29,372 during the current fiscal year. The key factors in this decrease are:

- A budget amendment to transfer an additional \$80,000 to the Capital Projects Fund
- A reduction in the cost of budgeted salaries due to additional grants to support program salaries \$24,000
- Health Service revenues in excess of budget due to demand for services, approximately \$28,000, most notably soil testing service (\$10,590 over budget)

The Capital Projects Fund has a total fund balance of \$141,177, all of which is restricted for capital projects. The net increase in fund balance during the current year in the Capital Projects Fund was \$77,945 due to a transfer from the General Fund of \$82,000 and a capital outlay of \$6,980 for office equipment, and professional and technical services for strategic plan preparation.

General Fund Budgetary Highlights

The original budget was amended by the District's Board of Directors to increase the transfer to Capital Projects from \$2,000 to \$82,000 in anticipation of nonrecurring costs to implement components of the District's strategic plan.

During the year, expenditures were less than budgetary estimates by \$39,032. The key factors are a reduction in salary and benefit costs of \$25,677 plus savings in multiple service and supply accounts.

Capital Assets

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$72,095 (net of accumulated depreciation). This investment in capital assets includes office equipment and vehicles. There were no capital asset additions in the current year. Depreciation expense was \$16,585 for the year. Disposals during the year were primarily computer equipment with a cost of \$998 and a book value of \$10.

**EASTERN HIGHLANDS HEALTH DISTRICT CAPITAL ASSETS
(NET OF DEPRECIATION)**

	<u>2013</u>		<u>2012</u>
Office equipment	\$ 23,411	\$	30,874
Vehicles	<u>48,684</u>		<u>57,816</u>
 Total	 <u>\$ 72,095</u>	 \$	 <u>88,690</u>

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 82,398. The main District office is located in the town of Mansfield.

The budget for fiscal year 2014 was passed by its Board of Directors on January 17, 2013 for \$725,220.

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.

EASTERN HIGHLANDS HEALTH DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 565,327
Capital assets (net of accumulated depreciation):	
Office equipment	23,411
Vehicles	<u>48,684</u>
Total assets	<u>637,422</u>
Liabilities:	
Accounts payable	902
Accrued liabilities	11,352
Unearned revenue	56,646
Noncurrent liabilities:	
Compensated absences, due within one year	7,444
Compensated absences, due in more than one year	<u>29,778</u>
Total liabilities	<u>106,122</u>
Net Position:	
Net investment in capital assets	72,095
Unrestricted	<u>459,205</u>
Total Net Position	<u><u>\$ 531,300</u></u>

The accompanying notes are an integral part of the financial statements

EASTERN HIGHLANDS HEALTH DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:				
Health services	\$ 968,434	\$ 278,790	\$ 344,078	\$ (345,566)
		General Revenues:		
				371,615
				<u>26,049</u>
				505,251
				<u>505,251</u>
				\$ 531,300
				<u>531,300</u>

The accompanying notes are an integral part of the financial statements

EASTERN HIGHLANDS HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General</u>	<u>Health Grants</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ <u>361,676</u>	\$ <u>62,474</u>	\$ <u>141,177</u>	\$ <u>565,327</u>
Total Assets	\$ <u><u>361,676</u></u>	\$ <u><u>62,474</u></u>	\$ <u><u>141,177</u></u>	\$ <u><u>565,327</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	\$	\$ 902	\$	\$ 902
Accrued liabilities	6,426	4,926		11,352
Deferred and unearned revenue		56,646		56,646
Total liabilities	<u>6,426</u>	<u>62,474</u>	<u>-</u>	<u>68,900</u>
Fund Balances:				
Restricted for capital projects			141,177	141,177
Assigned	313			313
Unassigned	<u>354,937</u>			<u>354,937</u>
Total fund balances	<u>355,250</u>	<u>-</u>	<u>141,177</u>	<u>496,427</u>
Total Liabilities and Fund Balances	\$ <u><u>361,676</u></u>	\$ <u><u>62,474</u></u>	\$ <u><u>141,177</u></u>	\$ <u><u>565,327</u></u>

(Continued on next page)

EASTERN HIGHLANDS HEALTH DISTRICT
BALANCE SHEET (CONTINUED) - GOVERNMENTAL FUNDS

JUNE 30, 2013

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)		\$	496,427
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Governmental capital assets	\$	173,724	
Less accumulated depreciation		<u>(101,629)</u>	
Net capital assets			72,095
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Compensated absences			<u>(37,222)</u>
Net Position of Governmental Activities (Exhibit I)		\$	<u><u>531,300</u></u>

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, 2013

	<u>General</u>	<u>Health Grants</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Member town contributions	\$ 371,615	\$ 91,777	\$	\$ 463,392
Intergovernmental	152,436	174,123		326,559
Septic permits	28,455			28,455
Well permits	12,505			12,505
B100a building permit review	24,790			24,790
Soil testing service	33,590			33,590
Engineered plan review	9,585			9,585
Food protection service	55,060			55,060
Non-engineered plan review	10,575			10,575
Group home/daycare inspection	1,135			1,135
Subdivision review	6,050			6,050
Food plan review	4,641			4,641
Other health services	15,221		2,925	18,146
	<u>725,658</u>	<u>265,900</u>	<u>2,925</u>	<u>994,483</u>
Total revenues				
Expenditures:				
Current:				
Payroll and benefits	596,568	163,597		760,165
Other purchased services	42,423	3,000		45,423
Liability insurance	15,338			15,338
Supplies and services	9,465	73,569		83,034
Repairs and maintenance	4,472			4,472
Other	4,764	25,734		30,498
Capital outlay			6,980	6,980
	<u>673,030</u>	<u>265,900</u>	<u>6,980</u>	<u>945,910</u>
Total expenditures				
Excess of Revenues over (under) Expenditures	<u>52,628</u>	<u>-</u>	<u>(4,055)</u>	<u>48,573</u>
Other Financing Sources (Uses):				
Transfers in			82,000	82,000
Transfers out	(82,000)			(82,000)
Total other financing sources (uses)	<u>(82,000)</u>	<u>-</u>	<u>82,000</u>	<u>-</u>
Net Change in Fund Balances	(29,372)	-	77,945	48,573
Fund Balances at Beginning of Year	<u>384,622</u>	<u>-</u>	<u>63,232</u>	<u>447,854</u>
Fund Balances at End of Year	<u>\$ 355,250</u>	<u>\$ -</u>	<u>\$ 141,177</u>	<u>\$ 496,427</u>

(Continued on next page)

EASTERN HIGHLANDS HEALTH DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (CONTINUED) - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

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) \$ 48,573

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 (16,585)

Loss on disposal of capital assets (10)

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 (5,929)

Change in Net Position of Governmental Activities (Exhibit II) \$ 26,049

EASTERN HIGHLANDS HEALTH DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Member town contributions	\$ 371,620	\$ 371,620	\$ 371,615	\$ (5)
Intergovernmental	152,440	152,440	152,436	(4)
Septic permits	29,500	29,500	28,455	(1,045)
Well permits	14,000	14,000	12,505	(1,495)
B100a building permit review	22,000	22,000	24,790	2,790
Soil testing service	23,000	23,000	33,590	10,590
Engineered plan review	13,000	13,000	9,585	(3,415)
Food protection service	51,500	51,500	55,060	3,560
Non-engineered plan review	7,000	7,000	10,575	3,575
Group home/daycare inspection	700	700	1,135	435
Subdivision review	4,200	4,200	6,050	1,850
Food plan review	3,000	3,000	4,641	1,641
Other health services	5,000	5,000	15,221	10,221
Total revenues	<u>696,960</u>	<u>696,960</u>	<u>725,658</u>	<u>28,698</u>
Expenditures:				
Current:				
Regular salaries - nonunion	467,550	460,795	436,216	(24,579)
Social Security	30,972	33,930	34,850	920
Workers' compensation	11,800	11,800	8,522	(3,278)
Medicare	7,214	7,900	8,150	250
ICMA	28,986	31,850	31,914	64
Life insurance	2,603	2,290	1,577	(713)
RHS contribution	1,950	1,950	1,950	-
Dues and subscriptions	1,760	1,760	1,913	153
Training	2,000	2,000	494	(1,506)
Mileage reimbursement	400	400	701	301
Professional and technical	6,000	6,000	7,727	1,727
Legal	3,200	3,200	91	(3,109)
Audit expense	6,500	6,500	6,000	(500)
Vehicle repair and maintenance	4,000	4,000	4,113	113
General liability	15,800	15,800	15,338	(462)
Medical insurance	77,110	77,110	74,748	(2,362)
Long-Term Disability Insurance		560	591	31
Advertising	2,000	2,000	661	(1,339)
Printing and binding	1,000	1,000	171	(829)
Postage	1,500	1,500	1,500	-
Copier maintenance fees	1,500	1,500	359	(1,141)
Voice communications	4,500	4,500	4,000	(500)
Instructional supplies	800	800	-	(800)

(Continued on next page)

EASTERN HIGHLANDS HEALTH DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Books and periodicals	\$ 200	\$ 200	\$ 356	\$ 156
Office supplies	2,000	2,000	1,721	(279)
Gasoline	5,000	5,000	4,132	(868)
Office equipment	850	850	427	(423)
Equipment - other	600	600	541	(59)
Administrative overhead	<u>24,580</u>	<u>24,580</u>	<u>24,580</u>	<u>-</u>
Total expenditures	<u>712,375</u>	<u>712,375</u>	<u>673,343</u>	<u>(39,032)</u>
Excess of Revenues over (under) Expenditures	<u>(15,415)</u>	<u>(15,415)</u>	<u>52,315</u>	<u>67,730</u>
Other Financing Sources (Uses):				
Appropriation of fund balance	17,415	17,415		(17,415)
Transfers out	<u>(2,000)</u>	<u>(82,000)</u>	<u>(82,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>15,415</u>	<u>(64,585)</u>	<u>(82,000)</u>	<u>(17,415)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (80,000)</u>	(29,685)	<u>\$ 50,315</u>
Fund Balance at Beginning of Year			384,622	
Budgetary expenditures are different from GAAP expenditures because:				
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes			<u>313</u>	
Fund Balance at End of Year			<u>\$ 355,250</u>	

EASTERN HIGHLANDS HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 governmental grants.

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. 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:

<u>Assets</u>	<u>Years</u>
Office equipment	5-10
Vehicles	6-10

E. 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.

F. Long-Term Obligations

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

G. Interfund Transfers

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

H. 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 - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes 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.

H. 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 additional appropriations of \$80,000 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, 2013 encumbrances exist in the assigned category of the General Fund.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits

At June 30, 2013, the carrying amount of the District's deposits was \$565,327 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, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Office equipment	\$ 63,548	\$	\$ 998	\$ 62,550
Vehicles	<u>111,174</u>			<u>111,174</u>
Total capital assets being depreciated	<u>174,722</u>	<u>-</u>	<u>998</u>	<u>173,724</u>
Less accumulated depreciation for:				
Office equipment	32,674	7,453	988	39,139
Vehicles	<u>53,358</u>	<u>9,132</u>		<u>62,490</u>
Total accumulated depreciation	<u>86,032</u>	<u>16,585</u>	<u>988</u>	<u>101,629</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 88,690</u>	<u>\$ (16,585)</u>	<u>\$ 10</u>	<u>\$ 72,095</u>

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

Governmental activities:	
Health services	\$ <u>16,585</u>

C. Deferred Revenue/Unearned Revenue

Governmental funds report deferred revenue in connection with resources that have been received, but not yet earned. At June 30, 2013, the deferred revenue and unearned revenue reported in the governmental funds consisted of grant drawdowns prior to meeting all eligibility requirements of \$56,646.

D. Long-Term Debt

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated Absences	\$ 31,293	\$ 36,118	\$ 30,189	\$ 37,222	\$ 7,444

4. 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 aggregate stop loss coverage at 125% of expected claims. In addition to the aggregate stop loss, the fund has also purchased \$150,000 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, 2013:

Andover	\$	14,906
Ashford		19,479
Bolton		22,446
Chaplin		10,423
Columbia		24,782
Coventry		56,163
Mansfield		120,349
Scotland		7,811
Tolland		68,038
Willington		<u>27,218</u>
	\$	<u><u>371,615</u></u>

No amounts were due to or from the member towns as of June 30, 2013.

C. Contingent Liabilities

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