

**EASTERN HIGHLANDS HEALTH DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**EASTERN HIGHLANDS HEALTH DISTRICT**

ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011  
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## Independent Auditors' Report

To the Board of Directors  
Eastern Highlands Health District

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Eastern Highlands Health District as of June 30, 2011 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Blum, Shapiro & Company, P.C.*

December 1, 2011



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## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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Management of the Eastern Highlands Health 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, 2011.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$432,783 (*net assets*). Of this amount, \$348,096 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to creditors.
- The District's total net assets increased by \$30,441. This was primarily due to more than anticipated grant revenue for salary and benefit expenses.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$385,075, an increase of \$25,328 in comparison with the prior year. Of combined fund balances, \$310,608 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 \$310,608 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 assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$432,783 at the close of the most recent fiscal year.

Of the net assets, \$84,687 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 ASSETS  
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 500,891	\$ 465,554
Capital assets, net of accumulated depreciation	<u>84,687</u>	<u>82,317</u>
Total assets	<u>585,578</u>	<u>547,871</u>
Long-term liabilities outstanding	36,979	31,778
Other liabilities	<u>115,816</u>	<u>113,751</u>
Total liabilities	<u>152,795</u>	<u>145,529</u>
Net Assets:		
Invested in capital assets	84,687	82,317
Unrestricted	<u>348,096</u>	<u>320,025</u>
Total Net Assets	<u>\$ 432,783</u>	<u>\$ 402,342</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Governmental activities.** The District's net assets increased by \$30,441 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 ASSETS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 223,331	\$ 230,700
Operating grants and contributions	329,002	417,142
General revenues:		
Assessment to member towns	<u>360,947</u>	<u>361,792</u>
Total revenues	913,280	1,009,634
Expenses:		
Health services	<u>882,839</u>	<u>934,510</u>
Change in net assets	30,441	75,124
Net Assets - July 1	<u>402,342</u>	<u>327,218</u>
Net Assets - June 30	<u>\$ 432,783</u>	<u>\$ 402,342</u>

- Charges for services decreased from prior year by \$7,369, primarily due to a decrease in septic and well permit revenue and a decrease in soil testing service, offset by an increase in food protection service revenue.
- Operating grants and contributions decreased by \$88,140, primarily due to the fact that the majority of funding for H1N1 planning and preparedness program was in fiscal year 2009/10, reflecting a reduction of \$128,497 in fiscal year 2010/11, offset by increases in funding for bioterrorism preparedness of \$25,973 and employee wellness programming of \$17,461 in fiscal year 2010/11.
- Health services expenditures decreased by \$51,671, primarily due to a reduction in subcontracted services for H1N1 vaccinations.



**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 \$385,075, an increase of \$25,328 in comparison with the prior year. Of the ending fund balances, \$310,608 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 \$310,608.

The fund balance of the District's General Fund increased by \$22,328 during the current fiscal year. The key factors in this increase are:

- Less than anticipated salary and benefit costs of \$48,335
- Less than anticipated other supplies and services costs of \$10,075
- Less than anticipated service fee revenues, primarily building permit review fees of \$10,750, food protection fees of \$8,627, and septic and well permits of \$10,186

The Capital Projects Fund has a total fund balance of \$74,467, all of which is restricted for capital projects. The net increase in fund balance during the current year in the Capital Projects Fund was \$3,000.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- A reduction of \$5,410 for regular salaries
- An increase of \$5,410 for unemployment compensation claims

During the year, expenditures were less than budgetary estimates by \$58,410. The key factors are a reduction in salaries and benefits of \$50,670 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, 2011 amounts to \$84,687 (net of accumulated depreciation). This investment in capital assets includes office equipment and vehicles. There were \$17,070 in capital asset additions in the current year, primarily laptop computers, and portable and lab refrigerators for use when dispensing vaccinations. Depreciation expense was \$14,700 for the year.

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

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	<u>2011</u>	<u>2010</u>
Office equipment	\$ 32,634	\$ 22,627
Vehicles	<u>52,053</u>	<u>59,690</u>
Total	<u>\$ 84,687</u>	<u>\$ 82,317</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 80,008. The main Health District office is located in the town of Mansfield.

The budget for fiscal year 2012 was passed by its Board of Directors on January 20, 2011 for \$717,200.

**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 ASSETS  
JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents.....	\$ 497,181
Receivables:	
Intergovernmental.....	3,710
Total current assets.....	<u>500,891</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Office equipment.....	32,634
Vehicles.....	52,053
Total capital assets (net of accumulated depreciation).....	<u>84,687</u>
TOTAL ASSETS.....	<u>\$ 585,578</u>
<u>LIABILITIES</u>	
LIABILITIES:	
Current liabilities:	
Accounts payable.....	\$ 5,270
Accrued liabilities.....	10,096
Unearned revenue.....	100,450
Compensated absences.....	7,396
Total current liabilities.....	<u>123,212</u>
Noncurrent liabilities:	
Compensated absences.....	29,583
TOTAL LIABILITIES.....	<u>152,795</u>
<u>NET ASSETS</u>	
Invested in capital assets.....	84,687
Unrestricted.....	348,096
TOTAL NET ASSETS.....	<u>432,783</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 585,578</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, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET EXPENSES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:				
Health services.....	\$ <u>882,839</u>	\$ <u>223,331</u>	\$ <u>329,002</u>	\$ (330,506)
GENERAL REVENUES:				
Assessment to member towns.....				<u>360,947</u>
CHANGE IN NET ASSETS.....				30,441
NET ASSETS AT BEGINNING OF YEAR.....				<u>402,342</u>
NET ASSETS AT END OF YEAR.....				\$ <u>432,783</u>

The accompanying notes are an integral part of the financial statements

**EASTERN HIGHLANDS HEALTH DISTRICT**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	MAJOR FUNDS			TOTAL
GENERAL	HEALTH GRANTS	CAPITAL PROJECTS	GOVERNMENTAL FUNDS	
<b><u>ASSETS</u></b>				
Cash and cash equivalents.....	\$ 320,704	\$ 102,010	\$ 74,467	\$ 497,181
Receivables:				
Intergovernmental.....		3,710		3,710
<b>TOTAL ASSETS.....</b>	<b>\$ 320,704</b>	<b>\$ 105,720</b>	<b>\$ 74,467</b>	<b>\$ 500,891</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Accounts and other payables.....	\$	\$ 5,270	\$	\$ 5,270
Accrued liabilities.....	10,096			10,096
Deferred and unearned revenue.....		100,450		100,450
<b>TOTAL LIABILITIES.....</b>	<b>10,096</b>	<b>105,720</b>	<b>-</b>	<b>115,816</b>
<b>FUND BALANCES:</b>				
Restricted for capital projects.....			74,467	74,467
Unassigned.....	310,608			310,608
<b>TOTAL FUND BALANCES.....</b>	<b>310,608</b>	<b>-</b>	<b>74,467</b>	<b>385,075</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 320,704</b>	<b>\$ 105,720</b>	<b>\$ 74,467</b>	<b>\$ 500,891</b>

(Continued)

EASTERN HIGHLANDS HEALTH DISTRICT  
BALANCE SHEET (CONTINUED)

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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF NET ASSETS (EXHIBIT I) ARE DIFFERENT FROM THE  
GOVERNMENTAL FUND BALANCE SHEET. THE DETAILS OF THIS  
DIFFERENCE ARE AS FOLLOWS:

TOTAL FUND BALANCES (EXHIBIT III, PAGE 1)..... \$ 385,075

CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE  
NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED  
IN THE FUNDS:

Governmental capital assets.....	\$ 185,662	
Less accumulated depreciation.....	<u>(100,975)</u>	
Net capital assets.....		84,687

SOME LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT  
PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Compensated absences.....	<u>(36,979)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$ <u><u>432,783</u></u>
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**EASTERN HIGHLANDS HEALTH DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	HEALTH GRANTS	CAPITAL PROJECTS	
<b>REVENUES:</b>				
Member town contributions.....	\$ 360,947	\$ 49,085	\$	\$ 410,032
Intergovernmental.....	148,015	180,987		329,002
Septic permits.....	26,100			26,100
Well permits.....	13,604			13,604
B100a building permit review.....	21,880			21,880
Soil testing service.....	33,330			33,330
Engineered plan review.....	13,500			13,500
Food protection service.....	41,582			41,582
Non-engineered plan review.....	5,905			5,905
Group home/daycare inspection.....	1,400			1,400
Subdivision review.....	3,810			3,810
Food plan review.....	5,027			5,027
Other health services.....	8,108			8,108
<b>TOTAL REVENUES.....</b>	<b>683,208</b>	<b>230,072</b>	<b>-</b>	<b>913,280</b>
<b>EXPENDITURES:</b>				
Current:				
Payroll and benefits.....	586,260	136,937		723,197
Other purchased services.....	38,359	1,500		39,859
Liability insurance.....	14,376			14,376
Supplies and services.....	11,541	10,333		21,874
Repairs and maintenance.....	3,762			3,762
Other.....	3,582	63,164		66,746
Capital outlay.....		18,138		18,138
<b>TOTAL EXPENDITURES.....</b>	<b>657,880</b>	<b>230,072</b>	<b>-</b>	<b>887,952</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<b>25,328</b>	<b>-</b>	<b>-</b>	<b>25,328</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In.....			3,000	3,000
Transfers Out.....	(3,000)			(3,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(3,000)</b>	<b>-</b>	<b>3,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>22,328</b>	<b>-</b>	<b>3,000</b>	<b>25,328</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>288,280</b>	<b>-</b>	<b>71,467</b>	<b>359,747</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 310,608</b>	<b>\$ -</b>	<b>\$ 74,467</b>	<b>\$ 385,075</b>

(Continued)

EASTERN HIGHLANDS HEALTH DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT  
OF ACTIVITIES (EXHIBIT II) ARE DUE TO:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT IV)..... \$ 25,328

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:

Capital outlay.....	\$ 17,070	
Depreciation expense.....	<u>(14,700)</u>	
		2,370

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.....	<u>2,743</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT II)..... \$ 30,441



**EASTERN HIGHLANDS HEALTH DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Member town contributions.....	\$ 361,620	\$ 361,620	\$ 360,947	\$ (673)
Intergovernmental.....	170,930	170,930	148,015	(22,915)
Septic permits.....	28,560	28,560	26,100	(2,460)
Well permits.....	21,330	21,330	13,604	(7,726)
B100a building permit review.....	32,630	32,630	21,880	(10,750)
Soil testing service.....	32,480	32,480	33,330	850
Engineered plan review.....	18,080	18,080	13,500	(4,580)
Food protection service.....	50,210	50,210	41,582	(8,628)
Non-engineered plan review.....	8,220	8,220	5,905	(2,315)
Group home/daycare inspection.....	500	500	1,400	900
Subdivision review.....	1,000	1,000	3,810	2,810
Food plan review.....	4,250	4,250	5,027	777
Other health services.....	3,080	3,080	8,108	5,028
<b>TOTAL REVENUES.....</b>	<b>732,890</b>	<b>732,890</b>	<b>683,208</b>	<b>(49,682)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Regular salaries - non-union .....	465,700	460,290	430,616	(29,674)
Unemployment compensation .....		5,410	5,408	(2)
Social Security.....	30,170	30,170	26,698	(3,472)
Workers' compensation.....	15,470	15,470	7,085	(8,385)
Medicare.....	7,030	7,030	6,244	(786)
ICMA.....	28,410	28,410	23,045	(5,365)
Life insurance.....	2,130	2,130	1,592	(538)
RHS contribution.....	1,870	1,870	1,757	(113)
Dues and subscriptions.....	1,760	1,760	1,023	(737)
Training.....	2,000	2,000	915	(1,085)
Mileage reimbursement.....	400	400	(113)	(513)
Professional and technical.....	6,000	6,000	7,800	1,800
Legal.....	3,200	3,200	89	(3,111)
Audit expense.....	6,250	6,250	6,250	-
Vehicle repair and maintenance.....	4,000	4,000	3,263	(737)
General liability.....	15,650	15,650	14,376	(1,274)
Medical insurance.....	85,570	85,570	85,570	-
Advertising.....	2,000	2,000	1,656	(344)
Printing and binding.....	1,000	1,000	861	(139)
Postage.....	1,500	1,500	1,500	-
Copier maintenance fees.....	1,500	1,500	499	(1,001)
Voice communications.....	4,500	4,500	4,500	-
Instructional supplies.....	800	800	781	(19)

(Continued)

**EXHIBIT V**  
**(2 of 2)**

EASTERN HIGHLANDS HEALTH DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Books and periodicals.....	\$ 200	\$ 200	\$ 149	\$ (51)
Office supplies.....	2,000	2,000	2,219	219
Gasoline.....	5,000	5,000	3,453	(1,547)
Office equipment.....	1,860	1,860	690	(1,170)
Equipment - other.....	600	600	234	(366)
Administrative overhead.....	19,720	19,720	19,720	-
<b>TOTAL EXPENDITURES.....</b>	<b>716,290</b>	<b>716,290</b>	<b>657,880</b>	<b>(58,410)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<b>16,600</b>	<b>16,600</b>	<b>25,328</b>	<b>8,728</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Appropriation of fund balance.....	10,160	10,160		(10,160)
Transfers out.....	(3,000)	(3,000)	(3,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>7,160</b>	<b>7,160</b>	<b>(3,000)</b>	<b>(10,160)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ 23,760</b>	<b>\$ 23,760</b>	<b>22,328</b>	<b>\$ (1,432)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>			<b>288,280</b>	
<b>FUND BALANCE AT END OF YEAR.....</b>			<b>\$ 310,608</b>	

# EASTERN HIGHLANDS HEALTH DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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### 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 assets 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 assets.

**G. Fund Equity and Net Assets**

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 assets are classified into the following categories:

Invested in Capital Assets - This category presents the net assets that reflect the value of capital assets, net of accumulated depreciation.

Unrestricted Net Assets - This category presents the net assets of the District that are 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 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 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 at year end, except those of the Capital Projects Fund. Encumbered appropriations are carried forward to the ensuing fiscal year.

**3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits**

At June 30, 2011, the carrying amount of the District's deposits was \$497,181 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, 2011 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets being depreciated:				
Office equipment .....	\$ 49,344	\$ 17,070	\$	\$ 66,414
Vehicles .....	119,248			119,248
<hr/>				
Total capital assets being depreciated.....	168,592	17,070	-	185,662
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Less accumulated depreciation for:				
Office equipment .....	(26,717)	(7,063)		(33,780)
Vehicles .....	(59,558)	(7,637)		(67,195)
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Total accumulated depreciation .....	(86,275)	(14,700)	-	(100,975)
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Governmental Activities Capital Assets, Net.....	\$ <u>82,317</u>	\$ <u>2,370</u>	\$ <u>-</u>	\$ <u>84,687</u>

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

Governmental activities:	
Health services .....	\$ <u>14,700</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, 2011, the deferred revenue and unearned revenue reported in the governmental funds consisted of grant drawdowns prior to meeting all eligibility requirements of \$100,450.

### D. Long-Term Debt

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>BEGINNING</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING</u> <u>BALANCE</u>	<u>DUE</u> <u>WITHIN</u> <u>ONE</u> <u>YEAR</u>
Governmental activities: Compensated absences	\$ <u>39,722</u>	\$ <u>32,337</u>	\$ <u>35,080</u>	\$ <u>36,979</u>	\$ <u>7,396</u>

## 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 \$100,000 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, 2011:

Andover	\$	14,355
Ashford		20,146
Bolton		23,078
Chaplin		11,528
Columbia		23,971
Coventry		55,054
Mansfield		111,155
Scotland		7,766
Tolland		66,320
Willington		<u>27,574</u>
Total	\$	<u><u>360,947</u></u>

No amounts were due to or from the member towns as of June 30, 2011.

## **C. Contingent Liabilities**

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