

EASTERN HIGHLANDS HEALTH DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2016

**EASTERN HIGHLANDS HEALTH DISTRICT
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JUNE 30, 2016**

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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, 2016, 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.

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, 2016 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 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 1, 2016



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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$571,294 (*net position*). Of this amount, \$424,888 (*unrestricted net position*) may be used to meet the District's ongoing obligations to creditors.
- The District's total net position increased by \$19,329. This was primarily due to the increase in capital outlay, net depreciation (\$25,042).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$457,227, a decrease of \$3,043 in comparison with the prior year. Of combined fund balances, \$295,662 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 \$295,662 or 41% 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 \$571,294 at the close of the most recent fiscal year.

Of the net position, \$146,406 reflects the District's investment in capital assets (e.g., office equipment and vehicles). These assets are not available for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**EASTERN HIGHLANDS HEALTH DISTRICT
NET POSITION
JUNE 30, 2016 AND 2015**

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Current and other assets | \$ 534,045 | \$ 544,404 |
| Capital assets, net of accumulated depreciation | <u>146,406</u> | <u>121,504</u> |
| Total assets | <u>680,451</u> | <u>665,908</u> |
| | | |
| Long-term liabilities outstanding | 32,339 | 29,809 |
| Other liabilities | <u>76,818</u> | <u>84,134</u> |
| Total liabilities | <u>109,157</u> | <u>113,943</u> |
| | | |
| Net Position: | | |
| Net investment in capital assets | 146,406 | 121,504 |
| Unrestricted | <u>424,888</u> | <u>430,461</u> |
| | | |
| Total Net Position | <u>\$ 571,294</u> | <u>\$ 551,965</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- **Governmental Activities** - The District's net position increased by \$19,329 during the current fiscal year. The increase was primarily due to the change in capital assets.

**EASTERN HIGHLANDS HEALTH DISTRICT
CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

| | <u>2016</u> | <u>2015</u> |
|------------------------------------|-------------------|-------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 268,681 | \$ 251,732 |
| Operating grants and contributions | 321,393 | 281,557 |
| General revenues: | | |
| Assessment to member towns | <u>405,821</u> | <u>390,841</u> |
| Total revenues | 995,895 | 924,130 |
| Expenses: | | |
| Health services | <u>976,566</u> | <u>937,818</u> |
| Change in net position | 19,329 | (13,688) |
| Net Position - July 1 | <u>551,965</u> | <u>565,653</u> |
| Net Position - June 30 | <u>\$ 571,294</u> | <u>\$ 551,965</u> |

- Charges for services increased from the prior year by \$16,949, primarily due to fluctuations in demand for the following services: soil testing (\$6,745), B100A Reviews (\$4,615) and Health Inspections (\$2,057).
- Operating grants and contributions increased by a net of \$39,836, primarily due to the following:
 - Increase in the CT Chapter of American Planning Grant for \$47,984
 - Elimination of the Community Transformation Grant for \$11,593
- Assessment to member towns increased by \$14,980 due to a rate increase in the current fiscal year.
- Health services expenditures increased by \$38,748, primarily due to the following:
 - Increase in the CT Chapter of America Planning Grant for \$47,984
 - Reduction in charge for employee benefits of \$26,825
 - Increase in medical insurance costs of \$18,000 which was the result of an increase in claims
 - Elimination of the Community Transformation Grant for \$11,593

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 \$457,227, a decrease of \$3,043 in comparison with the prior year. Of the ending fund balances, \$295,662 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 \$295,662.

The fund balance of the District's General Fund increased by \$40,671 during the current fiscal year. The key factors in this increase are:

- Revenues were more than budgetary estimates especially in the following line items: Soil Testing (\$6,210), Food Protection Services (\$3,092) and B100A Reviews (\$2,975).
- Expenditures were less than budgetary estimates especially in the following line items: Charge for Employee Benefits (\$27,807)

The Capital Projects Fund has a total fund balance of \$161,565, all of which is restricted for capital projects. The net decrease in fund balance during the current year in the Capital Projects Fund was \$43,714 related to capital outlay for the purchase of software and office equipment.

General Fund Budgetary Highlights

During the year, expenditures were less than budgetary estimates by \$71,368. The key factors are a reduction in salary and benefit costs of \$62,419 as more than projected salaries and benefits were covered by grant awards. In addition, there were savings in multiple service and supply accounts, especially gasoline (\$2,581), legal services (\$2,963) and purchased services (\$2,660).

Capital Assets

Capital Assets - The District's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$146,406 (net of accumulated depreciation). This investment in capital assets includes office equipment. There was \$17,979 added to construction in progress in the current year related to software implementation. Depreciation expense was \$15,738 for the year. Disposals during the year were primarily office equipment with a cost of \$6,400 and a book value \$6,260.

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

| | <u>2016</u> | <u>2015</u> |
|--------------------------|-------------------|-------------------|
| Construction in progress | \$ 53,936 | \$ 35,957 |
| Office equipment | 34,041 | 15,460 |
| Vehicles | <u>58,429</u> | <u>70,087</u> |
| Total | <u>\$ 146,406</u> | <u>\$ 121,504</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 82,082. The main District office is located in the town of Mansfield.

The budget for fiscal year 2017 was passed by its Board of Directors on January 21, 2016 for \$823,212.

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, 2016**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 534,045 |
| Capital assets not being depreciated | 53,936 |
| Capital assets being depreciated (net of accumulated depreciation): | |
| Office equipment | 34,041 |
| Vehicles | 58,429 |
| | <u>680,451</u> |
| Total assets | <u>680,451</u> |
| Liabilities: | |
| Accounts payable | 11,138 |
| Accrued liabilities | 20,429 |
| Unearned revenue | 45,251 |
| Noncurrent liabilities: | |
| Compensated absences, due within one year | 6,468 |
| Compensated absences, due in more than one year | 25,871 |
| | <u>109,157</u> |
| Total liabilities | <u>109,157</u> |
| Net Position: | |
| Net investment in capital assets | 146,406 |
| Unrestricted | 424,888 |
| | <u>424,888</u> |
| Total Net Position | <u>\$ 571,294</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, 2016**

| <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 | \$ <u>976,566</u> | \$ <u>268,681</u> | \$ <u>321,393</u> | \$ (386,492) |
| General Revenues: | | | | |
| Assessment to member towns | | | | <u>405,821</u> |
| Change in Net Position | | | | 19,329 |
| Net Position at Beginning of Year | | | | <u>551,965</u> |
| Net Position at End of Year | | | | \$ <u>571,294</u> |

The accompanying notes are an integral part of the financial statements

**EASTERN HIGHLANDS HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | <u>Major Funds</u> | | | <u>Total Governmental Funds</u> |
|--------------------------------------|--------------------------|--------------------------|-----------------------------|---|
| | <u>General</u> | <u>Health Grants</u> | <u>Capital Projects</u> | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ <u>325,998</u> | \$ <u>46,482</u> | \$ <u>161,565</u> | \$ <u>534,045</u> |
| Total Assets | \$ <u><u>325,998</u></u> | \$ <u><u>46,482</u></u> | \$ <u><u>161,565</u></u> | \$ <u><u>534,045</u></u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts and other payables | \$ 41 | \$ 473 | \$ | \$ 514 |
| Accrued liabilities | 30,295 | 758 | | 31,053 |
| Unearned revenue | | 45,251 | | 45,251 |
| Total liabilities | <u>30,336</u> | <u>46,482</u> | <u>-</u> | <u>76,818</u> |
| Fund Balances: | | | | |
| Restricted for capital projects | | | 161,565 | 161,565 |
| Unassigned | <u>295,662</u> | | | <u>295,662</u> |
| Total fund balances | <u>295,662</u> | <u>-</u> | <u>161,565</u> | <u>457,227</u> |
| Total Liabilities and Fund Balances | \$ <u><u>325,998</u></u> | \$ <u><u>46,482</u></u> | \$ <u><u>161,565</u></u> | \$ <u><u>534,045</u></u> |

(Continued on next page)

EASTERN HIGHLANDS HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

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) | \$ | 457,227 |
|---|----|---------|

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

| | | | |
|-------------------------------|----|------------------|---------|
| Governmental capital assets | \$ | 256,645 | |
| Less accumulated depreciation | | <u>(110,239)</u> | |
| Net capital assets | | | 146,406 |

Some liabilities are not due and payable in the current period and, therefore,
are not reported in the funds:

| | | |
|----------------------|--|-----------------|
| Compensated absences | | <u>(32,339)</u> |
|----------------------|--|-----------------|

| | | |
|---|----|-----------------------|
| Net Position of Governmental Activities (Exhibit I) | \$ | <u><u>571,294</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, 2016**

| | <u>Major Funds</u> | | | <u>Total Governmental Funds</u> |
|------------------------------------|--------------------|--------------------------|-----------------------------|---|
| | <u>General</u> | <u>Health Grants</u> | <u>Capital Projects</u> | |
| Revenues: | | | | |
| Member town contributions | \$ 405,821 | \$ 147,690 | \$ | \$ 553,511 |
| Intergovernmental | 142,234 | 87,210 | | 229,444 |
| Septic permits | 31,285 | | | 31,285 |
| Well permits | 14,345 | | | 14,345 |
| B100a building permit review | 29,225 | | | 29,225 |
| Soil testing service | 39,710 | | | 39,710 |
| Engineered plan review | 8,905 | | | 8,905 |
| Food protection service | 61,742 | | | 61,742 |
| Non-engineered plan review | 14,205 | | | 14,205 |
| Group home/daycare inspection | 1,255 | | | 1,255 |
| Subdivision review | 3,105 | | | 3,105 |
| Food plan review | 3,790 | | | 3,790 |
| Other health services | 5,373 | | | 5,373 |
| Total revenues | <u>760,995</u> | <u>234,900</u> | <u>-</u> | <u>995,895</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Payroll and benefits | 638,743 | 166,511 | | 805,254 |
| Other purchased services | 46,598 | 28,538 | | 75,136 |
| Liability insurance | 15,607 | | | 15,607 |
| Supplies and services | 9,672 | 17,433 | | 27,105 |
| Repairs and maintenance | 3,816 | | | 3,816 |
| Other | 5,888 | 22,418 | | 28,306 |
| Capital outlay | | | 43,714 | 43,714 |
| Total expenditures | <u>720,324</u> | <u>234,900</u> | <u>43,714</u> | <u>998,938</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | 40,671 | - | (43,714) | (3,043) |
| Fund Balances at Beginning of Year | <u>254,991</u> | <u>-</u> | <u>205,279</u> | <u>460,270</u> |
| Fund Balances at End of Year | <u>\$ 295,662</u> | <u>\$ -</u> | <u>\$ 161,565</u> | <u>\$ 457,227</u> |

(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, 2016**

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) | \$ (3,043) |
|---|------------|

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 | 40,780 |
| Depreciation expense | (15,738) |
| Loss on disposal of capital assets | (140) |

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>(2,530)</u> |
|----------------------|----------------|

| | |
|--|-------------------------|
| Change in Net Position of Governmental Activities (Exhibit II) | <u><u>\$ 19,329</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
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--------------------------------|----------------------------|-------------------------|----------------|---|
| Revenues: | | | | |
| Member town contributions | \$ 405,810 | \$ 405,810 | \$ 405,821 | \$ 11 |
| Intergovernmental | 149,850 | 149,850 | 142,234 | (7,616) |
| Septic permits | 35,250 | 35,250 | 31,285 | (3,965) |
| Well permits | 15,700 | 15,700 | 14,345 | (1,355) |
| B100a building permit review | 26,250 | 26,250 | 29,225 | 2,975 |
| Soil testing service | 33,500 | 33,500 | 39,710 | 6,210 |
| Engineered plan review | 9,450 | 9,450 | 8,905 | (545) |
| Food protection service | 58,650 | 58,650 | 61,742 | 3,092 |
| Non-engineered plan review | 16,500 | 16,500 | 14,205 | (2,295) |
| Group home/daycare inspection | 780 | 780 | 1,255 | 475 |
| Subdivision review | 4,410 | 4,410 | 3,105 | (1,305) |
| Food plan review | 3,680 | 3,680 | 3,790 | 110 |
| Other health services | 2,000 | 2,000 | 5,373 | 3,373 |
| Total revenues | <u>761,830</u> | <u>761,830</u> | <u>760,995</u> | <u>(835)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Regular salaries - nonunion | 501,235 | 501,235 | 466,623 | (34,612) |
| Social Security | 35,930 | 35,930 | 34,909 | (1,021) |
| Workers' compensation | 8,760 | 8,760 | 8,486 | (274) |
| Medicare | 8,360 | 8,360 | 6,202 | (2,158) |
| ICMA | 33,710 | 33,710 | 5,903 | (27,807) |
| Life insurance | 2,430 | 2,430 | 2,003 | (427) |
| RHS contribution | 2,080 | 2,080 | 2,036 | (44) |
| Dues and subscriptions | 2,130 | 2,130 | 2,388 | 258 |
| Training | 2,000 | 2,000 | 1,264 | (736) |
| Mileage reimbursement | 800 | 800 | 200 | (600) |
| Professional and technical | 6,500 | 6,500 | 6,325 | (175) |
| Legal | 3,200 | 3,200 | 237 | (2,963) |
| Audit expense | 6,500 | 6,500 | 6,600 | 100 |
| Vehicle repair and maintenance | 3,200 | 3,200 | 3,816 | 616 |
| General liability | 15,800 | 15,800 | 15,607 | (193) |
| Medical insurance | 106,490 | 106,490 | 113,990 | 7,500 |
| Long-Term Disability Insurance | 600 | 600 | 627 | 27 |
| Advertising | 2,000 | 2,000 | 888 | (1,112) |
| Printing and binding | 1,000 | 1,000 | 998 | (2) |

(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, 2016**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------|-------------------|---|
| Postage | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ - |
| Copier maintenance fees | 1,500 | 1,500 | | (1,500) |
| Other purchased services | 3,780 | 3,780 | 1,120 | (2,660) |
| Voice communications | 5,100 | 5,100 | 4,500 | (600) |
| Instructional supplies | 800 | 800 | 937 | 137 |
| Books and periodicals | 200 | 200 | 298 | 98 |
| Office supplies | 2,000 | 2,000 | 2,050 | 50 |
| Gasoline | 4,820 | 4,820 | 2,239 | (2,581) |
| Office equipment | 850 | 850 | 144 | (706) |
| Equipment - other | 600 | 600 | 618 | 18 |
| Administrative overhead | 27,816 | 27,816 | 27,816 | - |
| Total expenditures | <u>791,691</u> | <u>791,691</u> | <u>720,324</u> | <u>(71,367)</u> |
| Excess of Revenues over (under) Expenditures | (29,861) | (29,861) | 40,671 | 70,532 |
| Other Financing Sources (Uses): Appropriation of fund balance | <u>29,861</u> | <u>29,861</u> | <u>-</u> | <u>(29,861)</u> |
| Net Change in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | 40,671 | <u>\$ 40,671</u> |
| Fund Balance at Beginning of Year | | | <u>254,991</u> | |
| Fund Balance at End of Year | | | <u>\$ 295,662</u> | |

The accompanying notes are an integral part of the financial statements

**EASTERN HIGHLANDS HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

**EASTERN HIGHLANDS HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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. 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.

**EASTERN HIGHLANDS HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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).

**EASTERN HIGHLANDS HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

I. 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, 2016 the District had outstanding encumbrances of \$17,979 in the Capital Projects Fund.

**EASTERN HIGHLANDS HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

3. DETAILED NOTES ON ALL FUNDS

A. Deposits

At June 30, 2016, the carrying amount of the District's deposits was \$534,045 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, 2016 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 35,957 | \$ 17,979 | \$ _____ | \$ 53,936 |
| Capital assets being depreciated: | | | | |
| Office equipment | 54,273 | 22,801 | 6,400 | 70,674 |
| Vehicles | 132,035 | _____ | _____ | 132,035 |
| Total capital assets being depreciated | <u>186,308</u> | <u>22,801</u> | <u>6,400</u> | <u>202,709</u> |
| Less accumulated depreciation for: | | | | |
| Office equipment | 38,813 | 4,080 | 6,260 | 36,633 |
| Vehicles | 61,948 | 11,658 | _____ | 73,606 |
| Total accumulated depreciation | <u>100,761</u> | <u>15,738</u> | <u>6,260</u> | <u>110,239</u> |
| Total capital assets being depreciated, net | <u>85,547</u> | <u>7,063</u> | <u>140</u> | <u>92,470</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 121,504</u> | <u>\$ 25,042</u> | <u>\$ 140</u> | <u>\$ 146,406</u> |

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

| | |
|--------------------------|------------------|
| Governmental activities: | |
| Health services | \$ <u>15,738</u> |

C. Long-Term Debt

Long-term liability activity for the year ended June 30, 2016 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 | \$ 29,809 | \$ 39,280 | \$ 36,750 | \$ 32,339 | \$ 6,468 |

**EASTERN HIGHLANDS HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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 \$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, 2016:

| | | |
|------------|----|----------------|
| Andover | \$ | 16,398 |
| Ashford | | 21,448 |
| Bolton | | 24,789 |
| Chaplin | | 11,403 |
| Columbia | | 27,355 |
| Coventry | | 62,179 |
| Mansfield | | 129,128 |
| Scotland | | 8,512 |
| Tolland | | 74,724 |
| Willington | | <u>29,885</u> |
| | \$ | <u>405,821</u> |

No amounts were due to or from the member towns as of June 30, 2016.

C. Contingent Liabilities

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