

EASTERN HIGHLANDS HEALTH DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2009

EASTERN HIGHLANDS HEALTH DISTRICT

ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS

<u>EXHIBITS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
MANAGEMENT DISCUSSION AND ANALYSIS.....	3-7
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</u>	
EX I STATEMENT OF NET ASSETS.....	8
EX II STATEMENT OF ACTIVITIES	9
<u>FUND FINANCIAL STATEMENTS:</u>	
EX III BALANCE SHEET - GOVERNMENTAL FUNDS	10-11
EX IV STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	12-13
EX V STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND.....	14-15
<u>NOTES TO BASIC FINANCIAL STATEMENTS</u>	
NOTES TO BASIC FINANCIAL STATEMENTS.....	16-22

BlumShapiro

Accounting | Tax | Business Consulting

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, 2009, which collectively comprise the Eastern Highlands Health 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 basic financial statements, assessing the accounting principles used and 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, 2009 and the respective changes in financial position, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 7 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.

WEST HARTFORD • SHELTON
Westport • Waterbury • New York

An Independent Member of Baker Tilly International

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010 on our consideration of the Eastern Highlands Health District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

February 5, 2010



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, 2009

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, 2009

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$327,218 (*net assets*). Of this amount, \$230,860 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to creditors.
- The District's total net assets decreased by \$33,149. This was due to less than anticipated service revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$300,841, a decrease of \$18,176 in comparison with the prior year. Of combined fund balances, \$300,841 is *available for spending* at the District's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$231,171 or 32.8% 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 grant and the 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 \$327,218 at the close of the most recent fiscal year.

Of the net assets, \$96,358 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, 2009**

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 353,804	\$ 349,464
Capital assets.....	<u>96,358</u>	<u>72,181</u>
Total assets	<u>450,162</u>	<u>421,645</u>
Long-term liabilities outstanding	69,981	24,665
Other liabilities.....	<u>52,963</u>	<u>36,613</u>
Total liabilities.....	<u>122,944</u>	<u>61,278</u>
Net assets:		
Investment in capital assets	96,358	72,181
Unrestricted	<u>230,860</u>	<u>288,186</u>
Total net assets	<u>\$ 327,218</u>	<u>\$ 360,367</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Governmental activities. The District's net assets decreased by \$33,149 during the current fiscal year. The increase is primarily the result of less than anticipated service fee revenues.

**EASTERN HIGHLANDS HEALTH DISTRICT
CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 217,668	\$ 209,834
Operating grants and contributions	381,141	372,262
General revenues:		
Assessment to member towns.....	<u>362,703</u>	<u>345,270</u>
Total revenues	961,512	927,366
Expenses:		
Health services	<u>994,661</u>	<u>917,628</u>
Change in net assets	(33,149)	9,738
Net assets - July 1.....	<u>360,367</u>	<u>350,629</u>
Net assets - June 30.....	<u>\$ 327,218</u>	<u>\$ 360,367</u>

- Charges for services increased by \$7,834 due to a slight decrease in septic and well permits and soil testing associated with property development offset by an increase in other health services, primarily for food protection service.

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, unreserved 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 \$300,841, a decrease of \$18,176 in comparison with the prior year. Of the ending fund balances, \$300,841 constitutes unreserved 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, unreserved fund balance of the general fund was \$231,171.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The fund balance of the District's general fund increased by \$20,318 during the current fiscal year. The key factors in this increase are:

- A reduction in projected salary costs of \$75,441
- Service fee revenues \$67,539 less than anticipated

The capital projects fund has a total fund balance of \$69,670, all of which is unreserved and available for spending. The net decrease in fund balance during the current year in the capital projects fund was \$38,494.

General Fund Budgetary Highlights

There was no budgetary change for the fiscal year.

Capital Assets

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$96,358 (net of accumulated depreciation). This investment in capital assets includes office equipment and vehicles. There was \$37,525 of additions to capital assets in the current year. Depreciation expense was \$13,348 for the year.

There was \$37,525 of capital asset additions in the current year, made up of the following:

- 2008 Ford Ranger for \$12,476
- Design and install Filemaker & web portal for \$25,049

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

	<u>2009</u>	<u>2008</u>
Office Equipment	\$29,030	\$ 8,610
Vehicles	<u>67,328</u>	<u>63,571</u>
Total	<u>\$ 96,358</u>	<u>\$ 72,181</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 nineteen 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 80,301. The main Health District office is located in the Town of Mansfield.

The budget for fiscal year 2010 was passed by its Board of Directors on January 15, 2009, for \$728,900.

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 DISTRICTSTATEMENT OF NET ASSETS
JUNE 30, 2009

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents.....	\$ 345,064
Receivables:	
Accounts.....	740
Intergovernmental.....	6,000
Prepaid expenses.....	2,000
Total current assets.....	<u>353,804</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Office equipment.....	29,030
Vehicles.....	67,328
Total Capital assets (net of accumulated depreciation).....	<u>96,358</u>
TOTAL ASSETS.....	<u>\$ 450,162</u>
<u>LIABILITIES</u>	
LIABILITIES:	
Current liabilities:	
Accounts payable.....	\$ 787
Accrued liabilities.....	7,432
Unearned revenue.....	44,744
Compensated absences.....	13,996
Total current liabilities.....	<u>66,959</u>
Noncurrent liabilities:	
Compensated absences.....	55,985
TOTAL LIABILITIES.....	<u>122,944</u>
<u>NET ASSETS</u>	
Invested in capital assets.....	96,358
Unrestricted.....	230,860
TOTAL NET ASSETS.....	<u>327,218</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 450,162</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, 2009

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>994,661</u>	\$ <u>217,668</u>	\$ <u>381,141</u>	\$ (395,852)
GENERAL REVENUES:				
Assessment to member towns.....				<u>362,703</u>
CHANGE IN NET ASSETS.....				(33,149)
NET ASSETS AT BEGINNING OF YEAR.....				<u>360,367</u>
NET ASSETS AT END OF YEAR.....				\$ <u><u>327,218</u></u>

The accompanying notes are an integral part of the financial statements

EASTERN HIGHLANDS HEALTH DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	GENERAL	HEALTH GRANTS	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents.....	\$ 238,613	\$ 36,782	\$ 69,670	\$ 345,065
Receivables:				
Accounts.....		740		740
Intergovernmental.....		6,000		6,000
Prepaid expenses.....		2,000		2,000
TOTAL ASSETS.....	<u>\$ 238,613</u>	<u>\$ 45,522</u>	<u>\$ 69,670</u>	<u>\$ 353,805</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts and other payables.....	\$ 10	\$ 468	\$	\$ 478
Accrued liabilities.....	7,432	310		7,742
Deferred and unearned revenue.....		44,744		44,744
TOTAL LIABILITIES.....	<u>7,442</u>	<u>45,522</u>	<u>-</u>	<u>52,964</u>
FUND BALANCES:				
Unreserved, reported in:				
General fund.....	231,171			231,171
Capital projects funds.....			69,670	69,670
TOTAL FUND BALANCES.....	<u>231,171</u>	<u>-</u>	<u>69,670</u>	<u>300,841</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 238,613</u>	<u>\$ 45,522</u>	<u>\$ 69,670</u>	<u>\$ 353,805</u>

(Continued)

EASTERN HIGHLANDS HEALTH DISTRICT
BALANCE SHEET (CONTINUED)

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)..... \$ 300,841

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

Governmental capital assets.....	\$ 168,592	
Less accumulated depreciation.....	<u>(72,234)</u>	
Net capital assets.....		96,358

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

Compensated absences.....	<u>(69,981)</u>
---------------------------	-----------------

NET ASSETS OF GOVERNMENTAL ACTIVITIES..... \$ 327,218

EASTERN HIGHLANDS HEALTH DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL	HEALTH GRANTS	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Member town contributions.....	\$ 362,703	\$ 28,458	\$	\$ 391,161
Intergovernmental.....	171,858	209,283		381,141
Septic permits.....	26,160			26,160
Well permits.....	11,280			11,280
B100a building permit review.....	21,605			21,605
Soil testing service.....	32,229			32,229
Engineered plan review.....	10,000			10,000
Food protection service.....	41,307			41,307
Non-engineered plan review.....	5,720			5,720
Group home/daycare inspection.....	955			955
Subdivision review.....	4,225			4,225
Food plan review.....	2,747			2,747
Other health services.....	32,982			32,982
TOTAL REVENUES.....	723,771	237,741	-	961,512
EXPENDITURES:				
Current:				
Payroll and benefits.....	643,949	137,203		781,152
Other purchased services.....	27,957	1,500		29,457
Liability insurance.....	14,025			14,025
Supplies and services.....	9,867	37,281	26,018	73,166
Repairs and maintenance.....	3,793			3,793
Other.....	3,862	61,757		65,619
Capital outlay.....			12,476	12,476
TOTAL EXPENDITURES.....	703,453	237,741	38,494	979,688
NET CHANGE IN FUND BALANCES.....	20,318	-	(38,494)	(18,176)
FUND BALANCES AT BEGINNING OF YEAR.....	210,853	-	108,164	319,017
FUND BALANCES AT END OF YEAR.....	\$ 231,171	\$ -	\$ 69,670	\$ 300,841

(Continued)

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

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)..... \$ (18,176)

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..... 37,525
Depreciation expense..... (13,348)

Total 24,177

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..... (39,150)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT II)..... \$ (33,149)

EASTERN HIGHLANDS HEALTH DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Member town contributions.....	\$ 362,240	\$ 362,240	\$ 362,703	\$ 463
Intergovernmental.....	171,230	171,230	171,858	628
Septic permits.....	48,520	48,520	26,160	(22,360)
Well permits.....	27,190	27,190	11,280	(15,910)
B100a building permit review.....	27,760	27,760	21,605	(6,155)
Soil testing service.....	58,480	58,480	32,229	(26,251)
Engineered plan review.....	18,130	18,130	10,000	(8,130)
Food protection service.....	38,780	38,780	41,307	2,527
Non-Engineered plan review.....	9,740	9,740	5,720	(4,020)
Group home/daycare inspection.....	1,490	1,490	955	(535)
Subdivision review.....	11,400	11,400	4,225	(7,175)
Food plan review.....	3,150	3,150	2,747	(403)
Other health services.....	13,200	13,200	32,982	19,782
TOTAL REVENUES.....	791,310	791,310	723,771	(67,539)
EXPENDITURES:				
Current:				
Regular salaries - non-union	536,470	536,470	461,029	(75,441)
Social security.....	33,970	33,970	37,495	3,525
Workers' compensation.....	11,060	11,060	13,482	2,422
Medicare.....	7,920	7,920	8,769	849
ICMA.....	32,530	32,530	31,930	(600)
Life insurance.....	2,340	2,340	1,768	(572)
RHS contribution.....	1,840	1,840	1,821	(19)
Dues and subscriptions.....	1,000	1,000	881	(119)
Training.....	2,000	2,000	1,456	(544)
Travel and conference.....			67	67
Mileage reimbursement.....	400	400		(400)
Professional and technical.....	10,000	10,000	5,000	(5,000)
Legal.....	3,200	3,200		(3,200)
Audit expense.....	4,900	4,900	4,750	(150)
Vehicle repair and maintenance.....	4,000	4,000	2,461	(1,539)
General liability.....	14,900	14,900	14,025	(875)
Medical insurance.....	89,180	89,180	89,180	-
Advertising.....	2,000	2,000	706	(1,294)
Printing and binding.....	1,000	1,000	814	(186)
Postage.....	1,500	1,500	1,500	-
Copier maintenance fees.....	1,000	1,000	1,332	332
Voice communications.....	3,200	3,200	3,200	-
Instructional supplies.....	800	800	256	(544)

(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	\$ 188	\$ (12)
Office supplies.....	2,000	2,000	877	(1,123)
Gasoline.....	5,500	5,500	4,524	(976)
Office equipment.....	1,860	1,860	850	(1,010)
Equipment - other.....	600	600	152	(448)
Administrative overhead.....	14,940	14,940	14,940	-
TOTAL EXPENDITURES.....	790,310	790,310	703,453	(86,857)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	1,000	1,000	20,318	19,318
OTHER FINANCING SOURCES (USES):				
Transfers out.....	(1,000)	(1,000)		1,000
NET CHANGE IN FUND BALANCES.....	\$ -	\$ -	20,318	\$ 20,318
FUND BALANCE AT BEGINNING OF YEAR.....			210,853	
FUND BALANCE AT END OF YEAR.....			\$ 231,171	

The accompanying notes are an integral part of the financial statements

EASTERN HIGHLANDS HEALTH DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Eastern Highlands Health 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: 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 Districts 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 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 *Capital Projects Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases.

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.

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 which are not restricted.

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 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, 2009, the carrying amount of the District's deposits was \$345,065 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. Receivables

Receivables as of year end for the District individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>GRANTS FUND</u>
Grants receivable	\$ 6,000
Accounts receivable	740

C. Capital Assets

Capital asset activity for the year ended June 30, 2009 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.....	\$ 24,295	\$ 25,049	\$	\$ 49,344
Vehicles.....	106,772	12,476		119,248
<hr/>				
Total capital assets being depreciated	131,067	37,525	-	168,592
<hr/>				
Less accumulated depreciation for:				
Office equipment.....	(15,685)	(4,629)		(20,314)
Vehicles.....	(43,201)	(8,719)		(51,920)
<hr/>				
Total accumulated depreciation ..	(58,886)	(13,348)	-	(72,234)
<hr/>				
Governmental Activities Capital Assets, Net.....	\$ <u>72,181</u>	\$ <u>24,177</u>	\$ <u>-</u>	\$ <u>96,358</u>

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

Governmental activities:	
Health services.....	\$ <u>13,348</u>

D. Long-Term Debt

Long-term liability activity for the year ended June 30, 2009 was as follows:

	BEGINNING BALANCE, AS RESTATED	ADDITIONS	REDUCTIONS	BALANCE ENDING	DUE WITHIN ONE YEAR
Governmental activities: Compensated absences	\$ <u>30,831</u>	\$ <u>69,882</u>	\$ <u>30,732</u>	\$ <u>69,981</u>	\$ <u>13,996</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 are administered by the Town of Mansfield, Connecticut (the Town), which have 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 Bolton, Coventry, Mansfield, Ashford, Willington, Tolland, Chaplin, Andover, Columbia and Scotland. Revenues received from these member towns are as follows for the year ended June 30, 2009:

Bolton	\$	23,190
Coventry		55,345
Mansfield		111,843
Ashford		20,044
Willington		27,985
Tolland		66,292
Chaplin		11,329
Andover		14,482
Columbia		24,418
Scotland		<u>7,775</u>
Total	\$	<u><u>362,703</u></u>

No amounts were due to or from the member towns as of June 30, 2009.

C. Contingent Liabilities

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