

**CITY OF NEW HAVEN, KENTUCKY**

FINANCIAL STATEMENTS, SUPPLEMENTARY  
INFORMATION AND REPORTS OF  
INDEPENDENT AUDITORS

JUNE 30, 2015

# CITY OF NEW HAVEN, KENTUCKY

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## REPORT OF INDEPENDENT AUDITORS

To the Mayor and  
City Commission Members  
City of New Haven  
New Haven, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Haven, Kentucky (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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.

### Auditor's 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 auditor's 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 auditor considers 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Haven, Kentucky as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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, budgetary comparison information, and pension schedules on pages 3 - 9 and 42 - 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated as of the date of this report, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of New Haven, Kentucky's internal control over financial reporting and compliance.



Bardstown, Kentucky  
December 16, 2015

# CITY OF NEW HAVEN, KENTUCKY

## MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2015

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As management of the City of New Haven, Kentucky (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### FINANCIAL HIGHLIGHTS

- The ending total cash and equivalents balance for the City was \$372,859.
- The overall net position of the City decreased approximately \$72,000.
- General governmental revenues for taxes and licenses totaled approximately \$228,000.
- Charges for services related to the water service and treatment were approximately \$461,000.
- The City's most significant debt consists of revenue bonds in the amount of \$258,000 issued to finance the construction of water and sewer lines. The City's total debt related to bonds decreased by \$5,400 during the current fiscal year.
- During the fiscal year 2015 the City implemented Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASBS 68). GASBS 68 requires retrospective application. Since the City only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$234,931 reduction in beginning net position on the Statement of Activities and an increase of \$37,642 of deferred outflows of resources – City contributions subsequent to the measurement date.
- As a result of GASBS 68, the City has recorded a net pension liability for the City's proportionate share of the County Employees' Retirement System (CERS) net pension liability at June 30, 2015 of \$208,909.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statement, 2) fund financial statement, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

### A. Government-Wide Financial Statements

**Government-wide financial statement.** The government-wide financial statements are designed to provide readers with a broad overview of the City of New Haven's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of New Haven'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 City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying

# CITY OF NEW HAVEN, KENTUCKY

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2015

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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 that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements of the City of New Haven are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of New Haven include general government, police, fire, streets, and recreation.

The government-wide financial statements report on only the City of New Haven.

### **B. Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The only non-major fund is the Municipal Aid Fund. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

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.

**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 City of New Haven, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of New Haven are governmental and proprietary 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 government'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 effect of the government'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.

# CITY OF NEW HAVEN, KENTUCKY

## MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2015

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The City reports the following major governmental fund:

The general fund is the City of New Haven, Kentucky's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

### **C. Proprietary Fund Financial Statements**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Fund which is considered a major fund of the City of New Haven. The Water and Wastewater Fund accounts for the activities of the water and sewer services provided by the City of New Haven, Kentucky's business, residents, schools, and churches. The City operates the sewer treatment plant, water distribution systems, sewer collection systems, and pump stations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Wastewater Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF NEW HAVEN, KENTUCKY

## MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2015

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Condensed Financial Information Statements of Net Position June 30, 2015 and 2014 (Table 1)

	Governmental activities		Business-type activities		Total	
	(Restated)				(Restated)	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 408,297	\$ 437,455	\$ 391,405	\$ 348,747	\$ 799,702	\$ 786,202
Capital assets	663,789	665,828	3,137,350	3,182,131	3,801,139	3,847,959
Total assets	<u>\$1,072,086</u>	<u>\$1,103,283</u>	<u>\$3,528,755</u>	<u>\$3,530,878</u>	<u>\$4,600,841</u>	<u>\$4,634,161</u>
Deferred outflows	\$ 35,870	\$ 37,642	\$ -	\$ -	\$ 35,870	\$ 37,642
Long-term liabilities	\$ 265,788	\$ 308,454	\$ 285,113	\$ 256,745	\$ 550,901	\$ 565,199
Other liabilities	52,095	52,642	76,098	46,122	128,193	98,764
Total liabilities	<u>\$ 317,883</u>	<u>\$ 361,096</u>	<u>\$ 361,211</u>	<u>\$ 302,867</u>	<u>\$ 679,094</u>	<u>\$ 663,963</u>
Deferred inflows	\$ 22,014	\$ -	\$ -	\$ -	\$ 22,014	\$ -
Net position:						
Net investment in capital assets	\$ 590,266	\$ 575,854	\$2,825,650	\$2,919,986	\$3,415,916	\$3,495,840
Restricted	19,095	19,388	275,623	234,573	294,718	253,961
Unrestricted	158,698	184,587	66,271	73,452	224,969	258,039
Total net position	<u>\$ 768,059</u>	<u>\$ 779,829</u>	<u>\$3,167,544</u>	<u>\$3,228,011</u>	<u>\$3,935,603</u>	<u>\$4,007,840</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by approximately \$3,936,000 which is a decrease from the previous year of approximately \$72,000 primarily due to a decrease in net position in the water and sewer fund of approximately \$60,000.

Total liabilities increased approximately \$15,000, primarily due new a new note payable of \$65,200 offset by scheduled principal payments on long-term debt and the change in the net pension liability as reported by CERS.

The net position of the City's business-type activities was \$3,167,544. The majority (89%) of the net position of business-type activities are invested in capital assets (e.g., land and improvements, water lines and sewer system, vehicles, equipment and construction in progress), net of the outstanding principal of debt associated with the acquisition or construction of these assets. The unrestricted net position of the business-type activities is \$66,271 at the end of the year.

The City's programs for governmental activities include General Government, Fire, Police, Parks and Recreation, and municipal aid. The programs for the business type activities include the water and wastewater utilities. A comparison of each program's revenues and expenses for the current year and prior year is presented in Table 2.

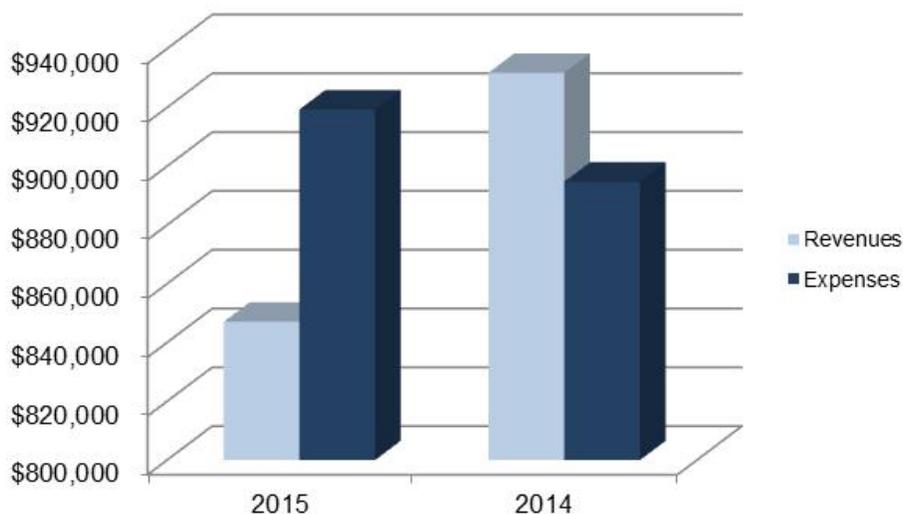
# CITY OF NEW HAVEN, KENTUCKY

## MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2015

### Condensed Financial Information Statements of Activities For the Years Ended June 30, 2015 and 2014 (Table 2)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 13,522	\$ 16,598	\$ 461,009	\$ 437,003	\$ 474,531	\$ 453,601
Operating grants and contributions	109,913	66,772	-	-	109,913	66,772
Capital grants and contributions	12,942	160,000	-	-	12,942	160,000
General revenues:						
Taxes	217,524	217,917	-	-	217,524	217,917
Licenses, permits, and fees	10,798	10,122	-	-	10,798	10,122
Other	13,977	13,841	7,393	9,580	21,370	23,421
Total revenues	<u>378,676</u>	<u>485,250</u>	<u>468,402</u>	<u>446,583</u>	<u>847,078</u>	<u>931,833</u>
<b>Expenses</b>						
General government	207,076	165,965	-	-	207,076	165,965
Public safety - police	84,855	79,225	-	-	84,855	79,225
Public safety - fire	49,340	47,686	-	-	49,340	47,686
Public service - streets	22,718	24,761	-	-	22,718	24,761
Parks and recreation	22,495	26,421	-	-	22,495	26,421
Interest on long-term debt	3,962	3,581	-	-	3,962	3,581
Water & Wastewater	-	-	528,869	547,097	528,869	547,097
Total expenses	<u>390,446</u>	<u>347,639</u>	<u>528,869</u>	<u>547,097</u>	<u>919,315</u>	<u>894,736</u>
Change in net position	<u>\$ (11,770)</u>	<u>\$ 137,611</u>	<u>\$ (60,467)</u>	<u>\$ (100,514)</u>	<u>\$ (72,237)</u>	<u>\$ 37,097</u>

The change in net position from the prior year decreased approximately \$109,000 due to a decrease in net position of approximately \$72,000. The decrease is primarily due to a decrease in capital contributions related to a \$160,000 grant of property to the City in the prior fiscal year.



# CITY OF NEW HAVEN, KENTUCKY

## MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2015

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### Governmental Activities

Revenues for the City's governmental activities decreased 22.0% (approximately \$107,000) primarily as a result of real property donated to the City with combined estimated value of \$160,000 in the prior fiscal year and no such contribution in fiscal year 2015. Total expenses for governmental activities increased 12.3% (approximately \$43,000). Of the approximately \$390,000 of expenses for governmental activities, approximately \$228,000 were financed with taxes, licenses, permits, and fees (primarily property taxes, insurance premium tax revenues, and occupation license fees).

### Business Type Activities

Revenues for the City's proprietary (business-type) activities increased approximately \$22,000 primarily due to increases in service fees and system charges. The cost of all Proprietary (Business-type) activities this year decreased approximately 3.3% (approximately \$18,000) when compared to the prior year, primarily due to decreases in repairs and depreciation. As shown in the Statement of Activities, the amounts paid by users of the systems were approximately \$461,000.

### Capital Asset Administration

The following summarizes the major additions to capital assets for the year ending June 30, 2015:

#### Governmental funds:

Real property – 360 Center Street	\$ <u>16,000</u>
Property improvements	\$ <u>21,346</u>

#### Proprietary funds:

2015 Chevy Silverado	\$ <u>24,156</u>
Water line replacement	\$ <u>61,469</u>

### Debt Administration

The following summarizes the changes in long-term debt for the current fiscal year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Notes payable	89,974	-	16,451	73,523
Net pension liability - CERS	234,931	-	26,022	208,909
Total	\$ <u>324,905</u>	\$ -	\$ <u>42,473</u>	\$ <u>282,432</u>
<u>Business-type activities:</u>				
Bonds payable	\$ 263,400	\$ -	\$ 5,400	\$ 258,000
Unamortized discounts	(1,255)	-	(50)	(1,205)
Note payable	-	65,200	10,295	54,905
Total	\$ <u>262,145</u>	\$ <u>65,200</u>	\$ <u>15,645</u>	\$ <u>311,700</u>

# CITY OF NEW HAVEN, KENTUCKY

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2015

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**Notes to the 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. The notes to the financial statements can be found on pages 20 - 40 of this report.

**Budgetary Highlights.** The City budgeted for grant expenditures from the Commonwealth of Kentucky's Transportation Cabinet (passed through from the Federal Transportation Authority) for transportation enhancements in the City's incorporated limits. The City is responsible for administering the grants on behalf of the Kentucky Railway Museum. The City budgeted approximately \$674,000 in revenues and expenditures during fiscal year 2015. However, expenditures for the project were only \$67,833 for the fiscal year ending June 30, 2015.

For additional information, please contact the City Clerk, Joanie Corbin at 302 Center Street, New Haven, KY 40051 or by phone at 502-549-3177.

**CITY OF NEW HAVEN, KENTUCKY**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 186,786	\$ 54,540	\$ 241,326
Accounts receivable	31,268	41,933	73,201
Interest receivable	-	832	832
Investments	190,243	-	190,243
Inventory	-	18,477	18,477
<b>Total current assets</b>	<u>408,297</u>	<u>115,782</u>	<u>524,079</u>
<u>Noncurrent assets:</u>			
Cash and cash equivalents - restricted	-	131,533	131,533
Investments - restricted	-	144,090	144,090
Capital assets, net	663,789	3,137,350	3,801,139
<b>Total noncurrent assets</b>	<u>663,789</u>	<u>3,412,973</u>	<u>4,076,762</u>
<b>Total assets</b>	<u>\$ 1,072,086</u>	<u>\$ 3,528,755</u>	<u>\$ 4,600,841</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
CERS contributions made after the measurement date	\$ 35,870	-	\$ 35,870
<b>LIABILITIES</b>			
<u>Current liabilities:</u>			
Accounts payable	\$ 8,689	\$ 20,936	\$ 29,625
Accrued expenses	870	2,374	3,244
Interest payable	-	6,612	6,612
Deferred revenue	20,511	19,589	40,100
Compensated absences	5,381	-	5,381
Current portion of notes payable	16,644	21,287	37,931
Current portion of bonds payable	-	5,300	5,300
<b>Total current liabilities</b>	<u>52,095</u>	<u>76,098</u>	<u>128,193</u>
<u>Noncurrent liabilities:</u>			
Noncurrent portion of notes payable	56,879	33,618	90,497
Noncurrent portion of bonds payable	-	251,495	251,495
Net pension liability - CERS	208,909	-	208,909
<b>Total noncurrent liabilities</b>	<u>265,788</u>	<u>285,113</u>	<u>550,901</u>
<b>Total liabilities</b>	<u>\$ 317,883</u>	<u>\$ 361,211</u>	<u>\$ 679,094</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Proportionate share of deferred inflows of resources - CERS	\$ 22,014	-	\$ 22,014
<b>NET POSITION</b>			
Net investment in capital assets	590,266	2,825,650	3,415,916
Restricted	19,095	275,623	294,718
Unrestricted	158,698	66,271	224,969
<b>Total net position</b>	<u>\$ 768,059</u>	<u>\$ 3,167,544</u>	<u>\$ 3,935,603</u>

See report of independent auditors and notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions
<b>Functions / programs:</b>				
<b>Governmental activities:</b>				
General government	\$ 207,076	\$ -	\$ 78,123	\$ -
Public safety				
Police	84,855	5,899	4,164	-
Fire	49,340	-	8,288	-
Public service				
Street	22,718	-	9,338	12,942
Recreation	22,495	7,623	10,000	-
Interest on long-term debt	3,962	-	-	-
	<u>390,446</u>	<u>13,522</u>	<u>109,913</u>	<u>12,942</u>
Total governmental activities				
	<u>390,446</u>	<u>13,522</u>	<u>109,913</u>	<u>12,942</u>
<b>Business type activities:</b>				
Water and wastewater	494,560	420,907	-	-
Waste disposal	34,309	40,102	-	-
	<u>528,869</u>	<u>461,009</u>	<u>-</u>	<u>-</u>
Total business type activities				
	<u>528,869</u>	<u>461,009</u>	<u>-</u>	<u>-</u>
<b>Total primary government</b>	<b>\$ <u>919,315</u></b>	<b>\$ <u>474,531</u></b>	<b>\$ <u>109,913</u></b>	<b>\$ <u>12,942</u></b>

**General Revenues:**

- Taxes:
  - Property taxes
  - Motor vehicle taxes
  - Utility taxes
  - Bank deposit taxes
  - Insurance premium taxes
- Business licenses
- Earnings on investments
- Gain on sale of assets
- Miscellaneous
- Total general revenues
- Change in net position
- Net position, beginning (restated)
- Net position, ending

See report of independent auditors and notes to financial statements.

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**Net (expense) revenue and change in net position**

Governmental activities	Business-type activities	Total
\$ (128,953)	\$ -	\$ (128,953)
(74,792)	-	(74,792)
(41,052)	-	(41,052)
(438)	-	(438)
(4,872)	-	(4,872)
(3,962)	-	(3,962)
-	-	-
(254,069)	-	(254,069)
-	(73,653)	(73,653)
-	5,793	5,793
-	(67,860)	(67,860)
-	-	-
(254,069)	(67,860)	(321,929)
70,554	-	70,554
9,719	-	9,719
44,517	-	44,517
7,700	-	7,700
85,034	-	85,034
10,798	-	10,798
246	892	1,138
-	3,236	3,236
13,731	3,265	16,996
242,299	7,393	249,692
(11,770)	(60,467)	(72,237)
779,829	3,228,011	4,007,840
\$ 768,059	\$ 3,167,544	\$ 3,935,603

**CITY OF NEW HAVEN, KENTUCKY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General Fund</u>	<u>Municipal Aid Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND RESOURCES</b>			
Cash and cash equivalents	\$ 168,690	\$ 18,096	\$ 186,786
Accounts receivable	29,774	1,494	31,268
Investments	<u>190,243</u>	<u>-</u>	<u>190,243</u>
<b>Total assets and resources</b>	<b><u>\$ 388,707</u></b>	<b><u>\$ 19,590</u></b>	<b><u>\$ 408,297</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<u>Liabilities</u>			
Accounts payable	\$ 5,933	\$ 1,256	\$ 7,189
Accrued expenses	870	-	870
Interest payable	1,500	-	1,500
Deferred revenue	<u>20,511</u>	<u>-</u>	<u>20,511</u>
<b>Total liabilities</b>	<b><u>28,814</u></b>	<b><u>1,256</u></b>	<b><u>30,070</u></b>
<u>Fund balances</u>			
Spendable:			
Restricted	761	18,334	19,095
Committed	66,236	-	66,236
Assigned	26,413	-	26,413
Unassigned	<u>266,483</u>	<u>-</u>	<u>266,483</u>
<b>Total fund balances</b>	<b><u>359,893</u></b>	<b><u>18,334</u></b>	<b><u>378,227</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 388,707</u></b>	<b><u>\$ 19,590</u></b>	<b><u>\$ 408,297</u></b>

See report of independent auditors and notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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Total fund balance per fund financial statements	\$	378,227	
Amounts reported for governmental activities in the statement of net position are different due to:			
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position			
			663,789
Deferred outflows of resources and deferred inflows of resources related to the City's proportionate share of CERS:			
Deferred outflows of resource - CERS contributions made subsequent to the reporting date	\$	35,870	
Deferred inflows of resources - proportionate share of collective deferred inflows of resources - CERS		<u>(22,014)</u>	13,856
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:			
Notes payable		(73,523)	
Net pension liability		(208,909)	
Compensated absences		<u>(5,381)</u>	<u>(287,813)</u>
Net position for governmental activities	\$		<u><u>768,059</u></u>

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See report of independent auditors and notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Municipal Aid Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes:			
Property	\$ 70,554	\$ -	\$ 70,554
Motor vehicle	9,719	-	9,719
Utilities	44,517	-	44,517
Bank deposit	7,700	-	7,700
Insurance premium tax	85,034	-	85,034
Business licenses	10,798	-	10,798
Donations	23,541	-	23,541
Earnings on investments	237	8	245
Recreation department	17,595	-	17,595
Grant revenues	67,833	22,281	90,114
Other local revenue	18,860	-	18,860
Total revenues	<u>356,388</u>	<u>22,289</u>	<u>378,677</u>
<b>Expenditures:</b>			
Current:			
General government	209,721	-	209,721
Public safety:			
Police	83,616	-	83,616
Fire	26,334	-	26,334
Public service:			
Street	-	9,642	9,642
Recreation	16,919	-	16,919
Debt service:			
Principal	16,451	-	16,451
Interest	3,962	-	3,962
Capital outlay	27,878	12,942	40,820
Total expenditures	<u>384,881</u>	<u>22,584</u>	<u>407,465</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(28,493)</u>	<u>(295)</u>	<u>(28,788)</u>
Net change in fund balances	<u>(28,493)</u>	<u>(295)</u>	<u>(28,788)</u>
Fund balances, beginning of year	<u>388,386</u>	<u>18,629</u>	<u>407,015</u>
Fund balances, end of year	<u>\$ 359,893</u>	<u>\$ 18,334</u>	<u>\$ 378,227</u>

See report of independent auditors and notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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Net change in fund balances - total governmental funds \$ (28,788)

Amounts reported for governmental activities in the statement of activities  
are different due to the following:

Capital outlays are reported as expenditures in this fund financial statement  
because they use current financial resources, but they are presented as assets  
in the the statement of activities and depreciated over their estimated economic  
lives. The difference is the amount by which depreciation expense exceeds  
capital outlays for the year. (2,039)

Debt service payments are reported as expenditures in this fund financial  
statement because they use current financial resources, but they are separated  
and shown as payments of long term debt on the statement of net position and  
interest expense on the statement of activities. The difference is the amount  
of principal debt paid versus the amount of loan proceeds received for the year. 16,451

Some items reported in the Statement of Activities do not involve current  
financial resources and, therefore, are not reported as expenditures in the  
governmental funds.

These activities include:

Pension expense related to changes in the net pension liability and the net changes in deferred inflows and deferred outflows related to CERS	2,236
Changes in compensated absences	370
	370

Change in net position - total governmental funds \$ (11,770)

**CITY OF NEW HAVEN, KENTUCKY**

STATEMENT OF FUND NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2015

	<u>Water &amp; Wastewater Fund</u>
<b>ASSETS</b>	
<u>Current Assets:</u>	
Cash and cash equivalents	\$ 54,540
Accounts receivable	41,933
Interest receivable	832
Inventories	<u>18,477</u>
<b>Total current assets</b>	<u>115,782</u>
<u>Noncurrent assets:</u>	
Cash and cash equivalents - restricted	131,533
Investments - restricted	144,090
Capital assets, net	<u>3,137,350</u>
<b>Total noncurrent assets</b>	<u>3,412,973</u>
<b>Total assets</b>	\$ <u><u>3,528,755</u></u>
<b>LIABILITIES AND NET POSITION</b>	
<u>Current liabilities:</u>	
Accounts payable	\$ 20,936
Accrued expenses	2,374
Interest payable	6,612
Deferred revenue	19,589
Current portion of note payable	21,287
Current portion of bonds payable	<u>5,300</u>
<b>Total current liabilities</b>	<u>76,098</u>
<u>Noncurrent liabilities:</u>	
Noncurrent portion of note payable	33,618
Noncurrent portion of bonds payable	<u>251,495</u>
<b>Total noncurrent liabilities</b>	<u>285,113</u>
<u>Net Position:</u>	
Net investment in capital assets	2,825,650
Restricted for debt service	275,623
Unrestricted	<u>66,271</u>
<b>Total net position</b>	\$ <u><u>3,167,544</u></u>

See report of independent auditors and notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

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	<b>Water &amp; Wastewater Fund</b>
<b>Operating revenues:</b>	
Water revenues	\$ 267,636
Sewer revenues	153,271
Waste disposal revenues	40,102
Miscellaneous	3,265
Total operating revenues	<u>464,274</u>
<b>Operating expenses:</b>	
Water purchased	99,658
Waste disposal fees	34,309
Wages and related expenses	121,458
Repairs	25,591
Utilities	21,013
Depreciation	130,406
Other operating expenses	83,267
Total operating expenses	<u>515,702</u>
Operating income (loss)	<u>(51,428)</u>
<b>Non-operating revenues (expenses)</b>	
Interest revenue	892
Interest expense	(13,167)
Gain on sale of equipment	3,236
Total non-operating revenues (expenses)	<u>(9,039)</u>
Change in net position	(60,467)
Net position, beginning of year	<u>3,228,011</u>
Net position, end of year	<u><u>\$ 3,167,544</u></u>

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See report of independent auditors and notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u><b>Water &amp; Wastewater Fund</b></u>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 464,682
Payments to employees	(121,020)
Payments to suppliers for goods and services	(260,191)
	<u>83,471</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	(85,625)
Sale of capital assets	3,236
Proceeds from long-term debt	54,905
Principal paid on long-term debt	(5,400)
Interest paid on debt	(13,305)
	<u>(46,189)</u>
<b>Cash flows from investing activities:</b>	
Purchase of investments	(144,090)
Proceeds from sale of investments	146,904
Interest received	922
	<u>3,736</u>
<b>Net increase in cash and cash equivalents</b>	<b>41,018</b>
<b>Balance, beginning of year</b>	<b><u>145,055</u></b>
<b>Balance, end of year</b>	<b>\$ <u><u>186,073</u></u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ (51,428)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	130,456
Changes in assets and liabilities:	
Accounts receivable	(1,492)
Inventories	(2,992)
Accounts payable	6,589
Accrued expenses	438
Deferred revenue	1,900
	<u>83,471</u>
Net cash provided by operating activities	<u>\$ 83,471</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position - proprietary fund</b>	
Unrestricted cash and equivalents	\$ 54,540
Restricted cash and equivalents	<u>131,533</u>
Cash and cash equivalents	<u>\$ 186,073</u>

See report of independent auditors and notes to financial statements.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of New Haven, Kentucky (the "City") was incorporated under the provisions of the State of Kentucky as a sixth class city on February 18, 1839. The City operates as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

#### A. Reporting Entity

The City, for financial purposes, includes all of the funds relevant to the operations of the City of New Haven. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of New Haven. The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

New Haven Water and Sewer - The City Commission and Mayor operate the water and sewer systems. The Water and Sewer System cannot issue bonded debt without the City's approval. The operations are reported in the Water and Wastewater Fund, a proprietary fund.

#### B. Basis of Presentation

The City's *government-wide financial statements* provide both short-term and long-term information about the City's overall financial status. *Fund financial statements* focus on the individual activities of City government, reporting the City's operations in more detail than the government-wide financial statements.

#### C. Basis of Accounting and Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### **Government-wide Financial Statements**

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position.

The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standard Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The City has elected not to follow subsequent private-sector guidance.

### **Governmental Fund Financial Statements**

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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The general fund is the City of New Haven, Kentucky's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues,

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# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after yearend) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

### **Municipal Aid Fund**

The Municipal Aid Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures to be used to account for and report resources restricted or committed to improvement of the City's roads and sidewalks. The primary sources of revenue are intergovernmental grants.

### **Proprietary Fund Financial Statements**

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

The water and wastewater fund accounts for the activities related to the provision of water and sewer services to the City of New Haven, Kentucky's business, residents, schools, and churches. It operates the sewer treatment plant, water distribution systems, sewer collection systems, and pump stations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Wastewater Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Criteria for determining if other entities are potential component units which should be reported within the City's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations that the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### D. Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

### E. Investments

The City holds eligible investments as permitted under State law. Investments consisted entirely of certificates of deposit at June 30, 2015. All investments are considered current as there would be no significant fees or penalties to liquidate the certificates of deposit that are due in more than one-year.

### F. Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$1,000 with the exception of computers, digital cameras and real property for which there is no threshold. Under the modified cash basis of accounting, the City does not include donated infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. All reported capital assets are depreciated. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 Years
Land improvements	20 Years
Technology equipment	5 Years
Vehicles	5-10 Years
Service equipment	10-12 Years
Furniture and fixtures	7 Years
Infrastructure	15 Years

### H. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### **I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, with the exception of compensated absences, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements, with the exception of compensated absences.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### **J. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS Nonhazardous") and County Employees Retirement System Hazardous ("CERS Hazardous") additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **K. Compensated Absences**

The criteria for determining compensated absences (i.e., paid absences for employee vacation and sick leave benefit) liability are derived from City policy, negotiated agreements, and state law. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

In the government-wide financial statements, compensated absences are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported for compensated absences in the governmental fund financial statements only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

It is the policy of the City to record the cost of sick leave when paid. Generally, sick leave is paid only when an employee is absent due to illness, injury, or related family death. There is no liability recorded for sick leave at June 30, 2015. The estimated accumulated amount of unused sick leave at June 30, 2015 totals \$23,438.

### **L. Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Commissioners - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Commissioners remove the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Commissioners and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

### **M. Net Position**

Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily property taxes.

### **O. Property Taxes**

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.2260 per \$100 valuation for real property, \$.4783 per \$100 valuation for business personal property and \$.250 per \$100 valuation for motor vehicles.

**CITY OF NEW HAVEN, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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**P. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**R. Budgetary Process**

Budgetary Basis of Accounting: The City's budgetary process accounts for its transactions the same as the governmental funds, using the cash basis of accounting. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Budget amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

**S. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

As of June 30, 2015, the City's cash and cash equivalent funds are substantially covered by federal depository insurance or by collateral held by the custodial banks in the City's name.

As of June 30, 2015, the City's investments are as follows:

Certificates of Deposits – Governmental Funds	\$	190,243
Certificates of Deposits – Proprietary Fund		<u>144,090</u>
Total	\$	<u>334,333</u>

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk. As of June 30, 2015, the City's investments and deposits were adequately collateralized by the FDIC deposit insurance and the value of pledged securities held by the City's custodial bank in the City's name.

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# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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*Credit Risk:* Under KRS 66.480 and in accordance with the City's formal investment policy, the City is permitted to invest in the following:

- obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian
- obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States Government agency
- obligations of any corporation of the United States Government
- certificates of deposit issued by, or other interest-bearing accounts of, any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity, or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4)
- uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency
- bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency
- commercial paper rated in the highest category by a nationally recognized rating agency
- bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities
- securities issued by a state or local government, or any instrumentality of an agency thereof in the United States, and rated in one of the three highest categories by a nationally recognized rating agency
- shares of mutual funds (the mutual fund shall be an open and diversified investment company registered under the Federal Investment Company Act of 1940, as amended; the management company of the investment company shall have been in operation for at least five years; and all securities in the mutual funds shall be eligible investments pursuant to the above)

*Concentration of Credit Risk:* The amount invested at any time by the City in uncollateralized certificates of deposit issued by any bank or savings and loan institution, bankers' acceptances, commercial paper, or securities issued by a state or local government, or any instrumentality of an agency thereof in the United States (as described above), shall not exceed 20% of the total amount invested by the City. With the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 20% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

*Interest Rate Risk:* The City's formal investment policy does not address policies relative to investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF NEW HAVEN, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**3. CAPITAL ASSETS**

Capital asset activity during the year ended June 30, 2015 is as follows:

Governmental activities:

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
Capital assets not being depreciated							
Land	\$ 73,889	\$	16,000	\$	-	\$	89,889
Construction in process	5,415		-		-		5,415
Total	<u>79,304</u>		<u>16,000</u>		<u>-</u>		<u>95,304</u>
Capital assets being depreciated							
Buildings	686,200		11,925		-		698,125
Machinery and equipment	445,716		15,829		-		461,545
Infrastructure	186,217		-		-		186,217
Total	<u>1,318,133</u>		<u>27,754</u>		<u>-</u>		<u>1,345,887</u>
Less: accumulated depreciation	<u>(731,609)</u>		<u>(45,793)</u>		<u>-</u>		<u>(777,402)</u>
Total capital assets being depreciated, net	<u>586,524</u>		<u>(18,039)</u>		<u>-</u>		<u>568,485</u>
Governmental activities capital assets, net	\$ <u>665,828</u>	\$	\$ <u>(2,039)</u>	\$	\$ <u>-</u>	\$	\$ <u>663,789</u>

Depreciation expense attributable to governmental activities was charged to the governmental functions/programs per the statement of activities as follows for the year ending June 30, 2015:

General government	\$ 13,523
Public safety – police	2,706
Public safety – fire	26,575
Public works – streets	<u>2,989</u>
 Total	 \$ <u>46,793</u>

During 2012, the City incurred architectural fees of \$5,415 for a potential Senior Center through a Community Block Development Grant. The amounts have been recorded as construction in process in the government-wide financial statements. There were no new expenditures related to the Senior Center during fiscal year 2015.

**CITY OF NEW HAVEN, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 20,801	\$ -	\$ -	\$ 20,801
Total	<u>20,801</u>	<u>-</u>	<u>-</u>	<u>20,801</u>
Capital assets being depreciated				
Buildings	80,565	-	-	80,565
Machinery and equipment	353,049	24,156	20,930	356,275
Water and sewer system	4,708,643	61,469	-	4,770,112
Total	<u>5,142,257</u>	<u>85,625</u>	<u>20,930</u>	<u>5,206,952</u>
Less: accumulated depreciation	<u>(1,980,927)</u>	<u>(130,406)</u>	<u>(20,930)</u>	<u>(2,090,403)</u>
Total capital assets being depreciated, net	<u>3,161,330</u>	<u>(44,781)</u>	<u>-</u>	<u>3,116,549</u>
Business type activities capital assets, net	\$ <u>3,182,131</u>	\$ <u>(44,781)</u>	\$ <u>-</u>	\$ <u>3,137,350</u>

Depreciation expense attributable to business-type activities was charged to specific functions per the statement of activities as follows:

Water	\$ 24,777
Sewer	<u>105,629</u>
 Total	 \$ <u>130,406</u>

Grant Projects:

The City has entered into multiple grants with the Kentucky Infrastructure Authority (KIA) to upgrade and extend the current water and sewer systems of the City. Additional projects have been approved by the Authority as of June 30, 2015 but have not been funded by specific state legislation or local revenues.

In June 2015, the City was approved for a \$603,000 project for a sewer rehabilitation project. The project is to be funded by a federal grant of \$340,000 and a Kentucky Infrastructure Authority (KIA) loan for the remaining \$263,000.

**CITY OF NEW HAVEN, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**4. LONG-TERM OBLIGATIONS**

Long-term debt of the City consists of the following as of June 30, 2015:

Governmental activities:

	<u>Balance</u>	<u>Current</u>	<u>Long-term</u>
Term note with a trustee bank; interest at rates ranging from 3.50% to 5.25%; original face amount of \$105,000; due annually through April 20, 2017; secured by real property	20,000	10,000	10,000
Term Note from the Commonwealth of Kentucky's State Fire Commission; interest at 3.00%; original face amount of \$100,000; due annually through November 10, 2022; secured by a fire truck and state aid funds received from the Commission	<u>53,523</u>	<u>6,644</u>	<u>46,879</u>
Total governmental activities	\$ <u><u>73,523</u></u>	\$ <u><u>16,644</u></u>	\$ <u><u>56,879</u></u>

Business-type activities:

	<u>Balance</u>	<u>Current</u>	<u>Long-term</u>
Water and Sewer Revenue Series 1999A Bonds; interest at 5.125%; original face amount of \$237,000, principal due annually through January 1, 2039; secured by water and sewer revenues	194,000	4,000	190,000
Water and Sewer Revenue Series 1999B Bonds; interest at 4.75%; original face amount of \$79,000, principal due annually through January 1, 2039; secured by water and sewer revenues	64,000	1,300	62,700
Term note with a trustee bank; interest at 4.25%; original face amount of \$65,200; due monthly through Decemberr 2, 2017; secured by real property	<u>54,905</u>	<u>21,287</u>	<u>33,618</u>
Total	312,905	26,587	286,318
Less: unamortized discount	<u>(1,205)</u>	<u>(50)</u>	<u>(1,155)</u>
Total business-type activities	\$ <u><u>311,700</u></u>	\$ <u><u>26,537</u></u>	\$ <u><u>285,163</u></u>

**CITY OF NEW HAVEN, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Activity in long-term debt for the year ending June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Notes payable	89,974	-	16,451	73,523
Net pension liability - CERS	234,931	-	26,022	208,909
Total	\$ <u>324,905</u>	\$ <u>-</u>	\$ <u>42,473</u>	\$ <u>282,432</u>
<u>Business-type activities:</u>				
Bonds payable	\$ 263,400	\$ -	\$ 5,400	\$ 258,000
Unamortized discounts	(1,255)	-	(50)	(1,205)
Note payable	-	65,200	10,295	54,905
Total	\$ <u>262,145</u>	\$ <u>65,200</u>	\$ <u>15,645</u>	\$ <u>311,700</u>

At June 30, 2015, the future debt service requirements of the City are as follows:

Governmental activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 16,644	\$ 3,208	\$ 19,852
2017	16,844	2,449	19,293
2018	7,049	1,201	8,250
2019	7,260	990	8,250
2020	7,478	772	8,250
2021 - 2023	<u>18,248</u>	<u>941</u>	<u>19,189</u>
Total notes payable	\$ <u>73,523</u>	\$ <u>9,561</u>	\$ <u>83,084</u>

Business-type activities:

Bonds payable:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,000	\$ 13,223	\$ 19,223
2017	6,100	12,915	19,015
2018	6,600	12,602	19,202
2019	6,700	12,264	18,964
2020	7,300	11,921	19,221
2021 - 2025	41,300	53,721	95,021
2026 - 2030	52,600	42,025	94,625
2031 - 2035	66,400	27,124	93,524
2036 - 2040	<u>65,000</u>	<u>8,564</u>	<u>73,564</u>
Total bonds payable	\$ <u>258,000</u>	\$ <u>194,359</u>	\$ <u>452,359</u>

**CITY OF NEW HAVEN, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Note payable:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 21,287	\$ 1,921	\$ 23,208
2017	22,208	1,002	23,210
2018	<u>11,410</u>	<u>141</u>	<u>11,551</u>
Total note payable	\$ <u>54,905</u>	\$ <u>3,064</u>	\$ <u>57,969</u>

**5. FUND BALANCES**

The following is a summary of the Governmental Funds fund balances of the City of New Haven at the June 30, 2015:

Restricted:		
Streets		\$ 18,334
T-21 Grant		761
		<u>19,095</u>
Committed:		
Fire Truck Funds		48,383
Police Car Funds		17,853
		<u>66,236</u>
Assigned:		
Abbey Donations		6,868
Media Donations		4,612
General Equipment Account		14,933
		<u>26,413</u>
Unassigned		<u>266,483</u>
Total governmental fund balance		\$ <u>378,227</u>

**6. RETIREMENT PLAN**

**I. COST-SHARING, MULTIPLE-EMPLOYER PLANS**

Plan Descriptions, Contribution Information, and Funding Policies:

The City participates in two statewide, cost-sharing, multiple-employer, public employers' defined benefit pension plans on behalf of City employees and City police officers. The plans, created under Kentucky Revised Statute (KRS) 78.520, provide for retirement, disability, and death benefits to plan members.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### General information about the County Employees Retirement System Non-Hazardous (“CERS Non-Hazardous”)

*Plan description* – CERS is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* – CERS Non-Hazardous provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

*Contributions* – Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### General information about the County Employees Retirement System Hazardous (“CERS Hazardous”)

*Benefits provided* – CERS Hazardous provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	15 years service and 50 years old Or 20 years service and any age
	Reduced retirement	At least 5 years service and 55 years old
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old Or 25 years service and any age
	Reduced retirement	15 years service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old Or 25 years service and any age
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

*Contributions* – Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	8%
Tier 2	8% + 1% for insurance
Tier 3	8% + 1% for insurance

**CITY OF NEW HAVEN, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability for CERS as follows:

	<u>CERS Non- Hazardous</u>		<u>CERS Hazardous</u>		<u>Total</u>
Net pension liability	\$ 110,578	\$	98,331	\$	208,909
Deferred outflows of resources – contributions subsequent to the measurement date	21,416		14,454		35,870
Deferred inflow of resources – net difference between projected and actual earnings on pension plan investments	12,343		9,671		22,014

The net pension liability for the plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability for CERS Nonhazardous was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the City's proportion of the plans were as follows:

	<u>CERS Non- Hazardous</u>	<u>CERS Hazardous</u>
Proportionate share of net pension liability	0.003408%	0.008182%

For the year ended June 30, 2015, the City recognized pension expense of \$36,634. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	22,014
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>35,870</u>	<u>-</u>
	<u>\$ 35,870</u>	<u>\$ 22,014</u>

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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\$35,870 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$	4,403
2017		4,403
2018		4,403
2019		4,403
2020		4,402

*Actuarial assumptions* – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions for CERS (CERS Non-Hazardous and CERS Hazardous), applied to all periods included in the measurement:

Inflation	3.50%
Projected salary increases	4.50%
Investment rate of return, net of investment expenses and inflation	7.75%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major class, as provided by CERS, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	8.45%
International equity	22%	8.85%
Emerging market equity	5%	10.5%
Private equity	7%	11.25%
Real estate	5%	7%
Core US fixed income	10%	5.25%
High-yield US fixed income	5%	7.25%
Non US fixed income	5%	5.5%
Commodities	5%	7.75%
TIPS	5%	5%
Cash	1%	3.25%
	100%	

*Discount rate* – For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate* –The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate calculated the amounts in this schedule:

	1% Decrease	Current Discount Rate (7.75%)	1% Increase
CERS Non-Hazardous (thousands)	\$ 4,269,383	\$ 3,244,377	\$ 2,338,760
City’s proportionate share of net pension liability – CERS-Non-Hazardous	\$ 145,513	\$ 110,578	\$ 79,712
CERS Hazardous (thousands)	\$ 1,572,178	\$ 1,201,824	\$ 887,365
City’s proportionate share of net pension liability – CERS Hazardous	\$ 128,632	\$ 98,330	\$ 71,784

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

### **II. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan is administered by the Kentucky Public Employees’ Deferred Compensation Authority. The plan, available to all City employees, permits them to defer a portion of their salary until future years.

### **7. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and workers’ compensation claims.

The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool to insure against workers’ compensation claims.

The City purchases commercial insurance for various risks of loss due to torts, thefts, property damage, errors and omissions, injuries to employees and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The types and amounts of coverage provided the City’s commercial insurance carrier is as follows:

General liability coverage - \$6,000,000 in excess of \$2,500  
Error and omissions coverage - \$6,000,000 in excess of \$2,500  
Auto and casualty coverage - \$2,000,000 in excess of \$2,500

### **8. LEASE AGREEMENT**

The City of New Haven entered into a 30 year lease with Amerigas Co. for land owned by the City. The City was paid the entire amount of the lease, \$40,000 in advance. July 1, 1989 was the starting date of this lease. At June 30, 2015, deferred revenue related to the lease included in the government-wide statement of net position was \$5,333.

### **9. JOINT VENTURE AND RELATED PARTY TRANSACTIONS**

The City operates under an agreement with the Rolling Fork Volunteer Fire Department (RFVFD) in order to save on costs associated with providing fire services. The City and the RFVFD hold joint title to the Fire House. Under the agreement, the City pays operating costs and the RFVFD reimburses the City for half of all costs. For the year ending June 30, 2015, the City received \$2,000 in reimbursements from the RFVFD.

During 2015, the City purchased real property from a related party (Commissioner and Fire Chief) jointly with the Rolling Fork Volunteer Fire Department. The City paid the Commissioner \$16,000 for one-half of the cost of the property. At June 30, 2015 no amounts are due to or from the Commissioner.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 10. CONTINGENCIES

The City is party to pending civil suits that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

The City is subject to federal, state, and local regulations in regards to operating its waste water facility. Costs are routinely incurred to remove, contain, and neutralize existing environmental contaminants and these costs are generally expensed as incurred. Future costs for existing conditions are not readily determinable and are not reflected in the financial statements.

### 11. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 16, 2015, which is the date the financial statements were available to be issued.

### 12. CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the City was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASBS 68). GASBS 68 replaced the requirements of GASBS 27, "Accounting for Pensions by State and Local Governmental Employers" and GASBS 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the City, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASBS 68 required retrospective application. Since the City only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$234,931 reduction in beginning net position on the Statement of Activities and an increase of \$37,642 of deferred outflows of resources – City contributions subsequent to the measurement date.

### 13. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

In June 2015, the GASB issued Statement No. 72, *Fair Value Measurements and Application*. GASBS No. 72 addresses accounting and financial reporting issues related to fair value measurements. The statement defines *fair value* as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASBS No. 75 requires additional accounting and reporting for governments that provides other post-employment benefits (OPEB) other than pensions to its employees. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
2. The gross dollar amount of taxes abated during the period
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF NEW HAVEN, KENTUCKY

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET-TO- ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
From local sources:				
Taxes:				
Property	\$ 221,480	\$ 221,480	\$ 70,554	\$ (150,926)
Motor vehicle	-	-	9,719	9,719
Utilities	-	-	44,517	44,517
Bank deposit	-	-	7,700	7,700
Insurance premium tax	-	-	85,034	85,034
Business licenses	11,000	11,000	10,798	(202)
Donations	-	-	23,541	23,541
Earnings on investments	-	-	237	237
Recreation department	11,300	11,300	17,595	6,295
Grant revenues	674,057	689,057	67,833	(621,224)
Other local revenue	23,687	23,687	18,860	(4,827)
Total revenues	941,524	956,524	356,388	(600,136)
<b>Expenditures</b>				
Current:				
General government				
Administration	150,541	190,541	195,857	(5,316)
Grant projects	653,624	653,624	13,864	639,760
Public Safety:				
Police	82,684	82,684	83,616	(932)
Fire	33,375	33,375	26,334	7,041
Public service:				
Recreation	21,300	21,300	16,919	4,381
Debt Service:				
Principal	-	-	16,451	(16,451)
Interest	-	-	3,962	(3,962)
Capital outlay	-	-	27,878	(27,878)
Total expenditures	941,524	981,524	384,881	596,643
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(25,000)	(28,493)	(3,493)
<b>Other Financing Sources:</b>				
Transfers in	-	25,000	-	25,000
Transfers out	-	-	-	-
<b>Net change in fund balance</b>	\$ -	\$ -	(28,493)	\$ 21,507
Fund balance, beginning of year			388,386	
Fund balance, end of year			\$ 359,893	

# CITY OF NEW HAVEN, KENTUCKY

## SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – CERS

FOR THE YEAR ENDED JUNE 30, 2015

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### CERS - Non-Hazardous

	<u>2015</u>
City's proportion of the net pension liability	0.003408%
City's proportionate share of the net pension liability	\$ 98,330
City's covered-employee payroll	\$ 151,742
City's proportionate share of the net pension liability as a percentage of its covered payroll	65%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

### CERS - Hazardous

	<u>2015</u>
City's proportion of the net pension liability	0.008182%
City's proportionate share of the net pension liability	\$ 110,578
City's covered-employee payroll	\$ 42,129
City's proportionate share of the net pension liability as a percentage of its covered payroll	262%
Plan fiduciary net position as a percentage of the total pension liability	63.46%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30, 2014.

**CITY OF NEW HAVEN, KENTUCKY**

**SCHEDULE OF CONTRIBUTIONS – CERS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**CERS - Non-Hazardous**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 14,454	\$ 14,770
Contributions in relation to the contractually required contribution	<u>14,454</u>	<u>14,770</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 151,742	\$ 151,407
Contributions as a percentage of covered employee payroll	9.53%	9.76%

**CERS - Hazardous**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 21,416	\$ 14,794
Contributions in relation to the contractually required contribution	<u>21,416</u>	<u>14,794</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 42,129	\$ 41,440
Contributions as a percentage of covered employee payroll	50.83%	35.70%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30, 2014.

# CITY OF NEW HAVEN, KENTUCKY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

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### **Budgetary Comparison Schedule**

**Note 1** - The approved budget and amendments are legally enacted through passage of an ordinance authorizing the Mayor to administer the budget and to transfer necessary appropriations among departments. Additional budget appropriations must be approved by the City Commissioners.

**Note 2** - Actual expenditures and revenues are reported on the accrual basis of accounting.

**Note 3** - Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.

### **Pension Schedules**

**Note 1** - Changes of benefit terms: None

**Note 2** - Changes of assumptions: None

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FRANCIS X. SMITH II, CPA  
JASON O. STRANGE, CPA

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MEMBERSHIPS:  
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KENTUCKY SOCIETY OF CPA's

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Mayor and  
City Commission Members  
City of New Haven  
New Haven, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Haven, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of New Haven, Kentucky's basic financial statements and have issued our report thereon dated December 16, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of New Haven, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Haven, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of New Haven, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding and response as 2015-001 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of New Haven, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **City of New Haven, Kentucky's Response to Finding**

The City of New Haven, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The City of New Haven, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bardstown, Kentucky  
December 16, 2015

# CITY OF NEW HAVEN, KENTUCKY

## SCHEDULE OF FINDING AND RESPONSE JUNE 30, 2015

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### **Finding 2015-1 (Material Weakness)**

Condition: As part of the audit we noted that material adjustments were not identified by the City's internal control. This is a repeat finding from the prior year.

Criteria: City's management is responsible for establishing and maintaining internal controls over the application of transactions and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cause: The City did not identify all necessary adjustments to prepare GAAP basis financial statements.

Effect: The design of the internal controls over financial reporting limits the ability of the City to provide accurate financial information in accordance with GAAP.

Recommendation: We recommend City management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in preparing financial statements and develop internal control policies to ensure all material adjustments are made. The City may want to consider the use of another CPA or firm to assist with the preparation of the annual financial statements.

Management Response: The City will consider the recommendation. However, restraints on resources are such that it may not be feasible to hire an outside CPA or firm to assist with the preparation of the annual financial statements.

# CITY OF NEW HAVEN

## SCHEDULE OF PRIOR YEAR FINDINGS JUNE 30, 2015

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### **Finding 2014-001**

Finding repeated as 2015-001.

### **Finding 2014-002**

Condition: During our previous audit, we noted the Fire Chief entered into and executed a contract in the City's name for the purchase of real estate in violation of Kentucky Revised Statute (KRS) 61.252: *Prohibition against city officers and employees contracting with city or city agency for property or services.*

Current Status: No further transactions were noted for the current year audit. The City has made an effort to better train the City Commission by encouraging attendance at training seminars relating to all local government.

### **Finding 2014-003**

Condition: During our audit, we noted the policies and procedures over receipts and disbursements for the New Haven Fire Department were not in accordance with the City's overall policies. Specifically, we noted that expenditures above a predetermined limit (involving real property) was not reviewed and approved by the City Commission. We also noted that the expenditure exceeded the approved budget for the Fire Department.

Current Status: We noted no noncompliance related to disbursement approvals for the current year audit. The City's policy is for transactions over predetermined limits to be approved by the City Commissioners prior to purchase.

### **Finding 2014-004**

Condition: During our previous audit, we noted the City violated the Kentucky Open Meetings Act (KRS 61.805 – 61.850) during the September Commissioners' meeting.

Current Status: This was reported on in the previous fiscal year audit and no further noncompliance has been noted since noting this instance that occurred during fiscal year 2014.

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
CITY OF NEW HAVEN, KENTUCKY  
For the Year Ended June 30, 2015

The City of New Haven, Kentucky hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictate by the applicable Kentucky Revised Statutes.

\_\_\_\_\_  
Mayor

*Jeff Rogers*

\_\_\_\_\_  
City Clerk

*Joanne Cochran*