

CITY OF NEW HAVEN, KENTUCKY

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
REPORT ON FEDERAL AWARDS IN ACCORDANCE
WITH THE UNIFORM GUIDANCE,
AND INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2017

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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT

Mayor and City Commissioners
City of New Haven, Kentucky
302 Center Street
New Haven, Kentucky 40051

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, 2017, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of New Haven, Kentucky as of June 30, 2017, 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 on pages 4 through 8, and the budgetary comparison information, the schedule of the City's proportionate share of net pension liability in County Employees Retirement System (CERS), and the schedule of the City's contributions to the CERS on pages 37 through 40 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 inquires 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information presented on pages 41 through 42 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on page 43 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have issued our report dated January 5, 2018, 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, 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 *Governmental Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brown & Company, CPA's

Bardstown, Kentucky
January 5, 2018

**CITY OF NEW HAVEN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2017**

The discussion and analysis of the City of New Haven, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. This information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$4,103,725 (net position). Governmental activities' net position was \$855,497 and is used to meet the City's ongoing obligations. Business-type activities' net position was \$3,248,228.
- The City's total net position increased by \$214,650. Net position of governmental activities decreased by \$7,573 and net position of business-type activities increased by \$222,223.
- At June 30, 2017, the governmental activities had \$1,124,033 in assets and deferred outflows and \$268,536 in liabilities and deferred inflows. Business-type activities had \$3,729,217 in assets and deferred outflows and \$480,989 in liabilities and deferred inflows.

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 statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City'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 City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, City park, and streets and highways. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 - 10 of this report.

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 basic governmental fund financial statements can be found on pages 11 - 17 of this report.

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 18 - 36 of this report.

**CITY OF NEW HAVEN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position increased 5.6 percent which is reported as the change in net position in the statement of activities.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 491,425	\$ 456,543	\$ 478,786	\$ 402,627	\$ 970,211	\$ 859,170
Capital Assets	577,171	617,175	3,218,316	3,026,591	3,795,487	3,643,766
Total Assets	<u>1,068,596</u>	<u>1,073,718</u>	<u>3,697,102</u>	<u>3,429,218</u>	<u>4,765,698</u>	<u>4,502,936</u>
Deferred Outflows of Resources	55,437	66,168	32,115	-0-	87,552	66,168
Total Assets and Deferred Outflows	<u>\$ 1,124,033</u>	<u>\$ 1,139,886</u>	<u>\$ 3,729,217</u>	<u>\$ 3,429,218</u>	<u>\$ 4,853,250</u>	<u>\$ 4,569,104</u>
Current and Other Liabilities	36,641	47,027	118,758	72,603	155,399	119,630
Long-Term Liabilities Outstanding	227,336	313,535	351,539	256,248	578,875	569,783
Total Liabilities	<u>\$ 263,977</u>	<u>\$ 360,562</u>	<u>\$ 470,297</u>	<u>\$ 328,851</u>	<u>\$ 734,274</u>	<u>\$ 689,413</u>
Deferred Inflows of Resources	4,559	1,539	10,692	-0-	15,251	1,539
Net Position						
Net Investments in Capital Assets	534,044	557,575	2,961,022	2,742,140	3,495,066	3,299,715
Restricted	36,163	24,245	237,553	252,326	273,716	276,571
Unrestricted	285,290	195,965	49,653	105,901	334,943	301,866
Total Net Position	<u>855,497</u>	<u>777,785</u>	<u>3,248,228</u>	<u>3,100,367</u>	<u>4,103,725</u>	<u>3,878,152</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,124,033</u>	<u>\$ 1,139,886</u>	<u>\$ 3,729,217</u>	<u>\$ 3,429,218</u>	<u>\$ 4,853,250</u>	<u>\$ 4,569,104</u>

By far the largest portion of the City net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens and consumers; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

**CITY OF NEW HAVEN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017**

City of New Haven, Kentucky's Changes in Net position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Services	\$ 34,501	\$ 26,113	\$ 472,655	\$ 467,217	\$ 507,156	\$ 493,330
Operating Grants & Contributions	26,882	42,833	-0-	-0-	26,882	42,833
Capital Grants & Contributions	2,196,301	596,610	317,847	-0-	2,514,148	596,610
Total Program Revenues	<u>2,257,684</u>	<u>665,556</u>	<u>790,502</u>	<u>467,217</u>	<u>3,048,186</u>	<u>1,132,773</u>
General Revenues and Transfers						
Taxes & Licenses	228,534	238,776	-0-	-0-	228,534	238,776
Investment Earnings	648	512	427	489	1,075	1,001
Miscellaneous	4,193	22,545	-0-	-0-	4,193	22,545
Total General Revenues	<u>233,375</u>	<u>261,833</u>	<u>427</u>	<u>489</u>	<u>233,802</u>	<u>262,322</u>
Total Revenues	\$ 2,491,059	\$ 927,389	\$ 790,929	\$ 467,706	\$ 3,281,988	\$ 1,395,095
Expenses						
General Government	\$ 143,175	\$ 141,210	\$ -0-	\$ -0-	\$ 143,175	\$ 141,210
Streets And Maintenance	8,826	15,821	-0-	-0-	8,826	15,821
Police Department	84,790	91,446	-0-	-0-	84,790	91,446
Fire Department	44,200	47,972	-0-	-0-	44,200	47,972
Kentucky Railway Museum	2,177,860	591,495	-0-	-0-	2,177,860	591,495
Recreation	34,900	31,929	15,533	-0-	50,433	31,929
Interest On Long-Term Debt	2,486	3,279	127,389	-0-	129,875	3,279
Water & Sewer			395,886	505,636	395,886	505,636
Garbage & Recycle	-0-		32,293	29,247	32,293	29,247
Total Expenses	<u>2,496,237</u>	<u>923,152</u>	<u>571,101</u>	<u>534,883</u>	<u>3,067,338</u>	<u>1,458,035</u>
Net Transfers	<u>(2,395)</u>	<u>-0-</u>	<u>2,395</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Increase (Decrease) in Net Position	<u>(7,573)</u>	<u>4,237</u>	<u>222,223</u>	<u>(67,177)</u>	<u>214,650</u>	<u>(62,940)</u>
Net Position - Beginning	777,785	768,059	3,100,367	3,167,544	3,878,152	3,935,603
Prior Period Adjustments	85,285	5,489	(74,362)	-0-	10,923	5,489
Net Position - Ending	<u>\$ 855,497</u>	<u>\$ 777,785</u>	<u>\$ 3,248,228</u>	<u>\$ 3,100,367</u>	<u>\$ 4,103,725</u>	<u>\$ 3,878,152</u>

Governmental activities. Governmental activities net position decreased by \$7,573 or .88%.

Business-type activities. Business-type activities net position increased by \$222,223 or 7.34%.

**CITY OF NEW HAVEN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund financial statements report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. Two types of funds are presented in the fund financial statements: governmental funds and proprietary funds.

Governmental funds. Most of the Government's basic services are reported in the governmental funds. These statements provide a short-term view of general government operations and how these services are financed as well as the balances left at year end that are available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash.

Proprietary funds. The City's proprietary fund provides the same type of information found in government-wide financial statements, but in more detail.

Enterprise fund. The Water and Sewer Enterprise Funds are funds that account for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss and the funds are intended to be predominately self-supported from user charges.

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2017, amounts to \$3,795,487 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment.

Capital Assets (Net of Depreciation) at June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 89,889	\$ 89,889	\$ 20,801	\$ 20,801	\$ 110,690	\$ 110,690
Construction in Process	5,415	5,415	319,114	-0-	324,529	5,415
Machinery and Equipment	25,493	44,785	46,407	52,259	71,900	97,044
Buildings and Improvements	432,171	449,895	2,831,994	2,953,531	3,264,165	3,403,426
Infrastructure	24,203	27,192	-0-	-0-	24,203	27,192
Total	\$ 577,171	\$ 617,176	\$ 3,218,316	\$ 3,026,591	\$ 3,795,487	\$ 3,643,767

Changes in Capital Assets For the Periods Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Beginning Balance	\$ 617,176	\$ 663,789	\$ 3,026,591	\$ 3,137,350	\$ 3,643,767	\$ 3,801,139
Additions	2,800	-0-	319,114	15,766	321,914	15,766
Retirements	-0-	-0-	-0-	-0-	-0-	-0-
Depreciation	(42,805)	(46,613)	(127,389)	(126,525)	(170,194)	(173,138)
Total	\$ 577,171	\$ 617,176	\$ 3,218,316	\$ 3,026,591	\$ 3,795,487	\$ 3,643,767

Additional information on the City's capital assets can be found in Note 4 of the financial statements.

**CITY OF NEW HAVEN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017**

Debt Administration

At the end of the current fiscal year, the City had total debt outstanding of \$300,421. Additional information on the City's long-term debt can be found in Note 6 of the financial statements.

Budget Comparisons

- General fund revenues were \$750,513 over the budgeted amount primarily resulting from receiving \$2,181,174 of a \$1,440,000 budgeted grant that was increased during the fiscal year 2016-2017. General fund expenditures were \$736,937 over the budgeted amount due primarily to the same reason stated above.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

In considering the City budget for the fiscal year 2017-2018, the City expects no significant changes.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, customers, investors, and creditors, with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the City Clerk, Joanie Corbin at 302 Center Street, New Haven, Kentucky 40051 or by phone at 502-549-3177.

CITY OF NEW HAVEN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2017

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash & Cash Equivalents	\$ 428,701	\$ 82,757	\$ 511,458
Restricted Cash & Cash Equivalents	36,460	237,553	274,013
Accounts Receivable	27,647	112,004	139,651
Interest Receivable	-0-	832	832
Inventory	-0-	44,257	44,257
Internal Balances	(1,383)	1,383	-0-
Total Current Assets	491,425	478,786	970,211
Noncurrent Assets:			
Depreciable Assets	1,348,687	5,222,718	6,571,405
Nondepreciable Assets	95,304	339,915	435,219
Accumulated Depreciation	(866,820)	(2,344,317)	(3,211,137)
Total Noncurrent Assets	577,171	3,218,316	3,795,487
Total Assets	1,068,596	3,697,102	4,765,698
Deferred Outflows of Resources	55,437	32,115	87,552
Total Assets and Deferred Outflows	<u>\$ 1,124,033</u>	<u>\$ 3,729,217</u>	<u>\$ 4,853,250</u>
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 10,405	\$ 90,901	\$ 101,306
Interest Payable	-0-	6,187	6,187
Accrued Payroll & Related Expenses	4,737	2,486	7,223
Unearned Revenue	11,070	-0-	11,070
Compensated Absences	3,762	1,190	4,952
Current Portion Of Long-Term Debt	6,667	17,994	24,661
Total Current Liabilities	36,641	118,758	155,399
Customer Deposits	650	15,100	15,750
Noncurrent Portion Of Long-Term Debt	36,460	239,300	275,760
Net Pension Liability	190,226	97,139	287,365
Total Noncurrent Liabilities	227,336	351,539	578,875
Total Liabilities	263,977	470,297	734,274
Deferred Inflows of Resources	4,559	10,692	15,251
Total Liabilities and Deferred Inflows	268,536	480,989	749,525
Net Position			
Net Investment In Capital Assets	534,044	2,961,022	3,495,066
Restricted For:			
Roads	36,090	-0-	36,090
Grants	73	-0-	73
Debt Service	-0-	237,553	237,553
Unrestricted	285,290	49,653	334,943
Total Net Position	855,497	3,248,228	4,103,725
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 1,124,033</u>	<u>\$ 3,729,217</u>	<u>\$ 4,853,250</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues And Changes In Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 143,175	\$ -0-	\$ 12,690	\$ -0-	\$ (130,485)	\$ -0-	\$ (130,485)
Streets And Maintenance	8,826	-0-	-0-	19,127	10,301	-0-	10,301
Police Department	84,790	4,839	5,242	-0-	(74,709)	-0-	(74,709)
Fire Department	44,200	3,519	5,000	-0-	(35,681)	-0-	(35,681)
Kentucky Railway Museum	2,177,860	-0-	-0-	2,177,174	(686)	-0-	(686)
Recreation	34,900	26,143	3,950	-0-	(4,807)	-0-	(4,807)
Interest On Long-Term Debt	2,486	-0-	-0-	-0-	(2,486)	-0-	(2,486)
Total Governmental Activities	2,496,237	34,501	26,882	2,196,301	(238,553)	-0-	(238,553)
Business-Type Activities:							
Water & Sewer	523,275	431,999	-0-	317,847	-0-	226,571	226,571
Garbage & Recycle Service	32,293	40,656	-0-	-0-	-0-	8,363	8,363
Interest	15,533	-0-	-0-	-0-	-0-	(15,533)	(15,533)
Total Business-Type Activities	571,101	472,655	-0-	317,847	-0-	219,401	219,401
Total Primary Government	\$ 3,067,338	\$ 507,156	\$ 26,882	\$ 2,514,148	(238,553)	219,401	(19,152)
General Revenues:							
					228,534	-0-	228,534
					648	427	1,075
					4,193	-0-	4,193
					<u>233,375</u>	<u>427</u>	<u>233,802</u>
					(2,395)	2,395	-0-
					(7,573)	222,223	214,650
					777,785	3,100,367	3,878,152
					85,285	(74,362)	10,923
					<u>863,070</u>	<u>3,026,005</u>	<u>3,889,075</u>
					<u>\$ 855,497</u>	<u>\$ 3,248,228</u>	<u>\$ 4,103,725</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash & Cash Equivalents	428,701	\$ -0-	\$ 428,701
Restricted Cash & Cash Equivalents	73	36,386	36,459
Accounts Receivable	27,647	-0-	27,647
Due From Other Funds	367	-0-	367
	<u>428,788</u>	<u>36,386</u>	<u>465,174</u>
Total Assets	<u>\$ 456,788</u>	<u>\$ 36,386</u>	<u>\$ 493,174</u>
 Liabilities & Fund Balances:			
Liabilities:			
Accounts Payable	\$ 10,109	\$ 296	\$ 10,405
Accrued Payroll & Related Expenses	4,737	-0-	4,737
Compensated Absences	3,762	-0-	3,762
Customer Deposits	650	-0-	650
Unearned Revenue	11,070	-0-	11,070
Due to Other Funds	1,750	-0-	1,750
	<u>32,078</u>	<u>296</u>	<u>32,374</u>
Total Liabilities	32,078	296	32,374
 Fund Balances:			
Restricted	73	36,090	36,163
Committed	70,946	-0-	70,946
Assigned	33,658	-0-	33,658
Unassigned	320,033	-0-	320,033
	<u>424,710</u>	<u>36,090</u>	<u>460,800</u>
Total Fund Balances	424,710	36,090	460,800
Total Liabilities & Fund Balances	<u>\$ 456,788</u>	<u>\$ 36,386</u>	<u>\$ 493,174</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balance per fund financial statements	\$	460,800
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		577,171
Deferred outflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements		55,437
Certain liabilities (such as bonds payable, notes payable, net pension liability, and the long-term portion of compensated absences) are not reported in this fund financial statement because they are not due and payable in the current period		
	Notes and bonds payable	(43,126)
	Net pension liability	<u>(190,226)</u>
		(233,352)
Deferred inflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements		<u>(4,559)</u>
Net position for governmental activities	\$	<u><u>855,497</u></u>

See independent auditor's report and accompanying 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, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes & Licenses	\$ 228,534	\$ -0-	\$ 228,534
Intergovernmental	12,192	-0-	12,192
Grants	2,188,174	19,127	2,207,301
Donations	13,507	-0-	13,507
Other Local Sources	28,877	-0-	28,877
Interest Income	681	11	692
	<hr/>	<hr/>	<hr/>
Total Revenues	2,471,965	19,138	2,491,103
Expenditures:			
General Government	126,874	-0-	126,874
Public Safety:			
Police	84,616	-0-	84,616
Fire	19,547	-0-	19,547
Streets & Maintenance	-0-	5,838	5,838
Kentucky Railway Museum	2,177,860	-0-	2,177,860
Recreation	27,688	-0-	27,688
Debt Service	19,004	-0-	19,004
Capital Outlay	2,800	-0-	2,800
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,458,389	5,838	2,464,227
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	13,576	13,300	26,876
Other Financing Sources (Uses)			
Operating Transfers In	29,224	-0-	29,224
Operating Transfers Out	(31,619)	-0-	(31,619)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(2,395)	-0-	(2,395)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	11,181	13,300	24,481
	<hr/>	<hr/>	<hr/>
Fund Balance, July 1, 2016, Previously Stated	409,096	23,016	432,112
	<hr/>	<hr/>	<hr/>
Prior Period Adjustment	4,433	(226)	4,207
	<hr/>	<hr/>	<hr/>
Fund Balance, July 1, 2016, As Restated	413,529	22,790	436,319
	<hr/>	<hr/>	<hr/>
Fund Balance, June 30, 2017	<u>\$ 424,710</u>	<u>\$ 36,090</u>	<u>\$ 460,800</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in total fund balances per fund financial statements	\$	24,481
Amounts reported for governmental activities in the statement of activities are different because of 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 statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		(37,205)
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 payment made for the year.		16,473
The change in compensated absences liability does not increase the current financial resources but is recorded as a change in expenses in the statement of activities.		(1,167)
Pension expense is not reported in this fund financial statement because the figure reported in the statement of net position is based on a significant estimate made by the state retirement system and is not considered to be a liability that is currently due and payable.		<u>(10,155)</u>
Change in net position of governmental activities	<u>\$</u>	<u>(7,573)</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	<u>Water & Wastewater Fund</u>
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 82,757
Restricted Cash & Cash Equivalents	237,553
Accounts Receivable	112,004
Interest Receivable	832
Inventory	44,257
Due From Other Funds	1,750
Total Current Assets	<u>479,153</u>
Noncurrent Assets:	
Depreciable Assets	5,222,718
Accumulated Depreciation	(2,344,317)
Nondepreciable Assets	339,915
Total Noncurrent Assets	<u>3,218,316</u>
Total Assets	<u>3,697,469</u>
Deferred Outflows of Resources	<u>32,115</u>
Total Assets and Deferred Outflows	<u><u>\$ 3,729,584</u></u>
Liabilities & Net Position	
Current Liabilities:	
Accounts Payable	\$ 90,901
Interest Payable	6,187
Accrued Payroll & Related Expenses	2,486
Compensated Absences	1,190
Due To Other Funds	367
Current Portion Of Long-Term Debt	17,994
Total Current Liabilities	<u>119,125</u>
Noncurrent Liabilities:	
Noncurrent Portion Of Long-Term Debt	239,300
Customer Deposits	15,100
Net Pension Liability	97,139
Total Noncurrent Liabilities	<u>351,539</u>
Total Liabilities	470,664
Deferred Inflows of Resources	<u>10,692</u>
Total Liabilities and Deferred Inflows	481,356
Net Position	
Net Investment in Capital Assets	2,961,022
Restricted For:	
Debt Service	237,553
Unrestricted	49,653
Total Net Position	<u>3,248,228</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 3,729,584</u></u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Water & Wastewater Fund</u>
Operating Revenues:	
Water & Sewer Fees	\$ 431,999
Waste Disposal Revenues	40,656
Total Operating Revenues	472,655
Operating Expenses:	
Salaries & Benefits	153,974
Insurance	31,473
Garbage & Recycle Costs	32,293
Water & Sewer Costs	106,675
Other Operating Expenses	103,764
Depreciation	127,389
Total Operating Expenses	555,568
Income (Loss) From Operations	(82,913)
Non-Operating Revenues (Expenses):	
Grants	317,847
Interest Income	427
Interest Expense	(15,533)
Total Non-Operating Revenues (Expenses)	302,741
Transfers:	
Transfers In	31,619
Transfers Out	(29,224)
Net Transfers	2,395
Net Income (Loss)	222,223
Net Position Earnings, July 1, 2016, Previously Stated	3,100,367
Prior Period Adjustment	(74,362)
Net Position Earnings, July 1, 2016, As Restated	3,026,005
Net Position Earnings, June 30, 2017	\$ 3,248,228

See independent auditor's report and accompanying notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Water & Wastewater Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 399,692
Payments For Supplies And Services	(225,367)
Payments To Employees	(154,701)
Net Cash Flows from Operating Activities	<u>19,624</u>
Cash Flows From Non Capital & Related Financing Activities	
Transfers	2,395
Net Cash Flows from Non Capital & Related Financing Activities	<u>2,395</u>
Cash Flows From Capital & Related Financing Activities	
Purchase Of Capital Assets	(319,114)
Principal Paid On Debt	(28,309)
Interest Paid On Debt	(15,686)
Receipt Of Sewer Grant	317,847
Net Cash Flows from Capital & Related Financing Activities	<u>(45,262)</u>
Cash Flows From Investing Activities	
Receipt Of Interest Income	427
Net Cash Flows from Investing Activities	<u>427</u>
Net Change in Cash and Cash Equivalents	(22,816)
Balances, Beginning Of Year	<u>343,126</u>
Balances, End Of Year	<u>\$ 320,310</u>
Shown in the Financial Statements as:	
Cash & Cash Equivalents	\$ 82,757
Restricted Cash & Cash Equivalents	237,553
	<u>\$ 320,310</u>
Reconciliation Of Operating Income (Loss) To Net Cash	
Net Cash Flows from Operating Activities	
Operating Income (Loss)	\$ (82,913)
Adjustments To Reconcile Operating Income To Net Cash	
Provided (Used) By Operating Activities	
Depreciation	127,389
Pension Expense (Income)	(870)
Change In Assets & Liabilities	
Receivables	(73,563)
Inventory	(25,780)
Accounts Payable	74,618
Compensated Absences	(834)
Customer Deposits	600
Accrued Expenses	977
Net Cash Flows from Operating Activities	<u>\$ 19,624</u>
Noncash Pension Activity	
Pension Expense (Income)	\$ (870)
Net Pension Liability	(97,139)
Deferred Inflows for Pensions	(10,692)
Deferred Outflows for Pensions	32,115
Prior Period Related to Pensions	76,586
Net Effect of Noncash Pension Activity	<u>\$ -0-</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1—Summary of Significant Accounting Policies

Nature of Operations

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 under a Mayor-Commissioner form of government as authorized by its charter; public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of New Haven, Kentucky conform to generally accepted accounting principles (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB), is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility including, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon these criteria, the City has no component units to be reported in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Amounts paid to acquire fixed assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Separate financial statements are provided for governmental funds and proprietary funds. Thus, individual governmental funds and individual proprietary funds are reported as separate columns in the fund financial statements.

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 taxes, grants, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. This is a major fund.

Municipal Aid Fund – The Municipal Aid Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. This is not considered a major fund.

The City reports the following major Proprietary Fund:

Water and Wastewater Sewer Fund - The Water and Wastewater Sewer Fund is used to account for water services for the City and surrounding communities. It is also used to account for wastewater (sewer) services for the City and surrounding communities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 revenue of the City's Enterprise Funds, are charges to customers for sales and services. The City also recognizes as operating revenue tap fees intended to recover the costs of connecting new customers to the utility system. 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 non-operating 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balances in the governmental funds and the net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and the accrual basis of accounting. In addition, capital assets, long-term debt, deferred inflows, deferred outflows and net pension liability are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual basis of accounting for governmental fund financial statements to the accrual basis of accounting for the government-wide statements. Capital outlay is replaced with depreciation expense.

Cash and Cash Equivalents

Credit Risk – For purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months or less of the date acquired by the City. The City is authorized by state statute to invest in:

1. Obligation of the United States and of its agencies and instrumentalities.
2. Obligations and contracts for future delivery or purchases of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government.
4. Certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity of which are collateralized, to the extent uninsured, by any obligation permitted by Section 41.240(4) of the Kentucky Revised Statutes.
5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of these highest categories by a nationally recognized rating agency.
6. Bankers' acceptances for banks rated in one of these highest categories by a nationally recognized rating agency
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
9. Securities issued by a state or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b) The management company of the investment company shall have been in operation for at least five (5) years;
 - c) All of the securities in the mutual fund shall be eligible investments under this section.

Inventories

Inventories in proprietary funds consist of expendable supplies held for consumption stated on a first in, first out basis. They are reported at cost which is recorded as expenditure at the time individual inventory items are used.

Accounts Receivable

Trade accounts receivable and other receivables are reported at the amount management expects to collect from outstanding balances. Management considers all accounts receivable as collectible at year-

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

end. Property taxes receivable are the amount the City expects to collect within 60 days of year-end per the City's policy.

Property Tax

Property taxes are generally levied each year based upon the assessed value as of January 1. Per KRS 91.487, the lien date for assessed taxes is January 1 of each fiscal year. Taxes are payable on or before January 1 of the following year. All unpaid taxes become delinquent after that date. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

The tax rate assessed for the year ended June 30, 2017 to finance general fund operations was \$.230 per \$100 of valuation on real property, \$.4022 per \$100 valuation for personal property and \$.25 per \$100 for automobiles.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Interfund transfers are eliminated in the preparation of the government-wide financial statements.

Capital Assets and Depreciation

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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. 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.

All reported capital assets are depreciated with the exception of land and construction in progress.

The City provides for depreciation and obsolescence of such assets by annual charges to expense. These charges are calculated to depreciate, on a straight-line basis, the gross carrying amounts of depreciable assets over the following expected useful lives:

Buildings and improvements	20-40 years
Infrastructure	20-40 years
Office equipment	7-10 years
Other equipment	4-10 years
Sewer system	10-50 years
Water system	20-50 years

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The City accrues a liability for compensated absences, which meet the following criteria:

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. The City's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation related to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation pay, which has been earned but not taken by employees. For governmental funds, the liability for compensated absences is only reported for the current portion because all vacation pay is based on the calendar year and cannot be carried over from one year to another. As a result, all vacation pay is reported as current.

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government only recognizes those amounts when employees separate from service with the City. Vacation is allowed to accumulate to a total of 30 days. Upon termination, accumulated vacation will be paid to the employee.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide and in the proprietary fund-level financial statements, long-term debt and other long-term obligations are reported as liabilities. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

The accounting for the proprietary fund is the same in the fund-level statement as it is in the government-wide statements.

Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted balances, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

imposed by the City Commissioners. Assigned fund balance is a limitation imposed by a designee of the City Commissioners. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the above four categories.

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 pension plan's fiduciary net position of the County Employees Retirement System ("CERS") and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the 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.

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those resulting from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Expenditures / Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental fund expenditures are classified by character as current expenditures and capital outlay expenditures. Proprietary fund expenses are classified as operating expenses and non-operating expenses. Governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

Statement of Cash Flows

For purposes of the statement of cash flows, cash includes amounts held in checking accounts and certificates of deposit (including those held as restricted assets).

Budgeting

The City follows the procedures established by the Department for Local Government pursuant to Section 91A.050 of the Kentucky Revised Statutes in establishing budgetary data.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. The Mayor submits to the City Commissioners, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are held to obtain taxpayer comments.
- C. The budget is legally enacted through passage of an ordinance.
- D. Budgets are adopted for the General Fund, Special Revenue Fund and Proprietary Funds.
- E. Budgeted amounts are as originally adopted by the City Commissioners, adjusted by amendments to the budget, if any.
- F. All annual appropriations lapse at fiscal year-end.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revision to the budget that would alter total revenues and expenditures of any fund must be approved by the Commissioners; however, with proper approval by the Commissioners, budgetary transfers between departments can be made.

Note 3 – Cash Equivalents and Restricted Cash Equivalents

All the City's deposits are either insured or collateralized. All deposits exceeding the federal depository insurance coverage level of \$250,000 are collateralized with securities held by the City's agents in the unit's name.

At June 30, 2017, the City had deposits with financial institutions with a carrying amount of \$785,471. Of these balances, \$500,000 were covered by federal depository insurance, with the remaining balance being collateralized with securities held by the City, its agent or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust.

Restricted cash as of June 30, 2017 consists of the following:

ISTEA T-21 Account	\$ 73
Municipal Aid	36,387
Bond and Interest - Water and Sewer	237,553
Total Restricted Cash and Cash Equivalents	<u>\$ 274,013</u>

The ISTEA T-21 Account is restricted for the federal funds activity related to a federal grant from the Department of Transportation passed through the Kentucky Transportation Cabinet. The Municipal Aid accounts are for the allocation of funds from the state which are for design, right-of-way acquisitions, relocation of utilities, construction and other municipal road expenditures. The Bond and Interest accounts are restricted and held for use for payment of interest and principal on revenue bonds, and for repairs and maintenance to the water and sewer system.

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 89,889	\$ -0-	\$ -0-	\$ 89,889
Construction In Process	5,415	-0-	-0-	5,415
Total Capital Assets Not Being Depreciated	<u>95,304</u>	<u>-0-</u>	<u>-0-</u>	<u>95,304</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	698,125	-0-	-0-	698,125
Machinery and Equipment	461,545	2,800	-0-	464,345
Infrastructure	186,217	-0-	-0-	186,217
Total Capital Assets Being Depreciated	<u>1,345,887</u>	<u>2,800</u>	<u>-0-</u>	<u>1,348,687</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(248,230)	(17,723)	-0-	(265,953)
Machinery and Equipment	(416,760)	(22,093)	-0-	(438,853)
Infrastructure	(159,025)	(2,989)	-0-	(162,014)
Total Accumulated Depreciation	<u>(824,015)</u>	<u>(42,805)</u>	<u>-0-</u>	<u>(866,820)</u>
Total Capital Assets Being Depreciated, net	<u>521,872</u>	<u>(40,005)</u>	<u>-0-</u>	<u>481,867</u>
Governmental Activities Capital Assets, net	<u>\$ 617,176</u>	<u>\$ (40,005)</u>	<u>\$ -0-</u>	<u>\$ 577,171</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 20,801	\$ -0-	\$ -0-	\$ 20,801
Construction In Process	-0-	319,114	-0-	319,114
Total Capital Assets Not Being Depreciated	<u>20,801</u>	<u>319,114</u>	<u>-0-</u>	<u>339,915</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	80,565	-0-	-0-	80,565
Machinery and Equipment	372,041	-0-	-0-	372,041
Infrastructure	4,770,112	-0-	-0-	4,770,112
Total Capital Assets Being Depreciated	<u>5,222,718</u>	<u>-0-</u>	<u>-0-</u>	<u>5,222,718</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(23,287)	(1,500)	-0-	(24,787)
Machinery and Equipment	(319,782)	(5,852)	-0-	(325,634)
Infrastructure	(1,873,859)	(120,037)	-0-	(1,993,896)
Total Accumulated Depreciation	<u>(2,216,928)</u>	<u>(127,389)</u>	<u>-0-</u>	<u>(2,344,317)</u>
Total Capital Assets Being Depreciated, net	<u>3,005,790</u>	<u>(127,389)</u>	<u>-0-</u>	<u>2,878,401</u>
Business-Type Activities Capital Assets, net	<u>\$ 3,026,591</u>	<u>\$ 191,725</u>	<u>\$ -0-</u>	<u>\$ 3,218,316</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 expenditures related to the Senior Center during the year ending June 30, 2017. Also, in the current year the City incurred expenses of \$319,114 related to a sewer line and replacement upgrade project that was not completed as of the year end.

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Depreciation expense is charged to functions/programs as follows:

<u>Governmental Activities</u>	
General Government	\$ 7,777
Streets And Maintenance	2,989
Police Department	174
Fire Department	25,404
Recreation	6,461
	<u>\$ 42,805</u>
<u>Business</u>	
Water and Sewer	\$ 127,389
	<u>\$ 127,389</u>

Note 5 – Compensated Absences

Compensated absences for the year ended June 30, 2017 is as follows:

	<u>Balance June 30, 2016</u>	<u>Earned</u>	<u>Used</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
General Government	\$ 2,584	\$ 3,717	\$ 4,097	\$ 2,204	\$ 2,204
Police Department	1,908	2,338	2,688	1,558	1,558
Water and Sewer	2,024	2,900	3,734	1,190	1,190
	<u>\$ 6,516</u>	<u>\$ 8,955</u>	<u>\$ 10,519</u>	<u>\$ 4,952</u>	<u>\$ 4,952</u>

Note 6 – Long-Term Debt

The following is a summary of changes in long-term debt for the City as of June 30, 2017:

<u>Governmental Activities:</u>	<u>Principal</u>
Term Note for 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	\$ 43,127
Total Governmental Activities	<u>\$ 43,127</u>
<u>Business-Type Activities:</u>	
Water and Sewer Revenue Series 1999A Bonds; Interest at 4.75%; original face amount of \$227,500, principal due annually through January 1, 2039; secured by water and sewer revenues	\$ 185,000
Water and Sewer Revenue Series 1999B Bonds; Interest at 4.75%; original face amount of \$75,600, principal due annually through January 1, 2039; secured by water and sewer revenues	60,900
Term Note with Town & Country Bank; interest at 4.25%; original face amount of \$65,200; due monthly through December 2, 2017; secured by waterline improvements real property	11,394
Total Business-Type Activities	<u>\$ 257,294</u>

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

At June 30, 2017, the future debt service requirements of the City are as follows:

Governmental Activities:

<u>Note Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, :			
2018	\$ 6,667	\$ 1,294	\$ 7,961
2019	6,867	1,094	7,961
2020	7,073	888	7,961
2021	7,286	675	7,961
2022	7,504	457	7,961
2023	7,730	231	7,961
	<u>\$ 43,127</u>	<u>\$ 4,639</u>	<u>\$ 47,766</u>

Business-Type Activities:

<u>Bonds & Note Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, :			
2018	\$ 17,994	\$ 12,743	\$ 30,737
2019	6,700	12,264	18,964
2020	7,300	11,921	19,221
2021	7,400	11,547	18,947
2022	8,000	11,167	19,167
2023-2027	45,300	49,385	94,685
2028-2032	58,300	36,476	94,776
2033-2037	72,000	20,199	92,199
2038-2039	34,300	2,660	36,960
	<u>\$ 257,294</u>	<u>\$ 168,362</u>	<u>\$ 425,656</u>

Long-term liability activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note Payable	\$ 49,600	\$ -0-	\$ 6,473	\$ 43,127	\$ 6,667
Note Payable	10,000	-0-	10,000	-0-	-0-
	<u>59,600</u>	<u>-0-</u>	<u>16,473</u>	<u>43,127</u>	<u>6,667</u>
Business-Type Activities:					
Bonds Payable	252,000	-0-	6,100	245,900	6,600
Note Payable	33,605	-0-	22,211	11,394	11,394
	<u>285,605</u>	<u>-0-</u>	<u>28,311</u>	<u>257,294</u>	<u>17,994</u>
Total	<u>\$ 345,205</u>	<u>\$ -0-</u>	<u>\$ 44,784</u>	<u>\$ 300,421</u>	<u>\$ 24,661</u>

**CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 7 – Fund Balances

The following is a summary of the Governmental Funds fund balances of the City at June 30, 2017:

Restricted	
Streets	\$ 36,090
T-21 Grant	73
Total	<u>\$ 36,163</u>
Committed	
Fire Truck Funds	\$ 51,009
Police Car Funds	19,937
	<u>\$ 70,946</u>
Assigned	
Abbey Donations	\$ 5,669
Media Donations	5,407
Historic Preservation Donations	1,400
General Equipment Account	21,182
	<u>\$ 33,658</u>

Note 8 – Employee Retirement System

General information about County Employees Retirement System (CERS)

Plan description. Employees of the City are provided a defined benefit pension plan through the County Employees Retirement System (“CERS”), a cost sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (“KRS”). The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of KRS. The KRS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

**CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Benefits provided: Nonhazardous

NONHAZARDOUS

	Tier 1 Nonhazardous Participation beginning prior to 9/1/2008	Tier 2 Nonhazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Nonhazardous Participation beginning on or after 1/1/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months and a minimum of 5 fiscal years)	5 complete fiscal years immediately preceding retirement; Each year must contain 12 months	No final compensation factor
Benefit Factor:	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years of less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment ("COLA")	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 1 month of service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military)	No reduced retirement benefit

**CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Benefits provided: Hazardous

HAZARDOUS

	Tier 1 Hazardous Participation beginning prior to 9/1/2008	Tier 2 Hazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Hazardous Participation beginning on or after 1/1/2014
Covered Employees:	All full-time employees	All full-time employees	All full-time employees
Benefit Formula:	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years. Each year must contain 12 months.	No final compensation factor
Benefit Factor:	2.50%	10 years of less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Additional years above 25 = 2.50% (2.50% benefit factor only applies to service earned in excess of 25 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment ("COLA")	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 1 month of service	Any age with 25 years of service. Age 60 with 5 months of service	Any age with 25 years of service. Age 60 with 5 months of service
Reduced Retirement Benefit:	Age 50 with 15 years of service but less than 20 years of service	Age 50 with 15 years of service. Excludes purchased service (exception: refunds, omitted, free military)	No reduced retirement benefit

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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Contributions. Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Nonhazardous and hazardous employees contribute 5% and 8%, respectively, of their salary if they were plan members prior to September 1, 2008. For nonhazardous and hazardous employees that entered the plan after September 1, 2008, they are required to contribute 6% and 9%, respectively, of their annual creditable compensation. 5% for nonhazardous and 8% for hazardous of the contribution was deposited to the member's accounts, while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employers contributed 18.68% (13.95% pension; 4.73% insurance) as set by KRS of each nonhazardous employee's creditable compensation, and 31.06% (21.71% pension; 9.35% insurance) for each hazardous employee. For the year ended June 30, 2017, employer contributions for the City were \$38,825. By law, employer contributions are required to be paid. The KRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determine contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again by the KRS Board's actuary when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2013.

- (a) *Discount rate:* The discount rate used to measure the total pension liability was 7.50%
- (b) *Projected cash flows:* The projection of cash flows used to determine the discount rate assumed that local employees would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

- (c) *Long-term rate of return:* The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. 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 (see chart below). 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 assumptions are 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.
- (d) *Municipal bond rate:* The discount rate determination does not use a municipal bond rate.
- (e) *Periods of projected benefit payments:* Projected future benefit payments for all current plan members were projected through 2117.
- (f) *Assumed Asset Allocation:* The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Combined Equity	5.40%	44.00%
Combined Fixed Income	1.50%	19.00%
Real Return (Diversified Inflation Strategies)	3.50%	10.00%
Real Estate	4.50%	5.00%
Absolute Return (Diversified Hedge Funds)	4.25%	10.00%
Private Equity	8.50%	10.00%
Cash	-0.25%	2.00%
		<u>100.00%</u>

- (g) *Sensitivity analysis:* The following presents the net pension liability of the City calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability - nonhazardous	\$ 172,657	\$ 138,552	\$ 109,315
Net Pension Liability - hazardous	186,944	148,813	117,349
Total	<u>\$ 359,601</u>	<u>\$ 287,365</u>	<u>\$ 226,664</u>

**CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The City's proportionate share of the Plan's net pension liability for CERS, as indicated in the prior table, is \$287,365, \$138,552 for nonhazardous and \$148,813 for hazardous. The City's proportioned share of the CERS plan was 0.002814% for nonhazardous and 0.008672% for hazardous.

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. The City's proportionate share of plan pension expense was \$12,320 for nonhazardous and \$18,826 for hazardous service employees.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Difference between expected and actual experience	\$ 605	\$ -0-
Change of assumptions	7,340	-0-
Net difference between projected and actual earnings on investments	13,025	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	15,251
Contributions subsequent to the measurement date	24,837	-0-
Hazardous		
Difference between expected and actual experience	2,146	-0-
Change of assumptions	8,539	-0-
Net difference between projected and actual earnings on investments	12,554	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,518	-0-
Contributions subsequent to the measurement date	13,988	-0-
Total	\$ 87,552	\$ 15,251

The amount shown above for "Contributions subsequent to the measurement date" will be recognized as a reduction (increase) to net pension liability in the following measurement period.

The \$38,825 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Original Deferral Year	Original Deferral Amount	6/30/2018	6/30/2019	6/30/2020	6/30/2021
2015	\$ 33,476	\$ 9,508	\$ 6,929	\$ 11,324	\$ 5,715

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

In the tables shown above, positive amounts will increase pension expense and negative amounts will decrease pension expense.

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.

Note 9 – Post-Employment Health Care Benefits

Retired employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS. Covered employees hired after September 1, 2008, contribute 1% of their salaries to the CERS insurance fund. Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the CERS. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

		Nonhazardous			
		Statutorily Required Contribution Rate (As a Percentage of Covered Payroll)	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed
June 30,					
	2017	4.73%	\$ 6,289	\$ 6,289	100%
	2016	4.64%	\$ 5,241	\$ 5,241	100%
	2015	4.92%	\$ 4,025	\$ 4,025	100%
		Hazardous			
		Statutorily Required Contribution Rate (As a Percentage of Covered Payroll)	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed
June 30,					
	2017	9.35%	\$ 4,211	\$ 4,211	100%
	2016	12.69%	\$ 5,721	\$ 5,721	100%
	2015	13.58%	\$ 8,477	\$ 8,477	100%

Note 10 – Commitments and Contingencies

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; and natural disasters. The City provides for risk financing by purchasing coverage from commercial insurance companies. The City also participates in the Kentucky League of Cities Worker’s Compensation Trust, a public entity risk pool. The City pays premiums to the pool, which in turn bears the risk of loss.

Note 11 – Risk Management

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 12 – Interfund Transfers and Due to/Due from

The following is the activity related to due to/due from interfund activity:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 367	\$ 1,750
Water & Wastewater Fund	1,750	367
	\$ 2,117	\$ 2,117
	Transfers In	Transfers Out
General Fund	\$ 29,224	\$ 31,619
Water & Wastewater Fund	31,619	29,224
	\$ 60,843	\$ 60,843

Due to and Due from accounts and Transfers In and Out accounts are used to move funds that are expended out of another fund to the proper fund that the budget requires.

Note 13 – Leases

The City 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 the lease. At June 30, 2017, deferred revenue related to the lease included in the financial statements was \$2,667.

Note 14 – Prior Period Adjustment

Beginning net position for the financial statements as of July 1, 2015 has been restated due to accounts receivable and accounts payable being reported incorrectly due to errors, and bond discount not being expensed as incurred in prior years. Deferred outflows also has been restated to show contributions subsequent to the measurement date for only the pension portion of the employer contributions to CERS and not the insurance portion, and deferred inflows and net pension liability has been restated to show on the full accrual basis for the water and sewer fund in the proprietary fund financial statements.

	Government-Wide Statements			Governmental Funds			Business-Type Activities
	Governmental Activities	Water and Wastewater Fund	Total	General Fund	Other Governmental Funds	Total Governmental Funds	Water and Wastewater Fund
Net Position - July 1, 2016, Prior to Restatement	\$ 777,785	\$ 3,100,367	\$ 3,878,152	\$ 409,096	\$ 23,016	\$ 432,112	\$ 3,100,367
Increase (Decrease) in Accounts Receivable	(226)	-0-	(226)	-0-	(226)	(226)	-0-
Increase (Decrease) in Other Assets	-0-	(1,153)	(1,153)	-0-	-0-	-0-	(1,153)
Increase (Decrease) in Compensated Absences	-0-	(2,024)	(2,024)	(4,492)	-0-	(4,492)	(2,024)
(Increase) Decrease in Other Liabilities	8,925	5,401	14,326	8,925	-0-	8,925	5,401
Increase (Decrease) in Deferred Outflows	(25,433)	25,433	-0-	-0-	-0-	-0-	25,433
(Increase) Decrease in Deferred Inflows	1,079	(1,079)	-0-	-0-	-0-	-0-	(1,079)
(Increase) Decrease in Net Pension Liability	100,940	(100,940)	-0-	-0-	-0-	-0-	(100,940)
	85,285	(74,362)	10,923	4,433	(226)	4,207	(74,362)
Net Position - July 1, 2016, As Restated	\$ 863,070	\$ 3,026,005	\$ 3,889,075	\$ 413,529	\$ 22,790	\$ 436,319	\$ 3,026,005

CITY OF NEW HAVEN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The impact of the above changes on the change in net position previously reported for the year ended June 30, 2016, is as follows:

	Government-Wide Statements			Governmental Funds			Business-Type Activities
	Governmental Activities	Water and Wastewater Fund	Total	General Fund	Other Governmental Funds	Total Governmental Funds	Water and Wastewater Fund
Change in Net Position - As Previously Reported	\$ 4,237	\$ (67,177)	\$ (62,940)	\$ 41,353	\$ 4,682	\$ 46,035	\$ (67,177)
Change in Revenue	(226)	-0-	(226)	-0-	(226)	(226)	-0-
Change in Expenditures/Expenses	-0-	-0-	-0-	889	-0-	889	-0-
Increase (decrease) in net position	(226)	-0-	(226)	889	(226)	663	-0-
Change in Net Position, As Restated	\$ 4,011	\$ (67,177)	\$ (63,166)	\$ 42,242	\$ 4,456	\$ 46,698	\$ (67,177)

Note 15 – Recent GASB Pronouncements

Management has not currently determined what, if any, effects of implementation of the following statements may have on the financial statements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for periods beginning after June 15, 2017. This Statement addresses accounting and financial reporting for Other Postemployment Benefits (OPEB) that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about defined benefit OPEB will be enhanced.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*, will be effective for periods beginning after June 15, 2016. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 85, *Omnibus 2017*, will be effective for reporting periods beginning after June 15, 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits – OPEB).

GASB Statement No. 87, *Leases*, will be effective for reporting periods beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW HAVEN, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues:				
Taxes & Licenses	\$ 229,200	\$ 229,200	\$ 228,534	\$ (666)
Intergovernmental	34,000	34,000	12,192	(21,808)
Grants	1,440,000	1,440,000	2,188,174	748,174
Donations	9,602	9,602	13,507	3,905
Miscellaneous Income	8,650	8,650	28,877	20,227
Interest Income	-0-	-0-	681	681
Total Revenues	1,721,452	1,721,452	2,471,965	750,513
Expenditures:				
General Government	127,500	127,500	126,874	(626)
Public Safety:				
Police	84,800	84,800	84,616	(184)
Fire	49,550	49,550	19,547	(30,003)
Kentucky Railway Museum	1,440,000	1,440,000	2,177,860	737,860
Recreation	19,602	19,602	27,688	8,086
Debt Service	-0-	-0-	19,004	19,004
Capital Outlay	-0-	-0-	2,800	2,800
Total Expenditures	1,721,452	1,721,452	2,458,389	736,937
Excess of Revenues Over (Under) Expenditures	-0-	-0-	13,576	13,576
Other Financing Sources (Uses)				
Operating Transfers In	-0-	-0-	29,224	29,224
Operating Transfers Out	-0-	-0-	(31,619)	(31,619)
Total Other Financing Sources (Uses)	-0-	-0-	(2,395)	(2,395)
Net Change in Fund Balance	-0-	-0-	11,181	11,181
Fund Balance, July 1, 2016, Previously Stated	409,096	409,096	409,096	-0-
Prior Period Adjustment	4,433	4,433	4,433	-0-
Fund Balance, July 1, 2016, As Restated	413,529	413,529	413,529	-0-
Fund Balance, June 30, 2017	\$ 413,529	\$ 413,529	\$ 424,710	\$ 11,181

CITY OF NEW HAVEN, KENTUCKY
NOTE TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
JUNE 30, 2017

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP), but the budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The actual results of operations are presented in accordance with GAAP. All governmental fund budgets are maintained on the cash basis (budgetary basis) of accounting, which is a comprehensive basis of accounting other than GAAP.

CITY OF NEW HAVEN, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY IN COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
JUNE 30, 2017

CERS - Nonhazardous	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
City's proportion of the net pension liability	0.002814%	0.003349%	0.003408%
City's proportionate share of the net pension liability	138,552	143,974	110,568
City's covered-employee payroll	112,954	81,800	78,190
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.66%	176.01%	141.41%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%
CERS - Hazardous	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
City's proportion of the net pension liability	0.008672%	0.008236%	0.008182%
City's proportionate share of the net pension liability	148,813	126,434	98,333
City's covered-employee payroll	45,087	62,419	41,440
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	330.06%	202.56%	237.29%
Plan fiduciary net position as a percentage of the total pension liability	53.95%	57.52%	63.46%

Note:

This schedule is intended to present 10 years of the proportionate share of the net pension liability. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of June 30 for the year prior (measurement date).

CITY OF NEW HAVEN, KENTUCKY
SCHEDULE OF THE CITY'S CONTRIBUTIONS TO THE COUNTY EMPLOYEES
RETIREMENT SYSTEM (CERS)
JUNE 30, 2017

CERS - Nonhazardous	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Statutorily required contribution for pension	\$ 24,837	\$ 19,270	\$ 14,454
City's contributions in relation to the statutorily required contribution	<u>(24,837)</u>	<u>(19,270)</u>	<u>(14,454)</u>
Annual contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%
City's covered-employee payroll	\$ 132,961	\$ 112,954	\$ 81,800
Contributions as a percentage of its covered employee payroll	18.68%	17.06%	17.67%
CERS - Hazardous	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 13,988	\$ 14,856	\$ 21,416
Contributions in relation to the contractually required contribution	<u>(13,988)</u>	<u>(14,856)</u>	<u>(21,416)</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%
City's covered-employee payroll	\$ 45,036	\$ 45,087	\$ 62,419
City's contributions as a percentage of its covered-employee payroll	31.06%	32.95%	34.31%

Note:

This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of the fiscal year ended above.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF NEW HAVEN, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - MUNICIPAL AID
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:				
Grants	\$ 21,457	\$ 21,457	\$ 19,127	\$ (2,330)
Interest Income	10	10	11	1
Total Revenues	21,467	21,467	19,138	(2,329)
Expenditures:				
Streets & Maintenance	21,467	21,467	5,838	(15,629)
Total Expenditures	21,467	21,467	5,838	(15,629)
Excess of Revenues Over (Under) Expenditures	-0-	-0-	13,300	(17,958)
Net Change in Fund Balance	-0-	-0-	13,300	(17,958)
Fund Balance, July 1, 2016, Previously Stated	23,016	23,016	23,016	-0-
Prior Period Adjustment	(226)	(226)	(226)	-0-
Fund Balance, July 1, 2016, As Restated	22,790	22,790	22,790	-0-
Fund Balance, June 30, 2017	<u>\$ 36,090</u>	<u>\$ 4,832</u>	<u>\$ 36,090</u>	<u>\$ -0-</u>

See independent auditor's report and accompanying notes to budgetary information.

CITY OF NEW HAVEN, KENTUCKY
NOTE TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – MUNICIPAL AID FUND
JUNE 30, 2017

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP), but the budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The actual results of operations are presented in accordance with GAAP. All governmental fund budgets are maintained on the cash basis (budgetary basis) of accounting, which is a comprehensive basis of accounting other than GAAP.

CITY OF NEW HAVEN, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying</u>	<u>Pass-through to Sub-recipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Pass through Kentucky Transportation Department</i>				
Highway Planning and Construction - Transportation and Community Systems Preservation	20.205	P02-628-1000004382	\$ -0-	\$ 1,224,876
Total U.S. Department of Transportation			-0-	1,224,876
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Pass through Kentucky Department for Local Government</i>				
Community Development Block Grant/State's Program	14.228	A16-076; SX21179017	-0-	248,639
Total U.S. Department of Housing and Urban Development			-0-	248,639
Total Expenditures of Federal Awards			<u>\$ -0-</u>	<u>\$ 1,473,515</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of the City of New Haven, Kentucky, under programs of the federal government for the year ended June 30, 2017 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City of New Haven, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The City of New Haven, Kentucky has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

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.

Mayor and City Commissioners
City of 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, the aggregate discretely presented component units, 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, 2017, 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 January 5, 2018.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as item 2017-1.

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 or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

City of New Haven, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

Brown & Company, CPA's

Bardstown, Kentucky
January 5, 2018

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Commissioners
City of New Haven, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of New Haven, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of New Haven, Kentucky's major federal programs for the year ended June 30, 2017. City of New Haven, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of New Haven, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Haven, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of New Haven, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of New Haven, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City of New Haven, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of New Haven, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of New Haven, Kentucky's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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 June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of New Haven, Kentucky's basic financial statements. We issued our report thereon dated January 5, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown & Company, CPA's

Bardstown, Kentucky
January 5, 2018

**CITY OF NEW HAVEN, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

Section 1 – Summary of Auditors Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	U.S. Department of Transportation : Highway Planning and Construction - Transportation and Community Systems Preservation

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section 2 – Findings Related to the Financial Statements that are Required to be Reported in Accordance with Government Auditing Standards

Finding 2017-1

Condition: We are required to give consideration to the City's ability to prepare financial statements and related note disclosures, as well as the oversight of the financial reporting process by those charged with governance.

Criteria: Such preparation would require the City to maintain appropriate technical knowledge to prepare the financial statements with all related note disclosures.

Cause: The nature and complexity of the transactions involved with preparing financial statements and related note disclosures.

Effect: As a result of the above conditions, the City does not have controls in place that would assure the preparation of the financial statements and related note disclosures in accordance with modified accrual or accrual basis of accounting.

CITY OF NEW HAVEN, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Recommendation: As with many small cities, the City engages the auditor to draft the financial statements and to perform the necessary steps to ensure the disclosures are complete. Once drafted, the financial statements are submitted to the City for approval. While this practice is common and practical, we must inform those charged with governance of this finding.

Response: We accept the auditor's recommendation. Due to the complexity of the financial reporting process and full governmental disclosures, the City will continue to rely on the auditor in future years to ensure the financial statements and related disclosures are appropriate.

Section 3 – Federal Awards Findings and Questioned Costs

There were no findings reported for the year ended June 30, 2017.

Section 4 – Schedule of Prior Year Audit Findings

There were no findings or questioned costs reported for the prior year.

**CITY OF NEW HAVEN, KENTUCKY
MANAGEMENT CERTIFICATION OF COMPLIANCE
JUNE 30, 2017**

LOCAL GOVERNMENT ASSISTANCE

CITY OF NEW HAVEN, KENTUCKY

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 dictated by the applicable Kentucky Revised Statutes.

Tessie Cecil, Mayor

Joanie Corbin, City Clerk