

City of New Haven

Audited Financial Statements and Required Supplementary Information

June 30, 2020

Jones & Associates CPAs, PSC

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Certified Public Accountants

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JONES & ASSOCIATES CPAs, PSC

121 PROSPEROUS PLACE, SUITE 2A, LEXINGTON, KY 40509

(859) 687-0303

CERTIFIED PUBLIC ACCOUNTANTS

To the Mayor and City Commissioners
City of New Haven
New Haven, Kentucky

Independent Auditor's Report

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, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of New Haven'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Haven, Kentucky, as of June 30, 2020, and the

**To the Mayor and City Commissioners
City of New Haven
Independent Auditor's Report
(Continued)**

Opinion (Continued)

respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pensions and other postemployment benefits and budgetary comparison as listed in the table of contents, 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. Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, on our consideration of the City of New Haven's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of New Haven's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of New Haven's internal control over financial reporting and compliance.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

January 15, 2021

**City of New Haven
City Officials
June 30, 2020**

Tessie Cecil

Mike Morris

Lois Boley

Linda Mattingly

Ruth Faulkner

Joanie Corbin

Angela Mattingly

Mayor

Commissioner

Commissioner

Commissioner

Commissioner

City Clerk

Utility Clerk

Financial Statements

Government-wide Financial Statements

**City of New Haven
Statement of Net Position
June 30, 2020**

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| Assets and deferred outflows of resources | | | |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 270,213 | \$ 82,139 | \$ 352,352 |
| Restricted cash and cash equivalents | 81,264 | 178,651 | 259,915 |
| Investments | 184,610 | | 184,610 |
| Restricted investments | | 145,823 | 145,823 |
| Accounts receivable, net | 127,933 | 368,935 | 496,868 |
| Inventory | | 18,420 | 18,420 |
| Other current assets | 3,137 | | 3,137 |
| Total current assets | \$ 667,157 | \$ 793,968 | \$ 1,461,125 |
| Noncurrent assets | | | |
| Capital assets, net | \$ 686,503 | \$ 3,130,524 | \$ 3,817,027 |
| Total noncurrent assets | \$ 686,503 | \$ 3,130,524 | \$ 3,817,027 |
| Total assets | \$ 1,353,660 | \$ 3,924,492 | \$ 5,278,152 |
| Deferred outflows of resources | | | |
| Pension | \$ 69,686 | \$ 57,716 | \$ 127,402 |
| Other postemployment benefits | 32,506 | 22,847 | 55,353 |
| Total deferred outflows of resources | \$ 102,192 | \$ 80,563 | \$ 182,755 |
| Total assets and deferred outflows of resources | | | |
| | \$ 1,455,852 | \$ 4,005,055 | \$ 5,460,907 |
| Liabilities, deferred inflows of resources, and net position | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 88,616 | \$ 16,358 | \$ 104,974 |
| Payroll related liabilities | 7,089 | 4,470 | 11,559 |
| Interest payable | 10,887 | 5,788 | 16,675 |
| Long-term debt, current | 6,743 | 26,154 | 32,897 |
| Customer deposits | | 15,800 | 15,800 |
| Other current liabilities | 953 | 953 | 953 |
| Total current liabilities | \$ 113,335 | \$ 69,523 | \$ 182,858 |

City of New Haven
Statement of Net Position
June 30, 2020
(Continued)

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| Liabilities, deferred inflows of resources, and net position (Continued) | | | |
| Noncurrent liabilities | | | |
| Long-term debt, noncurrent | \$ | \$ 409,815 | \$ 409,815 |
| Net pension liability | 314,703 | 214,231 | 528,934 |
| Net other postemployment benefits liability | 81,821 | 51,221 | 133,042 |
| Total noncurrent liabilities | \$ 396,524 | \$ 675,267 | \$ 1,071,791 |
| Total liabilities | \$ 509,859 | \$ 744,790 | \$ 1,254,649 |
| Deferred inflows of resources | | | |
| Pension | \$ 8,391 | \$ 4,359 | \$ 12,750 |
| Other postemployment benefits | 23,395 | 17,978 | 41,373 |
| Total deferred inflows of resources | \$ 31,786 | \$ 22,337 | \$ 54,123 |
| Net position | | | |
| Net investment in capital assets | \$ 593,845 | \$ 3,111,344 | \$ 3,705,189 |
| Restricted | | | |
| Municipal road aid | 20,121 | | 20,121 |
| Fire department | 60,983 | | 60,983 |
| Community development | 1,800 | | 1,800 |
| Sewer rehab | | 8,522 | 8,522 |
| Bond, interest, and depreciation reserves | | 315,952 | 315,952 |
| Unrestricted | 237,458 | (197,890) | 39,568 |
| Total net position | \$ 914,207 | \$ 3,237,928 | \$ 4,152,135 |
| Total liabilities, deferred inflows of resources, and net position | \$ 1,455,852 | \$ 4,005,055 | \$ 5,460,907 |

The accompanying notes are an integral part of the financial statements.

**City of New Haven
Statement of Activities
For the Year Ended June 30, 2020**

| | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | |
|--|---------------------|----------------------------|--|--|--|---------------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contri- butions | Capital Grants and Contri- butions | Govern- mental Activities | Business- type Activities | Total |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 158,453 | \$ 4,146 | \$ 20,334 | \$ | \$ (133,973) | \$ | \$ (133,973) |
| Streets and maintenance | 11,803 | | 105,202 | | 93,399 | | 93,399 |
| Protection to persons and property | 122,350 | | 28,345 | | (94,005) | | (94,005) |
| Recreation and culture | 34,482 | 5,719 | 425 | 6,500 | (21,838) | | (21,838) |
| Total governmental activities | <u>\$ 327,088</u> | <u>\$ 9,865</u> | <u>\$ 154,306</u> | <u>\$ 6,500</u> | <u>\$ (156,417)</u> | <u>\$</u> | <u>\$ (156,417)</u> |
| Business-type activities | | | | | | | |
| Water and wastewater sewer system | <u>\$ 676,771</u> | <u>\$ 489,550</u> | <u>\$ 49,149</u> | <u>\$ 6,500</u> | <u>\$</u> | <u>\$ (131,572)</u> | <u>\$ (131,572)</u> |
| Total business-type activities | <u>\$ 676,771</u> | <u>\$ 489,550</u> | <u>\$ 49,149</u> | <u>\$ 6,500</u> | <u>\$</u> | <u>\$ (131,572)</u> | <u>\$ (131,572)</u> |
| Total primary government | <u>\$ 1,003,859</u> | <u>\$ 499,415</u> | <u>\$ 203,455</u> | <u>\$ 13,000</u> | <u>\$ (156,417)</u> | <u>\$ (131,572)</u> | <u>\$ (287,989)</u> |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | | | | | \$ 88,218 | \$ | \$ 88,218 |
| Franchise taxes | | | | | 28,991 | | 28,991 |
| Insurance premium taxes | | | | | 113,167 | | 113,167 |
| Telecommunications taxes | | | | | 17,094 | | 17,094 |
| Other taxes | | | | | 22,468 | | 22,468 |
| Revenue from litigation | | | | | | 275,000 | 275,000 |
| Rent | | | | | 9,900 | | 9,900 |
| Earnings on investments | | | | | 869 | 773 | 1,642 |
| Miscellaneous | | | | | 3,959 | | 3,959 |
| Total general revenues | | | | | <u>\$ 284,666</u> | <u>\$ 275,773</u> | <u>\$ 560,439</u> |
| Transfers - Internal activities | | | | | <u>\$ 1,000</u> | <u>\$ (1,000)</u> | <u>\$</u> |
| Change in net position | | | | | <u>\$ 129,249</u> | <u>\$ 143,201</u> | <u>\$ 272,450</u> |
| Net position - Beginning (restated) | | | | | <u>784,958</u> | <u>3,094,727</u> | <u>3,879,685</u> |
| Net position - Ending | | | | | <u>\$ 914,207</u> | <u>\$ 3,237,928</u> | <u>\$ 4,152,135</u> |

The accompanying notes are an integral part of the financial statements.

Fund Financial Statements

City of New Haven
Balance Sheet - Governmental Funds
June 30, 2020

| | General Fund | Municipal Road Aid Fund | Fire Fund | Total Govern- mental Funds |
|--|--------------------------|--|-------------------------|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 270,213 | \$ | \$ | \$ 270,213 |
| Restricted cash and cash equivalents | | 20,129 | 61,135 | 81,264 |
| Investments | 184,610 | | | 184,610 |
| Accounts receivable | 34,727 | 85,915 | | 120,642 |
| Other assets | 3,137 | | | 3,137 |
| Due from water and wastewater sewer fund | 447 | | | 447 |
| Due from general fund | | 232 | | 232 |
| | | | | |
| Total assets | <u>\$ 493,134</u> | <u>\$ 106,276</u> | <u>\$ 61,135</u> | <u>\$ 660,545</u> |
| Liabilities and fund balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 2,427 | \$ 86,155 | \$ 33 | \$ 88,615 |
| Payroll related liabilities | 7,089 | | | 7,089 |
| Other liabilities | 10,768 | | 119 | 10,887 |
| Due to municipal road aid fund | 232 | | | 232 |
| | | | | |
| Total liabilities | <u>\$ 20,516</u> | <u>\$ 86,155</u> | <u>\$ 152</u> | <u>\$ 106,823</u> |
| Fund balances | | | | |
| Non-spendable | \$ 3,137 | \$ | \$ | \$ 3,137 |
| Restricted | 1,800 | 20,121 | 60,983 | 82,904 |
| Committed | 88,309 | | | 88,309 |
| Assigned | 12,200 | | | 12,200 |
| Unassigned | 367,172 | | | 367,172 |
| | | | | |
| Total fund balances | <u>\$ 472,618</u> | <u>\$ 20,121</u> | <u>\$ 60,983</u> | <u>\$ 553,722</u> |
| Total liabilities and fund balances | <u>\$ 493,134</u> | <u>\$ 106,276</u> | <u>\$ 61,135</u> | <u>\$ 660,545</u> |

The accompanying notes are an integral part of the financial statements.

City of New Haven
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2020

| | <u>General Fund</u> | <u>Municipal Road Aid Fund</u> | <u>Fire Fund</u> | <u>Total Govern- mental Funds</u> |
|--|-------------------------|--|----------------------|---|
| Revenues | | | | |
| Taxes | \$ 257,807 | \$ | \$ | \$ 257,807 |
| Intergovernmental | 28,845 | 105,201 | 16,000 | 150,046 |
| License and permits | 11,233 | | | 11,233 |
| Charges for service | 9,865 | | | 9,865 |
| Rental | 9,900 | | | 9,900 |
| Miscellaneous | <u>15,550</u> | | <u>35</u> | <u>15,585</u> |
| Total revenues | <u>\$ 333,200</u> | <u>\$ 105,201</u> | <u>\$ 16,035</u> | <u>\$ 454,436</u> |
| Expenditures | | | | |
| General government | \$ 146,154 | \$ | \$ | \$ 146,154 |
| Protection to persons and property | 96,717 | | 1,088 | 97,805 |
| Streets and maintenance | | 5,368 | | 5,368 |
| Recreation and culture | 26,148 | | | 26,148 |
| Debt service | | | 10,483 | 10,483 |
| Capital outlay | <u>5,840</u> | <u>89,035</u> | | <u>94,875</u> |
| Total expenditures | <u>\$ 274,859</u> | <u>\$ 94,403</u> | <u>\$ 11,571</u> | <u>\$ 380,833</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 58,341</u> | <u>\$ 10,798</u> | <u>\$ 4,464</u> | <u>\$ 73,603</u> |
| Other financing sources (uses) | | | | |
| Transfers in | <u>\$ 1,000</u> | <u>\$</u> | <u>\$</u> | <u>\$ 1,000</u> |
| Total other financing sources (uses) | <u>\$ 1,000</u> | <u>\$</u> | <u>\$</u> | <u>\$ 1,000</u> |
| Net change in fund balances | \$ 59,341 | \$ 10,798 | \$ 4,464 | \$ 74,603 |
| Fund balances - Beginning | <u>413,277</u> | <u>9,323</u> | <u>56,519</u> | <u>479,119</u> |
| Fund balances - Ending | <u>\$ 472,618</u> | <u>\$ 20,121</u> | <u>\$ 60,983</u> | <u>\$ 553,722</u> |

The accompanying notes are an integral part of the financial statements.

City of New Haven
Statement of Net Position - Proprietary Fund
June 30, 2020

| | <u>Water and Wastewater Sewer Fund</u> |
|---|---|
| Assets and deferred outflows of resources | |
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 82,139 |
| Restricted cash and cash equivalents | 178,651 |
| Restricted investments | 145,823 |
| Accounts receivable, net | 368,935 |
| Inventory | <u>18,420</u> |
| Total current assets | \$ <u>793,968</u> |
| Noncurrent assets | |
| Capital assets, net | \$ <u>3,130,524</u> |
| Total noncurrent assets | \$ <u>3,130,524</u> |
| Total assets | \$ <u>3,924,492</u> |
| Deferred outflows of resources | |
| Pension | \$ 57,716 |
| Other postemployment benefits | <u>22,847</u> |
| Total deferred outflows of resources | \$ <u>80,563</u> |
| Total assets and deferred outflows of resources | \$ <u><u>4,005,055</u></u> |
| Liabilities, deferred inflows of resources, and net position | |
| Liabilities | |
| Current liabilities | |
| Accounts payable | \$ 16,358 |
| Payroll related liabilities | 4,470 |
| Interest payable | 5,788 |
| Long-term debt, current | 26,154 |
| Customer deposits | 15,800 |
| Other current liabilities | <u>953</u> |
| Total current liabilities | \$ <u>69,523</u> |
| Noncurrent liabilities | |
| Long-term debt, noncurrent | \$ 409,815 |
| Net pension liability | 214,231 |
| Net other postemployment benefits | <u>51,221</u> |
| Total noncurrent liabilities | \$ <u>675,267</u> |

City of New Haven
Statement of Net Position - Proprietary Fund
June 30, 2020
(Continued)

| | Water and Wastewater Sewer Fund |
|--|--|
| | <u> </u> |
| Liabilities, deferred inflows of resources, and net position <i>(Continued)</i> | |
| Total liabilities | \$ <u>744,790</u> |
| Deferred inflows of resources | |
| Pension | \$ 4,359 |
| Other postemployment benefits | <u>17,978</u> |
| Total deferred inflows of resources | \$ <u>22,337</u> |
| Net position | |
| Net investment in capital assets | \$ 3,111,344 |
| Restricted | |
| Sewer rehab | 8,522 |
| Bond, interest, and depreciation reserves | 315,952 |
| Unrestricted | <u>(197,890)</u> |
| Total net position | \$ <u>3,237,928</u> |
| Total liabilities, deferred inflows of resources, and net position | \$ <u><u>4,005,055</u></u> |

The accompanying notes are an integral part of the financial statements.

City of New Haven
Statement of Revenues, Expenses, and Changes in Net Position -
Proprietary Fund
For the Year Ended June 30, 2020

| | Water and Wastewater Sewer Fund |
|--|--|
| Operating revenues | |
| Utility sales | \$ 463,669 |
| Penalties | 4,990 |
| Miscellaneous | <u>20,891</u> |
| Total operating revenues | \$ <u>489,550</u> |
| Operating expenses | |
| Water purchases for resale | \$ 92,247 |
| Salaries, wages, employee benefits, and related taxes | 229,358 |
| Contractual services, operations, and materials | 154,955 |
| Repairs | 16,757 |
| Insurance | 6,474 |
| Utilities | 26,866 |
| Depreciation | <u>136,449</u> |
| Total operating expenses | \$ <u>663,106</u> |
| Excess (deficiency) of operating revenues over operating expenses | \$ <u>(173,556)</u> |
| Non-operating revenues (expenses) | |
| Revenue from litigation | \$ 275,000 |
| Tap fees | 6,500 |
| Contributions | 49,149 |
| Interest revenue | 773 |
| Interest expense | <u>(13,665)</u> |
| Total non-operating revenues (expenses) | \$ <u>317,757</u> |
| Excess (deficiency) of revenues over expenses | \$ 144,201 |
| Transfers out - Internal activities | <u>(1,000)</u> |
| Change in net position | \$ 143,201 |
| Net position - Beginning (restated) | <u>3,094,727</u> |
| Net position - Ending | \$ <u><u>3,237,928</u></u> |

The accompanying notes are an integral part of the financial statements.

City of New Haven
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2020

| | Water and Wastewater Sewer Fund |
|---|--|
| | |
| Cash flows from operating activities | |
| Cash received from customers | \$ 460,689 |
| Cash paid to suppliers for goods and services | (286,087) |
| Cash paid for employee services and benefits | (172,729) |
| | 1,873 |
| Net cash flows from operating activities | \$ 1,873 |
| Cash flows from capital and related financing activities | |
| Cash received from tap fees | \$ 6,500 |
| Cash paid for bond principal | (16,916) |
| Cash paid for loans | (8,821) |
| Cash paid for interest | (13,855) |
| Cash paid for capital assets | (8,400) |
| | (41,492) |
| Net cash flows from capital and related financing activities | \$ (41,492) |
| Cash flows from noncapital and related financing activities | |
| Cash received from contributions | \$ 49,149 |
| Transfers out - Internal activities | (1,000) |
| | 48,149 |
| Net cash flows from noncapital and related financing activities | \$ 48,149 |
| Cash flows from investing activities | |
| Interest received on cash and cash equivalents | \$ 238 |
| | 238 |
| Net cash flows from investing activities | \$ 238 |
| Net increase (decrease) in cash | \$ 8,768 |
| Cash - Beginning | 252,022 |
| Cash - Ending | \$ 260,790 |
| Cash is reported in the Statement of Net Position as follows | |
| Cash and cash equivalents | \$ 82,139 |
| Restricted cash and cash equivalents | 178,651 |
| | 260,790 |
| Total | \$ 260,790 |

City of New Haven
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2020
(Continued)

| | Water and Wastewater Sewer Fund |
|---|--|
| | <hr/> |
| Reconciliation of cash flows from operating activities | |
| Operating income | \$ (173,556) |
| Adjustments to reconcile income (loss) from operation to cash used in operating activities | |
| Depreciation | 136,449 |
| Change in assets and liabilities | |
| Accounts receivable | (28,861) |
| Inventory | 2,209 |
| Other current assets | 3,380 |
| Accounts payable | 6,016 |
| Payroll and payroll related liabilities | 1,110 |
| Customer deposits | (200) |
| Pension and other postemployment benefits | 66,072 |
| Deferred inflows and deferred outflows | (10,553) |
| Other current liabilities | (193) |
| | <hr/> |
| Net cash flows from operating activities | \$ 1,873 |
| | <hr/> <hr/> |

The accompanying notes are an integral part of the financial statements.

City of New Haven
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

| | |
|--|---------------------------------|
| Net change in fund balances - Total governmental funds | \$ 74,603 |
| <p>Governmental funds report capital outlays as expenditures but in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as</p> | |
| Depreciation expense | (33,722) |
| Capital outlay | 94,875 |
| <p>Pension and other postemployment contributions are recognized as expenditures in the governmental funds. However, pension and other postemployment expense in the Statement of Activities is primarily the result of changes in the components of the net pension and net other postemployment benefits liability over the current and future periods</p> | |
| Pension expense | (20,652) |
| Other postemployment benefits | 2,767 |
| <p>Revenue for delinquent property taxes is recorded in the Statement of Activities. However, these funds were not received within sixty days of year end and, accordingly, have been removed from the Statement of Revenues, Expenditures, and Changes in Fund Balance.</p> | |
| | 895 |
| <p>Payments for long-term debt are recognized as expenditures in the governmental funds. However, these are not recognized in the Statement of Activities and are instead a reduction of debt principal on the Statement of Net Position</p> | |
| | <u>10,483</u> |
| Change in net position of governmental activities | \$ <u><u>129,249</u></u> |

The accompanying notes are an integral part of the financial statements.

City of New Haven
Reconciliation of Fund Balances - Governmental Funds
to Net Position of Governmental Activities
June 30, 2020

Fund balances - Governmental funds \$ 553,722

Amounts reported for governmental activities in the Statement of Net Position are different because

Assets

| | |
|---|---------|
| Capital assets and infrastructure assets used in governmental activities are not financial resources and, therefore, are not reported in the funds; | 686,503 |
| Deferred outflows of resources related to pensions are not recognized in governmental funds; | 69,686 |
| Deferred outflows of resources related to other postemployment benefits are not recognized in governmental funds; and | 32,506 |
| Delinquent property tax receivable is not recognized as an asset in the governmental funds. | 6,843 |

Liabilities

| | |
|--|-----------------|
| Debt is not recognized in governmental funds; | (6,743) |
| Net pension liability is not recognized in governmental funds; | (314,703) |
| Net other postemployment benefits is not recognized in governmental funds; | (81,821) |
| Deferred inflows of resources related to pensions are not recognized in governmental funds; and | (8,391) |
| Deferred inflows of resources related to other postemployment benefits are not recognized in governmental funds. | <u>(23,395)</u> |

Net position of governmental activities \$ 914,207

The accompanying notes are an integral part of the financial statements.

City of New Haven
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The City of New Haven, Kentucky (City) was incorporated under the provisions of the State of Kentucky as a sixth-class city on February 18, 1839. The City, located in Nelson County, operates under a Mayor-Commissioner form of government as authorized by its charter and derives the majority of its revenue from insurance premium taxes, property taxes, and charges for services.

The accounting policies of the City 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 by GASB. 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 report.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. 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 services.

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 (including depreciation) are those that are clearly identifiable with a specific function or segment. Program revenues are directly associated with the function or segment and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital specific. Taxes and other items not identifiable with a program are reported 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 are reported as separate columns in the fund financial statements.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies *(Continued)*

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 fund financial statements. With this measurement focus, all assets and all liabilities, including noncurrent assets as well as noncurrent liabilities, are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Taxes 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.

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 Proprietary Fund is charges to customers for services. The City also recognizes as non-operating revenue tap fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for the Proprietary Fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major Governmental Funds:

- General Fund: is reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds;
- Municipal Aid Fund: a special revenue fund that accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes; and
- Fire Fund: receives fire department aid allotted by the State Fire Marshall. The funds must be expended as shown on the list submitted to them. This fund is provided from the insurance premium surcharge proceeds as established by House Bill 525.

The City reports the following major Proprietary Fund:

- Water and Wastewater Sewer Fund: accounts for water and wastewater services of the City for its citizens and surrounding communities.

The City reports no non-major funds.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies *(Continued)*

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, net pension liability, and postemployment benefits are added to the governmental funds to compile the long-term view of the governmental activities column.

The focus of governmental fund measurement (in the fund financial statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. The Balance Sheet contains only current assets and liabilities. The reported fund balance (net current assets) is a measure of available spendable resources.

A similar reconciliation is included for 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.

Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position

A. Cash, Cash Equivalents, and Investments

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. Investments of the City consist of certificates of deposit, which are stated at fair market value as determined by quoted market prices for similar assets.

B. Inventories

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

C. Accounts Receivable

Accounts receivable consists of property and other taxes as well as amounts due from other governmental entities. Since management considers all of these receivables to be collectible at year-end, no provision has been made for uncollectible accounts in the General Fund. However, the City has an allowance for uncollectible accounts in the Water and Wastewater Sewer Fund for accounts receivable.

D. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies *(Continued)*

Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position *(Continued)*

E. Capital Assets and Depreciation

The City's capital assets with useful lives of more than one year are stated at historical cost or estimated historical cost and reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The City capitalizes assets with costs of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend its useful life are not capitalized. Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. 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. The following expected useful lives are used:

| | |
|---------------------------|---------------|
| Building 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 |

F. Property Tax

Taxes are levied on October 1 and are due and payable on or before December 31. All unpaid taxes become delinquent January 1 of the following year and attach as an enforceable lien on property as of each April 15. No allowance for delinquent taxes is established due to the immateriality of uncollectible taxes.

The constitution of the Commonwealth of Kentucky sets absolute tax rates on the value of taxable property based on the population of the City. For the year ended June 30, 2020, the City had a tax rate of \$0.232 per \$100 for real estate, \$0.3884 per \$100 for tangible property, and \$0.25 per \$100 for motor vehicles.

G. Compensated Absences

Full-time and part-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. A liability is accrued for compensated absences when it is earned and becomes payable to employees. In accordance with this policy, the City accrued a liability in the government-wide and proprietary fund financial statements for vacation pay earned but not taken by employees. For governmental funds, the liability is considered current because all vacation pay is based on the calendar year and cannot be carried over from one year to another. Upon termination, accumulated vacation will be paid to the employee.

It is the City's policy to permit its employees to accumulate earned but unused sick pay benefits. The City does not pay any amounts for sick pay benefits to employees who are terminated. Employees who retire from the City may be eligible to receive payment for a portion of these benefits. However, no liability is recognized for

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies *(Continued)*

Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position *(Continued)*

G. Compensated Absences *(Continued)*

unpaid accumulated sick leave because this amount is not readily determinable until it becomes due to the employee. These benefits may be subject to employer contribution requirements as determined by the Kentucky Retirement System.

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

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

I. Fund Balance and Net Position

Government-wide Financial Statements

Net position is classified as follows:

- 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;
- 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; and
- Unrestricted: All other net position that does 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 balances. Fund balances are further classified as follows:

- Non-spendable: Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies *(Continued)*

Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position *(Continued)*

I. Fund Balance and Net Position *(Continued)*

- Restricted: Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed: Amounts constrained to specific purposes determined by a formal action of the City. The City must take the action to remove or change the constraint;
- Assigned: Amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Commissioners or by an official or body to which the City delegates the authority; and
- Unassigned: Amounts that are available for any purpose.

When restricted, committed, assigned, and unrestricted resources are available for use, it is the City's policy to use the most restricted resources before using unrestricted resources.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for Deferred Outflows of Resources. 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. The City has items related to pensions and other postemployment benefits included in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for Deferred Inflows of Resources. 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/receipt) until that time. The City has items related to pensions and other postemployment benefits included in this category.

K. Pension

For purposes of measuring the net pension liability, deferred outflows and 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 and 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.

L. Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement Systems' Insurance Fund (Insurance Fund) and additions to or deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies *(Continued)*

Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position *(Continued)*

M. 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 revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

N. 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.

O. Interfund Transactions

During the course of operations, transactions may occur between funds within the City that may result in transfers being recorded. Interfund transfers are eliminated in the Statement of Net Position.

Budgeting

The City follows the procedures established by the Department for Local Government pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budget.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash includes amounts held in checking and saving accounts (including those held as restricted assets).

Note 2. Risk Management

The City is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, and errors and omission, etc. Each of these risk areas is covered through participation in a public entity risk pool with the exception of the errors and omissions bond, which is covered through the purchase of commercial insurance. The City retains no risk of loss through participation in the risk pool. For insured programs, there have been no significant reductions in insurance coverage, nor have settlement amounts exceeded insurance coverage for the current year or three years prior. The City has purchased certain policies that are retrospectively rated which include worker's compensation insurance.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 3. Deposits and Investments

Deposits

The City maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by Kentucky Revised Statutes. According to KRS Section 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, always equals or exceeds the amount of public funds on deposit.

A. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk but rather follows the requirements of Section KRS 41.240(4). At June 30, 2020 the City's deposits were fully collateralized by FDIC insurance and additional collateral pledged by the depository institution.

B. Restricted Cash and Cash Equivalents

Restricted cash consists of the following:

| | |
|---|-------------------|
| Sewer rehab | \$ 8,521 |
| Fire department | 61,135 |
| Municipal road aid | 20,129 |
| Bond, interest, and depreciation reserves | <u>170,130</u> |
| Total restricted cash | <u>\$ 259,915</u> |

The sewer rehab account is for funds restricted for use in making improvements to the sewer infrastructure. The fire department account is for funds restricted for use in providing fire protection services. The municipal road 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, interest, and depreciation reserves accounts are held for use of payment of interest and principal on revenue bonds, for repairs and maintenance to the water and wastewater sewer system, and for required depreciation reserves.

Investments

Kentucky Revised Statutes authorize local governmental units to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state-chartered banks insured by federal agencies, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies. Investing is performed in accordance with these state statutes.

The City held \$330,433 in certificates of deposit at June 30, 2020, all of which will mature within one year and are categorized as current investments.

Note 4. Compensated Absences

The City accrued \$9,416 for compensated absences as of June 30, 2020. This amount consists of vacation pay due to employees as of that date.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 5. Employee Retirement System

A. General Information

The City is a participating employer of the CERS. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees (Board) of the Kentucky Retirement Systems (KRS) administers the CERS. The Plan issues publicly available financial statements which may be downloaded from the KRS website.

B. Plan Description

CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the KRS. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the state legislature.

C. Contributions

For the year ended June 30, 2020, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% of each employee's wages for hazardous job classifications. The contributions are allocated to both the Pension and Insurance Trust. The Insurance Trust is more fully described in Note 6. Participating employers contributed 19.3% to the Pension Trust for non-hazardous job classifications and 30.06% for hazardous job classifications, for the year ended June 30, 2020. Administrative costs of the KRS are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014 are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% for hazardous job classifications. All members contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit and for hazardous members, their account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2020, the City contributed \$30,870 for non-hazardous job classifications and \$12,774 for hazardous job classifications, or 100% of the required contributions.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 5. Employee Retirement System (Continued)

D. Benefits Provided

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

| | Participation Date | Unreduced Benefit | Reduced Benefit |
|--------|--|--|---|
| Tier 1 | Before September 1, 2008 | 27 years of service or 65 years old and 4 years of service | At least 5 years of service and 55 years old or 25 years of service and any age |
| Tier 2 | After September 1, 2008 but before December 31, 2013 | At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal to 87+ | At least 10 years of service and 60 years old |
| Tier 3 | After December 31, 2013 | At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal to 87+ | Not available |

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

E. Pension Liabilities, Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2020, the City reported a liability of \$528,934 for its proportionate share of the net pension liability (\$299,608 for non-hazardous and \$229,326 for hazardous classifications). The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share on June 30, 2019 and June 30, 2018 was 0.004260% and 0.004248%, respectively, for non-hazardous and 0.008302% and 0.008496%, respectively, for hazardous classifications.

For the year ended June 30, 2020, the City recognized pension expense of \$80,151 for non-hazardous and \$21,674 for hazardous classifications. At June 30, 2020, the Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 5. Employee Retirement System (Continued)

E. Pension Liabilities, Expense, and Deferred Outflows and Inflows of Resources (Continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Non-hazardous | | |
| Difference between expected and actual experience | \$ 7,650 | \$ 1,266 |
| Change in assumptions | 30,324 | |
| Net difference between projected and actual earnings on investments | | 4,830 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 11,873 | |
| Contributions subsequent to the measurement date | <u>30,870</u> | |
| Total non-hazardous | <u>\$ 80,717</u> | <u>\$ 6,096</u> |
| Hazardous | | |
| Difference between expected and actual experience | \$ 9,744 | \$ |
| Change in assumptions | 22,260 | |
| Net difference between projected and actual earnings on investments | | 3,245 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 1,907 | 3,409 |
| Contributions subsequent to the measurement date | <u>12,774</u> | |
| Total hazardous | <u>\$ 46,685</u> | <u>\$ 6,654</u> |
| Total | <u>\$ 127,402</u> | <u>\$ 12,750</u> |

The \$43,644 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date as of June 30, 2020, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Non-hazardous</u> | <u>Hazardous</u> | <u>Total</u> |
|----------------------------|----------------------|------------------|--------------|
| 2021 | \$ 31,250 | \$ 18,859 | \$ 50,109 |
| 2022 | \$ 8,969 | \$ 6,287 | \$ 15,256 |
| 2023 | \$ 3,189 | \$ 1,904 | \$ 5,093 |
| 2024 | \$ 343 | \$ 207 | \$ 550 |

F. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 5. Employee Retirement System (Continued)

F. Actuarial Assumptions (Continued)

| | | |
|---------------------------|--|--|
| Non-hazardous | | |
| Inflation | | 2.3% |
| Salary increases | | 3.3% to 10.3%, varies by service, including inflation |
| Investment rate of return | | 6.25%, net of Plan investment expense, including inflation |
| Hazardous | | |
| Inflation | | 2.3% |
| Salary increases | | 3.55% to 19.05%, varies by service, including inflation |
| Investment rate of return | | 6.25%, net of Plan investment expense, including inflation |

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2019 valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the Plan's fiscal year ending June 30, 2019.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each 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> |
|--------------------------------|--|-------------------------------------|
| Growth | | 62.50% |
| U.S. equity | 4.30% | 18.75% |
| Non-U.S. equity | 4.80% | 18.75% |
| Private equity | 6.65% | 10.00% |
| Special credit/high yield | 2.60% | 15.00% |
| Liquidity | | 14.50% |
| Core bonds | 1.35% | 13.50% |
| Cash | 0.20% | 1.00% |
| Diversifying strategies | | 23.00% |
| Real estate | 4.85% | 5.00% |
| Opportunistic | 2.97% | 3.00% |
| Real return | 4.10% | 15.00% |
| Total | | 100.00% |

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 5. Employee Retirement System (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate at June 30, 2020:

| | <u>Discount Rate</u> | | <u>Proportionate Share of Net Pension Liability</u> |
|-----------------------|----------------------|----|---|
| Non-hazardous | | | |
| 1% decrease | 5.25% | \$ | 374,724 |
| Current discount rate | 6.25% | \$ | 299,608 |
| 1% Increase | 7.25% | \$ | 236,999 |
| Hazardous | | | |
| 1% decrease | 5.25% | \$ | 286,709 |
| Current discount rate | 6.25% | \$ | 229,326 |
| 1% increase | 7.25% | \$ | 182,280 |

Note 6. Other Postemployment Benefits

A. Plan Description

As more fully described in Note 5, the City participates in the CERS. CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the KRS. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

B. Contributions

As more fully described in Note 5, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2020, the employer's contribution was 4.76% to the Insurance Trust for non-hazardous job classifications and 9.52% for hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 6. Other Postemployment Benefits (Continued)

B. Contributions (Continued)

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of KRS are financed through employer contributions and investment earnings. For the year ended June 30, 2020, the City contributed \$7,613 for non-hazardous and \$4,046 for hazardous classifications, or 100% of the required contributions. For the year ended June 30, 2020, the implicit subsidy on current year contributions was \$1,538 for non-hazardous classifications and \$44 for hazardous classifications.

C. Benefits

CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

| | Participation Date | Insurance Eligibility | Benefit |
|--------|--|-------------------------------------|--|
| Tier 1 | Before July 1, 2003 | 10 years of service credit required | Set percentage of single coverage health insurance based on service credit accrued at retirement |
| | After July 1, 2003 but before September 1, 2008 | 10 years of service credit required | Set dollar amount based on service credit accrued, increased annually |
| Tier 2 | After September 1, 2008 but before December 31, 2013 | 15 years of service credit required | Set dollar amount based on service credit accrued, increased annually |
| Tier 3 | After December 31, 2013 | 15 years of service credit required | Set dollar amount based on service credit accrued, increased annually |

D. OPEB Liabilities, Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability of \$133,042, (\$71,634 for non-hazardous and \$61,408 for hazardous classifications). The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportion at June 30, 2019 and June 30, 2018 was 0.004259% and 0.004248%, respectively, for non-hazardous, and 0.008300% and 0.008496%, respectively, for hazardous classifications.

For the year ended June 30, 2020, the City recognized OPEB expense of \$20,038 for non-hazardous and \$6,844 for hazardous classifications. At June 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 6. Other Postemployment Benefits (Continued)

D. OPEB Liabilities, Expense, and Deferred Outflows and Inflows of Resources (Continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Non-hazardous | | |
| Difference between expected and actual experience | \$ | \$ 21,614 |
| Change in assumptions | 21,197 | 142 |
| Net difference between projected and actual earnings on OPEB plan investments | | 3,182 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 1,603 | 204 |
| Contributions subsequent to the measurement date (includes the implicit subsidy of \$1,538 per KRS) | 9,151 | |
| Total non-hazardous | <u>\$ 31,951</u> | <u>\$ 25,142</u> |
| Hazardous | | |
| Difference between expected and actual experience | \$ | \$ 11,424 |
| Change in assumptions | 18,557 | 116 |
| Net difference between projected and actual earnings on OPEB plan investments | | 3,530 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 755 | 1,160 |
| Contributions subsequent to the measurement date (includes the implicit subsidy of \$44 per KRS) | 4,090 | |
| Total hazardous | <u>\$ 23,402</u> | <u>\$ 16,230</u> |
| Total | <u>\$ 55,353</u> | <u>\$ 41,372</u> |

The \$13,241 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. This includes an adjustment of \$1,582 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

| <u>Year Ended June 30,</u> | | <u>Non-hazardous</u> | | <u>Hazardous</u> | | <u>Total</u> |
|----------------------------|----|----------------------|----|------------------|----|--------------|
| 2021 | \$ | (213) | \$ | 3,867 | \$ | 3,654 |
| 2022 | \$ | (213) | \$ | 601 | \$ | 388 |
| 2023 | \$ | 799 | \$ | (1,446) | \$ | (647) |
| 2024 | \$ | (1,140) | \$ | 60 | \$ | (1,080) |
| 2025 | \$ | (1,323) | \$ | | \$ | (1,323) |
| Thereafter | \$ | (252) | \$ | | \$ | (252) |

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 6. Other Postemployment Benefits *(Continued)*

E. Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.3% |
| Salary increases | 3.3% to 10.3%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |
| Healthcare trend | |
| Pre-65 | Initial trend starting at 7.25% on January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years |
| Post-65 | Initial trend starting at 5.1% on January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years |

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013 through 2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2019 valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The total OPEB liability was rolled forward from the valuation date (June 30, 2018) to the Plan's fiscal year ending June 30, 2019.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 6. Other Postemployment Benefits (Continued)

E. Actuarial Assumptions (Continued)

| <u>Asset Class</u> | <u>Long-term Expected Real Rate of Return</u> | <u>Target Allocation</u> |
|--------------------------------|---|------------------------------|
| Growth | | 62.50% |
| U.S. equity | 4.30% | 18.75% |
| Non-U.S. equity | 4.80% | 18.75% |
| Private equity | 6.65% | 10.00% |
| Special credit/high yield | 2.60% | 15.00% |
| Liquidity | | 14.50% |
| Core bonds | 1.35% | 13.50% |
| Cash | 0.20% | 1.00% |
| Diversifying strategies | | 23.00% |
| Real estate | 4.85% | 5.00% |
| Opportunistic | 2.97% | 3.00% |
| Real return | 4.10% | 15.00% |
| Total | | <u><u>100.00%</u></u> |

F. Discount Rate

The discount rate used to measure the total OPEB liability was 5.68% for the year ended June 30, 2020 for non-hazardous and hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

G. Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30, 2020:

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 6. Other Postemployment Benefits *(Continued)*

G. Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
(Continued)

| | <u>Discount Rate</u> | <u>Proportionate Share of Net OPEB Liability</u> |
|-----------------------|----------------------|--|
| Non-hazardous | | |
| 1% decrease | 4.68% | \$ 95,961 |
| Current discount rate | 5.68% | \$ 71,634 |
| 1% increase | 6.68% | \$ 51,591 |
| Hazardous | | |
| 1% decrease | 4.68% | \$ 85,677 |
| Current discount rate | 5.68% | \$ 61,408 |
| 1% increase | 6.68% | \$ 41,709 |

H. Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1- percentage-point higher than the current healthcare cost trend rates at June 30, 2020:

| | <u>Proportionate Share of Net OPEB Liability</u> | |
|-----------------------|--|------------------|
| | <u>Non-hazardous</u> | <u>Hazardous</u> |
| 1% decrease | \$ 53,275 | \$ 42,729 |
| Current discount rate | \$ 71,634 | \$ 61,408 |
| 1% increase | \$ 93,898 | \$ 84,196 |

I. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

Note 7. Long-Term Debt

The following reflects the long-term liability activity for governmental activities for the year ended June 30, 2020:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|------------------------|--------------------------|------------------|-------------------|-----------------------|----------------------------|
| Fire Truck – Term Note | \$ 17,226 | \$ | \$ 10,483 | \$ 6,743 | \$ 6,743 |
| | <u>\$ 17,226</u> | <u>\$</u> | <u>\$ 10,483</u> | <u>\$ 6,743</u> | <u>\$ 6,743</u> |

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 7. Long-Term Debt *(Continued)*

The following reflects the long-term liability activity for business-type activities for the year ended June 30, 2020:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Sewer Rehab – Construction Loan | \$ 201,105 | \$ | \$ 9,615 | \$ 191,490 | \$ 9,686 |
| Tractor – Term Note Series 1999A Revenue Bonds | 28,000 | | 8,821 | 19,179 | 9,068 |
| Series 1999B Revenue Bonds | 175,000 | | 5,500 | 169,500 | 5,500 |
| | 57,600 | | 1,800 | 55,800 | 1,900 |
| | <u>\$ 461,705</u> | <u>\$</u> | <u>\$ 25,736</u> | <u>\$ 435,969</u> | <u>\$ 26,154</u> |

Fire Truck – Term Note

On November 10, 2006, the City entered into an agreement with the Kentucky Fire Commission to borrow funds to purchase a fire truck. The principal of the borrowing was \$100,000 at an effective interest rate of 3.00% for a period of fifteen years, with principal and interest payments deducted annually from the City's state aid monies. Due to an increase in state aid money, the note will be paid off early. The note is collateralized with the fire truck. The principal outstanding as of June 30, 2020 was \$6,743. Future principal and interest requirements are:

| <u>Year Ending June 30,</u> | <u>Interest</u> | <u>Principal</u> |
|-----------------------------|-----------------|------------------|
| 2021 | \$ 202 | \$ 6,743 |
| Total | <u>\$ 202</u> | <u>\$ 6,743</u> |

Sewer Rehab – Construction Loan

On March 3, 2016, the City entered into an agreement with the Kentucky Infrastructure Authority to borrow funds to complete an extensive sewer rehab project. The City was approved to borrow up to \$251,000 at an effective interest rate of .75%. Principal and interest payments are due semi-annually and the loan matures December 1, 3038. The loan is collateralized with service revenue. The principal outstanding as of June 30, 2020 was \$191,490. Future principal and interest requirements are:

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 7. Long-Term Debt *(Continued)*

Sewer Rehab – Construction Loan *(Continued)*

| <u>Year Ending June 30,</u> | <u>Interest</u> | <u>Principal</u> |
|------------------------------------|------------------------|-------------------------|
| 2021 | \$ 1,418 | \$ 9,687 |
| 2022 | 1,345 | 9,760 |
| 2023 | 1,272 | 9,833 |
| 2024 | 1,198 | 9,907 |
| 2025 | 1,124 | 9,981 |
| 2026 – 2030 | 4,484 | 51,043 |
| 2031 – 2035 | 2,535 | 52,989 |
| 2036 – 2039 | 577 | 38,290 |
| Total | \$ <u>13,953</u> | \$ <u>191,490</u> |

Tractor – Term Note

On July 3, 2017, the City entered into an agreement with Town and Country Bank to borrow funds to purchase a tractor. The principal of the borrowing was \$44,250 at an effective interest rate of 2.70% for a period of five years, with principal and interest paid monthly. The note is collateralized with the tractor. The principal outstanding as of June 30, 2020 was \$19,179. Future principal and interest requirements are:

| <u>Year Ending June 30,</u> | <u>Interest</u> | <u>Principal</u> |
|------------------------------------|------------------------|-------------------------|
| 2021 | \$ 412 | \$ 9,068 |
| 2022 | 161 | 9,320 |
| 2023 | 2 | 791 |
| Total | \$ <u>575</u> | \$ <u>19,179</u> |

Series 1999A Revenue Bonds

On January 28, 2000, the City issued \$237,000 of water and sewer revenue bonds to substantially renovate the City's water and wastewater sewer system. The bonds mature serially through January 1, 2039 and require annual principal payments on January 1 and semi-annual interest payments at an interest rate of 5.125%. The bonds are collateralized with service revenue. Bonds outstanding as of June 30, 2020 were \$169,500. Future principal and interest requirements are:

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 7. Long-Term Debt *(Continued)*

Series 1999A Revenue Bonds *(Continued)*

| <u>Year Ending June 30,</u> | <u>Interest</u> | <u>Principal</u> |
|------------------------------------|------------------------|-------------------------|
| 2021 | \$ 8,687 | \$ 5,500 |
| 2022 | 8,405 | 6,000 |
| 2023 | 8,098 | 6,000 |
| 2024 | 7,790 | 6,500 |
| 2025 | 7,457 | 7,000 |
| 2026 – 2030 | 31,647 | 39,500 |
| 2031 – 2035 | 20,423 | 50,000 |
| 2036 – 2039 | 6,483 | 49,000 |
| Total | \$ <u>98,990</u> | \$ <u>169,500</u> |

Series 1999B Revenue Bonds

On January 28, 2000, the City issued \$79,000 of water and sewer revenue bonds to substantially renovate the City's water and wastewater sewer system. The bonds mature serially through January 1, 2039 and require annual principal payments on January 1 and semi-annual interest payments at an interest rate of 4.75%. The bonds are collateralized with service revenue. Bonds outstanding as of June 30, 2020 were \$55,800. Future principal and interest requirements are:

| <u>Year Ending June 30,</u> | <u>Interest</u> | <u>Principal</u> |
|------------------------------------|------------------------|-------------------------|
| 2021 | \$ 2,651 | \$ 1,900 |
| 2022 | 2,560 | 2,000 |
| 2023 | 2,465 | 2,000 |
| 2024 | 2,370 | 2,200 |
| 2025 | 2,266 | 2,200 |
| 2026 – 2030 | 9,619 | 13,100 |
| 2031 – 2035 | 6,208 | 16,400 |
| 2036 – 2039 | 1,929 | 16,000 |
| Total | \$ <u>30,068</u> | \$ <u>55,800</u> |

Note 8. Coronavirus

In March 2020, the outbreak of Covid-19 (coronavirus) was recognized as a pandemic by the World Health Organization and the outbreak has become widespread in the United States. The outbreak has had a notable impact on general economic conditions with many unknown effects. The City continues to closely monitor the impact of the coronavirus outbreak. The extent to which the coronavirus outbreak will impact its operations or financial results is still uncertain; however, management believes that the City will remain stable throughout the duration of the pandemic.

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 9. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2020 follows:

| | <u>Beginning</u> <u>Balance</u> | | <u>Increase</u> | | <u>Decrease</u> | | <u>Ending</u> <u>Balance</u> |
|--------------------------------|------------------------------------|----|-----------------|----|-----------------|----|---------------------------------|
| Land | \$ 89,889 | \$ | | \$ | | \$ | 89,889 |
| Buildings and improvements | 719,100 | | 4,800 | | | | 723,900 |
| Machinery and equipment | 456,097 | | | | 20,730 | | 435,367 |
| Infrastructure | 245,569 | | 90,075 | | | | 335,644 |
| Total capital assets | \$ 1,510,655 | \$ | 94,875 | \$ | 20,730 | \$ | 1,584,800 |
| Less: Accumulated depreciation | 855,304 | | 33,722 | | 20,730 | | 898,296 |
| Capital assets, net | \$ 655,351 | \$ | 61,153 | \$ | | \$ | 686,504 |

Depreciation was charged to government functions as follows:

| | |
|------------------------------------|-----------|
| General government | \$ 7,198 |
| Streets and maintenance | 6,433 |
| Protection of persons and property | 11,757 |
| Recreation and culture | 8,334 |
| Total | \$ 33,722 |

Capital asset activity for business-type activities for the year ended June 30, 2020 follows:

| | <u>Beginning</u> <u>Balance</u> | | <u>Increase</u> | | <u>Decrease</u> | | <u>Ending</u> <u>Balance</u> |
|--------------------------------|------------------------------------|----|-----------------|----|-----------------|----|---------------------------------|
| Land | \$ 20,801 | \$ | | \$ | | \$ | 20,801 |
| Construction in progress | 537,810 | | | | | | 537,810 |
| Buildings and improvements | 85,045 | | | | | | 85,045 |
| Machinery and equipment | 455,325 | | 8,400 | | | | 463,725 |
| Infrastructure | 4,770,112 | | | | | | 4,770,112 |
| Total capital assets | \$ 5,869,093 | \$ | 8,400 | \$ | | \$ | 5,877,493 |
| Less: Accumulated depreciation | 2,610,521 | | 136,449 | | | | 2,746,970 |
| Capital assets, net | \$ 3,258,572 | \$ | (128,049) | \$ | | \$ | 3,130,523 |

Depreciation was charged to business-type activities as follows:

| | |
|-----------------------------------|------------|
| Water and wastewater sewer system | \$ 136,449 |
| Total | \$ 136,449 |

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 10. Fund Balances

The following is a summary of the Governmental Fund balances of the City at June 30, 2020:

| | | | |
|-----------------------|----|--------------|--------------------------|
| Non-spendable | | | |
| Prepaid insurance | | \$ | 3,137 |
| Restricted | | | |
| Municipal road aid | \$ | 20,121 | |
| Fire department | | 60,982 | |
| Community development | | <u>1,800</u> | 82,903 |
| Committed | | | |
| Fire truck funds | \$ | 66,788 | |
| Community development | | 20,195 | |
| Police car funds | | <u>1,326</u> | 88,309 |
| Assigned | | | |
| Abbey donations | \$ | 5,669 | |
| Media donations | | 5,407 | |
| Equipment purchases | | <u>1,124</u> | 12,200 |
| Unassigned | | | <u>367,172</u> |
| Total | | | \$ <u><u>553,721</u></u> |

Note 11. New Accounting Pronouncements

In 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and financing leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The City is currently evaluating the impact of the provisions of ASU Topic 842.

Note 12. Leases

The City leases real property under a lease whose terms are greater than one year. Rental income for those leases totaled \$9,900 for the year ended June 30, 2020. Future minimum rental income for this lease are as follows:

| <u>Year Ended June 30,</u> | | |
|----------------------------|----|----------------------|
| 2021 | \$ | 10,800 |
| 2022 | | 10,800 |
| 2023 | | 10,800 |
| 2024 | | 10,800 |
| 2025 | | 10,800 |
| 2026 – 2030 | | <u>44,100</u> |
| Total | \$ | <u><u>98,100</u></u> |

City of New Haven
Notes to the Financial Statements
June 30, 2020
(Continued)

Note 13. Restatement of Net Position

Restatement of Governmental Activities Net Position

Beginning net position was restated as follows:

| | | |
|---|----|-----------------------|
| Net position, beginning of year | \$ | 779,011 |
| Understatement of delinquent tax receivable | | <u>5,947</u> |
| Net position, beginning of year, restated | \$ | <u><u>784,958</u></u> |

The prior year balance of delinquent tax receivable was understated by \$5,947. This resulted in a \$5,947 understatement of beginning net position.

Restatement of Business-Type Activities Net Position

Beginning net position was restated as follows:

| | <u>Net Investment in Capital Assets</u> | <u>Unrestricted</u> |
|---|--|----------------------------|
| Net position, beginning of year | \$ 2,796,867 | \$ (12,532) |
| Over (under) statement of debt related to service revenue | <u>433,705</u> | <u>(433,705)</u> |
| Net position, beginning of year, restated | \$ <u><u>3,230,572</u></u> | \$ <u><u>(446,237)</u></u> |

The prior year balance of net investment in capital assets was understated by \$433,705. The balance of unrestricted net position was overstated by \$433,705. These misstatements did not affect total net position.

Note 14. Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through January 15, 2021, the date which the financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2020, have not been evaluated by the City. The City discloses one subsequent event noted below.

The City received \$275,000 in revenue from ongoing litigation. This amount was accrued by the City as a receivable at June 30, 2020.

Required Supplementary Information

**City of New Haven
Budgetary Comparison -
Major Governmental Funds
For the Year Ended June 30, 2020**

| | General Fund | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|---|---|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | |
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 226,200 | \$ 226,200 | \$ 257,807 | \$ 31,607 |
| Intergovernmental | 18,050 | 24,550 | 28,845 | 4,295 |
| License and permits | 11,000 | 11,000 | 11,233 | 233 |
| Charges for services | 10,350 | 10,350 | 9,865 | (485) |
| Rental | 9,900 | 9,900 | 9,900 | |
| Miscellaneous | 11,550 | 11,550 | 15,550 | 4,000 |
| Total revenues | \$ 287,050 | \$ 293,550 | \$ 333,200 | \$ 39,650 |
| Expenditures | | | | |
| General government | \$ 157,800 | \$ 157,800 | \$ 146,154 | \$ 11,646 |
| Protection to persons and property | 110,665 | 110,665 | 96,717 | 13,948 |
| Recreation and culture | 25,415 | 25,415 | 26,148 | (733) |
| Capital outlay | | 6,500 | 5,840 | 660 |
| Total expenditures | \$ 293,880 | \$ 300,380 | \$ 274,859 | \$ 25,521 |
| Excess (deficiency) of revenues over expenditures | \$ (6,830) | \$ (6,830) | \$ 58,341 | \$ 65,171 |
| Other financing sources (uses) | | | | |
| Transfer in | \$ _____ | \$ _____ | \$ 1,000 | \$ 1,000 |
| Total other financing sources (uses) | \$ _____ | \$ _____ | \$ 1,000 | \$ 1,000 |
| Net change in fund balance | \$ (6,830) | \$ (6,830) | \$ 59,341 | \$ 66,171 |
| Fund balance - Beginning | 11,500 | 11,500 | 413,277 | 401,777 |
| Fund balance - Ending | \$ 4,670 | \$ 4,670 | \$ 472,618 | \$ 467,948 |

City of New Haven
Budgetary Comparison -
Major Governmental Funds
For the Year Ended June 30, 2020
(Continued)

| Municipal Road Aid Fund | | | | |
|--|--------------------------|--------------------------|---|---|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 19,160 | \$ 114,270 | \$ 105,201 | \$ (9,069) |
| Miscellaneous | <u>10</u> | <u>10</u> | <u> </u> | <u>(10)</u> |
| Total revenues | <u>\$ 19,170</u> | <u>\$ 114,280</u> | <u>\$ 105,201</u> | <u>\$ (9,079)</u> |
| Expenditures | | | | |
| Streets and maintenance | \$ 19,170 | \$ 19,170 | \$ 5,368 | \$ 13,802 |
| Capital outlay | <u> </u> | <u>95,110</u> | <u>89,035</u> | <u>6,075</u> |
| Total expenditures | <u>\$ 19,170</u> | <u>\$ 114,280</u> | <u>\$ 94,403</u> | <u>\$ 19,877</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ </u> | <u>\$ </u> | <u>\$ 10,798</u> | <u>\$ 10,798</u> |
| Net change in fund balance | <u>\$ </u> | <u>\$ </u> | <u>\$ 10,798</u> | <u>\$ 10,798</u> |
| Fund balance - Beginning | <u> </u> | <u> </u> | <u>9,323</u> | <u>9,323</u> |
| Fund balance - Ending | <u><u> </u></u> | <u><u> </u></u> | <u><u>20,121</u></u> | <u><u>20,121</u></u> |

City of New Haven
 Budgetary Comparison -
 Major Governmental Funds
 For the Year Ended June 30, 2020
 (Continued)

| | Fire Fund | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|---|---|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | |
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 18,000 | \$ 18,000 | \$ 16,000 | \$ (2,000) |
| Miscellaneous | | | 35 | 35 |
| Total revenues | <u>\$ 18,000</u> | <u>\$ 18,000</u> | <u>\$ 16,035</u> | <u>\$ (1,965)</u> |
| Expenditures | | | | |
| Protection to persons and property | \$ 11,670 | \$ 11,670 | \$ 1,088 | \$ 10,582 |
| Debt service | 11,000 | 11,000 | 10,483 | 517 |
| Total expenditures | <u>\$ 22,670</u> | <u>\$ 22,670</u> | <u>\$ 11,571</u> | <u>\$ 11,099</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ (4,670)</u> | <u>\$ (4,670)</u> | <u>\$ 4,464</u> | <u>\$ 9,134</u> |
| Net change in fund balance | \$ (4,670) | \$ (4,670) | \$ 4,464 | \$ 9,134 |
| Fund balance - Beginning | | | 56,519 | 56,519 |
| Fund balance - Ending | <u>\$ (4,670)</u> | <u>\$ (4,670)</u> | <u>\$ 60,983</u> | <u>\$ 65,653</u> |

See the accompanying Notes to the Required Supplementary Information.

City of New Haven
Schedule of Proportionate Share of the Net Pension Liability of County
Employees Retirement Systems of Kentucky Retirement Systems
For the Year ended June 30,

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Non-hazardous | | | | | | |
| Proportion of the collective net pension liability | 0.003408% | 0.003349% | 0.002814% | 0.004087% | 0.004248% | 0.004260% |
| Proportionate share of the net pension liability | \$ 110,568 | \$ 143,974 | \$ 138,552 | \$ 239,225 | \$ 258,716 | \$ 299,608 |
| Covered employee payroll | \$ 78,190 | \$ 78,416 | \$ 64,372 | \$ 99,513 | \$ 105,282 | \$ 107,451 |
| Proportionate share of the net pension liability as a percentage of its covered employee payroll | 141.41% | 183.60% | 215.24% | 240.40% | 245.74% | 278.83% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.80% | 59.97% | 55.50% | 53.32% | 53.54% | 50.45% |
| Hazardous | | | | | | |
| Proportion of the collective net pension liability | 0.008182% | 0.008236% | 0.008672% | 0.008204% | 0.008496% | 0.008302% |
| Proportionate share of the net pension liability | \$ 98,333 | \$ 126,434 | \$ 148,813 | \$ 183,546 | \$ 205,472 | \$ 229,326 |
| Covered employee payroll | \$ 41,440 | \$ 42,938 | \$ 45,252 | \$ 45,036 | \$ 47,326 | \$ 47,281 |
| Proportionate share of the net pension liability as a percentage of its covered employee payroll | 237.29% | 294.46% | 328.85% | 407.55% | 434.16% | 485.03% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.46% | 57.52% | 53.95% | 49.78% | 49.26% | 46.63% |

Notes:

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll reported on the Schedule of Pension Contributions to County Employees Retirement Systems of Kentucky Retirement Systems.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to the Required Supplementary Information.

City of New Haven
Schedule of Pension Contributions to County Employees
Retirement Systems of Kentucky Retirement Systems
For the Year ended June 30,

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|---------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Non-hazardous | | | | | | | |
| Statutorily required contributions for pension | \$ 10,743 | \$ 9,998 | \$ 7,995 | \$ 13,882 | \$ 15,245 | \$ 17,429 | \$ 30,870 |
| Less: Contributions | <u>10,743</u> | <u>9,998</u> | <u>7,995</u> | <u>13,882</u> | <u>15,245</u> | <u>17,429</u> | <u>30,870</u> |
| Contribution deficiency (excess) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| Covered employee payroll | \$ 78,190 | \$ 78,416 | \$ 64,372 | \$ 99,513 | \$ 105,282 | \$ 107,451 | \$ 159,947 |
| Contributions as a percentage of its covered employee payroll | 13.74% | 12.75% | 12.42% | 13.95% | 14.48% | 16.22% | 19.30% |
| Hazardous | | | | | | | |
| Statutorily required contributions for pension | \$ 9,021 | \$ 8,901 | \$ 9,168 | \$ 9,777 | \$ 10,506 | \$ 11,759 | \$ 12,774 |
| Less: Contributions | <u>9,021</u> | <u>8,901</u> | <u>9,168</u> | <u>9,777</u> | <u>10,506</u> | <u>11,759</u> | <u>12,774</u> |
| Contribution deficiency (excess) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| Covered employee payroll | \$ 41,440 | \$ 42,938 | \$ 45,252 | \$ 45,036 | \$ 47,326 | \$ 47,281 | \$ 42,495 |
| Contributions as a percentage of its covered employee payroll | 21.77% | 20.73% | 20.26% | 21.71% | 22.20% | 24.87% | 30.06% |

Notes:

The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the Schedule of Proportionate Share of the Net Pension Liability of County Employees Retirement Systems of Kentucky Retirement Systems.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to the Required Supplementary Information.

City of New Haven
Schedule of Proportionate Share of the Net Other Postemployment Benefits
Liability of County Employees Retirement Systems of Kentucky Retirement Systems
For the Year ended June 30,

| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------|-------------|-------------|
| Non-hazardous | | | |
| Proportionate share of the collective net OPEB liability | .004087% | .004248% | .004259% |
| Proportionate share of the net OPEB liability | \$ 82,163 | \$ 75,422 | \$ 71,634 |
| Covered-employee payroll | \$ 99,513 | \$ 105,282 | \$ 107,451 |
| Proportionate share of net OPEB liability as a percent of its covered-employee payroll | 82.57% | 71.64% | 66.67% |
| Plan fiduciary net position as a percent of total OPEB liability | 52.39% | 57.62% | 60.44% |
| Hazardous | | | |
| Proportionate share of the collective net OPEB liability | .008204% | .008496% | .008300% |
| Proportionate share of the net OPEB liability | \$ 67,820 | \$ 60,573 | \$ 61,408 |
| Covered-employee payroll | \$ 45,036 | \$ 47,326 | \$ 47,281 |
| Proportionate share of net OPEB liability as a percent of its covered-employee payroll | 150.59% | 127.99% | 129.88% |
| Plan fiduciary net position as a percent of total OPEB liability | 58.99% | 64.24% | 64.44% |

Notes:

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the Schedule of Other Postemployment Benefit Contributions to County Employees Retirement Systems of Kentucky Retirement Systems.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to the Required Supplementary Information.

City of New Haven
Schedule of Other Postemployment Benefits Contributions to County
Employees Retirement Systems of Kentucky Retirement Systems
For the Year ended June 30,

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Non-hazardous | | | | | | | |
| Statutorily required contribution for OPEB | \$ 4,027 | \$ 3,858 | \$ 2,987 | \$ 4,707 | \$ 4,948 | \$ 5,652 | \$ 7,613 |
| Less: Contributions | <u>4,027</u> | <u>3,858</u> | <u>2,987</u> | <u>4,707</u> | <u>4,948</u> | <u>5,652</u> | <u>7,613</u> |
| Contribution deficiency (excess) | \$ <u> </u> |
| Covered employee payroll | \$ 78,190 | \$ 78,416 | \$ 64,372 | \$ 99,513 | \$ 105,282 | \$ 107,451 | \$ 159,947 |
| Contributions as a percentage of its covered employee payroll | 5.15% | 4.92% | 4.64% | 4.73% | 4.70% | 5.26% | 4.76% |
| Hazardous | | | | | | | |
| Statutorily required contribution for OPEB | \$ 5,774 | \$ 5,831 | \$ 5,742 | \$ 4,211 | \$ 4,425 | \$ 4,950 | \$ 4,046 |
| Less: Contributions | <u>5,774</u> | <u>5,831</u> | <u>5,742</u> | <u>4,211</u> | <u>4,425</u> | <u>4,950</u> | <u>4,046</u> |
| Contribution deficiency (excess) | \$ <u> </u> |
| Covered employee payroll | \$ 41,440 | \$ 42,938 | \$ 45,252 | \$ 45,036 | \$ 47,326 | \$ 47,281 | \$ 42,495 |
| Contributions as a percentage of its covered employee payroll | 13.93% | 13.58% | 12.69% | 9.35% | 9.35% | 10.47% | 9.52% |

Notes:

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the Schedule of Proportionate Share of the Net Other Postemployment Benefits Liability of County Employees Retirement Systems of Kentucky Retirement Systems.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Note to the Required Supplementary Information.

City of New Haven
Notes to the Required Supplementary Information
June 30, 2020

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky.

The Mayor is required to submit estimated receipts and proposed expenditures to the City Commission by May 1 of each year. The budget, prepared by fund, function, and activity, is required to be adopted by the City Commission by July 1.

The City may change the original budget by transferring appropriations at the activity level or increasing the total budget. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Pension and OPEB Information

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions to County Employees Retirement Systems of Kentucky Retirement Systems exclude the portion of contributions paid to CERS but allocated to the Insurance Fund of the CERS. The insurance contributions are reported on the Schedule of Other Postemployment Benefits Contributions to County Employees Retirement Systems of Kentucky Retirement Systems.

Payroll

The City's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability of County Employees Retirement Systems of Kentucky Retirement Systems and the Schedule of Proportionate Share of the Net Other Postemployment Benefits Liability of County Employees Retirement Systems of Kentucky Retirement Systems is one year prior to the City's fiscal year payroll as reported on the Schedule of Pension Contributions to County Employees Retirement Systems of Kentucky Retirement Systems and Schedule of Other Postemployment Benefits Contributions to County Employees Retirement Systems of Kentucky Retirement Systems.

Note 3. Change of Assumptions

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of each fiscal year, for both pension and OPEB:

June 30, 2019 – Pension and OPEB – Hazardous and Non-hazardous

- The assumed rate of salary increases was increased from 3.3% to 10.3% for non-hazardous and 3.55% to 19.05% for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Non-hazardous

None.

June 30, 2017 – Pension – Hazardous and Non-hazardous

- The assumed rate of return was decreased from 7.5% to 6.25%;
- The assumed rate of inflation was reduced from 3.25% to 2.3%; and
- Payroll growth assumption was reduced from 4% to 2%;

City of New Haven
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020
(Continued)

Note 3. Change of Assumptions *(Continued)*

June 30, 2016 – Pension – Hazardous and Non-hazardous

None.

June 30, 2015 – Pension – Hazardous and Non-hazardous

- The assumed rate of return was decreased from 7.75% to 7.5%;
- The assumed rate of inflation was reduced from 3.5% to 3.25%;
- The assumed rate of wage inflation was reduced from 1% to 0.75%;
- Payroll growth assumption was reduced from 4.5% to 4%;
- Mortality rates were based on the 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 (setback 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; and
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension – Hazardous and Non-hazardous

None.

June 30, 2013 – Pension – Hazardous and Non-hazardous

- The assumed rate of return was 7.75%;
- The assumed rate of inflation was 3.5%;
- The assumed rate of wage inflation was 1%;
- Payroll growth assumption was 4.5%; and
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*

JONES & ASSOCIATES CPAs, PSC

121 PROSPEROUS PLACE, SUITE 2A, LEXINGTON, KY 40509

(859) 687-0303

CERTIFIED PUBLIC ACCOUNTANTS

To the Mayor and City Commissioners
City of New Haven
New Haven, KY

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Haven, Kentucky, as of and for the year ended June 30, 2020, and 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 15, 2021.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Haven, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of New Haven, Kentucky's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings to be a material weakness: 2020 – 01.

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. We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency: 2020 – 02.

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

**To the Mayor and City Commissioners
City of New Haven
Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*
(Continued)**

Compliance and Other Matters (Continued)

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 of New Haven, Kentucky's Response to Findings

The City of New Haven, Kentucky's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Their 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.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

January 15, 2021

**City of New Haven
Schedule of Findings
June 30, 2020**

Internal Control – Material Weaknesses and Significant Deficiencies

Finding Number 2020 – 01

| | |
|-----------------|--|
| Condition: | The City cannot fully segregate the record-keeping, custodial, and authorization functions of its internal controls due to the size of its staff. |
| Cause: | The City cannot employ enough individuals to fully segregate the record-keeping, custodial, and authorization functions of its internal controls due to budget constraints. |
| Effect: | The risk of errors or fraud occurring and not being prevented or detected in a timely manner increases when accounting functions are not adequately segregated and sufficient controls are not in place. |
| Criteria: | Generally accepted accounting principles require that management design internal controls to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or timely detected and corrected. A fundamental concept in a good system of internal control is segregation of duties. |
| Recommendation: | We realize that the City cannot fully segregate duties with the number of employees available. We recommend that management and the board remain aware of this issue and continue to develop policies and procedures that segregate accounting functions as much as possible. This policy should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, signing checks, and handling any related assets. |
| Response: | The City Clerk/Treasurer will provide purchase orders (with all information attached) and timesheets to each commissioner for their department, weekly. The paperwork will be reviewed and approved by the mayor and/or commissioner in charge of the department. The mayor and commissioners will continue to have daily access to all paperwork and monthly financial reports. |

Finding Number 2020 – 02

| | |
|-----------------|--|
| Condition: | We are required to give consideration to the City's ability to prepare financial statements and related note disclosures. |
| Cause: | The City does not prepare all financial statements and related note disclosures. |
| Effect: | As a result of the above conditions, the City does not have controls in place that would ensure the preparation of the financial statements and related note disclosures in accordance with the accrual basis of accounting. |
| Criteria: | Such preparation would require the City to maintain appropriate technical knowledge to prepare the financial statements with all related note disclosures. |
| Recommendation: | As with many small entities, the City engages the auditor to assist with the preparation of the financial statements and to perform the steps to determine if the note disclosures are adequate. 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. |

City of New Haven
Schedule of Findings
June 30, 2020
(Continued)

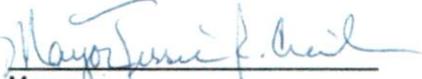
Response:

Due to the complexity of the financial reporting process, the City will continue to rely on the auditor in future years to ensure the financial statement and disclosures are appropriate. Due to budget constraints, the City is not in a financial position to hire an employee/contractor for the year end reports.

Certificate of Compliance –
Local Government Economic Assistance Program

**Certificate of Compliance
Local Government Economic Assistance Program
City of New Haven, Kentucky
For the Fiscal Year Ended June 30, 2020**

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.



Mayor



City Clerk



CITY OF NEW HAVEN

Incorporated in 1839
Home of the Kentucky Railway Museum



302 Center Street
P.O. Box 98
New Haven, KY 40051

Phone: 502-549-3177
Fax: 502-549-1002
TTY: 1-800-648-6956 or 711

January 15, 2021

To Whom It May Concern:

The City of New Haven respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm: Jones & Associates CPAs, PSC, 121 Prosperous Place, Suite 2A, Lexington, KY 40509

Audit Period: Year Ended June 30, 2020

The findings from the June 30, 2020 Schedule of Findings are discussed below, along with our responses to those findings.

Findings:

Internal Control – Significant Deficiency and Material Weaknesses

Finding Number 2020 – 01

Recommendation: We realize that the City cannot fully segregate duties with the number of employees available. We recommend that management and the board remain aware of this issue and continue to develop policies and procedures that segregate accounting functions as much as possible. This policy should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, signing checks, and handling any related assets.

Response: The City Clerk/Treasurer will provide purchase orders (with all information attached) and timesheets to each commissioner for their department, weekly. The paperwork will be reviewed and approved by the mayor and/or commissioner in charge of the department. The mayor and commissioners will continue to have daily access to all paperwork and monthly financial reports.

Status: In Progress

Implementation Date: January 15, 2021

Finding Number 2020 – 02

Recommendation: As with many small entities, the City engages the auditor to assist with the preparation of the financial statements and to perform the steps to determine if the note disclosures are adequate. 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: Due to the complexity of the financial reporting process, the City will continue to rely on the auditor in future years to ensure the financial statement and disclosures are appropriate. Due to budget constraints, the City is not in a financial position to hire an employee/contractor for the year end reports.

Status: In Progress

Implementation Date: January 15, 2021

If there are questions regarding this corrective action plan, please contact Joanie Corbin, City Clerk, City of New Haven, New Haven, Kentucky, 40051.

Sincerely,


Tessie Cecil
Mayor