

City of New Haven

Audited Financial Statements and Required Supplementary Information

June 30, 2021

Jones & Associates CPAs, PSC
Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

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121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To the Mayor and City Commissioners of
City of 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, 2021, and the related notes to the financial statements, which collectively comprise the City of New Haven, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Haven, Kentucky, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Haven, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Matters (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of the City of New Haven, Kentucky'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, Kentucky'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, Kentucky's internal control over financial reporting and compliance.

Respectfully submitted,

Jones & Associates CPAs, PSC

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

February 11, 2022

**City of New Haven
City Officials
June 30, 2021**

Tessie Cecil

Mayor

Mike Morris

Commissioner

Lois Boley

Commissioner

Linda Mattingly

Commissioner

Ruth Faulkner

Commissioner

Joanie Corbin

City Clerk

Angela Mattingly

Utility Clerk

Financial Statements

Government-wide Financial Statements

City of New Haven
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets and deferred outflows of resources			
Assets			
Current assets			
Cash and cash equivalents	\$ 387,794	\$ 104,027	\$ 491,821
Restricted cash and cash equivalents	78,321	451,333	529,654
Investments	185,319		185,319
Restricted investments		146,365	146,365
Accounts receivable, net	41,863	68,637	110,500
Inventory		20,593	20,593
Other current assets	2,884		2,884
Total current assets	\$ 696,181	\$ 790,955	\$ 1,487,136
Noncurrent assets			
Capital assets, net	\$ 713,819	\$ 3,465,422	\$ 4,179,241
Total noncurrent assets	\$ 713,819	\$ 3,465,422	\$ 4,179,241
Total assets	\$ 1,410,000	\$ 4,256,377	\$ 5,666,377
Deferred outflows of resources			
Pension	\$ 53,290	\$ 52,031	\$ 105,321
Other postemployment benefits	36,424	39,212	75,636
Total deferred outflows of resources	\$ 89,714	\$ 91,243	\$ 180,957
Total assets and deferred outflows of resources	\$ 1,499,714	\$ 4,347,620	\$ 5,847,334
Liabilities, deferred inflows of resources, and net position			
Liabilities			
Current liabilities			
Accounts payable	\$ 43,350	\$ 19,577	\$ 62,927
Payroll related liabilities	6,330	4,026	10,356
Interest payable		5,596	5,596
Long-term debt, current		27,080	27,080
Customer deposits		17,200	17,200
Other current liabilities	8,558		8,558
Total current liabilities	\$ 58,238	\$ 73,479	\$ 131,717

City of New Haven
Statement of Net Position
June 30, 2021
(Continued)

	Governmental Activities	Business-type Activities	Total
Liabilities, deferred inflows of resources, and net position (Continued)			
Noncurrent liabilities			
Long-term debt, noncurrent	\$ 317,331	\$ 382,736	\$ 382,736
Net pension liability		246,131	563,462
Net other postemployment benefits liability	98,044	77,471	175,515
Total noncurrent liabilities	\$ 415,375	\$ 706,338	\$ 1,121,713
Total liabilities	\$ 473,613	\$ 779,817	\$ 1,253,430
Deferred inflows of resources			
Pension	\$ 20,253	\$	\$ 20,253
Other postemployment benefits	18,941	13,146	32,087
Total deferred inflows of resources	\$ 39,194	\$ 13,146	\$ 52,340
Net position			
Net investment in capital assets	\$ 678,330	\$ 3,055,606	\$ 3,733,936
Restricted			
Municipal road aid	6,738		6,738
Fire department	45,517		45,517
Sewer rehab		8,522	8,522
Bond, interest, and depreciation reserves		589,176	589,176
Unrestricted	256,322	(98,647)	157,675
Total net position	\$ 986,907	\$ 3,554,657	\$ 4,541,564
Total liabilities, deferred inflows of resources, and net position	\$ 1,499,714	\$ 4,347,620	\$ 5,847,334

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

City of New Haven
Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Govern- mental Activities	Business- type Activities	Total
Primary government	Expenses						
Governmental activities							
General government	\$ 169,746	\$	\$ 77,783	\$	\$ (91,963)	\$	\$ (91,963)
Streets and maintenance	22,193		18,885		(3,308)		(3,308)
Protection to persons and property	126,375		26,688		(99,687)		(99,687)
Recreation and culture	41,712	13,306	4,265		(24,141)		(24,141)
Total governmental activities	\$ 360,026	\$ 13,306	\$ 127,621	\$	\$ (219,099)	\$	\$ (219,099)
Business-type activities							
Water and wastewater sewer system	\$ 620,054	\$ 487,500		\$ 453,340		\$ 320,786	\$ 320,786
Total business-type activities	\$ 620,054	\$ 487,500		\$ 453,340		\$ 320,786	\$ 320,786
Total primary government	\$ 980,080	\$ 500,806	\$ 127,621	\$ 453,340	\$ (219,099)	\$ 320,786	\$ 101,687
General revenues							
Taxes							
Property taxes					\$ 92,004	\$	\$ 92,004
Franchise taxes					28,692		28,692
Insurance premium taxes					106,776		106,776
Telecommunications taxes					17,212		17,212
Other taxes					11,375		11,375
Licenses					11,185		11,185
Rent					10,800		10,800
Earnings on investments					999	1,014	2,013
Miscellaneous					2,006	5,679	7,685
Total general revenues					\$ 281,049	\$ 6,693	\$ 287,742
Transfers - Internal activities					\$ 10,750	\$ (10,750)	\$
Change in net position					\$ 72,700	\$ 316,729	\$ 389,429
Net position - Beginning					914,207	3,237,928	4,152,135
Net position - Ending					\$ 986,907	\$ 3,554,657	\$ 4,541,564

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

Fund Financial Statements

City of New Haven
Balance Sheet - Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 387,794	\$	\$ 387,794
Restricted cash and cash equivalents		78,321	78,321
Investments	185,319		185,319
Accounts receivable	36,062		36,062
Other assets	<u>2,884</u>		<u>2,884</u>
Total assets	<u>\$ 612,059</u>	<u>\$ 78,321</u>	<u>\$ 690,380</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 17,284	\$ 26,066	\$ 43,350
Payroll related liabilities	6,330		6,330
Other liabilities	<u>8,558</u>		<u>8,558</u>
Total liabilities	<u>\$ 32,172</u>	<u>\$ 26,066</u>	<u>\$ 58,238</u>
Fund balances			
Non-spendable	\$ 2,884	\$	\$ 2,884
Restricted		52,255	52,255
Committed	97,224		97,224
Assigned	13,700		13,700
Unassigned	<u>466,079</u>		<u>466,079</u>
Total fund balances	<u>\$ 579,887</u>	<u>\$ 52,255</u>	<u>\$ 632,142</u>
Total liabilities and fund balances	<u>\$ 612,059</u>	<u>\$ 78,321</u>	<u>\$ 690,380</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, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 257,100	\$	\$ 257,100
Intergovernmental	92,687	34,934	127,621
License and permits	11,185		11,185
Charges for service	13,306		13,306
Rental	10,800		10,800
Miscellaneous	2,468	537	3,005
Total revenues	\$ 387,546	\$ 35,471	\$ 423,017
Expenditures			
General government	\$ 144,652	\$	\$ 144,652
Protection to persons and property	89,224	908	90,132
Streets and maintenance		7,331	7,331
Recreation and culture	32,979		32,979
Debt service		6,743	6,743
Capital outlay	73,510		73,510
Total expenditures	\$ 340,365	\$ 14,982	\$ 355,347
Excess (deficiency) of revenues over expenditures	\$ 47,181	\$ 20,489	\$ 67,670
Other financing sources (uses)			
Transfers in	\$ 60,088	\$ (49,338)	\$ 10,750
Total other financing sources (uses)	\$ 60,088	\$ (49,338)	\$ 10,750
Net change in fund balances	\$ 107,269	\$ (28,849)	\$ 78,420
Fund balances - Beginning	472,618	81,104	553,722
Fund balances - Ending	\$ 579,887	\$ 52,255	\$ 632,142

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

City of New Haven
Statement of Net Position - Proprietary Fund
June 30, 2021

	Water and Wastewater Sewer Fund
Assets and deferred outflows of resources	
Assets	
Current assets	
Cash and cash equivalents	\$ 104,027
Restricted cash and cash equivalents	451,333
Restricted investments	146,365
Accounts receivable, net	68,637
Inventory	<u>20,593</u>
Total current assets	\$ <u>790,955</u>
Noncurrent assets	
Capital assets, net	\$ <u>3,465,422</u>
Total noncurrent assets	\$ <u>3,465,422</u>
Total assets	\$ <u>4,256,377</u>
Deferred outflows of resources	
Pension	\$ 52,031
Other postemployment benefits	<u>39,212</u>
Total deferred outflows of resources	\$ <u>91,243</u>
Total assets and deferred outflows of resources	\$ <u><u>4,347,620</u></u>
Liabilities, deferred inflows of resources, and net position	
Liabilities	
Current liabilities	
Accounts payable	\$ 19,577
Payroll related liabilities	4,026
Interest payable	5,596
Long-term debt, current	27,080
Customer deposits	<u>17,200</u>
Total current liabilities	\$ <u>73,479</u>
Noncurrent liabilities	
Long-term debt, noncurrent	\$ 382,736
Net pension liability	246,131
Net other postemployment benefits	<u>77,471</u>
Total noncurrent liabilities	\$ <u>706,338</u>

City of New Haven
Statement of Net Position - Proprietary Fund
June 30, 2021
(Continued)

	Water and Wastewater Sewer Fund
	<hr/>
Liabilities, deferred inflows of resources, and net position <i>(Continued)</i>	
Total liabilities	\$ <u>779,817</u>
Deferred inflows of resources	
Other postemployment benefits	\$ <u>13,146</u>
Total deferred inflows of resources	\$ <u>13,146</u>
Net position	
Net investment in capital assets	\$ 3,055,606
Restricted	
Sewer rehab	8,522
Bond, interest, and depreciation reserves	589,176
Unrestricted	<u>(98,647)</u>
Total net position	\$ <u>3,554,657</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u><u>4,347,620</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, 2021

	Water and Wastewater Sewer Fund
Operating revenues	
Water sales	\$ 274,061
Sewer sales	168,210
Surcharge	8,708
Penalties	4,147
Miscellaneous	<u>6,516</u>
Total operating revenues	\$ <u>461,642</u>
Operating expenses	
Water expenses	
Water purchases for resale	\$ 80,396
Salaries, wages, employee benefits, and related taxes	113,606
Contractual services, operations, and materials	42,629
Repairs	8,388
Insurance	17,832
Utilities	1,964
Depreciation	<u>88,025</u>
Total water expenses	\$ <u>352,840</u>
Sewer expenses	
Salaries, wages, employee benefits, and related taxes	\$ 72,882
Contractual services, operations, and materials	41,816
Repairs	18,669
Insurance	8,855
Utilities	26,073
Depreciation	<u>54,027</u>
Total sewer expenses	\$ <u>222,322</u>
Total operating expenses	\$ <u>575,162</u>
Excess (deficiency) of operating revenues over operating expenses	\$ <u>(113,520)</u>
Non-operating revenues (expenses)	
Water tap fees	\$ 9,300
Sewer tap fees	800
Capital contributions	443,240
Interest revenue	1,014
Interest expense	<u>(13,355)</u>

City of New Haven
Statement of Revenues, Expenses, and Changes in Net Position -
Proprietary Fund
For the Year Ended June 30, 2021
(Continued)

	Water and Wastewater Sewer Fund
	<u> </u>
Total non-operating revenues (expenses)	\$ <u>440,999</u>
Excess (deficiency) of revenues over expenses	\$ 327,479
Transfers out - Internal activities	<u>(10,750)</u>
Change in net position	\$ 316,729
Net position - Beginning	<u>3,237,928</u>
Net position - Ending	\$ <u><u>3,554,657</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, 2021

	Water and Wastewater Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 486,940
Cash paid to suppliers for goods and services	(245,129)
Cash paid for employee services and benefits	(148,653)
	<u> </u>
Net cash flows from operating activities	<u>\$ 93,158</u>
Cash flows from capital and related financing activities	
Cash received from tap fees	\$ 10,100
Cash paid for bond principal	(17,086)
Cash paid for loans	(9,067)
Cash paid for interest	(13,547)
Cash paid for capital assets	(33,710)
	<u> </u>
Net cash flows from capital and related financing activities	<u>\$ (63,310)</u>
Cash flows from noncapital and related financing activities	
Cash received from litigation	\$ 275,000
Transfers out - Internal activities	(10,750)
	<u> </u>
Net cash flows from noncapital and related financing activities	<u>\$ 264,250</u>
Cash flows from investing activities	
Interest received on cash and cash equivalents	\$ 472
	<u> </u>
Net cash flows from investing activities	<u>\$ 472</u>
Net increase (decrease) in cash	<u>\$ 294,570</u>
Cash - Beginning	<u>260,790</u>
Cash - Ending	<u><u>\$ 555,360</u></u>
Cash is reported in the Statement of Net Position as follows	
Cash and cash equivalents	\$ 104,027
Restricted cash and cash equivalents	451,333
	<u> </u>
Total	<u><u>\$ 555,360</u></u>

City of New Haven
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2021
(Continued)

	Water and Wastewater Sewer Fund
Reconciliation of cash flows from operating activities	
Operating income	\$ (113,520)
Adjustments to reconcile income (loss) from operations to cash used in operating activities	
Depreciation	142,052
Change in assets and liabilities	
Accounts receivable, net	25,298
Inventory	(2,173)
Accounts payable	3,219
Payroll related liabilities	(444)
Customer deposits	1,400
Other current liabilities	(953)
Pension and other postemployment benefits	58,150
Deferred inflows and deferred outflows	(19,871)
Net cash flows from operating activities	\$ 93,158

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, 2021

Net change in fund balances - Total governmental funds	\$ 78,420
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	
Depreciation expense and	(46,195)
Capital outlay.	73,510
Pension and other postemployment contributions are recognized as expenditures in the governmental funds. However, pension and other postemployment benefit 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	
Pension expense and	(30,886)
Other postemployment benefits.	(7,851)
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 - Governmental Funds.	704
Revenue for delinquent property taxes is recorded in the Statement of Activities. In the prior year, these funds were not received within sixty days of year end and, accordingly, are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds in the prior year. These revenues were collected in the current year.	(1,745)
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.	<u>6,743</u>
Change in net position of governmental activities	\$ <u><u>72,700</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, 2021

Fund balances - Governmental funds **\$ 632,142**

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;	713,819
Deferred outflows of resources related to pensions are not recognized in governmental funds;	53,290
Deferred outflows of resources related to other postemployment benefits are not recognized in governmental funds;	36,424
Delinquent property tax receivable is not recognized as an asset in the governmental funds; and	5,801

Liabilities

Debt is not recognized in governmental funds;	
Net pension liability is not recognized in governmental funds;	(317,331)
Net other postemployment benefits is not recognized in governmental funds;	(98,044)
Deferred inflows of resources related to pensions are not recognized in governmental funds; and	(20,253)
Deferred inflows of resources related to other postemployment benefits are not recognized in governmental funds.	<u>(18,941)</u>

Net position of governmental activities **\$ 986,907**

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

City of New Haven
Notes to the Financial Statements
June 30, 2021

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, selection of the 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, 2021
(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 Fund:

- 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.

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 the surrounding community.

The City reports the following non-major funds:

- Municipal Road Aid Fund: a special revenue fund that accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for streets and roads within the City and
- Fire Fund: receives fire department aid allotted by the State Fire Marshall. The funds must be expended for expenditures related to the fire department in accordance with their intended purpose. This fund is provided from the insurance premium surcharge proceeds as established by House Bill 525.

City of New Haven
Notes to the Financial Statements
June 30, 2021
(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 3 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 the lower of cost or market value.

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, 2021
(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 1 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, 2021, the City had a tax rate of \$0.233 per \$100 for real estate, \$0.3906 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 1 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

City of New Haven
Notes to the Financial Statements
June 30, 2021
(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)*

for 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 Systems (KRS).

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 both the government-wide and 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 their 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: Consists of 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 the most restricted resources before using unrestricted resources.

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;
- 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;

City of New Haven
Notes to the Financial Statements
June 30, 2021
(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)*

- 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 KRS's 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.

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.

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between business-type activities and governmental activities. Elimination of these charges would distort the direct costs and programs revenues reported for the various functions concerned.

Budgeting

The City follows the procedures established by the Department for Local Government pursuant to Kentucky Revised Statutes Section 91A.030 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 3 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, 2021
(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 Kentucky Revised Statutes 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 February 25, 2021 and June 30, 2021, the City's deposits were under collateralized by as much as \$295,564 and \$267,540, respectively.

B. Restricted Cash and Cash Equivalents

Restricted cash consists of the following:

Sewer rehab	\$	8,522
Fire department		45,517
Municipal road aid		32,804
Bond, interest, and depreciation reserve		442,811
Total restricted cash	\$	<u>529,654</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 reserve 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 \$331,684 in certificates of deposit at June 30, 2021, all of which will mature within 1 year and are categorized as current investments. Of this amount, \$146,365 in certificates of deposit are restricted 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.

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 4. Compensated Absences

The City accrued \$7,817 for compensated absences as of June 30, 2021. This amount consists of vacation pay due to employees as of that date.

Note 5. Leases

The City leases real property under a lease whose terms are greater than 1 year. Rental income for those leases totaled \$10,800 for the year ended June 30, 2021. Future minimum rental income is as follows:

Year Ended June 30,

2022	\$	10,800
2023		10,800
2024		10,800
2025		10,800
2026		10,800
2027 – 2030		33,300
Total	\$	<u>87,300</u>

Note 6. County Employees Retirement System

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 KRS administers the CERS. The KRS issues publicly available financial statements which may be downloaded from the KRS website.

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 KRS provide plan members with benefits through a pension trust and an insurance trust. The pension trust provides retirement, disability, and death benefits. The insurance trust provides health insurance or other postemployment benefits (OPEB). 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.

Contributions

For the year ended June 30, 2021, KRS 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 1, 2008 are 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 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding July 1 of a new biennium. The Board may amend contribution rates as of July 1 of the second year of a new 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

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 6. County Employees Retirement System (Continued)

Contributions *(Continued)*

June 30, 2021, participating employers contributed 24.06% (19.3% to the pension fund and 4.76% to the insurance fund) of each non-hazardous employee's wages and 39.58% (30.06% to the pension fund and 9.52% to the insurance fund) of each hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of the KRS are financed through employer contributions and investment earnings.

KRS members who began participating on, or after, January 1, 2014 are required to contribute to the Cash Balance Plan (Plan). The 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 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, 2021, the City contributed \$37,687 for non-hazardous job classifications and \$15,728 for hazardous job classifications, or 100% of the required contributions. The contributions were allocated \$30,231 for non-hazardous employees and \$11,945 for hazardous employees to the pension fund and \$7,456 for non-hazardous employees and \$3,783 for hazardous employees to the insurance fund.

Benefits

CERS provides retirement, health insurance, death, and disability benefits to KRS employees and beneficiaries. Employees are vested in the Plan after 5 years' service. For retirement purposes, employees are grouped into 3 tiers based on hire date:

	<u>Participation Date</u>	<u>Unreduced Benefit</u>	<u>Reduced Benefit</u>
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

For OPEB purposes, employees are grouped into 3 tiers based on hire date:

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 6. County Employees Retirement System *(Continued)*

Benefits *(Continued)*

	<u>Participation Date</u>	<u>Insurance Eligibility</u>	<u>Benefit</u>
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

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 5 years of 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 1 lump sum payment of \$5,000. Five years of 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 of service is required for nonservice-related disability benefits.

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

At June 30, 2021, the City reported a liability of \$563,462 for its proportionate share of the net pension liability (\$344,149 for non-hazardous and \$219,313 for hazardous classifications). The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability 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. At June 30, 2020, the City's proportion was 0.004487% for non-hazardous classifications, which was an increase of 0.000227% from its proportion measured as of June 30, 2019, and 0.007274% for hazardous classifications, which was a decrease of 0.001028% from its proportion measured as of June 30, 2019. For the year ended June 30, 2021, the City recognized pension expense of \$73,305 for non-hazardous and \$27,182 for hazardous classifications.

At June 30, 2021, 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, 2021
(Continued)

Note 6. County Employees Retirement System (Continued)

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	\$	8,582	\$
Change in assumptions		13,438	
Net difference between projected and actual earnings on Investments		8,612	
Changes in proportion and difference between employer contributions and proportionate share of contributions		11,889	
Contributions subsequent to the measurement date		30,231	
Total non-hazardous	\$	<u>72,752</u>	\$ <u> </u>
Hazardous			
Difference between expected and actual experience	\$	6,802	\$
Change in assumptions		8,318	
Net difference between projected and actual earnings on Investments		4,940	
Changes in proportion and difference between employer contributions and proportionate share of contributions		564	20,253
Contributions subsequent to the measurement date		11,945	
Total hazardous	\$	<u>32,569</u>	\$ <u>20,253</u>
Total	\$	<u>105,321</u>	\$ <u>20,253</u>

The \$42,176 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date as of June 30, 2021, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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>
2022	\$ 20,121	\$ 3,071	\$ 23,192
2023	14,101	(762)	13,339
2024	4,840	(2,195)	2,645
2025	3,459	257	3,716

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

At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability of \$175,515, (\$108,323 for non-hazardous and \$67,192 for hazardous classifications). The net OPEB liability was

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 6. County Employees Retirement System *(Continued)*

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

measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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. At June 30, 2020, the City's proportion was 0.004486% for non-hazardous classifications, which was an increase of 0.000227% from its proportion measured as of June 30, 2019, and 0.007271% for hazardous classifications, which was a decrease of 0.001029% from its proportion measured as of June 30, 2019. For the year ended June 30, 2021, the City recognized OPEB expense of \$23,149 for non-hazardous and \$6,795 for hazardous classifications.

At June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Non-hazardous		
Difference between expected and actual experience	\$ 18,099	\$ 18,113
Change in assumptions	18,842	115
Net difference between projected and actual earnings on OPEB plan investments	3,601	
Changes in proportion and difference between employer contributions and proportionate share of contributions	4,172	152
Contributions subsequent to the measurement date	10,114	
Total non-hazardous	\$ 54,828	\$ 18,380
Hazardous		
Difference between expected and actual experience	\$ 2,306	\$ 6,710
Change in assumptions	10,962	62
Net difference between projected and actual earnings on OPEB plan investments	2,982	
Changes in proportion and difference between employer contributions and proportionate share of contributions	459	6,935
Contributions subsequent to the measurement date	4,099	
Total hazardous	\$ 20,808	\$ 13,707
Total	\$ 75,636	\$ 32,087

The \$14,213 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, 2022. This includes an adjustment of \$2,974 (\$2,658 for non-hazardous and \$316 for hazardous) 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:

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 6. County Employees Retirement System *(Continued)*

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

<u>Year Ended June 30,</u>		<u>Non-hazardous</u>		<u>Hazardous</u>		<u>Total</u>
2022	\$	7,006	\$	1,501	\$	8,507
2023		8,071		(308)		7,763
2024		6,028		1,010		7,038
2025		5,495		979		6,474
2026		(266)		(180)		(446)

Actuarial Assumptions

The total pension and OPEB liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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
Healthcare trend	
Pre-65	Initial trend starting at 6.4% on January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 2.9% on January 1, 2022, and gradually increasing to an ultimate trend rate of 4.05% over a period of 14 years

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
Healthcare trend	
Pre-65	Initial trend starting at 6.4% on January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 2.9% on January 1, 2022, and gradually increasing to an ultimate trend rate of 4.05% over a period of 14 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 2020. 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.

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 6. County Employees Retirement System (Continued)

Actuarial Assumptions *(Continued)*

The actuarial assumption used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The total pension and OPEB liabilities were rolled-forward from the valuation date (June 30, 2019) to the KRS's fiscal year ending June 30, 2020.

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 major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Growth		62.50%
U.S. equity	4.50%	18.75%
Non-U.S. equity	5.25%	18.75%
Private equity	6.65%	10.00%
Special credit/high yield	3.90%	15.00%
Liquidity		14.50%
Core bonds	(0.25)%	13.50%
Cash	(0.75)%	1.00%
Diversifying strategies		23.00%
Real estate	5.30%	5.00%
Opportunistic	2.25%	3.00%
Real return	3.95%	15.00%
Total		100.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

Pension 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 the actuarially determined contribution rate of projected compensation over the remaining 24-year (closed) amortization period of the unfunded actuarial accrued liability.

OPEB Discount Rate

The discount rate used to measure the total OPEB liability was 5.34% and 5.3% for the year ended June 30, 2021 for non-hazardous and hazardous classifications, respectively. 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 (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 6. County Employees Retirement System (Continued)

OPEB Discount Rate (Continued)

6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 28, 2020. 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.

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%	\$	424,411
Current discount rate	6.25%		344,149
1% Increase	7.25%		277,689
Hazardous			
1% decrease	5.25%	\$	271,040
Current discount rate	6.25%		219,313
1% increase	7.25%		177,091

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, 2021:

	<u>Discount Rate</u>		<u>Proportionate Share of Net OPEB Liability</u>
Non-hazardous			
1% decrease	4.34%	\$	139,164
Current discount rate	5.34%		108,323
1% increase	6.34%		82,993
Hazardous			
1% decrease	4.3%	\$	91,211
Current discount rate	5.3%		67,192
1% increase	6.3%		47,837

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 6. County Employees Retirement System (Continued)

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, 2021:

	<u>Proportionate Share of Net OPEB Liability</u>	
	<u>Non-hazardous</u>	<u>Hazardous</u>
1% decrease	\$ 83,869	\$ 48,017
Current discount rate	108,323	67,192
1% increase	137,999	90,765

Note 7. Long-Term Debt

Governmental Activities

A. Direct Borrowings and Direct Payments

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 15 years, with principal and interest payments deducted annually from the City's state aid monies. The note is collateralized with the fire truck. There was no principal outstanding as of June 30, 2021.

B. Changes in Long-term Debt

The following reflects the long-term debt activity for governmental activities for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct					
Borrowings	\$ 6,743	\$	\$ 6,743	\$	\$
	<u>\$ 6,743</u>	<u>\$</u>	<u>\$ 6,743</u>	<u>\$</u>	<u>\$</u>

Business-Type Activities

A. Direct Borrowings and Direct Payments

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

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

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

Business-Type Activities *(Continued)*

A. Direct Borrowings and Direct Payments *(Continued)*

period of 5 years, with principal and interest paid monthly. The note is collateralized with the tractor. The principal outstanding as of June 30, 2021 was \$10,112. Future principal and interest requirements are:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2022	\$ 161	\$ 9,320
2023	2	792
Total	<u>\$ 163</u>	<u>\$ 10,112</u>

B. Other Debt

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%. The occurrence of any 1 or more of the following events constitutes an “Event of Default” under this bond: (a) Debtor’s failure to make any bond payment (or any other payment) as it becomes due in accordance with the terms of this bond; (b) failure by the Debtor to vacate or surrender the Project by the July 1 following an Event of Non-appropriation; (c) Debtor’s failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this bond or any document delivered by Debtor pursuant to or in connection with this bond, and the failure is not cured or steps satisfactory to Debtor taken to cure the failure, within 15 days after written notice of the failure to Debtor by Lender; or (d) any material statement, representation or warrant made by Debtor in this bond or in any writing delivered by Debtor pursuant to or in connection with this bond is false, misleading or erroneous in any material respect. Principal and interest payments are due semi-annually and the loan matures December 1, 2038. The loan is collateralized with service revenue. The principal outstanding as of June 30, 2021 was \$181,804. Future principal and interest requirements are:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2022	\$ 1,345	\$ 9,760
2023	1,272	9,833
2024	1,198	9,907
2025	1,124	9,981
2026	1,049	10,056
2027 – 2031	4,098	51,426
2032 – 2036	2,137	53,388
2037 – 2039	310	27,453
Total	<u>\$ 12,533</u>	<u>\$ 181,804</u>

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

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

Business-Type Activities *(Continued)*

B. Other Debt *(Continued)*

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 occurrence of any 1 or more of the following events constitutes an "Event of Default" under this bond: (a) Debtor's failure to make any bond payment (or any other payment) as it becomes due in accordance with the terms of this bond; (b) failure by the Debtor to vacate or surrender the Project by the July 1 following an Event of Non-appropriation; (c) Debtor's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this bond or any document delivered by Debtor pursuant to or in connection with this bond, and the failure is not cured or steps satisfactory to Debtor taken to cure the failure, within 15 days after written notice of the failure to Debtor by Lender; or (d) any material statement, representation or warrant made by Debtor in this bond or in any writing delivered by Debtor pursuant to or in connection with this bond is false, misleading or erroneous in any material respect. 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, 2021 were \$164,000. Future principal and interest requirements are:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2022	\$ 8,405	\$ 6,000
2023	8,098	6,000
2024	7,790	6,500
2025	7,457	7,000
2026	7,098	7,000
2027 – 2031	29,623	42,000
2032 – 2036	17,861	51,500
2037 – 2039	3,972	38,000
Total	\$ <u>90,304</u>	\$ <u>164,000</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 occurrence of any 1 or more of the following events constitutes an "Event of Default" under this bond: (a) Debtor's failure to make any bond payment (or any other payment) as it becomes due in accordance with the terms of this bond; (b) failure by the Debtor to vacate or surrender the Project by the July 1 following an Event of Non-appropriation; (c) Debtor's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this bond or any document delivered by Debtor pursuant to or in connection with this bond, and the failure is not cured or steps satisfactory to Debtor taken to cure the failure, within 15 days after written notice of the failure to Debtor by Lender; or (d) any material statement, representation or warrant made by Debtor in this bond or in any writing delivered by Debtor pursuant to or in connection with this bond is false, misleading or erroneous in any material respect. 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

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

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

Business-Type Activities *(Continued)*

B. Other Debt *(Continued)*

with service revenue. Bonds outstanding as of June 30, 2021 were \$53,900. Future principal and interest requirements are:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2022	\$ 2,560	\$ 2,000
2023	2,465	2,000
2024	2,370	2,200
2025	2,266	2,200
2026	2,161	2,400
2027 – 2031	8,997	13,700
2032 – 2036	5,429	17,200
2037 – 2039	1,169	12,200
Total	<u>\$ 27,417</u>	<u>\$ 53,900</u>

C. Changes in Long-term Debt

The following reflects the long-term debt activity for business-type activities for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings	\$ 19,179	\$	\$ 9,067	\$ 10,112	\$ 9,320
Other Debt	416,790		17,086	399,704	17,760
	<u>\$ 435,969</u>	<u>\$</u>	<u>\$ 26,153</u>	<u>\$ 409,816</u>	<u>\$ 27,080</u>

Note 8. New Accounting Pronouncements

The Government Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which requires recognition of certain assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principles that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 will be effective for governmental entities with fiscal years beginning after June 15, 2021. At this time, the City is still determining the impact of this update on its financial statements.

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 9. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land	\$ 89,889	\$	\$	\$ 89,889
Assets being depreciated:				
Buildings and improvements	723,900	9,897		733,797
Machinery and equipment	435,367	23,850		459,217
Infrastructure	335,644	39,763		375,407
Total capital assets	\$ 1,584,800	\$ 73,510	\$	\$ 1,658,310
Less: Accumulated depreciation	898,296	46,195		944,491
Capital assets, net	\$ 686,504	\$ 27,315	\$	\$ 713,819

Depreciation was charged to government functions as follows:

General government	\$ 9,212
Streets and maintenance	14,862
Protection to persons and property	13,388
Recreation and culture	8,733
Total	\$ 46,195

Capital asset activity for business-type activities for the year ended June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land	\$ 20,801	\$	\$	\$ 20,801
Construction in progress	537,810			537,810
Assets being depreciated:				
Buildings and improvements	85,045			85,045
Machinery and equipment	463,725			463,725
Infrastructure	4,770,112	476,951		5,247,063
Total capital assets	\$ 5,877,493	\$ 476,951	\$	\$ 6,354,444
Less: Accumulated depreciation	2,746,970	142,052		2,889,022
Capital assets, net	\$ 3,130,523	\$ 334,899	\$	\$ 3,465,422

City of New Haven
Notes to the Financial Statements
June 30, 2021
(Continued)

Note 10. Restatement of Net Position

Beginning net position for business-type activities was restated as follows:

	<u>Net Investment in Capital Assets</u>	<u>Unrestricted</u>
Net position, beginning of year	\$ 3,111,344	\$ (197,890)
Over (under) statement of debt related to service revenue	<u>(416,790)</u>	<u>416,790</u>
Net position, beginning of year, restated	<u>\$ 2,694,554</u>	<u>\$ 218,900</u>

The prior year balance of net investment in capital assets was overstated by \$416,790. The balance of unrestricted net position was understated by \$416,790. These misstatements did not affect total net position.

Note 11. Fund Balances

The following is a summary of the Governmental Fund balances of the City at June 30, 2021

Non-spendable		
Prepaid insurance		\$ 2,884
Restricted		
Municipal road aid	\$ 6,738	
Fire department	<u>45,517</u>	52,255
Committed		
Fire truck funds	\$ 75,538	
Community development	20,360	
Police car funds	<u>1,326</u>	97,224
Assigned		
Abbey donations	\$ 5,669	
Media donations	5,407	
Equipment purchases	<u>2,624</u>	13,700
Unassigned		466,079
Total		<u>\$ 632,142</u>

Note 12. Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 11, 2022, 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, 2021, have not been evaluated by the City.

Required Supplementary Information

**City of New Haven
Budgetary Comparison -
Major Governmental Fund
For the Year Ended June 30, 2021**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts Original	Final	Actual Amounts (Budgetary Basis)	
Revenues				
Taxes	\$ 231,869	\$ 231,869	\$ 257,100	\$ 25,231
Intergovernmental	37,852	100,063	92,687	(7,376)
License and permits	11,000	11,000	11,185	185
Charges for services	7,400	7,400	13,306	5,906
Rental	10,800	10,800	10,800	
Miscellaneous	14,490	14,490	2,468	(12,022)
Total revenues	\$ 313,411	\$ 375,622	\$ 387,546	\$ 11,924
Expenditures				
General government	\$ 90,883	\$ 153,094	\$ 144,652	\$ 8,442
Protection to persons and property	111,478	111,478	89,224	22,254
Recreation and culture	36,000	36,000	32,979	3,021
Capital outlay	75,050	75,050	73,510	1,540
Total expenditures	\$ 313,411	\$ 375,622	\$ 340,365	\$ 35,257
Excess (deficiency) of revenues over expenditures	\$ _____	\$ _____	\$ 47,181	\$ 47,181
Other financing sources (uses)				
Transfer in	\$ _____	\$ _____	\$ 60,088	\$ 60,088
Total other financing sources (uses)	\$ _____	\$ _____	\$ 60,088	\$ 60,088
Net change in fund balance	\$ _____	\$ _____	\$ 107,269	\$ 107,269
Fund balance - Beginning	_____	_____	472,618	472,618
Fund balance - Ending	\$ _____	\$ _____	\$ 579,887	\$ 579,887

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>
Non-hazardous					
Proportion of the collective net pension liability	0.003408%	0.003349%	0.002814%	0.004087%	0.004248%
Proportionate share of the net pension liability	\$ 110,568	\$ 143,974	\$ 138,552	\$ 239,225	\$ 258,716
Covered employee payroll	\$ 78,190	\$ 78,416	\$ 64,372	\$ 99,513	\$ 105,282
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%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%
Hazardous					
Proportion of the collective net pension liability	0.008182%	0.008236%	0.008672%	0.008204%	0.008496%
Proportionate share of the net pension liability	\$ 98,333	\$ 126,434	\$ 148,813	\$ 183,546	\$ 205,472
Covered employee payroll	\$ 41,440	\$ 42,938	\$ 45,252	\$ 45,036	\$ 47,326
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%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%

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,
(Continued)

	<u>2020</u>	<u>2021</u>
Non-hazardous		
Proportion of the collective net pension liability	0.004260%	0.004487%
Proportionate share of the net pension liability	\$ 299,608	\$ 344,149
Covered employee payroll	\$ 107,451	\$ 159,947
Proportionate share of the net pension liability as a percentage of its covered employee payroll	278.83%	215.16%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	47.81%
Hazardous		
Proportion of the collective net pension liability	0.008302%	0.007274%
Proportionate share of the net pension liability	\$ 229,326	\$ 219,313
Covered employee payroll	\$ 47,281	\$ 42,495
Proportionate share of the net pension liability as a percentage of its covered employee payroll	485.03%	516.09%
Plan fiduciary net position as a percentage of the total pension liability	46.63%	44.11%

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

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

	<u>2020</u>	<u>2021</u>
Non-hazardous		
Statutorily required contributions for pension	\$ 30,870	\$ 30,231
Less: Contributions	<u>30,870</u>	<u>30,231</u>
Contribution deficiency (excess)	\$ <u> </u>	\$ <u> </u>
Covered employee payroll	\$ 159,947	\$ 156,638
Contributions as a percentage of its covered employee payroll	19.30%	19.30%
Hazardous		
Statutorily required contributions for pension	\$ 12,774	\$ 11,945
Less: Contributions	<u>12,774</u>	<u>11,945</u>
Contribution deficiency (excess)	\$ <u> </u>	\$ <u> </u>
Covered employee payroll	\$ 42,495	\$ 39,738
Contributions as a percentage of its covered employee payroll	30.06%	30.06%

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>	<u>2021</u>
Non-hazardous				
Proportionate share of the collective net OPEB liability	0.004087%	0.004248%	0.004259%	0.004486%
Proportionate share of the net OPEB liability	\$ 82,163	\$ 75,422	\$ 71,634	\$ 108,323
Covered-employee payroll	\$ 99,513	\$ 105,282	\$ 107,451	\$ 159,947
Proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.57%	71.64%	66.67%	67.72%
Plan fiduciary net position as a percentage of total OPEB liability	52.39%	57.62%	60.44%	51.67%
Hazardous				
Proportionate share of the collective net OPEB liability	0.008204%	0.008496%	0.008300%	0.007271%
Proportionate share of the net OPEB liability	\$ 67,820	\$ 60,573	\$ 61,408	\$ 67,192
Covered-employee payroll	\$ 45,036	\$ 47,326	\$ 47,281	\$ 42,495
Proportionate share of net OPEB liability as a percentage of its covered-employee payroll	150.59%	127.99%	129.88%	158.12%
Plan fiduciary net position as a percentage of total OPEB liability	58.99%	64.24%	64.44%	58.84%

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

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,
(Continued)

	<u>2020</u>	<u>2021</u>
Non-hazardous		
Statutorily required contribution for OPEB	\$ 7,613	\$ 7,456
Less: Contributions	<u>7,613</u>	<u>7,456</u>
Contribution deficiency (excess)	\$ <u> </u>	\$ <u> </u>
Covered employee payroll	\$ 159,947	\$ 156,638
Contributions as a percentage of its covered employee payroll	4.76%	4.76%
Hazardous		
Statutorily required contribution for OPEB	\$ 4,046	\$ 3,783
Less: Contributions	<u>4,046</u>	<u>3,783</u>
Contribution deficiency (excess)	\$ <u> </u>	\$ <u> </u>
Covered employee payroll	\$ 42,495	\$ 39,738
Contributions as a percentage of its covered employee payroll	9.52%	9.52%

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
Notes to the Required Supplementary Information
June 30, 2021

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

Net Pension Liability

The measurement date is 1 year preceding the fiscal year of the City.

Net OPEB Liability

The measurement date is 1 year preceding the fiscal year of the City.

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 1 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, 2020 – Pension and OPEB – Hazardous and Non-hazardous

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.4%. The initial healthcare trend rate for post-65 was changed from 5% to 2.9%.

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.

City of New Haven
Notes to the Required Supplementary Information
June 30, 2021
(Continued)

Note 3. Change of Assumptions *(Continued)*

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%.

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.

Other Supplementary Information

City of New Haven
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021

	<u>Municipal Road Aid Fund</u>	<u>Fire Fund</u>	<u>Total</u>
Assets			
Restricted cash and cash equivalents	\$ <u>32,804</u>	\$ <u>45,517</u>	\$ <u>78,321</u>
Total assets	\$ <u><u>32,804</u></u>	\$ <u><u>45,517</u></u>	\$ <u><u>78,321</u></u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ <u>26,066</u>	\$ <u> </u>	\$ <u>26,066</u>
Total liabilities	\$ <u>26,066</u>	\$ <u> </u>	\$ <u>26,066</u>
Fund balances			
Restricted	\$ <u>6,738</u>	\$ <u>45,517</u>	\$ <u>52,255</u>
Total fund balances	\$ <u>6,738</u>	\$ <u>45,517</u>	\$ <u>52,255</u>
Total liabilities and fund balances	\$ <u><u>32,804</u></u>	\$ <u><u>45,517</u></u>	\$ <u><u>78,321</u></u>

City of New Haven
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Municipal Road Aid Fund	Fire Fund	Total
Revenues			
Intergovernmental	\$ 18,934	\$ 16,000	\$ 34,934
Miscellaneous	<u>502</u>	<u>35</u>	<u>537</u>
Total revenues	\$ <u>19,436</u>	\$ <u>16,035</u>	\$ <u>35,471</u>
Expenditures			
Debt service	\$	\$ 6,743	\$ 6,743
Protection to persons and property		908	908
Streets and maintenance	<u>7,331</u>		<u>7,331</u>
Total expenditures	\$ <u>7,331</u>	\$ <u>7,651</u>	\$ <u>14,982</u>
Excess (deficiency) of revenues over expenditures	\$ <u>12,105</u>	\$ <u>8,384</u>	\$ <u>20,489</u>
Other financing sources (uses)			
Transfers out	\$ <u>(25,488)</u>	\$ <u>(23,850)</u>	\$ <u>(49,338)</u>
Total other financing sources (uses)	\$ <u>(25,488)</u>	\$ <u>(23,850)</u>	\$ <u>(49,338)</u>
Net change in fund balances	\$ (13,383)	\$ (15,466)	\$ (28,849)
Fund balances - Beginning	<u>20,121</u>	<u>60,983</u>	<u>81,104</u>
Fund balances - Ending	\$ <u><u>6,738</u></u>	\$ <u><u>45,517</u></u>	\$ <u><u>52,255</u></u>

Jones & Associates CPAs, PSC

Certified Public Accountants

121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

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

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, 2021, 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 February 11, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the following deficiency described in the accompanying Schedule of Findings to be a material weakness: 2021 – 01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Haven, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those

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

provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*: 2021 – 02.

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 responses were 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

February 11, 2022

**City of New Haven
Schedule of Findings
June 30, 2021**

Internal Control – Material Weaknesses and Significant Deficiencies

Finding Number 2021 – 01

Condition:	The City cannot fully segregate the record-keeping, custodial, and authorization activities of its accounting functions 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.

Compliance and Other Matters

Finding Number 2021 – 02

Condition:	The City's deposits with financial institutions were undercollateralized by as much as \$295,564 and \$267,540 on February 25, 2021 and June 30, 2021, respectively.
Cause:	The City did not have enough collateral pledged to cover their deposits in excess of FDIC insurance on February 25, 2021 and June 30, 2021.
Effect:	In the event of a depository institution's failure, the City's deposits may not be returned.
Criteria:	The City should obtain enough collateral from all financial institutions to ensure that their deposits will not be lost in the event of a depository institution's failure.

City of New Haven
Schedule of Findings
June 30, 2021
(Continued)

Compliance and Other Matters *(Continued)*

Finding Number 2021 – 02 *(Continued)*

Recommendation: We recommend that the City obtain enough collateral from all financial institutions to ensure that their deposits will not be lost in the event of a depository institution's failure.


Response: The city contacted Town & Country Bank and Trust Co. and obtained an extra \$1,000,000 in collateral protection.

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, 2021

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

February 17, 2022

To Whom It May Concern:

The City of New Haven respectfully submits the following corrective action plan for the year ended June 30, 2021.

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, 2021

The findings from the June 30, 2021 Schedule of Findings are discussed below, along with our responses to those findings.

Findings:

Internal Control – Significant Deficiency and Material Weaknesses

Finding Number 2021 – 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: Active

Implementation Date: February 17, 2022

Compliance and Other Matters

Finding Number 2021 – 02

Recommendation: We recommend that the City obtain enough collateral from all financial institutions to ensure that their deposits will not be lost in the event of a depository institution's failure.

Response: *The city contacted Town & Country Bank and Trust Co. and obtained an extra \$1,000,000 in collateral protection.*

Status: Active

Implementation Date: February 17, 2022

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