

City of New Haven
Audited Financial Statements and
Required Supplementary Information
June 30, 2023

Jones & Associates CPAs, PSC
Certified Public Accountants



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Table of Contents

	Page
Independent Auditor's Report	1 – 3
City Officials	4
Financial Statements.....	5
Government-wide Financial Statements	6
Statement of Net Position	7 – 8
Statement of Activities.....	9
Fund Financial Statements	10
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	12
Statement of Net Position – Proprietary Fund	13 – 14
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	15 – 16
Statement of Cash Flows – Proprietary Fund.....	17 – 18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Reconciliation of Fund Balances – Governmental Funds to Net Position of Governmental Activities	20
Notes to the Financial Statements	21 – 39
Required Supplementary Information	40
Budgetary Comparison – Major Governmental Fund	41
Schedule of Proportionate Share of the Net Pension Liability of County Employees Retirement System.....	42 – 43
Schedule of Pension Contributions to County Employees Retirement System.....	44 – 45
Schedule of Proportionate Share of the Net Other Postemployment Benefits Liability of County Employees Retirement System.....	46 – 47
Schedule of Other Postemployment Benefits Contributions to County Employees Retirement System.....	48 – 49
Notes to the Required Supplementary Information.....	50 – 52

Table of Contents

(Continued)

Supplementary Information	53
Combining Balance Sheet – Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	55
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56 – 57
Schedule of Findings	58
Certificate of Compliance – Local Government Economic Assistance Program	59 – 60

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

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of New Haven, Kentucky, as of and for the year ended June 30, 2023, 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.

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, 2023, and the 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of New Haven, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Haven, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of New Haven, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Haven, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to budgetary comparison and pension and other postemployment benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

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

Report on the Audit of the Financial Statements (Continued)

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Supplementary 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, 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

December 11, 2023

**City of New Haven
City Officials
June 30, 2023**

Linda Mattingly

Mayor

Mike Morris

Commissioner

Lois Boley

Commissioner

Fred DeWitt

Commissioner

Ruth Faulkner

Commissioner

Joanie Corbin

City Clerk

Note: List of officials who were in office as of June 30, 2023.

Financial Statements

Government-wide Financial Statements

**City of New Haven
Statement of Net Position
June 30, 2023**

	Governmental Activities	Business-type Activities	Total
Assets and deferred outflows of resources			
Assets			
Current assets			
Cash and cash equivalents	\$ 392,325	\$ 879,875	\$ 1,272,200
Restricted cash and cash equivalents	80,191	265,021	345,212
Investments	301,775	301,775	603,550
Accounts receivable, net	92,080	172,360	264,440
Lease receivable, current	7,782		7,782
Inventory		6,380	6,380
Other current assets	1,316		1,316
Total current assets	\$ 875,469	\$ 1,625,411	\$ 2,500,880
Non-current assets			
Capital assets, net	\$ 550,057	\$ 2,891,052	\$ 3,441,109
Lease receivable, non-current	47,338		47,338
Total non-current assets	\$ 597,395	\$ 2,891,052	\$ 3,488,447
Total assets	\$ 1,472,864	\$ 4,516,463	\$ 5,989,327
Deferred outflows of resources			
Pension	\$ 21,986	\$ 14,697	\$ 36,683
Other postemployment benefits	21,789	13,194	34,983
Total deferred outflows of resources	\$ 43,775	\$ 27,891	\$ 71,666
Total assets and deferred outflows of resources	\$ 1,516,639	\$ 4,544,354	\$ 6,060,993
Liabilities, deferred inflows of resources, and net position			
Liabilities			
Current liabilities			
Accounts payable	\$ 53,917	\$ 129,573	\$ 183,490
Payroll related liabilities	5,304	1,822	7,126
Long-term debt, current		9,907	9,907
Customer deposits		6,995	6,995
Other current liabilities	8,355		8,355
Total current liabilities	\$ 67,576	\$ 148,297	\$ 215,873

City of New Haven
Statement of Net Position
June 30, 2023
(Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities, deferred inflows of resources, and net position <i>(Continued)</i>			
Non-current liabilities			
Net pension liability	\$ 234,707	\$ 116,341	\$ 351,048
Long-term debt, non-current		152,305	152,305
Net other postemployment benefits liability	<u>64,902</u>	<u>31,761</u>	<u>96,663</u>
Total non-current liabilities	\$ <u>299,609</u>	\$ <u>300,407</u>	\$ <u>600,016</u>
Total liabilities	\$ <u>367,185</u>	\$ <u>448,704</u>	\$ <u>815,889</u>
Deferred inflows of resources			
Pension	\$ 113,602	\$ 23,156	\$ 136,758
Other postemployment benefits	57,825	19,279	77,104
Leases	<u>52,218</u>	<u> </u>	<u>52,218</u>
Total deferred inflows of resources	\$ <u>223,645</u>	\$ <u>42,435</u>	\$ <u>266,080</u>
Net position			
Net investment in capital assets	\$ 550,057	\$ 2,606,242	\$ 3,156,299
Restricted			
Municipal road aid	32,917		32,917
Fire department	46,794		46,794
Sewer rehab		361,948	361,948
Bond, interest, and depreciation reserves		29,812	29,812
Unrestricted	<u>296,041</u>	<u>1,055,213</u>	<u>1,351,254</u>
Total net position	\$ <u>925,809</u>	\$ <u>4,053,215</u>	\$ <u>4,979,024</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,516,639</u>	<u>\$ 4,544,354</u>	<u>\$ 6,060,993</u>

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

**City of New Haven
Statement of Activities
For the Year Ended June 30, 2023**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Govern- mental Activities	Business- type Activities	Total
Primary government							
Governmental activities							
General government	\$ 193,879		\$ 9,820	\$ 54,036	\$ (130,023)		\$ (130,023)
Streets and maintenance	24,486		20,734		(3,752)		(3,752)
Protection to persons and property	100,384		18,028		(82,356)		(82,356)
Recreation and culture	53,600	20,082	12,135		(21,383)		(21,383)
Total governmental activities	<u>\$ 372,349</u>	<u>\$ 20,082</u>	<u>\$ 60,717</u>	<u>\$ 54,036</u>	<u>\$ (237,514)</u>		<u>\$ (237,514)</u>
Business-type activities							
Water and wastewater sewer system	\$ 505,601	\$ 474,827		\$ 159,975		\$ 129,201	\$ 129,201
Total business-type activities	<u>\$ 505,601</u>	<u>\$ 474,827</u>		<u>\$ 159,975</u>		<u>\$ 129,201</u>	<u>\$ 129,201</u>
Total primary government	<u>\$ 877,950</u>	<u>\$ 494,909</u>	<u>\$ 60,717</u>	<u>\$ 214,011</u>	<u>\$ (237,514)</u>	<u>\$ 129,201</u>	<u>\$ (108,313)</u>
General revenues							
Taxes							
Insurance premium taxes					\$ 124,697		\$ 124,697
Property taxes					98,260		98,260
Franchise taxes					33,252		33,252
Telecommunications taxes					17,393		17,393
Other taxes					13,594		13,594
Licenses					10,531		10,531
Lease revenue					8,584		8,584
Earnings on investments					5,090	5,335	10,425
Miscellaneous					11,566	23,736	35,302
Total general revenues					<u>\$ 322,967</u>	<u>\$ 29,071</u>	<u>\$ 352,038</u>
Gain (loss) on sale of asset					(108,441)	76,858	(31,583)
Transfers - Internal activities					388	(388)	
Change in net position					<u>\$ (22,600)</u>	<u>\$ 234,742</u>	<u>\$ 212,142</u>
Net position - Beginning					<u>948,409</u>	<u>3,818,473</u>	<u>4,766,882</u>
Net position - Ending					<u>\$ 925,809</u>	<u>\$ 4,053,215</u>	<u>\$ 4,979,024</u>

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

Fund Financial Statements

City of New Haven
Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 389,660	\$	\$ 389,660
Restricted cash and cash equivalents		80,191	80,191
Investments	304,440		304,440
Accounts receivable	86,523		86,523
Other assets	1,316		1,316
Total assets	\$ 781,939	\$ 80,191	\$ 862,130
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 53,437	\$ 480	\$ 53,917
Payroll related liabilities	5,304		5,304
Other liabilities	8,355		8,355
Total liabilities	\$ 67,096	\$ 480	\$ 67,576
Fund balances			
Nonspendable	\$ 1,316	\$	\$ 1,316
Restricted		79,711	79,711
Committed	33,373		33,373
Assigned	15,700		15,700
Unassigned	664,454		664,454
Total fund balances	\$ 714,843	\$ 79,711	\$ 794,554
Total liabilities and fund balances	\$ 781,939	\$ 80,191	\$ 862,130

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, 2023

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 287,046	\$	\$ 287,046
Intergovernmental	77,519	37,234	114,753
License and permits	10,531		10,531
Charges for service	20,082		20,082
Rental	7,341		7,341
Miscellaneous	<u>16,709</u>	<u>70</u>	<u>16,779</u>
Total revenues	<u>\$ 419,228</u>	<u>\$ 37,304</u>	<u>\$ 456,532</u>
Expenditures			
General government	\$ 198,306	\$	\$ 198,306
Protection to persons and property	71,316	18,993	90,309
Streets and maintenance		7,197	7,197
Recreation and culture	46,482		46,482
Capital outlay	<u>73,451</u>		<u>73,451</u>
Total expenditures	<u>\$ 389,555</u>	<u>\$ 26,190</u>	<u>\$ 415,745</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 29,673</u>	<u>\$ 11,114</u>	<u>\$ 40,787</u>
Other financing sources (uses)			
Transfers in	<u>\$ 388</u>	<u>\$</u>	<u>\$ 388</u>
Total other financing sources (uses)	<u>\$ 388</u>	<u>\$</u>	<u>\$ 388</u>
Net change in fund balances	\$ 30,061	\$ 11,114	\$ 41,175
Fund balances - Beginning	<u>684,782</u>	<u>68,597</u>	<u>753,379</u>
Fund balances - Ending	<u>\$ 714,843</u>	<u>\$ 79,711</u>	<u>\$ 794,554</u>

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

City of New Haven
Statement of Net Position - Proprietary Fund
June 30, 2023

	Water and Wastewater Sewer Fund
Assets and deferred outflows of resources	
Assets	
Current assets	
Cash and cash equivalents	\$ 879,875
Restricted cash and cash equivalents	265,021
Investments	301,775
Accounts receivable, net	172,360
Inventory	6,380
Total current assets	\$ 1,625,411
Non-current assets	
Capital assets, net	\$ 2,891,052
Total non-current assets	\$ 2,891,052
Total assets	\$ 4,516,463
Deferred outflows of resources	
Pension	\$ 14,697
Other postemployment benefits	13,194
Total deferred outflows of resources	\$ 27,891
Total assets and deferred outflows of resources	\$ 4,544,354
Liabilities, deferred inflows of resources, and net position	
Liabilities	
Current liabilities	
Accounts payable	\$ 129,573
Payroll related liabilities	1,822
Long-term debt, current	9,907
Customer deposits	6,995
Total current liabilities	\$ 148,297
Non-current liabilities	
Long-term debt, non-current	\$ 152,305
Net pension liability	116,341
Net other postemployment benefits	31,761
Total non-current liabilities	\$ 300,407

City of New Haven
Statement of Net Position - Proprietary Fund
June 30, 2023
(Continued)

	Water and Wastewater Sewer Fund
	<u> </u>
Liabilities, deferred inflows of resources, and net position <i>(Continued)</i>	
Total liabilities	\$ <u>448,704</u>
Deferred inflows of resources	
Pension	\$ 23,156
Other postemployment benefits	<u>19,279</u>
Total deferred inflows of resources	\$ <u>42,435</u>
Net position	
Net investment in capital assets	\$ 2,606,242
Restricted	
Sewer rehab	361,948
Bond, interest, and depreciation reserves	29,812
Unrestricted	<u>1,055,213</u>
Total net position	\$ <u>4,053,215</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ <u>4,544,354</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, 2023

	Water and Wastewater Sewer Fund
Operating revenues	
Water sales	\$ 152,866
Sewer sales	279,556
Penalties	5,950
Miscellaneous	<u>26,803</u>
Total operating revenues	\$ <u>465,175</u>
Operating expenses	
Water expenses	
Depreciation	\$ 55,443
Water purchases for resale	49,070
Salaries, wages, employee benefits, and related taxes	48,637
Repairs	29,217
Contractual services, operations, and materials	24,062
Insurance	13,220
Utilities	<u>632</u>
Total water expenses	\$ <u>220,281</u>
Sewer expenses	
Depreciation	\$ 101,393
Contractual services, operations, and materials	90,385
Utilities	24,946
Salaries, wages, employee benefits, and related taxes	15,453
Repairs	8,692
Insurance	<u>4,276</u>
Total sewer expenses	\$ <u>245,145</u>
Total operating expenses	\$ <u>465,426</u>
Excess (deficiency) of operating revenues over operating expenses	\$ <u>(251)</u>
Non-operating revenues (expenses)	
Nelson County Fiscal Court funding	\$ 159,175
Interest revenue	5,335
Interest expense	(6,787)
Water tap fees	(1,600)
Sewer tap fees	<u>2,400</u>
Total non-operating revenues (expenses)	\$ <u>158,523</u>

City of New Haven
Statement of Revenues, Expenses, and Changes in Net Position -
Proprietary Fund
For the Year Ended June 30, 2023
(Continued)

	Water and Wastewater Sewer Fund
	<u> </u>
Excess (deficiency) of revenues over expenses	\$ 158,272
Gain on sale of asset	76,858
Transfers out - Internal activities	<u>(388)</u>
Change in net position	\$ 234,742
Net position - Beginning	<u>3,818,473</u>
Net position - Ending	<u><u>\$ 4,053,215</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, 2023

	Water and Wastewater Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 363,237
Cash paid to suppliers for goods and services	(265,188)
Cash paid for employee services and benefits	(96,274)
	<u>1,775</u>
Net cash flows from operating activities	\$ 1,775
Cash flows from capital and related financing activities	
Cash received for sewer rehab	\$ 159,175
Cash received from tap fees	800
Cash paid for bond principal	(209,900)
Cash paid for loans	(10,625)
Cash paid for interest	(12,176)
	<u>(72,726)</u>
Net cash flows from capital and related financing activities	\$ (72,726)
Cash flows from noncapital and related financing activities	
Transfers out - Internal activities	\$ (388)
	<u>(388)</u>
Net cash flows from noncapital and related financing activities	\$ (388)
Cash flows from investing activities	
Cash received from sale of asset	\$ 550,000
Cash received from maturity of certificates of deposit	147,052
Interest received on cash and cash equivalents	474
Cash paid for certificates of deposit	(297,203)
Cash paid for capital assets	(58,596)
	<u>341,727</u>
Net cash flows from investing activities	\$ 341,727
Net increase (decrease) in cash and cash equivalents	\$ 270,388
Cash and cash equivalents - Beginning	<u>874,508</u>
Cash and cash equivalents - Ending	\$ <u><u>1,144,896</u></u>
Cash is reported in the Statement of Net Position as follows	
Cash and cash equivalents	\$ 879,875
Restricted cash and cash equivalents	265,021
	<u>1,144,896</u>
Total	\$ <u><u>1,144,896</u></u>

City of New Haven
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2023
(Continued)

	Water and Wastewater Sewer Fund
	<u> </u>
Reconciliation of cash flows from operating activities	
Operating income	\$ (251)
Adjustments to reconcile income (loss) from operations to cash used in operating activities	
Depreciation	156,836
Change in assets and liabilities	
Accounts receivable, net	(101,938)
Accounts payable	(8,683)
Payroll related liabilities	(205)
Customer deposits	(12,005)
Pension and other postemployment benefits	(46,880)
Deferred inflows and deferred outflows	<u>14,901</u>
Net cash flows from operating activities	<u><u>\$ 1,775</u></u>

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, 2023

Net change in fund balances - Total governmental funds	\$ 41,175
<p>Governmental funds report capital outlay as expenditures but in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as</p>	
Depreciation	(42,566)
Capital assets.	73,451
<p>Governmental funds do not report gains and losses on disposal of capital assets. Instead, cash receipts from the disposal are recorded as revenue when received. Gains and losses on disposal of capital assets are reported in the Statement of Activities. Activities from the disposal of capital assets are reported as</p>	
Loss on sale of asset	(108,441)
<p>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</p>	
Pension expense and	17,397
Other postemployment benefits.	(3,550)
<p>Revenue for delinquent property taxes and bad debts expense for the related allowance 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 along with bad debts expense and the related allowance.</p>	
	(601)
<p>Interest on deferred inflows of resources from leases is not accrued in governmental funds, but rather is recognized as revenue when received.</p>	
	1,243
<p>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.</p>	
	<u>(708)</u>
Change in net position of governmental activities	\$ <u>(22,600)</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, 2023

Fund balances - Governmental funds \$ 794,554

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;	550,057
Deferred outflows of resources related to pensions are not recognized in governmental funds;	21,986
Deferred outflows of resources related to other postemployment benefits are not recognized in governmental funds;	21,789
Delinquent property tax receivable and its related allowance are not recognized as an asset in the governmental funds; and	5,557
Lease receivable is not recognized in governmental funds.	55,120

Liabilities

Net pension liability is not recognized in governmental funds;	(234,707)
Net other postemployment benefits is not recognized in governmental funds;	(64,902)
Deferred inflows of resources related to leases are not recognized in governmental funds;	(52,218)
Deferred inflows of resources related to pensions are not recognized in governmental funds; and	(113,602)
Deferred inflows of resources related to other postemployment benefits are not recognized in governmental funds.	<u>(57,825)</u>

Net position of governmental activities \$ 925,809

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

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023

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 would be 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 non-fiduciary 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
For the Year Ended June 30, 2023
(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 non-current assets as well as non-current 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's Proprietary Fund is charges to customers for services. The City also recognizes nonoperating revenue for 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 nonoperating 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 nonmajor 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
For the Year Ended June 30, 2023
(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, leases, 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 – Governmental Funds 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 – 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. The City has established an allowance for unpaid property taxes in the amount of \$1,459 in the General Fund and an allowance for uncollectible accounts in the amount of \$1,536 in the Water and Wastewater Sewer Fund.

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
For the Year Ended June 30, 2023
(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 reported in the government-wide financial statements at historical cost or estimated historical cost. 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.

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, 2023, the City had a tax rate of \$0.218 per \$100 for real estate, \$0.3291 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 recorded for vacation benefits 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 benefits earned but not taken by employees. The liability is considered current because vacation benefits renew on a calendar year and cannot be carried over from year to year. 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. These benefits are not paid to employees who are terminated. However, employees who retire from the City may be eligible to receive payment for a portion of these benefits. No liability is recognized for unpaid accumulated sick pay benefits because the 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 County Employees Retirement System (CERS).

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

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

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

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 its 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 as follows:

- Nonspendable: 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;
- 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.

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

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

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

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 or reduction of expense/expenditure) 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 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 CERS 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 and related financing, or investing activities.

N. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, governmental fund expenditures are classified by character as current expenditures and capital outlay expenditures. Proprietary fund expenses are classified as operating expenses and nonoperating expenses. Governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

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

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

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 (KRS) 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. Leases

The City leases real property under a lease whose terms are greater than 1 year. Lease revenue for those leases totaled \$8,584 for the year ended June 30, 2023. Future minimum commitments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2024	\$ 3,018	\$ 7,782
2025	2,550	8,250
2026	2,055	8,745
2027	1,529	9,271
2028	972	9,828
2029 – 2030	385	11,244
Total	\$ <u>10,509</u>	\$ <u>55,120</u>

Note 3. Compensated Absences

The City accrued \$3,656 for compensated absences as of June 30, 2023. This amount consists of vacation benefits due to employees as of that date.

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 4. 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 KRS. According to KRS Section 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, always equals or exceeds the amount of public funds on deposit.

A. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution’s failure, the City’s deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk but rather follows the requirements of KRS Section 41.240(4). At June 30, 2023, the City’s deposits were fully collateralized by FDIC insurance and securities pledged by financial institutions in the amount of \$1,170,040.

B. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consists of the following:

Sewer rehab	\$	235,210
Fire department		46,794
Municipal road aid		33,397
Bond, interest, and depreciation reserve		29,811
Total restricted cash	\$	<u>345,212</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 account is 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

KRS authorizes 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 statutes. The City held \$603,550 in certificates of deposit at June 30, 2023, all of which will mature within 1 year and are categorized as current investments.

Note 5. Sale of Water Assets

On December 14, 2022, the LaRue County Water District purchased the water assets of the City for a total cost of \$550,000. Of this amount, \$201,900 was debt held by the City which was paid by the Larue County Water District. The remaining \$348,100 consisted of funds paid to the City.

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 6. Long-Term Debt for Business-Type Activities

Changes in Long-term Debt

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
Bonds and notes payable	\$ 381,944	\$		\$	219,732	\$	162,211	\$	9,907
Other debt	793				793				
Total	<u>\$ 382,737</u>	\$		\$	<u>220,525</u>	\$	<u>162,212</u>	\$	<u>9,907</u>

Bonds and Notes Payable

Bonds and notes payable consists of the following as of June 30, 2023:

Sewer Rehab – Construction Loan, interest at .75% with a maturity date of December 1, 2038.	\$ 162,212
Total bonds and notes payable	\$ 162,212
Less: Current maturities	9,907
Total long-term bonds and notes payable	<u>\$ 152,305</u>

Principal and interest for long-term debt for governmental activities were due as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2024	\$ 1,198	\$ 9,907
2025	1,124	9,981
2026	1,049	10,056
2027	973	10,132
2028	897	10,208
2029 – 2033	3,322	52,202
2034 – 2038	1,331	54,193
2039	21	5,533
Total	<u>\$ 9,915</u>	<u>\$ 162,212</u>

Collateralization and Event of Default Consequence

The Kentucky Infrastructure Authority (KIA) loan is considered a direct borrowing. Under the assistance agreement entered into with the KIA, upon the occurrence and continuance of any events of default, the KIA may declare all payments due. Additionally, when an event of default occurs and is continuing, the KIA can declare all payments due, exercise all rights and remedies, take legal action to enforce its rights under the agreement, and submit a formal referral to the appropriate federal agency. The loan is collateralized with the service revenue of the Water and Wastewater Sewer Fund.

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 7. 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.

Note 8. County Employees Retirement System Plan

A. General Information

The City is a participating employer of the CERS. Under the provisions of KRS Section 61.645, the CERS Board of Trustees (Board) of the Kentucky Public Pensions Authority (KPPA) administers the CERS. The KPPA issues publicly available financial statements which may be downloaded from the KPPA website.

B. Plan Description

The 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. The CERS provides 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 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.

C. Contributions

For the year ended June 30, 2023, CERS 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 KRS 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 June 30, 2023, participating employers contributed 26.79% (23.40% to the pension fund and 3.39% to the insurance fund) of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of the CERS are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014 are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the Plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 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-

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 8. County Employees Retirement System Plan *(Continued)*

C. Contributions *(Continued)*

hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution. The City contributed \$27,542 for the year ended June 30, 2023, or 100% of the required contribution for non-hazardous job classifications. The contribution was allocated \$24,057 to the pension fund and \$3,485 to the insurance fund.

D. Benefits Provided

CERS provides retirement, health insurance, death, and disability benefits to Plan employees and beneficiaries. Employees are vested in the Plan after 5 years of 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:

	<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

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 8. County Employees Retirement System Plan *(Continued)*

D. Benefits Provided *(Continued)*

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 non-service-related disability benefits.

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

At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability of \$351,048 (\$248,244 for non-hazardous and \$102,804 for hazardous classifications). The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2022, the City's proportion was 0.003434% for non-hazardous and 0.003369% for hazardous classifications, which was a decrease of 0.001002% and 0.003212%, respectively, from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized a \$16,013 reduction of pension expense for non-hazardous classifications. At June 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Non-hazardous		
Difference between expected and actual experience	\$ 265	\$ 2,211
Net difference between projected and actual earnings on investments	6,364	
Changes in proportion and difference between employer contributions and proportionate share of contributions	674	47,198
Contributions subsequent to the measurement date	24,057	
Total non-hazardous	\$ 31,360	\$ 49,409
Hazardous		
Difference between expected and actual experience	\$ 2,948	\$
Net difference between projected and actual earnings on investments	2,375	
Changes in proportion and difference between employer contributions and proportionate share of contributions		87,349
Total hazardous	\$ 5,323	\$ 87,349
Total	\$ 36,683	\$ 136,758

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 8. County Employees Retirement System Plan *(Continued)*

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

The \$24,057 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date as of June 30, 2023, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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>
2024	\$	(25,052)	\$	(29,439)	\$	(54,491)
2025		(22,019)		(26,490)		(48,509)
2026		(2,086)		(23,062)		(25,148)
2027		7,051		(3,035)		4,016

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

At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability of \$96,663 (\$67,770 for non-hazardous and \$28,893 for hazardous classifications). The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2022, the City's proportion was 0.003434% for non-hazardous and 0.003392% for hazardous classifications, which was a decrease of 0.001001% and 0.003189%, respectively, from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized a \$2,393 reduction of OPEB expense for non-hazardous classifications. At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 8. County Employees Retirement System Plan *(Continued)*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Non-hazardous		
Difference between expected and actual experience	\$ 6,822	\$ 15,541
Change in assumptions	10,718	8,832
Net difference between projected and actual earnings on Plan investments	2,751	
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,933	16,763
Contributions subsequent to the measurement date	5,928	
Total non-hazardous	\$ 28,152	\$ 41,136
Hazardous		
Difference between expected and actual experience	\$ 638	\$ 1,711
Change in assumptions	4,823	4,971
Net difference between projected and actual earnings on OPEB plan investments	1,054	
Changes in proportion and difference between employer contributions and proportionate share of contributions		29,286
Contributions subsequent to the measurement date	315	
Total hazardous	\$ 6,830	\$ 35,968
Total	\$ 34,982	\$ 77,104

The \$6,243 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date as of June 30, 2023, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. This includes an adjustment of \$2,758 (\$2,443 for non-hazardous and \$315 for hazardous classifications) related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Total</u>
2024	\$ (3,440)	\$ (6,630)	\$ (10,070)
2025	(3,918)	(6,551)	(10,469)
2026	(8,462)	(7,039)	(15,501)
2027	(3,092)	(4,651)	(7,743)
202		(4,582)	(4,582)

G. Actuarial Assumptions

The total pension and OPEB liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 8. County Employees Retirement System Plan *(Continued)*

G. Actuarial Assumptions *(Continued)*

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 6.2% on January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 9% in 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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.

The actuarial assumption used in the June 30, 2022 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, 2021) to the Plan's fiscal year ending June 30, 2022.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rates of return 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 estimate 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>
Equity		60.00%
Public equity	4.45%	50.00%
Private equity	10.15%	10.00%
Fixed income		20.00%
Core fixed income	0.28%	10.00%
Specialty credit	2.28%	10.00%
Cash	(0.91)%	0.00%
Inflation protected		20.00%
Real estate	3.67%	7.00%
Real return	4.07%	13.00%
Expected real return		100.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 8. County Employees Retirement System Plan (Continued)

H. Pension Discount Rate

The discount rate used to measure the total pension liability was 6.25% for the year ended June 30, 2022. The projection of cash flows used to determine the discount rate assumed that local employers would contribute funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

I. Sensitivity of the City’s 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, 2023:

	<u>Discount Rate</u>		<u>Proportionate Share of Net Pension Liability</u>
Non-hazardous			
1% decrease	5.25%	\$	310,275
Current discount rate	6.25%		248,244
1% Increase	7.25%		196,940
Hazardous			
1% decrease	5.25%	\$	128,059
Current discount rate	6.25%		102,804
1% increase	7.25%		82,235

J. OPEB Discount Rate

The discount rate used to measure the total OPEB liability was 5.7% for the year ended June 30, 2022 for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KPPA’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KPPA’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

K. Sensitivity of the City’s 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, 2023:

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 8. County Employees Retirement System Plan *(Continued)*

K. Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate *(Continued)*

	<u>Discount Rate</u>		<u>Proportionate Share of Net OPEB Liability</u>
Non-hazardous			
1% decrease	4.70%	\$	90,598
Current discount rate	5.70%		67,770
1% increase	6.70%		48,899
Hazardous			
1% decrease	4.70%	\$	40,145
Current discount rate	5.70%		28,893
1% increase	6.70%		19,753

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, 2023:

		<u>Proportionate Share of Net OPEB Liability</u>	
		<u>Non-hazardous</u>	<u>Hazardous</u>
1% decrease	\$	50,386	\$ 20,175
Current discount rate		67,770	28,893
1% increase		88,646	39,518

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 9. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2023 is as follows:

	Beginning Balance (Restated)		Increase		Decrease		Ending Balance
Assets not being depreciated:							
Land	\$ 71,139	\$		\$		\$	71,139
Assets being depreciated:							
Buildings and improvements (Restated)	669,108		55,229		153,917		570,420
Machinery and equipment (Restated)	447,556		18,222		356,712		109,066
Infrastructure	387,057						387,057
Total capital assets	\$ 1,574,860	\$	73,451	\$	510,629	\$	1,137,682
Less: Accumulated depreciation	947,247		42,566		402,188		587,625
Capital assets, net	\$ 627,613	\$	30,885	\$	108,441	\$	550,057

Depreciation was charged to government functions as follows:

General government	\$ 8,084
Streets and maintenance	17,289
Protection to persons and property	10,075
Recreation and culture	7,118
Total	\$ 42,566

Capital asset activity for business-type activities for the year ended June 30, 2023 is as follows:

	Beginning Balance		Increase		Decrease		Ending Balance
Assets not being depreciated:							
Land	\$ 20,801	\$		\$		\$	20,801
Construction in progress	10,800		148,375				159,175
Assets being depreciated:							
Buildings and improvements	93,855						93,855
Machinery and equipment	466,205		30,659		30,696		466,168
Infrastructure	5,784,873				968,401		4,816,472
Total capital assets	\$ 6,376,534	\$	179,034	\$	999,097	\$	5,556,471
Less: Accumulated depreciation	3,060,657		156,836		552,074		2,665,419
Capital assets, net	\$ 3,315,877	\$	22,198	\$	447,023	\$	2,891,052

City of New Haven
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Continued)

Note 10. Fund Balances

The following is a summary of the Governmental Fund balances of the City at June 30, 2023:

Nonspendable			
Prepaid insurance		\$	1,316
Restricted			
Municipal road aid	\$	32,917	
Fire department		<u>46,794</u>	79,711
Committed			
Community development	\$	32,047	
Police car funds		<u>1,326</u>	33,373
Assigned			
Abbey donations	\$	5,669	
Media donations		5,407	
Equipment purchases		<u>4,624</u>	15,700
Unassigned			664,454
Total			<u>\$ 794,554</u>

Note 11. Reclassification of Net Position

Beginning restricted and unrestricted net position of the City's business-type activities were reclassified as follows to correct restricted and unrestricted net position balances not stated at appropriate amounts at June 30, 2022:

	<u>Restricted</u>		<u>Unrestricted</u>
Net position - Beginning of year	\$ 842,681	\$	44,812
Reclassification of funds from settlement	(275,000)		<u>275,000</u>
Net position - Beginning of year, restated	<u>\$ 567,681</u>	\$	<u>319,812</u>

Restricted net position of the City was overstated by \$275,000. Unrestricted net position of the City was understated by \$275,000. Net position in total was not impacted.

Note 12. Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through December 11, 2023, 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, 2023, 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, 2023**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues				
Taxes	\$ 250,350	\$ 250,350	\$ 287,046	\$ 36,696
Intergovernmental	16,500	21,000	77,519	56,519
License and permits	11,500	11,500	10,531	(969)
Charges for services	6,800	6,800	20,082	13,282
Rental	10,800	10,800	7,341	(3,459)
Miscellaneous	9,810	14,810	16,709	1,899
Total revenues	\$ 305,760	\$ 315,260	\$ 419,228	\$ 103,968
Expenditures				
General government	\$ 189,978	\$ 189,978	\$ 198,306	\$ (8,328)
Protection to persons and property	97,650	97,650	71,316	26,334
Recreation and culture	29,608	29,608	46,482	(16,874)
Capital outlay	51,500	61,000	73,451	(12,451)
Total expenditures	\$ 368,736	\$ 378,236	\$ 389,555	\$ (11,319)
Excess (deficiency) of revenues over expenditures	\$ (62,976)	\$ (62,976)	\$ 29,673	\$ 92,649
Other financing sources (uses)				
Transfer in	\$ _____	\$ _____	\$ 388	\$ 388
Total other financing sources (uses)	\$ _____	\$ _____	\$ 388	\$ 388
Net change in fund balance	\$ (62,976)	\$ (62,976)	\$ 30,061	\$ 93,037
Fund balance - Beginning	62,976	62,976	684,782	621,806
Fund balance - Ending	\$ _____	\$ _____	\$ 714,843	\$ 714,843

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 System
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 System
For the Year Ended June 30,
(Continued)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Non-hazardous				
Proportion of the collective net pension liability	0.004260%	0.004487%	0.004436%	0.003434%
Proportionate share of the net pension liability	\$ 299,608	\$ 344,149	\$ 282,830	\$ 248,244
Covered employee payroll	\$ 107,451	\$ 159,947	\$ 156,638	\$ 105,325
Proportionate share of the net pension liability as a percentage of its covered employee payroll	278.83%	215.16%	180.56%	235.69%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	47.81%	57.33%	52.42%
Hazardous				
Proportion of the collective net pension liability	0.008302%	0.007274%	0.006581%	0.003369%
Proportionate share of the net pension liability	\$ 229,326	\$ 219,313	\$ 175,197	\$ 102,804
Covered employee payroll	\$ 47,281	\$ 42,495	\$ 39,738	\$ 21,715
Proportionate share of the net pension liability as a percentage of its covered employee payroll	485.03%	516.09%	440.88%	473.42%
Plan fiduciary net position as a percentage of the total pension liability	46.63%	44.11%	52.26%	47.11%

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 System
For the Year Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Non-hazardous					
Statutorily required contributions for pension	\$ 10,743	\$ 9,998	\$ 7,995	\$ 13,882	\$ 15,245
Less: Contributions	<u>10,743</u>	<u>9,998</u>	<u>7,995</u>	<u>13,882</u>	<u>15,245</u>
Contribution deficiency (excess)	\$ <u> </u>				
Covered employee payroll	\$ 78,190	\$ 78,416	\$ 64,372	\$ 99,513	\$ 105,282
Contributions as a percentage of its covered employee payroll	13.74%	12.75%	12.42%	13.95%	14.48%
Hazardous					
Statutorily required contributions for pension	\$ 9,021	\$ 8,901	\$ 9,168	\$ 9,777	\$ 10,506
Less: Contributions	<u>9,021</u>	<u>8,901</u>	<u>9,168</u>	<u>9,777</u>	<u>10,506</u>
Contribution deficiency (excess)	\$ <u> </u>				
Covered employee payroll	\$ 41,440	\$ 42,938	\$ 45,252	\$ 45,036	\$ 47,326
Contributions as a percentage of its covered employee payroll	21.77%	20.73%	20.26%	21.71%	22.20%

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Non-hazardous					
Statutorily required contributions for pension	\$ 17,429	\$ 30,870	\$ 30,231	\$ 22,297	\$ 24,057
Less: Contributions	<u>17,429</u>	<u>30,870</u>	<u>30,231</u>	<u>22,297</u>	<u>24,057</u>
Contribution deficiency (excess)	\$ <u> </u>				
Covered employee payroll	\$ 107,451	\$ 159,947	\$ 156,638	\$ 105,325	\$ 102,806
Contributions as a percentage of its covered employee payroll	16.22%	19.30%	19.30%	21.17%	23.40%
Hazardous					
Statutorily required contributions for pension	\$ 11,759	\$ 12,774	\$ 11,945	\$ 7,353	\$
Less: Contributions	<u>11,759</u>	<u>12,774</u>	<u>11,945</u>	<u>7,353</u>	<u> </u>
Contribution deficiency (excess)	\$ <u> </u>				
Covered employee payroll	\$ 47,281	\$ 42,495	\$ 39,738	\$ 21,715	\$
Contributions as a percentage of its covered employee payroll	24.87%	30.06%	30.06%	33.86%	

This is a 10-year schedule.

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 System
For the Year Ended June 30,

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Non-hazardous					
Proportionate share of the collective net OPEB liability	0.004087%	0.004248%	0.004259%	0.004486%	0.004435%
Proportionate share of the net OPEB liability	\$ 82,163	\$ 75,422	\$ 71,634	\$ 108,323	\$ 84,906
Covered-employee payroll	\$ 99,513	\$ 105,282	\$ 107,451	\$ 159,947	\$ 156,638
Proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.57%	71.64%	66.67%	67.72%	54.21%
Plan fiduciary net position as a percentage of total OPEB liability	52.39%	57.62%	60.44%	51.67%	62.91%
Hazardous					
Proportionate share of the collective net OPEB liability	0.008204%	0.008496%	0.008300%	0.007271%	0.006581%
Proportionate share of the net OPEB liability	\$ 67,820	\$ 60,573	\$ 61,408	\$ 67,192	\$ 53,211
Covered-employee payroll	\$ 45,036	\$ 47,326	\$ 47,281	\$ 42,495	\$ 39,738
Proportionate share of net OPEB liability as a percentage of its covered-employee payroll	150.59%	127.99%	129.88%	158.12%	133.90%
Plan fiduciary net position as a percentage of total OPEB liability	58.99%	64.24%	64.44%	58.84%	66.81%

City of New Haven
Schedule of Proportionate Share of the Net Other
Postemployment Benefits Liability of County Employees Retirement System
For the Year Ended June 30,
(Continued)

	<u>2023</u>
Non-hazardous	
Proportionate share of the collective net OPEB liability	0.003434%
Proportionate share of the net OPEB liability	\$ 67,770
Covered-employee payroll	\$ 105,325
Proportionate share of net OPEB liability as a percentage of its covered-employee payroll	64.34%
Plan fiduciary net position as a percentage of total OPEB liability	60.95%
Hazardous	
Proportionate share of the collective net OPEB liability	0.003392%
Proportionate share of the net OPEB liability	\$ 28,893
Covered-employee payroll	\$ 21,715
Proportionate share of net OPEB liability as a percentage of its covered-employee payroll	133.06%
Plan fiduciary net position as a percentage of total OPEB liability	64.13%

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 System
For the Year Ended June 30,

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

City of New Haven
Schedule of Other Postemployment Benefits Contributions
to County Employees Retirement System
For the Year Ended June 30,
(Continued)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Non-hazardous					
Statutorily required contribution for OPEB	\$ 5,652	\$ 7,613	\$ 7,456	\$ 6,088	\$ 3,485
Less: Contributions	<u>5,652</u>	<u>7,613</u>	<u>7,456</u>	<u>6,088</u>	<u>3,485</u>
Contribution deficiency (excess)	\$ <u> </u>				
Covered employee payroll	\$ 107,451	\$ 159,947	\$ 156,638	\$ 105,325	\$ 102,806
Contributions as a percentage of its covered employee payroll	5.26%	4.76%	4.76%	5.78%	3.39%
Hazardous					
Statutorily required contribution for OPEB	\$ 4,950	\$ 4,046	\$ 3,783	\$ 2,274	\$
Less: Contributions	<u>4,950</u>	<u>4,046</u>	<u>3,783</u>	<u>2,274</u>	<u> </u>
Contribution deficiency (excess)	\$ <u> </u>				
Covered employee payroll	\$ 47,281	\$ 42,495	\$ 39,738	\$ 21,715	\$
Contributions as a percentage of its covered employee payroll	10.47%	9.52%	9.52%	10.47%	

This is a 10-year schedule.

See the accompanying Notes to the Required Supplementary Information.

City of New Haven
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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. However, budgeted expenditures exceeded the budget for general government, recreation and culture, and capital outlay by \$8,328, 16,874, and 12,451, respectively.

Note 2. Pension and OPEB Information

A. Net Pension Liability

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

B. Net OPEB Liability

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

C. Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions to County Employees Retirement System 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 System.

D. Payroll

The City's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability of County Employees Retirement System and the Schedule of Proportionate Share of the Net Other Postemployment Benefits Liability of County Employees Retirement System is 1 year prior to the City's fiscal year payroll as reported on the Schedule of Pension Contributions to County Employees Retirement System and Schedule of Other Postemployment Benefits Contributions to County Employees Retirement System.

Note 3. Changes in 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:

A. June 30, 2022 – Pension and OPEB

- The initial healthcare trend rate for pre-65 was changed from 6.3% to 6.2%. The initial healthcare trend rate for post-65 was changed from 6.3% to 9%.

B. June 30, 2021 – Pension and OPEB

- The initial healthcare trend rate for pre-65 was changed from 6.4% to 6.3%. The initial healthcare trend rate for post-65 was changed from 2.9% to 6.3%.

City of New Haven
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023
(Continued)

Note 3. Changes in Assumptions *(Continued)*

C. June 30, 2020 – Pension and OPEB

- 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%.

D. June 30, 2019 – Pension and OPEB

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

E. June 30, 2018 – Pension and OPEB

None.

F. June 30, 2017 – Pension and OPEB

- 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%.

G. June 30, 2016 – Pension and OPEB

None.

H. June 30, 2015 – Pension

- 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.

I. June 30, 2014 – Pension

None.

J. June 30, 2013 – Pension

- The assumed rate of return was 7.75%;
- The assumed rate of inflation was 3.5%;

City of New Haven
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023
(Continued)

Note 3. Changes in Assumptions *(Continued)*

J. June 30, 2013 – Pension *(Continued)*

- 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.

Supplementary Information

City of New Haven
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

	<u>Municipal Road Aid Fund</u>	<u>Fire Fund</u>	<u>Total</u>
Assets			
Restricted cash and cash equivalents	\$ 33,397	\$ 46,794	\$ 80,191
Total assets	<u>\$ 33,397</u>	<u>\$ 46,794</u>	<u>\$ 80,191</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 480	\$	\$ 480
Total liabilities	<u>\$ 480</u>	<u>\$</u>	<u>\$ 480</u>
Fund balances			
Restricted	\$ 32,917	\$ 46,794	\$ 79,711
Total fund balances	<u>\$ 32,917</u>	<u>\$ 46,794</u>	<u>\$ 79,711</u>
Total liabilities and fund balances	<u>\$ 33,397</u>	<u>\$ 46,794</u>	<u>\$ 80,191</u>

City of New Haven
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	<u>Municipal Road Aid Fund</u>	<u>Fire Fund</u>	<u>Total</u>
Revenues			
Intergovernmental	\$ 20,734	\$ 16,500	\$ 37,234
Miscellaneous	<u>2</u>	<u>68</u>	<u>70</u>
Total revenues	<u>\$ 20,736</u>	<u>\$ 16,568</u>	<u>\$ 37,304</u>
Expenditures			
Protection to persons and property	\$	\$ 18,993	\$ 18,993
Streets and maintenance	<u>7,197</u>	<u></u>	<u>7,197</u>
Total expenditures	<u>\$ 7,197</u>	<u>\$ 18,993</u>	<u>\$ 26,190</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 13,539</u>	<u>\$ (2,425)</u>	<u>\$ 11,114</u>
Net change in fund balances	\$ 13,539	\$ (2,425)	\$ 11,114
Fund balances - Beginning	<u>19,378</u>	<u>49,219</u>	<u>68,597</u>
Fund balances - Ending	<u><u>\$ 32,917</u></u>	<u><u>\$ 46,794</u></u>	<u><u>\$ 79,711</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 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, 2023, 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 December 11, 2023.

Report on 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) as a basis for designing 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: 2023 – 01.

Report on 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 Financial Statements
Performed in Accordance with *Government Auditing Standards*
(Continued)**

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of New Haven, Kentucky’s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of New Haven, Kentucky’s response to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of New Haven, Kentucky’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

December 11, 2023

**City of New Haven
Schedule of Findings
June 30, 2023**

Internal Control – Material Weaknesses and Significant Deficiencies

Finding Number 2023 – 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 and Asst. Clerk will continue to separate job duties as much as possible. Daily payments will be approved by the mayor. All paperwork/receipts will be available at all times for the mayor and commissioners to review. Monthly reports of revenue and expenditures will be provided to the Board of Commissioners.

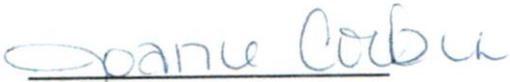
Certificate of Compliance –
Local Government Economic Assistance Program

**Certificate of Compliance -
Local Government Economic Assistance Program
City of New Haven, Kentucky
For the Fiscal Year Ended June 30, 2023**

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

December 11, 2023

To Whom It May Concern:

The City of New Haven respectfully submits the following corrective action plan for the year ended June 30, 2023.

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, 2023

The findings from the June 30, 2023 Schedule of Findings are discussed below, along with our responses to those findings.

Findings:

Internal Control – Significant Deficiency and Material Weaknesses

Finding Number 2023 – 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 and Asst. Clerk will continue to separate job duties as much as possible. Daily payments will be approved by the mayor. All paperwork/receipts will be available at all times for the mayor and commissioners to review. Monthly reports of revenue and expenditures will be provided to the Board of Commissioners.

Status: In Progress

Implementation Date: December 11, 2023

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

Sincerely,

Linda Mattingly
Mayor