

CITY OF WALTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2022

CITY OF WALTON, KENTUCKY
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2022

CONTENTS

	<u>Pages</u>
Introductory Section	
City Officials.....	1
Financial Section	
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-11
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position.....	12
Statement of Activities.....	13
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position - Proprietary Fund.....	17
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	18
Statement of Cash Flows - Proprietary Fund.....	19
Notes to Financial Statements	20-38
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	39
Budgetary Comparison Schedule - Municipal Road Aid Fund.....	40
Budgetary Comparison Schedule - Park Fund.....	41
Multiple employer, Cost Sharing, Defined Benefit Pension Plan Disclosure - Non-hazardous.....	42
Multiple employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure - Non-hazardous.....	43
Supplementary Information	
Budgetary Comparison Schedule - Tax Increment Financing Fund.....	44
 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	 45-46

CITY OF WALTON, KENTUCKY

CITY OFFICIALS

June 30, 2022

Mayor

Gabriel Brown

Council Members

Matthew Brown

Terri Courtney

Dan Martin

Sherri Snowden

Howard Stevens III

John Wainwright IV

Legal Counsel

Michael Duncan

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the Council of the
City of Walton, Kentucky**

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walton, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Walton, 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 Walton, Kentucky as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. 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 Walton, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Walton, 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.

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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Walton, 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 Walton, 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 management's discussion and analysis, budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walton, Kentucky's basic financial statements. The minor governmental 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 minor governmental 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 January 5, 2023, on our consideration of the City of Walton, 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 Walton, 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 City of Walton, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
January 5, 2023

**City of Walton, Kentucky
Fiscal Year 2022
Management's Discussion and Analysis**

Our discussion and analysis of the City of Walton's financial performance for the fiscal year ended June 30, 2022, is intended to compliment the formal financial statements that begin on page 12. The formal financial statements, upon which the audit firm renders their opinion, can be fairly complex. The Auditors notes, which are in the last section of the report, must also comply with structured professional standards and can be difficult for a non-accounting professional to understand. This "management's discussion" portion is intended to assist our citizens and other stakeholders in gaining a clearer understanding of the information in the Annual Financial Reports.

OVERVIEW OF THIS ANNUAL REPORT

This Annual Report consists of:

1. The Audit Opinion, pages 2-4.
2. This section, Management's Discussion and Analysis.
3. Formal financial statements and supporting schedules, pages 12-19.
4. Notes and supplementary information.
5. Compliance and other matters.

The City's financial statements are presented in two formats, each with a different perspective of the City's finances. Government-wide statements present the finances of the City as one complete entity, while the Fund financial statements attempt to isolate various departments or activities within the City's structure and provide greater detail. Both approaches are useful in understanding the City's financial structure.

Government-wide financial statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

Government-wide financial statements provide us with the total net position of the City and the changes in them from prior periods. One can think of the City's net position—the difference between assets and liabilities—in the same way as one would calculate their personal net worth. The year-end net position of the city, its equity, can be compared to prior years to determine if the City's equity is growing or shrinking. This is an important measurement of how the City is doing financial wise. Of course, the financial results of any entity must be evaluated in conjunction with the local economic environment and a host of non-financial factors such as, population growth, infrastructure asset condition, new or changed government legislation, and the types and levels of services to be provided.

Fund financial statements

Traditional users of government financial statements will find the fund financial statement presentation familiar. The focus of these financial statements is on the City's various funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

Governmental funds

Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided funds statement that explains the relationship (or differences) between them. Walton has four "governmental funds". The largest is the General Fund, which uses general revenues to provide city services and cover operating expenses. The Municipal Road Aid Fund houses grant receipts to be used only for specific purposes in accordance with Kentucky Revised Statutes. The Park Fund which records the operating activities of the Gaines Tavern History Center and the City's various public parks and the Tax Increment Financing Fund (TIF), a minor fund.

The City of Walton adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary funds

The City of Walton maintains one proprietary fund: the Water & Sewer Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2022, net position changed as follows:

Beginning net position	\$ 19,384,830
Increase in net position	<u>471,732</u>
Ending net position	<u>\$ 19,856,562</u>

Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 3,727,092	\$ 2,211,218	\$ 3,466,557	\$ 3,426,030	\$ 7,193,649	\$ 5,637,248
Capital assets	7,686,281	7,542,060	9,825,858	9,758,672	17,512,139	17,300,732
Deferred outflows	219,972	348,992	233,039	262,148	453,011	611,140
Total Assets	<u>11,633,345</u>	<u>10,102,270</u>	<u>13,525,454</u>	<u>13,446,850</u>	<u>25,158,799</u>	<u>23,549,120</u>
Current liabilities	1,418,668	56,551	902,737	946,994	2,321,405	1,003,545
Long-term liabilities	756,893	1,032,904	1,905,050	2,056,562	2,661,943	3,089,466
Deferred inflows	154,845	40,704	164,044	30,575	318,889	71,279
Total Liabilities	<u>2,330,406</u>	<u>1,130,159</u>	<u>2,971,831</u>	<u>3,034,131</u>	<u>5,302,237</u>	<u>4,164,290</u>
Net Position:						
Net investment in						
capital assets	7,686,281	7,542,060	8,544,488	8,310,610	16,230,769	15,852,670
Restricted	52,638	154,482	-	-	52,638	154,482
Unrestricted	<u>1,564,020</u>	<u>1,275,569</u>	<u>2,009,135</u>	<u>2,102,109</u>	<u>3,573,155</u>	<u>3,377,678</u>
Total Net Position	<u>\$ 9,302,939</u>	<u>\$ 8,972,111</u>	<u>\$ 10,553,623</u>	<u>\$ 10,412,719</u>	<u>\$ 19,856,562</u>	<u>\$ 19,384,830</u>

Unrestricted net position of \$3,573,155 may be used to meet the government's ongoing obligations to citizens and creditors.

Cash and investments totaled \$6,140,060 at the end of fiscal year 2022, an increase of \$1,324,330.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 2,426,756	\$ 2,369,187	\$ 2,426,756	\$ 2,369,187
Operating Grants	81,895	68,736	-	-	81,895	68,736
Capital Grants	-	1,127,000	-	-	-	-
General Revenues:						
Property taxes	803,762	633,370	-	-	803,762	633,370
Insurance tax	826,679	845,022	-	-	826,679	845,022
Other taxes	332,918	139,621	-	-	332,918	139,621
Fine and forfeitures	25	1,250	-	-	25	1,250
Water tower - rental	-	-	15,600	15,709	15,600	15,709
Interest	257	307	518	516	775	823
Miscellaneous	24,896	49,939	2,315	15,122	27,211	65,061
Total Revenues	<u>2,070,432</u>	<u>2,865,245</u>	<u>2,445,189</u>	<u>2,400,534</u>	<u>4,515,621</u>	<u>4,138,779</u>
Expenses:						
General Government	937,984	1,079,262	-	-	937,984	1,079,262
Public Works	332,289	360,676	-	-	332,289	360,676
Streets	384,187	425,992	-	-	384,187	425,992
Recreation	85,144	199,444	-	-	85,144	199,444
Water & Sewer	-	-	2,304,285	2,230,467	2,304,285	2,230,467
Total Expenses	<u>1,739,604</u>	<u>2,065,374</u>	<u>2,304,285</u>	<u>2,230,467</u>	<u>4,043,889</u>	<u>4,295,841</u>
Change in Net Position	330,828	799,871	140,904	170,067	471,732	969,938
Beginning Net Position	<u>8,972,111</u>	<u>8,172,240</u>	<u>10,412,719</u>	<u>10,242,652</u>	<u>19,384,830</u>	<u>18,414,892</u>
Ending Net Position	<u>\$ 9,302,939</u>	<u>\$ 8,972,111</u>	<u>\$ 10,553,623</u>	<u>\$ 10,412,719</u>	<u>\$ 19,856,562</u>	<u>\$ 19,384,830</u>

Property taxes are the primary source of income to the City and increased \$170,392 from 2021.

Expenses for the City's governmental activities decreased (\$141,278, or 13.1%). This change is primarily attributable to decreased street repairs and the non-cash expense recognized for pension and OPEB per GASB 68 and GASB 75.

The City has a conservative budget approach and usually encounters favorable budget variances at the end of its fiscal years. 2022 General Fund revenues were \$649,021 above budgeted revenues and expenditures were closely managed to budget and ended the year \$75,258 more than budgeted.

Capital Asset and Debt Administration

Capital assets

The City of Walton's investment in capital assets for its governmental and business type activities as of June 30, 2022, amounts to \$32,911,014. This investment in capital assets includes land, buildings, sewer and water systems, infrastructure, improvements, construction in progress, vehicles, equipment, and furniture and fixtures.

Capital assets

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Land	\$ 1,976,246	\$ 1,976,246	\$ 27,400	\$ 27,400
Buildings	2,511,903	2,444,787	-	-
Sewer system	-	-	15,683,595	14,649,944
Water system	-	-	4,572,535	4,562,805
Infrastructure	5,920,678	5,920,678	-	-
Improvements	832,802	832,802	-	-
Construction in progress	256,899	-	-	617,888
Vehicles	409,195	409,195	95,851	95,851
Equipment	185,098	138,698	258,297	220,809
Furniture & fixtures	180,515	135,515	-	-
Totals	\$ 12,273,336	\$ 11,857,921	\$ 20,637,678	\$ 20,174,697

This year's capital asset additions included:

	Governmental Activities	Business-type Activities
Construction in progress	\$ 256,899	\$ 85,821
Salt Dome	46,841	-
Salt spreader and mulcher	40,300	-
Senior Center roof replacement	20,275	-
City Building AC unit	6,100	-
Playground equipment	45,000	-
Utility system improvements	-	339,672
Pumps	-	37,488
Total capital purchases	\$ 415,415	\$ 462,981

Additional information on the City of Walton's capital assets can be found in Note D on pages 25-26 of this report.

Long-term debt

At the end of the current fiscal year, the City of Walton had total outstanding debt of \$1,281,370. The City of Walton's debt represents bonds and notes payable secured solely by specified revenue sources.

	Business-type Activities			June 30, 2022
	June 30, 2021	Additions	Deletions	
Kentucky Infrastructure Authority (backed by fee revenues)	\$ 1,448,062	\$ -	\$ (166,692)	\$ 1,281,370
Totals	\$ 1,448,062	\$ -	\$ (166,692)	\$ 1,281,370

Additional information on the City of Walton's long-term debt can be found in Note E on pages 25-26 of this report.

GASB 68 AND GASB 75 PENSION AND OPEB LIABILITY RECOGNITION

As of June 30, 2022, the City is required, by Governmental Accounting Standards Board Statements No. 68 and 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the District is a participant. The net pension and OPEB liability, \$1,478,053, the deferred outflow of resources, \$453,140, and the deferred inflow of resources, \$318,889, on the Statement of Net Position at June 30, 2022 are a function of this required reporting. Detailed information on this pension and OPEB recognition can be found in Note G in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Walton continues to grow with a continued need to improve and repair the existing infrastructure (streets, sidewalks and storm water control) for improving the quality of life in Walton. It is important that we show current and future developers that the City is alive and growing, while offering potential developers a marketable location. The opening of the Towne Center has helped our growth in respect to property assessment values. As additional lots are sold and new businesses located at the Towne Center, this growth is expected to continue. Additional growth is forecasted in our Real Property Assessments; therefore, we should still be able to keep pace with infrastructure requirements.

Water and sewer rates have provided additional revenue for water line upsizing and looping, a second water supply source and the sewer plant expansion to handle commercial and residential growth.

The City Council must continue working to make Walton an attractive and desirable location for businesses and families. We have established great programs such as the: Easter Egg Hunt, Old Fashion Day, Christmas on Main, The Walton Park Program and the Gaines Tavern History Center. These programs help to create appeal for those looking for a growing community with a small-town atmosphere.

The City needs to work closely with the Walton Towne Center developers; this will not only help our economic base, but also create employment with full time and part-time positions for the Walton area.

The Downtown area has added some new businesses and we should continue paying attention to this area in regard to beautification and Downtown vitality.

As the City of Walton looks to 2023, "The Place to Be" must continue to be our marketing tool while protecting our current assets for the future.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gevana Hicks, the City Clerk/Treasurer at 40 North Main Street, Walton, Kentucky.

CITY OF WALTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,948,342	\$ 3,048,184	\$ 5,996,526
Certificates of deposit	-	143,535	143,535
Receivables	235,012	274,838	509,850
Due from business-type activities	375,698	-	375,698
Capital assets:			
Land	1,976,246	27,400	2,003,646
Construction in progress	256,899	-	256,899
Buildings	2,511,903	-	2,511,903
Sewer system	-	15,683,594	15,683,594
Water system	-	4,572,537	4,572,537
Infrastructure	5,920,678	-	5,920,678
Improvements	832,802	-	832,802
Vehicles	409,195	95,851	505,046
Equipment	185,098	258,297	443,395
Furniture & fixtures	180,515	-	180,515
Less accumulated depreciation	(4,587,055)	(10,811,821)	(15,398,876)
Total assets	11,245,333	13,292,415	24,537,748
Deferred outflow of resources			
Deferred outflows related to pension and OPEB	219,972	233,039	453,011
Total assets and deferred outflow of resources	11,465,305	13,525,454	24,990,759
Liabilities			
Current liabilities:			
Accounts payable	304,702	124,133	428,835
Accrued liabilities	26,707	7,954	34,661
Accrued interest payable	-	3,451	3,451
Customer deposits	-	214,720	214,720
Deferred revenue	919,219	6,724	925,943
Due to governmental activities	-	375,698	375,698
Due within one year	-	170,057	170,057
Noncurrent liabilities:			
Compensated absences	39,183	33,394	72,577
Net pension and OPEB liability	717,710	760,343	1,478,053
Due in more than one year	-	1,111,313	1,111,313
Total liabilities	2,007,521	2,807,787	4,815,308
Deferred inflow of resources			
Deferred inflows related to pension and OPEB	154,845	164,044	318,889
Total liabilities and deferred inflow of resources	2,162,366	2,971,831	5,134,197
Net position			
Net investment in capital assets	7,686,281	8,544,488	16,230,769
Restricted for: special revenue	52,638	-	52,638
Unrestricted	1,564,020	2,009,135	3,573,155
Total net position	\$ 9,302,939	\$ 10,553,623	\$ 19,856,562

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

CITY OF WALTON, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,021,564	\$ -	\$ -	\$ -	\$ (1,021,564)	\$ -	\$ (1,021,564)
Public works	206,292	-	-	-	(206,292)	-	(206,292)
Streets	236,170	-	81,895	-	(154,275)	-	(154,275)
Recreation	34,482	-	-	-	(34,482)	-	(34,482)
Unallocated depreciation	271,194	-	-	-	(271,194)	-	(271,194)
Unallocated pension/OPEB costs	(30,098)	-	-	-	30,098	-	30,098
Total governmental activities	1,739,604	-	81,895	-	(1,657,709)	-	(1,657,709)
Business-type activities:							
Water & sewer	2,304,285	2,426,756	-	-	-	122,471	122,471
Total Business-type activities	2,304,285	2,426,756	-	-	-	122,471	122,471
Total primary government	\$ 4,043,889	\$ 2,426,756	\$ 81,895	\$ -	(1,657,709)	122,471	(1,535,238)
			General revenues:				
			Property taxes		803,762	-	803,762
			Insurance tax		826,679	-	826,679
			Other taxes		332,918	-	332,918
			Fines and forfeitures		25	-	25
			Water tower - rental		-	15,600	15,600
			Interest		257	518	775
			Miscellaneous		24,896	2,315	27,211
			Total general revenues		1,988,537	18,433	2,006,970
			Change in net position		330,828	140,904	471,732
			Net position - beginning		8,972,111	10,412,719	19,384,830
			Net position - ending		\$ 9,302,939	\$ 10,553,623	\$ 19,856,562

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

CITY OF WALTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Municipal Aid Fund	Park Fund	(Minor Fund) TIF Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,827,322	\$ 68,490	\$ 52,530	\$ -	\$ 2,948,342
Accounts receivable	227,508	7,504	-	-	235,012
Due from Water & Sewer Fund	375,698	-	-	-	375,698
Due from other funds	-	3,373	50,000	114,668	168,041
Total assets	\$ 3,430,528	\$ 79,367	\$ 102,530	\$ 114,668	\$ 3,727,093
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 60,775	\$ 36,175	\$ 93,084.00	\$ 114,668	\$ 304,702
Accrued liabilities	26,707	-	-	-	26,707
Deferred revenue	919,219	-	-	-	919,219
Due to other funds	168,041	-	-	-	168,041
Total liabilities	1,174,742	36,175	93,084	114,668	1,418,669
Fund balances:					
Unassigned	2,255,786	-	-	-	2,255,786
Restricted	-	43,192	-	-	43,192
Committed	-	-	9,446	-	9,446
Total fund balances	2,255,786	43,192	9,446	-	2,308,424
Total liabilities and fund balances	\$ 3,430,528	\$ 79,367	\$ 102,530	\$ 114,668	\$ 3,727,093

Reconciliation of fund balances to the statement of net position

Total fund balance for governmental funds	\$ 2,308,424
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,686,281
Long-term liabilities, including compensated absences and net pension and OPEB liability, are not payable from current resources are not reported in the funds.	(756,893)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore not reportable in the funds:	
Deferred outflow of resources	219,972
Deferred inflow of resources	(154,845)
Net position of governmental activities	\$ 9,302,939

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

CITY OF WALTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Municipal Aid Fund	Park Fund	(Minor Fund) TIF Fund	Total Governmental Funds
Revenues					
Property taxes	\$ 667,980	\$ 18,993	\$ -	\$ 116,789	\$ 803,762
Licenses and permits	826,679	-	-	-	826,679
Intergovernmental	332,918	81,895	-	-	414,813
Fines and forfeitures	25	-	-	-	25
Interest	245	6	6	-	257
Miscellaneous	15,194	-	9,702	-	24,896
Total revenues	<u>1,843,041</u>	<u>100,894</u>	<u>9,708</u>	<u>116,789</u>	<u>2,070,432</u>
Expenditures					
General government	911,707	-	-	116,789	1,028,496
Public works	202,112	-	-	-	202,112
Streets	-	236,170	-	-	236,170
Recreation	-	-	34,482	-	34,482
Capital outlay	113,516	-	301,899	-	415,415
Total expenditures	<u>1,227,335</u>	<u>236,170</u>	<u>336,381</u>	<u>116,789</u>	<u>1,916,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>615,706</u>	<u>(135,276)</u>	<u>(326,673)</u>	<u>-</u>	<u>153,757</u>
Other financing sources (uses)					
Transfers in	-	210,000	150,105	-	360,105
Transfers out	(360,105)	-	-	-	(360,105)
Total other financing sources (uses)	<u>(360,105)</u>	<u>210,000</u>	<u>150,105</u>	<u>-</u>	<u>-</u>
Net change in fund balances	255,601	74,724	(176,568)	-	153,757
Fund balances, beginning of year	<u>2,000,185</u>	<u>(31,532)</u>	<u>186,014</u>	<u>-</u>	<u>2,154,667</u>
Fund balances, end of year	<u>\$ 2,255,786</u>	<u>\$ 43,192</u>	<u>\$ 9,446</u>	<u>\$ -</u>	<u>\$ 2,308,424</u>

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

<p>CITY OF WALTON, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2022</p>
--

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 153,757
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital asset purchases capitalized	415,415
Depreciation expense	(271,194)
<p>Governmental funds report pension and OPEB contributions as expenditures, however, in the statement of activities, the cost of the pension and OPEB benefits earned, net of employer contributions, is reported as pension and OPEB expense:</p>	
Costs of benefits earned - pensions and OPEB	30,098
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as compensated absences.</p>	
	<u>2,752</u>
Change in net position of governmental activities	<u>\$ 330,828</u>

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

CITY OF WALTON, KENTUCKY STATEMENT OF NET POSITION - PROPRIETARY FUND June 30, 2022
--

Assets

Current assets:

Cash and cash equivalents	\$ 3,048,184
Certificates of deposit	143,535
Accounts receivable	274,838
Total current assets	<u>3,466,557</u>

Capital assets

Land	27,400
Construction in progress	-
Sewer system	15,683,594
Water system	4,572,537
Vehicles & equipment	354,148
Less accumulated depreciation	<u>(10,811,821)</u>

Total capital assets

9,825,858

Total assets

13,292,415

Deferred outflows related to pension and OPEB

233,039

Total assets and deferred outflow of resources

13,525,454

Liabilities

Current liabilities:

Accounts payable	124,133
Accrued liabilities	7,954
Accrued interest payable	3,451
Customer deposits	214,720
Deferred revenue	6,724
Due to other funds	375,698
Bonds and notes payable - current	<u>170,057</u>

Total current liabilities

902,737

Noncurrent liabilities:

Compensated absences	33,394
Bonds and notes payable	1,111,313
Net pension and OPEB liability	<u>760,343</u>

Total noncurrent liabilities

1,905,050

Total liabilities

2,807,787

Deferred inflows related to pension and OPEB

164,044

Total liabilities and deferred inflow of resources

2,971,831

Net position

Invested in capital assets, net of related debt	8,544,488
Unrestricted	<u>2,009,135</u>

Total net position

\$ 10,553,623

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

CITY OF WALTON, KENTUCKY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND For the Year Ended June 30, 2022

Operating revenues:	
Water service	\$ 1,117,450
Sewer service	904,620
Sewer tap fees	53,500
Sewer maintenance user fee	4,000
Sewer surcharge fee	242,472
Water meter installation	40,800
Water tap fees	23,400
Water sales - quarters	8,970
Penalties	31,544
Miscellaneous	2,315
Total operating revenues	<u>2,429,071</u>
Operating expenses:	
Cost of sales and services	1,706,875
Depreciation	395,796
Total operating expenses	<u>2,102,671</u>
Operating income	<u>326,400</u>
Nonoperating revenues (expenses):	
Water tower - rental	15,600
Interest income	518
Interest expense	(23,066)
Net change in share of pension and OPEB expense	(178,548)
Total non-operating revenues (expenses)	<u>(185,496)</u>
Change in net position	140,904
Total net position, beginning of year	<u>10,412,719</u>
Total net position, end of year	<u><u>\$ 10,553,623</u></u>

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

CITY OF WALTON, KENTUCKY STATEMENT OF CASH FLOWS - PROPRIETARY FUND For the Year Ended June 30, 2022

Cash flows from operating activities	
Receipts from customers and users	\$ 2,387,085
Payments to suppliers	(1,300,616)
Payments to employees	(396,161)
Net cash from operating activities	<u>690,308</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(462,981)
Principal paid on capital debt	(166,692)
Interest paid on capital debt	(25,136)
Water tower - rental	15,600
Interfund activity	20,999
Net cash from capital and related financing activities	<u>(618,210)</u>
Cash flows from investing activities	
Interest income	518
Net cash from investing activities	<u>518</u>
Net change in cash	72,616
Cash, beginning of year	<u>2,975,568</u>
Cash, end of year	<u>\$ 3,048,184</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 326,400</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	395,796
Decrease (increase) in accounts receivable	33,964
(Decrease) increase in accounts payable	(2,534)
Increase (decrease) in accrued liabilities	5,908
Increase (decrease) in deferred revenues	6,724
(Decrease) increase in customer deposits	(75,950)
Total adjustments	<u>363,908</u>
Net cash from operating activities	<u>\$ 690,308</u>

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Walton, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards City (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Walton is a municipality governed by an elected Mayor and six-member City Council. As required by generally accepted accounting principles, these financial statements present all activities for which the City is considered to be financially accountable.

Included in the Reporting Entity:

City of Walton Economic Development Authority, Inc.

The City of Walton Economic Development Authority, Inc. was formed October 5, 2016 to act as an agent and to be instrumental in the financing of public projects and public facilities and to act as the agency for the City responsible for the oversight, administration and implementation of the local area development or development area ordinances adopted by the City and to undertake other duties to promote the development of the City as may be directed by the City. The Corporation has the ability to acquire real estate located within the City and construct, acquire and equip thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt and may pledge all revenues derived from the operation of such public project or public projects, including the leasing of such public projects to the City. Upon retirement of the debt, title to the public project will vest in the City. The City exercises organization control over the Corporation at all times. There was no financial activity to report for the fiscal year ending June 30, 2022.

Government-wide Financial Statements

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

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

Amounts paid to acquire capital 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 City are reported as a reduction of the related liability, rather than as expenditures.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports on the following funds:

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

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

The City reports on the following proprietary fund:

The proprietary fund accounts for the activities of the City's water and sewer sales and services function.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards City, in accounting for enterprise funds and business-type activities.

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City. The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Banker's acceptances.
4. Commercial paper.
5. Bonds of other states or local governments.
6. Mutual funds.

Property Tax Receivable

Property taxes are levied as of October 1, on values assessed on January 1. The billings are considered past due 90 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Short-Term Inter-fund Receivables/Payables

During the course of operation, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables". Inter-fund receivables/payables at June 30, 2022 was \$375,698 between the General Fund and the Water & Sewer Fund.

Fixed Assets

General capital assets are those assets not specifically related to activities reported in the propriety fund. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Fixed Asset Account Group. Infrastructure such as streets, traffic signals, and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the respective balance sheet.

<p>CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022</p>
--

The range of lives used for depreciation purposes for each fixed asset class is as follows:

Buildings	40 years
Public Domain Infrastructure	40 years
Improvements	10 years
Vehicles	7 years
Machinery & Equipment	5 years
Furniture & Fixtures	5 years

Compensated Absences

Vested or accumulated vacation leave, which is expected to be liquidated with expendable and available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vacation pay and sick pay (for qualifying employees) is accrued when incurred and reported as a fund liability. The City maintains a certificate of deposit restricted with the purpose of paying on its compensated absences.

Long-term Obligations

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

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Pensions

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

Other Post-Employment Benefits (OPEB), Health Insurance

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

Fund Equity

Net position is the difference between assets and liabilities. Amounts invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

In the fund financial statements, fund balances have different classifications based upon their purposes, under GASB 54. The fund balance of the general fund is classified as *unassigned*, which represents funds not classified as non-spendable, committed, restricted, or assigned. The fund balance of the municipal road aid fund, a special revenue fund, is classified as *restricted*, as funds are externally restricted by the agency providing funding. The fund balance of the park fund, another special revenue fund, is classified as *committed*, as these funds have a specific purpose that has been designated internally.

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses, net related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance prior to June 1, the Mayor submits to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain taxpayer comment.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- D. The Mayor is required by Kentucky Revised Statute to present a quarterly report to the City Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE C – DEPOSITS

The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

As of June 30, 2022 the City had cash and cash equivalents of \$5,996,525. All cash balances not covered by FDIC insurance are fully collateralized.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Retirements/ Deletions/ Reclassification	Balance June 30, 2022
Governmental activities:				
Land	\$ 1,976,246	\$ -	\$ -	\$ 1,976,246
Construction in progress	-	256,899	-	256,899
Buildings	2,444,787	67,116	-	2,511,903
Infrastructure	5,920,678	-	-	5,920,678
Improvements	832,802	-	-	832,802
Vehicles	409,195	-	-	409,195
Equipment	138,698	46,400	-	185,098
Furniture & fixtures	135,515	45,000	-	180,515
Subtotal	<u>11,857,921</u>	<u>415,415</u>	<u>-</u>	<u>12,273,336</u>
Accumulated depreciation:				
Buildings	(1,050,488)	(55,362)	-	(1,105,850)
Infrastructure	(2,075,899)	(148,017)	-	(2,223,916)
Improvements	(684,301)	(27,261)	-	(711,562)
Vehicles	(299,437)	(25,981)	-	(325,418)
Equipment	(116,052)	(8,443)	-	(124,495)
Furniture & fixtures	(89,684)	(6,130)	-	(95,814)
Subtotal	<u>(4,315,861)</u>	<u>(271,194)</u>	<u>-</u>	<u>(4,587,055)</u>
Net capital assets	<u>\$ 7,542,060</u>	<u>\$ 144,221</u>	<u>\$ -</u>	<u>\$ 7,686,281</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 36,035
Public works	36,480
Streets	50,662
Recreation	148,017
Total governmental activities depreciation expense	<u>\$ 271,194</u>

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

The following is a summary of changes in capital assets in the proprietary fund:

	Balance June 30, 2021	Additions	Retirements/ Deletions	Balance June 30, 2022
Business-type activities:				
Not being depreciated:				
Land	\$ 27,400	\$ -	\$ -	\$ 27,400
Subtotal	27,400	-	-	27,400
Other capital assets:				
Construction in progress	617,888	85,821	(703,709)	-
Sewer system	14,649,944	329,942	703,709	15,683,595
Water system	4,562,805	9,730	-	4,572,535
Vehicles	95,851	-	-	95,851
Equipment	220,809	37,488	-	258,297
Subtotal	20,147,297	462,981	-	20,610,278
Accumulated depreciation:				
Sewer system	(7,456,486)	(309,861)	-	(7,766,347)
Water system	(2,763,645)	(67,896)	-	(2,831,541)
Vehicles	(51,095)	(9,608)	-	(60,703)
Equipment	(144,799)	(8,431)	-	(153,230)
Subtotal	(10,416,025)	(395,796)	-	(10,811,821)
Net capital assets	<u>\$ 9,758,672</u>	<u>\$ 67,185</u>	<u>\$ -</u>	<u>\$ 9,825,857</u>

NOTE E – LONG-TERM DEBT

The City has the following long-term debt payable to the Kentucky Infrastructure Authority in connection with water and sewer line improvements. Revenues from the water and sewer system are pledged for the payment of the principal and interest on the notes.

Debt Item	Date of Issuance	Interest Rate	Maturity Date	Balance 06/30/2022
KIA Note B08-05	12/01/2009	0.600%	12/01/2029	\$ 389,108
Bond Series 2017	11/01/2017	2.190%	11/01/2028	892,262
				<u>\$ 1,281,370</u>

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

The following is a schedule of future debt service requirements to maturity at June 30, 2022:

Year ended June 30,	KIA Note B08-05		Bond Series 2017	
	Principal	Interest	Principal	Interest
2023	\$ 50,876	\$ 2,258	\$ 119,181	\$ 18,235
2024	51,182	1,953	122,040	15,594
2025	51,489	1,645	124,689	12,892
2026	51,799	1,336	127,179	10,134
2027	52,110	1,024	129,442	7,324
2028-2029	131,651	1,187	269,732	5,981
	<u>\$ 389,107</u>	<u>\$ 9,403</u>	<u>\$ 892,263</u>	<u>\$ 70,160</u>

Year ended June 30,	Debt Total	
	Principal	Interest
2023	\$ 170,057	\$ 20,493
2024	173,222	17,547
2025	176,178	14,537
2026	178,978	11,470
2027	181,552	8,348
2028-2029	401,383	7,168
Total	<u>\$ 1,281,370</u>	<u>\$ 79,563</u>

NOTE F – CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE G – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

Plan description – City employees are covered by CERS (County Employees’ Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The City has only Non-Hazardous employees.

CITY OF WALTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Membership in CERS consisted of the following at June 30, 2021:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	81,250	80,745
Inactive Plan Members	95,692	29,208
Retired Members	65,414	37,037
	<u>242,356</u>	<u>146,990</u>
Number of participating employers		<u>1,139</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

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

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

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

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

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

Contributions

The City contributed 26.95% of covered-employee's compensation, of which 21.17% was for the pension fund and 5.78% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$118,795, of which \$93,317 was for the pension fund and \$25,478 was for the health insurance fund.

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

At June 30, 2022, the City reported a liability of \$1,136,802 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.01783% of the total CERS non-hazardous duty employees. For the year ended June 30, 2022, the City recognized pension inflow of \$122,642 in addition to its \$93,317 pension contribution.

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 13,054	\$ (11,033)
Net difference between projected actual earnings on plan investments	-	(151,517)
Changes of assumptions	15,257	-
Changes in proportion and differences between contributions and proportionate share of contributions	105,817	-
Contributions subsequent to the measurement date	93,317	-
	<u>\$ 227,445</u>	<u>\$ (162,550)</u>

The City's contributions subsequent to the measurement date of \$93,317 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ 65,820
2023	(13,791)
2024	(33,002)
2025	(47,449)
2026	-
Thereafter	-
	<u>\$ (28,422)</u>

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 30, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

Plan Target Allocation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

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

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, 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 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
	Non-hazardous	\$ 1,458,003	\$ 1,136,802
Total	\$ 1,458,003	\$ 1,136,802	\$ 871,016

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

<p>CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022</p>
--

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees. The City contributed 5.78% of covered employees' compensation for the health insurance fund.

These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, the City recognized OPEB inflow of \$25,809 in addition to its \$25,478 OPEB contribution.

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

At June 30, 2022, the City reported a liability of \$341,251 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities,

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

actuarially determined. At the June 30, 2021 measurement year, the City's proportion of the total non-hazardous plan was 0.01783%.

In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 53,662	\$(101,886)
Net difference between projected actual earnings on plan investments	-	(53,384)
Changes of assumptions	90,472	(317)
Changes in proportion and differences between contributions and proportionate share of contributions	55,954	(752)
Contributions subsequent to the measurement date	25,478	-
	<u>\$ 225,566</u>	<u>\$(156,339)</u>

The City's contributions subsequent to the measurement date, \$25,478 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ 25,844
2023	17,699
2024	16,459
2025	(16,253)
2026	-
Thereafter	-
	<u>\$ 43,749</u>

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<p>CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022</p>
--

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	
Investment rate of return	6.25%, net of OPEB plan expense, including inflation,
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates (Pre-65):	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare trend rates (Post-65):	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.20%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

Plan Target Allocation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.20% for the non-hazardous plan, as well as what the 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.20%	5.20%	6.20%
Net OPEB liability, Non-Haz	\$ 468,535	\$ 341,251	\$ 236,793
Total	\$ 468,535	\$ 341,251	\$ 236,793

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 245,660	\$ 341,251	\$ 456,630
Total	\$ 245,660	\$ 341,251	\$ 456,630

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE H – CONTINGENT LIABILITIES

The City is from time to time a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government. As of June 30, 2022, the City was not involved in any lawsuits.

NOTE I – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual potential claims against the City as of June 30, 2022, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past four fiscal years.

NOTE J – TAX ABATEMENTS

The following entities have property taxes abated by the City, as well as fire district and school district taxes abated by those respective entities. In accordance with GASB 77, the City had the following tax abatements for the fiscal year ended June 30, 2022:

Tax Payer	Tax Approved for Abatement	Authority	Term	Date Abatement Ends	Amount Abated this Fiscal Year
Lukecloth LLC	Property, School, Fire District	Payment in Lieu of Taxes	25 Years	January 2036	\$ 2,326
Hellman Lumber	Property and School District	Payment in Lieu of Taxes	20 Years	November 2030	\$ -
Total Abatement for the Year Ended June 30, 2022					<u>\$ 2,326</u>

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022

The City also has the following Tax Increment Financing District with amount abated for payroll and property taxes:

Omaha Enterprises Tax Increment Financing District

Tax Payer	Tax Approved for Abatement	Authority	Term	Date Abatement Ends	1.2% Job Assessment Fees	65% Project Ad Valorem Taxes	Amount Abated this Fiscal Year
	Property, Payroll	Payment in Lieu of Taxes	30 Years	30 Years from occupancy	\$ -	\$ 45,695	\$ 45,695
Total Abatement for the Year Ended June 30, 2022							<u>\$ 45,695</u>

NOTE K – STATE AND LOCAL FISCAL RECOVERY FUNDS

In response to the COVID-19 Global Pandemic, the City has qualified and was approved for \$1,069,220 in funding from the American Rescue Plan Act. This funding has been designated to help city governments respond to the pandemic and its negative economic impacts. The City has received these funds and recognized \$150,000 as income during the year ended June 30, 2022. The remaining \$919,220 is Unearned Revenue at June 30, 2022.

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

Statement No. 91 – *Conduit Debt Obligations* – FY 2022

Statement No. 92 – *Omnibus 2020* – FY 2022

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE M – FUTURE ACCOUNTING STANDARDS

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023

Statement No. 98 – *Annual Comprehensive Financial Report* – FY 2023

Statement No. 99 – *Omnibus 2022* – FY 2024

Statement No. 100 – *Accounting Changes and Error Corrections* – FY 2024

Statement No. 101 – *Compensated Absences* – FY 2025

NOTE N – SUBSEQUENT EVENTS

The City’s management has evaluated events through January 3, 2023, the date on which the financial statements were available for issue. The City did not have any events subsequent events to June 30, 2022 through January 5, 2023. to disclose.

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1.	\$ 1,600,000	\$ -	\$ 1,600,000	\$ 2,000,185	\$ 400,185
Resources (inflows)					
Taxes	714,366	-	714,366	667,980	(46,386)
Licenses and permits	829,354	-	829,354	826,679	(2,675)
Intergovernmental	-	-	-	332,918	332,918
Fines and forfeitures	1,250	-	1,250	25	(1,225)
Interest	180	-	180	245	65
Miscellaneous	49,055	-	49,055	15,194	(33,861)
Transfers in	-	-	-	-	-
Amounts available for appropriation	3,194,205	-	3,194,205	3,843,226	649,021
Charges to appropriations (outflows):					
General government	898,080	-	898,080	938,082	(40,002)
Public works	240,102	-	240,102	289,253	(49,151)
Transfers out	374,000	-	374,000	360,105	13,895
Total charges to appropriation	1,512,182	-	1,512,182	1,587,440	(75,258)
Budgetary fund balance, June 30	\$ 1,682,023	\$ -	\$ 1,682,023	\$ 2,255,786	\$ 573,763

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final		Final Budget - Positive (Negative)
Budgetary fund balance, July 1.	\$ -	\$ -	\$ -	\$ (31,532)	\$ (31,532)
Resources (inflows)					
Tax revenues	-	-	-	18,993	18,993
Intergovernmental	92,010	-	92,010	81,895	(10,115)
Interest	14	-	14	6	(8)
Transfers In	160,000	-	160,000	210,000	50,000
Amounts available for appropriation	<u>252,024</u>	<u>-</u>	<u>252,024</u>	<u>279,362</u>	<u>27,338</u>
Charges to appropriations (outflows):					
Public works	108,290	-	108,290	39,482	68,808
Capital outlay	135,000	-	135,000	196,688	(61,688)
Total charges to appropriation	<u>243,290</u>	<u>-</u>	<u>243,290</u>	<u>236,170</u>	<u>7,120</u>
Budgetary fund balance, June 30	<u>\$ 8,734</u>	<u>\$ -</u>	<u>\$ 8,734</u>	<u>\$ 43,192</u>	<u>\$ 34,458</u>

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
PARK FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 186,000	\$ -	\$ 186,000	\$ 186,014	\$ 14
Resources (inflows)					
Interest	30	-	30	6	(24)
Transportation grant	228,000	-	228,000	-	(228,000)
Miscellaneous	-	-	-	9,702	9,702
Operating transfers in	214,000	-	214,000	150,105	(63,895)
Amounts available for appropriation	628,030	-	628,030	345,827	(282,203)
Charges to appropriations (outflows)					
Parks/Recreation	24,414	-	24,414	34,482	(10,068)
Capital outlay	525,000	-	525,000	301,899	223,101
Total charges to appropriations	549,414	-	549,414	336,381	213,033
Budgetary fund balance, June 30	\$ 78,616	\$ -	\$ 78,616	\$ 9,446	\$ (69,170)

CITY OF WALTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION - MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION
PLAN DISCLOSURE-NON-HAZARDOUS
For the Year Ended June 30, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.017830%	0.017210%	0.014730%	0.012230%	0.012270%	0.011140%	0.013601%	0.010742%		
Proportionate share of the net pension liability (asset)	\$ 1,136,802	\$ 1,319,916	\$ 1,035,967	\$ 744,905	\$ 718,318	\$ 548,732	\$ 584,786	\$ 348,510		
Covered payroll in year of measurement	\$ 455,413	\$ 440,632	\$ 375,844	\$ 307,556	\$ 309,039	\$ 254,935	\$ 281,576	\$ 209,730		
Share of the net pension liability (asset) as a percentage of its covered payroll	249.62%	299.55%	275.64%	242.20%	232.44%	215.24%	207.68%	166.17%		
Plan fiduciary net position as a percentage of total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	59.97%	59.97%	66.80%		

Schedule of the District's Contributions
County Employees' Retirement System (CERS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 93,317	\$ 87,895	\$ 85,042	\$ 60,962	\$ 44,534	\$ 41,253	\$ 31,663	\$ 35,901	\$ 28,817	
Actual contribution	93,317	87,895	85,042	60,962	44,534	41,253	31,663	35,901	28,817	
Contribution deficiency (excess)					-	-	-	-	-	
Covered payroll	\$ 440,799	\$ 455,413	\$ 440,632	\$ 375,844	\$ 307,556	\$ 309,039	\$ 254,935	\$ 281,576	\$ 209,730	
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.35%	12.42%	12.75%	13.74%	

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

The net pension liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

CITY OF WALTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION - MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB
PLAN DISCLOSURE-NON-HAZARDOUS
For the Year Ended June 30, 2022

Schedule of the Board's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.017830%	0.017200%	0.014730%	0.012230%	0.012270%					
Proportionate share of the net OPEB liability (asset)	\$ 341,251	\$ 415,424	\$ 247,685	\$ 217,159	\$ 246,709					
Covered payroll in year of measurement	\$ 455,413	\$ 440,632	\$ 375,844	\$ 307,556	\$ 309,039					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	74.93%	94.28%	65.90%	70.61%	79.83%					
Plan fiduciary net position as a percentage of total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%					

Schedule of the Board's OPEB Fund Contributions
County Employees' Retirement System (CERS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 25,478	\$ 21,678	\$ 20,974	\$ 19,769	\$ 14,455	\$ 13,987				
Actual contribution	25,478	21,678	20,974	19,769	14,455	13,987				
Contribution deficiency (excess)					-	-				
Covered payroll	440,799	455,413	440,632	375,844	307,556	309,039				
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%				

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between the City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUND (Minor Fund)
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (inflows)					
Taxes	-	-	-	116,789	116,789
Amounts available for appropriation	-	-	-	116,789	116,789
Charges to appropriations (outflows)					
TIF payments				114,668	
Miscellaneous expenses	-	-	-	2,121	(2,121)
Total charges to appropriations	-	-	-	116,789	(116,789)
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

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

**To the Honorable Mayor and
Members of Council of
City of Walton, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Walton, Kentucky as of June 30, 2022 and the related notes to the financial statements which collectively comprise the City of Walton, Kentucky's financial statements, and have issued our report thereon dated January 5, 2023.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered City of Walton, 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 City of Walton, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Walton, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Walton, Kentucky's financial statements are free of 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 provisions was not an objective of our audits, 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*.

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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

January 5, 2023