

CITY OF WALTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

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ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

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CITY OF WALTON, KENTUCKY

CITY OFFICIALS

June 30, 2021

Mayor

Gabriel Brown

Council Members

Matthew Brown

Terri Courtney

Dan Martin

Bobby McDonald

Sherri Snowden

Howard Stevens III

Legal Counsel

Michael Duncan

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Walton, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

-Management's Responsibility for the Financial Statements

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

-Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

-Opinion

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

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4–10, the budgetary comparison schedules on pages 39-41 and the pension and OPEB disclosures on pages 42-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022 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 the City of Walton, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

February 25, 2022

**City of Walton, Kentucky
Fiscal Year 2021
Management's Discussion and Analysis**

Our discussion and analysis of the City of Walton's financial performance for the fiscal year ended June 30, 2021, is intended to compliment the formal financial statements that begin on page 11. 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 and 3.
2. This section, Management's Discussion and Analysis.
3. Formal financial statements and supporting schedules, pages 11-18.
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 three "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 and the Park Fund which records the operating activities of the Gaines Tavern History Center and the City's various public parks.

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 13-15 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 16-18 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2021, net position changed as follows:

Beginning net position	\$ 18,414,892
Increase in net position	<u>969,938</u>
Ending net position	<u><u>\$ 19,384,830</u></u>

Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 2,211,218	\$ 2,099,057	\$ 3,426,030	\$ 3,484,547	\$ 5,637,248	\$ 5,583,604
Capital assets	7,542,060	6,646,739	9,758,672	9,486,773	17,300,732	16,133,512
Deferred outflows	348,992	220,025	262,148	231,265	611,140	451,290
Total Assets	<u>10,102,270</u>	<u>8,965,821</u>	<u>13,446,850</u>	<u>13,202,585</u>	<u>23,549,120</u>	<u>22,168,406</u>
Current liabilities	56,551	74,071	946,994	764,361	1,003,545	838,432
Long-term liabilities	1,032,904	666,077	2,056,562	2,139,409	3,089,466	2,805,486
Deferred inflows	40,704	53,433	30,575	56,163	71,279	109,596
Total Liabilities	<u>1,130,159</u>	<u>793,581</u>	<u>3,034,131</u>	<u>2,959,933</u>	<u>4,164,290</u>	<u>3,753,514</u>
Net Position:						
Net investment in						
capital assets	7,542,060	6,646,739	8,310,610	7,875,524	15,852,670	14,522,263
Restricted	154,482	239,047	-	-	154,482	239,047
Unrestricted	<u>1,275,569</u>	<u>1,286,454</u>	<u>2,102,109</u>	<u>2,367,128</u>	<u>3,377,678</u>	<u>3,653,582</u>
Total 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>

Unrestricted net position of \$3,377,678 may be used to meet the government's ongoing obligations to citizens and creditors.

Cash and investments totaled \$4,815,730 at the end of fiscal year 2021, a decrease of \$17,574.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 2,369,187	\$ 2,342,183	\$ 2,369,187	\$ 2,342,183
Operating Grants	68,736	73,314	-	-	68,736	73,314
Capital Grants	1,127,000	-	-	-	1,127,000	-
General Revenues:						
Property taxes	633,370	547,985	-	-	633,370	547,985
Insurance tax	845,022	758,140	-	-	845,022	758,140
Other taxes	139,621	108,131	-	-	139,621	108,131
Fine and forfeitures	1,250	1,250	-	-	1,250	1,250
Water tower - rental	-	-	15,709	11,700	15,709	11,700
Transfer	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-
Interest	307	1,587	516	9,061	823	10,648
Miscellaneous	49,939	20,752	15,122	8,023	65,061	28,775
Total Revenues	2,865,245	1,511,159	2,400,534	2,370,967	5,265,779	3,882,126
Expenses:						
General Government	1,079,262	769,890	-	-	1,079,262	769,890
Public Works	360,676	349,002	-	-	360,676	349,002
Streets	425,992	371,436	-	-	425,992	371,436
Recreation	199,444	264,000	-	-	199,444	264,000
Water & Sewer	-	-	2,230,467	2,318,576	2,230,467	2,318,576
Total Expenses	2,065,374	1,754,328	2,230,467	2,318,576	4,295,841	4,072,904
Increase in						
Net Position	799,871	(243,169)	170,067	52,391	969,938	(190,778)
Beginning Net Position	8,172,240	8,415,409	10,242,652	10,190,261	18,414,892	18,605,670
Ending 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>

Taxes are the primary source of income to the City and increased \$85,385 from 2020.

Expenses for the City's governmental activities increased (\$309,372, or 40%). This change is primarily attributable to increased 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. 2021 General Fund revenues were \$575,822 above budgeted revenues and expenditures were closely managed to budget and ended the year \$70,368 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, 2021, amounts to \$32,032,618. 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	
	2021	2020	2021	2020
Land	\$ 1,976,246	\$ 849,246	\$ 27,400	\$ 27,400
Buildings	2,444,787	2,444,787	-	-
Sewer system	-	-	14,649,944	14,649,944
Water system	-	-	4,562,805	4,562,805
Infrastructure	5,920,678	5,920,678	-	-
Improvements	832,802	832,802	-	-
Construction in progress	-	-	617,888	-
Vehicles	409,195	371,195	95,851	95,851
Equipment	138,698	125,083	220,809	190,859
Furniture & fixtures	135,515	135,515	-	-
Totals	<u>\$ 11,857,921</u>	<u>\$ 10,679,306</u>	<u>\$ 20,174,697</u>	<u>\$ 19,526,859</u>

This year's capital asset additions included:

	Governmental Activities	Business-type Activities
Construction in progress	\$ -	\$ 617,888
Diesel generator	-	29,950
Donated land 54.5 acres	1,127,000	-
2017 Ford pickup truck	38,000	-
Plow/salt spreader	13,615	-
Total capital purchases	<u>\$ 1,178,615</u>	<u>\$ 647,838</u>

Additional information on the City of Walton's capital assets can be found in Note D on pages 24-25 of this report.

Long-term debt

At the end of the current fiscal year, the City of Walton had total outstanding debt of \$1,448,062. The City of Walton’s debt represents bonds and notes payable secured solely by specified revenue sources.

	Business-type Activities			June 30, 2021
	June 30, 2020	Additions	Deletions	
Kentucky Infrastructure Authority (backed by fee revenues)	\$ 1,611,249	\$ -	\$ (163,187)	\$ 1,448,062
Totals	\$ 1,611,249	\$ -	\$ (163,187)	\$ 1,448,062

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, 2021, 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, \$1,735,340, the deferred outflow of resources, \$611,140, and the deferred inflow of resources, \$71,279, on the Statement of Net Position at June 30, 2021 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 2022, "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/Finance Officer at 40 North Main Street, Walton, Kentucky.

CITY OF WALTON, KENTUCKY**STATEMENT OF NET POSITION**

June 30, 2021

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,698,502	\$ 2,975,568	\$ 4,674,070
Certificates of deposit	-	141,660	141,660
Receivables	232,308	308,802	541,110
Due from business-type activities	280,408	-	280,408
Capital assets:			
Land	1,976,246	27,400	2,003,646
Construction in progress	-	617,888	617,888
Buildings	2,444,787	-	2,444,787
Sewer system	-	14,649,944	14,649,944
Water system	-	4,562,805	4,562,805
Infrastructure	5,920,678	-	5,920,678
Improvements	832,802	-	832,802
Vehicles	409,195	95,851	505,046
Equipment	138,698	220,809	359,507
Furniture & fixtures	135,515	-	135,515
Less accumulated depreciation	(4,315,861)	(10,416,025)	(14,731,886)
Total assets	9,753,278	13,184,702	22,937,980
Deferred outflow of resources			
Deferred outflows related to pension and OPEB	348,992	262,148	611,140
Total assets and deferred outflow of resources	10,102,270	13,446,850	23,549,120
Liabilities			
Current liabilities:			
Accounts payable	48,828	126,667	175,495
Accrued liabilities	7,723	4,468	12,191
Accrued interest payable	-	3,646	3,646
Customer deposits	-	290,670	290,670
Due to governmental activities	-	354,699	354,699
Due within one year	-	166,844	166,844
Noncurrent liabilities:			
Compensated absences	41,936	30,972	72,908
Net pension and OPEB liability	990,968	744,372	1,735,340
Due in more than one year	-	1,281,218	1,281,218
Total liabilities	1,089,455	3,003,556	4,093,011
Deferred inflow of resources			
Deferred inflows related to pension and OPEB	40,704	30,575	71,279
Total liabilities and deferred inflow of resources	1,130,159	3,034,131	4,164,290
Net position			
Net investment in capital assets	7,542,060	8,310,610	15,852,670
Restricted for: special revenue	154,482	-	154,482
Unrestricted	1,275,569	2,102,109	3,377,678
Total net position	\$ 8,972,111	\$ 10,412,719	\$ 19,384,830

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

CITY OF WALTON, KENTUCKY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

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	\$ 1,079,262	\$ -	\$ -	\$ 1,127,000	\$ 47,738	\$ -	\$ 47,738
Public works	360,676	-	-	-	(360,676)	-	(360,676)
Streets	425,992	-	68,736	-	(357,256)	-	(357,256)
Recreation	199,444	-	-	-	(199,444)	-	(199,444)
Total governmental activities	2,065,374	-	68,736	1,127,000	(869,638)	-	(869,638)
Business-type activities:							
Water & sewer	2,230,467	2,369,187	-	-	-	138,720	138,720
Total Business-type activities	2,230,467	2,369,187	-	-	-	138,720	138,720
Total primary government	\$ 4,295,841	\$ 2,369,187	\$ 68,736	\$ 1,127,000	(869,638)	138,720	(730,918)
			General revenues:				
			Property taxes		633,370	-	633,370
			Insurance tax		845,022	-	845,022
			Other taxes		139,621	-	139,621
			Fines and forfeitures		1,250	-	1,250
			Water tower - rental		-	15,709	15,709
			Interest		307	516	823
			Miscellaneous		49,939	15,122	65,061
			Total general revenues/transfers		1,669,509	31,347	1,700,856
			Change in net position		799,871	170,067	969,938
			Net position - beginning		8,172,240	10,242,652	18,414,892
			Net position - ending		\$ 8,972,111	\$ 10,412,719	\$ 19,384,830

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

CITY OF WALTON, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2021
--

	<u>General Fund</u>	<u>Municipal Aid Fund</u>	<u>Park Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,500,601	\$ 11,887	\$ 186,014	\$ 1,698,502
Accounts receivable	232,308	-	-	232,308
Due from other funds	280,408	2,779	-	283,187
Total assets	<u>\$ 2,013,317</u>	<u>\$ 14,666</u>	<u>\$ 186,014</u>	<u>\$ 2,213,997</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 2,630	\$ 46,198	\$ -	\$ 48,828
Accrued liabilities	7,723	-	-	7,723
Due to other funds	2,779	-	-	2,779
Total liabilities	<u>13,132</u>	<u>46,198</u>	<u>-</u>	<u>59,330</u>
Fund balances:				
Unassigned	2,000,185	-	-	2,000,185
Restricted	-	(31,532)	-	(31,532)
Committed	-	-	186,014	186,014
Total fund balances	<u>2,000,185</u>	<u>(31,532)</u>	<u>186,014</u>	<u>2,154,667</u>
Total liabilities and fund balances	<u>\$ 2,013,317</u>	<u>\$ 14,666</u>	<u>\$ 186,014</u>	<u>\$ 2,213,997</u>

Reconciliation of fund balances to the statement of net position

Total fund balance for governmental funds	\$ 2,154,667
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.	7,542,060
Long-term liabilities, including compensated absences and net pension and OPEB liability, are not payable from current resources are not reported in the funds.	(1,032,904)
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	348,992
Deferred inflow of resources	(40,704)
Net position of governmental activities	<u>\$ 8,972,111</u>

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, 2021

	General Fund	Municipal Aid Fund	Park Fund	Total Governmental Funds
Revenues				
Taxes	\$ 614,546	\$ 18,824	\$ -	\$ 633,370
Licenses and permits	845,022	-	-	845,022
Intergovernmental	139,621	68,736	-	208,357
Fines and forfeitures	1,250	-	-	1,250
Interest	283	8	16	307
Miscellaneous	48,644	-	1,295	49,939
Total revenues	1,649,366	87,568	1,311	1,738,245
Expenditures				
General government	922,436	-	-	922,436
Public works	206,069	-	-	206,069
Streets	-	377,017	-	377,017
Recreation	-	-	51,427	51,427
Capital outlay	51,615	-	-	51,615
Total expenditures	1,180,120	377,017	51,427	1,608,564
Excess (deficiency) of revenues over (under) expenditures	469,246	(289,449)	(50,116)	129,681
Other financing sources (uses)				
Transfers in	-	210,000	45,000	255,000
Transfers out	(255,000)	-	-	(255,000)
Total other financing sources (uses)	(255,000)	210,000	45,000	-
Net change in fund balances	214,246	(79,449)	(5,116)	129,681
Fund balances, beginning of year	1,785,939	47,917	191,130	2,024,986
Fund balances, end of year	\$ 2,000,185	\$ (31,532)	\$ 186,014	\$ 2,154,667

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, 2021</p>
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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	129,681
--	----	---------

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.

Capital asset purchases capitalized	51,615
Contributed capital received	1,127,000
Depreciation expense	(283,294)

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:

Costs of benefits earned - pensions and OPEB	(223,433)
--	-----------

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.

(1,698)

Change in net position of governmental activities	\$	<u>799,871</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WALTON, KENTUCKY STATEMENT OF NET POSITION - PROPRIETARY FUND June 30, 2021
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Assets

Current assets:

Cash and cash equivalents	\$ 2,975,568
Certificates of deposit	141,660
Accounts receivable	308,802

Total current assets	<u>3,426,030</u>
-----------------------------	------------------

Capital assets

Land	27,400
Construction in progress	617,888
Sewer system	14,649,944
Water system	4,562,805
Vehicles & equipment	316,660
Less accumulated depreciation	(10,416,025)

Total capital assets	<u>9,758,672</u>
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Total assets	<u>13,184,702</u>
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Deferred outflows related to pension and OPEB	<u>262,148</u>
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Total assets and deferred outflow of resources	<u>13,446,850</u>
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Liabilities

Current liabilities:

Accounts payable	126,667
Accrued liabilities	4,468
Accrued interest payable	3,646
Customer deposits	290,670
Due to other funds	354,699
Bonds and notes payable - current	166,844

Total current liabilities	<u>946,994</u>
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Noncurrent liabilities:

Compensated absences	30,972
Bonds and notes payable	1,281,218
Net pension and OPEB liability	744,372

Total noncurrent liabilities	<u>2,056,562</u>
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Total liabilities	<u>3,003,556</u>
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Deferred inflows related to pension and OPEB	<u>30,575</u>
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Total liabilities and deferred inflow of resources	<u>3,034,131</u>
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Net position

Invested in capital assets, net of related debt	8,310,610
Unrestricted	2,102,109

Total net position	<u>\$ 10,412,719</u>
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The accompanying notes are an integral part of these financial statements.

<p>CITY OF WALTON, KENTUCKY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND For the Year Ended June 30, 2021</p>
--

Operating revenues:	
Water service	\$ 1,010,219
Sewer service	850,935
Sewer tap fees	121,049
Sewer surcharge fee	222,329
Water meter installation	100,800
Water tap fees	53,841
Water sales - quarters	9,893
Penalties	121
Miscellaneous	15,122
Total operating revenues	<u>2,384,309</u>
Operating expenses:	
Cost of sales and services	1,798,587
Depreciation	375,939
Total operating expenses	<u>2,174,526</u>
Operating income	<u>209,783</u>
Nonoperating revenues (expenses):	
Water tower - rental	15,709
Interest income	516
Interest expense	(25,853)
Net change in share of pension and OPEB expense	(30,088)
Total non-operating revenues (expenses)	<u>(39,716)</u>
Change in net position	170,067
Total net position, beginning of year	<u>10,242,652</u>
Total net position, end of year	<u><u>\$ 10,412,719</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, 2021

Cash flows from operating activities	
Receipts from customers and users	\$ 2,432,917
Payments to suppliers	(1,448,396)
Payments to employees	(339,635)
Net cash from operating activities	<u>644,886</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(647,838)
Principal paid on capital debt	(163,187)
Interest paid on capital debt	(26,368)
Water tower - rental	15,709
Interfund activity	118,849
Net cash from capital and related financing activities	<u>(702,835)</u>
Cash flows from investing activities	
Interest income	(313)
Net cash from investing activities	<u>(313)</u>
Net change in cash	(58,262)
Cash, beginning of year	<u>3,033,830</u>
Cash, end of year	<u><u>\$ 2,975,568</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 209,783
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	375,939
Decrease (increase) in accounts receivable	255
(Decrease) increase in accounts payable	13,563
Increase (decrease) in accrued liabilities	(3,007)
Increase (decrease) in customer deposits	48,353
Total adjustments	<u>435,103</u>
Net cash from operating activities	<u><u>\$ 644,886</u></u>

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

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, 2021.

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, 2021

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, 2021

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, 20201 was \$280,408 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, 2021</p>
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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, 2021

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, 2021

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, 2021 the City had cash and cash equivalents of \$4,674,070. All cash balances not covered by FDIC insurance are fully collateralized.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

On December 30, 2020, Owens Walton, LLC donated two parcels of land totaling 54.5 acres (parcel 077-00-00-050.00, 49.6 acres holding a farm fair cash value of \$829,000 and parcel 077-00-00-053.00, 4.9 acres with an assessed value of \$298,000) and transferred ownership to the City of Walton, Kentucky. The land had an estimated fair market value of \$1,127,000 on the date received.

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Retirements/ Deletions/ Reclassification	Balance June 30, 2021
Governmental activities:				
Land	\$ 849,246	\$ 1,127,000	\$ -	\$ 1,976,246
Construction in progress	-	-	-	-
Buildings	2,444,787	-	-	2,444,787
Infrastructure	5,920,678	-	-	5,920,678
Improvements	832,802	-	-	832,802
Vehicles	371,195	38,000	-	409,195
Equipment	125,083	13,615	-	138,698
Furniture & fixtures	135,515	-	-	135,515
Subtotal	<u>10,679,306</u>	<u>1,178,615</u>	<u>-</u>	<u>11,857,921</u>
Accumulated depreciation:				
Buildings	(995,355)	(55,133)	-	(1,050,488)
Infrastructure	(1,927,882)	(148,017)	-	(2,075,899)
Improvements	(652,980)	(31,321)	-	(684,301)
Vehicles	(263,795)	(35,642)	-	(299,437)
Equipment	(107,314)	(8,738)	-	(116,052)
Furniture & fixtures	(85,241)	(4,443)	-	(89,684)
Subtotal	<u>(4,032,567)</u>	<u>(283,294)</u>	<u>-</u>	<u>(4,315,861)</u>
Net capital assets	<u>\$ 6,646,739</u>	<u>895,321</u>	<u>\$ -</u>	<u>\$ 7,542,060</u>

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

Depreciation was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$ 39,926
Public works	46,376
Streets	48,975
Recreation	148,017
Total governmental activities depreciation expense	<u>\$ 283,294</u>

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

	Balance June 30, 2020	Additions	Retirements/ Deletions	Balance June 30, 2021
Business-type activities:				
Not being depreciated:				
Land	\$ 27,400	\$ -	\$ -	\$ 27,400
Subtotal	<u>27,400</u>	<u>-</u>	<u>-</u>	<u>27,400</u>
Other capital assets:				
Construction in progress	-	617,888	-	617,888
Sewer system	14,649,944	-	-	14,649,944
Water system	4,562,805	-	-	4,562,805
Vehicles	95,851	-	-	95,851
Equipment	190,859	29,950	-	220,809
Subtotal	<u>19,499,459</u>	<u>647,838</u>	<u>-</u>	<u>20,147,297</u>
Accumulated depreciation:				
Sewer system	(7,164,126)	(292,360)	-	(7,456,486)
Water system	(2,695,952)	(67,693)	-	(2,763,645)
Vehicles	(41,487)	(9,608)	-	(51,095)
Equipment	(138,521)	(6,278)	-	(144,799)
Subtotal	<u>(10,040,086)</u>	<u>(375,939)</u>	<u>-</u>	<u>(10,416,025)</u>
Net capital assets	<u>\$ 9,486,773</u>	<u>\$ 271,899</u>	<u>\$ -</u>	<u>\$ 9,758,672</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 06/30/2021
KIA Note B08-05	12/01/2009	0.600%	12/01/2029	\$ 439,480
Bond Series 2017	11/01/2017	2.190%	11/01/2028	1,008,382
				<u>\$ 1,447,862</u>

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

The following is a schedule of future debt service requirements to maturity at June 30, 2021:

Year ended June 30,	KIA Note B08-05		Bond Series 2017	
	Principal	Interest	Principal	Interest
2022	\$ 50,572	\$ 2,410	\$ 116,119	\$ 20,812
2023	50,876	2,106	119,181	18,235
2024	51,182	1,799	122,040	15,594
2025	51,489	1,491	124,689	12,892
2026	51,799	1,180	127,179	10,134
2027-2029	183,762	1,660	399,174	13,305
	<u>\$ 439,680</u>	<u>\$ 10,646</u>	<u>\$ 1,008,382</u>	<u>\$ 90,972</u>

Year ended June 30,	Debt Total	
	Principal	Interest
2022	\$ 166,691	\$ 23,222
2023	170,057	20,341
2024	173,222	17,393
2025	176,178	14,383
2026	178,978	11,314
2027-2029	582,936	14,965
Total	<u>\$ 1,448,062</u>	<u>\$ 101,618</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

The City’s eligible employees are covered by the County Employees Retirement System (Plan)

General information about the County Employees Retirement System (“CERS”)

Plan description - 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 Pensions 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 Pensions Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions 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, 2021

Membership in CERS consisted of the following at June 30, 2020:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	81,506	81,147
Inactive Plan Members	91,543	29,362
Retired Members	64,539	36,371
	<u>237,588</u>	<u>146,880</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 or 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, 2021

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

For non-hazardous duty employees, the City contributed 24.06% of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2021.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$109,572, of which \$87,895 was for the pension fund and \$21,678 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, 2021, the City reported a liability of \$1,319,916 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2020 measurement year, the City's non-hazardous employer allocation proportion was 0.01721% of the total CERS non-hazardous duty employees. For the year ended June 30, 2021, the City recognized pension expense of \$212,525 in addition to its \$89,895 pension contribution.

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

	Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 32,915	\$ -
Net difference between projected actual earnings on plan investments	33,029	-
Changes of assumptions	51,540	-
Changes in proportion and differences between contributions and proportionate share of contributions	165,524	(250)
Contributions subsequent to the measurement date	87,895	-
	<u>\$ 370,903</u>	<u>\$ (250)</u>

The City's contributions subsequent to the measurement date of \$87,895 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 144,426
2022	101,995
2023	23,072
2024	13,265
2025	-
Thereafter	-
	<u>\$ 282,758</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
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 recognize
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

Inflation	2.30%
Salary increases	3.05-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)

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 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. 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, 2019.

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.

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:

CITY OF WALTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	<u>100.00%</u>	

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

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.25 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	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,627,744	\$ 1,319,916	\$ 1,065,023
Total	<u>\$ 1,627,744</u>	<u>\$ 1,319,916</u>	<u>\$ 1,065,023</u>

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, 2021</p>
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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, 2018, the contribution was \$13.38 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, 2018, the contribution was \$13.38 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 contractually required contribution rate for governmental entities was 4.76% of covered-employee payroll for non-hazardous duty employees; 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. Contributions to the OPEB plan from the City were \$21,678 for non-hazardous duty employees for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$415,424 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2020 measurement date, the City's proportion of the non-hazardous plan was 0.01721%.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$40,997. 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 of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 69,409	\$ (69,463)
Net difference between projected actual earnings on plan investments	13,807	-
Changes of assumptions	72,259	(439)
Changes in proportion and differences between contributions and proportionate share of contributions	63,085	(1,127)
Contributions subsequent to the measurement date	21,678	-
	<u>\$ 240,238</u>	<u>\$ (71,029)</u>

The City's contributions subsequent to the measurement date, \$21,678 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 37,839
2022	41,926
2023	34,068
2024	32,860
2025	837
Thereafter	-
	<u>\$ 147,530</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and 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, 2021</p>
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Valuation date	June 30, 2018
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 recognize
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-11.55%, varies by service
Mortality:	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set-back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 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 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 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 5.68% to 5.34% for the non-hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.34% 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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

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.

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	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	<u>100.00%</u>	

Sensitivity of the City's 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 5.34% for the non-hazardous plan and 5.30% for the hazardous plan, as well as what the proportionate share of the net pension 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	4.34%	5.34%	6.34%
Net OPEB liability, Non-Haz	\$ 533,698	\$ 415,424	\$ 318,282
Total	<u>\$ 533,698</u>	<u>\$ 415,424</u>	<u>\$ 318,282</u>

Sensitivity of the City's 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:

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 321,642	\$ 415,424	\$ 529,231
Total	\$ 321,642	\$ 415,424	\$ 529,231

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, 2021, 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, 2021, 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

In accordance with GASB 77, the City had the following tax abatements for the fiscal year ended June 30, 2021:

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

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	\$ 34,721
Hellman Lumber	Property and School District	Payment in Lieu of Taxes	20 Years	November 2030	\$ 7,682
Total Abatement for the Year Ended June 30, 2021					<u>\$ 42,403</u>

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
No Occupants in 2018	Property, Payroll	Payment in Lieu of Taxes	30 Years	30 Years from occupancy	\$ -	\$ -	\$ -
Total Abatement for the Year Ended June 30, 2021							<u>\$ -</u>

NOTE K – DEFICIT FUND BALANCES

The City currently has a deficit fund balance in one fund, the Municipal Road Aid Fund (\$31,532). The Municipal Road Aid Fund is funded primarily by funds from the State of Kentucky. No other funds have net losses that resulted in a corresponding reduction of fund balance.

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – The implementation of this standard had no significant effect on the City.

Statement No. 89 – *Accounting for Interest Cost in Construction Projects* – The implementation of this standard had no significant effect on the City.

Statement No. 90 – *Majority Equity Interests* – The implementation of this standard had no significant effect on the City.

NOTE M – FUTURE ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

Statement No. 91 – *Conduit Debt Obligations* – FY 2023

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

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

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2022

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2022

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021

NOTE N - COVID-19 GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization announced a global health emergency, later classified as a global pandemic, as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. The City's Management and Council are actively monitoring the impact of the global pandemic on its financial condition, liquidity, operations, suppliers, and industry.

The primary effects on the City from the COVID-19 Global Pandemic was a slight increase in Water & Sewer accounts receivable due to restrictions on collections of public services during the period. The 2021-22 fiscal-year budget has been passed to incorporate potential effects of the pandemic on the City's financial condition.

NOTE O – SUBSEQUENT EVENTS

The City's management has evaluated events through February 25, 2022, the date on which the financial statements were available for issue. The City did not have any events subsequent events to June 30, 2021 through February 25, 2022 to disclose.

The City received its first portion of the Federally funded American Recovery Plan Act (ARPA) grant in the amount of \$525,428 in July 2021. These funds are designated for specific uses, and any amount unused by December 31, 2024, will need to be returned.

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2021

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final		Final Budget - Positive (Negative)
Budgetary fund balance, July 1.	\$1,600,000	\$ -	\$1,600,000	\$1,785,939	\$ 185,939
Resources (inflows)					
Property taxes	618,113	-	618,113	614,546	(3,567)
Licenses and permits	640,000	-	640,000	845,022	205,022
Intergovernmental	-	-	-	139,621	139,621
Fines and forfeitures	-	-	-	1,250	1,250
Interest	1,370	-	1,370	283	(1,087)
Miscellaneous	-	-	-	48,644	48,644
Transfers in	-	-	-	-	-
Amounts available for appropriation	2,859,483	-	2,859,483	3,435,305	575,822
Charges to appropriations (outflows):					
General government	841,650	-	841,650	922,436	(80,786)
Public works	303,102	-	303,102	257,684	45,418
Transfers out	220,000	-	220,000	255,000	(35,000)
Total charges to appropriation	1,364,752	-	1,364,752	1,435,120	(70,368)
Budgetary fund balance, June 30	\$1,494,731	\$ -	\$1,494,731	\$2,000,185	\$ 505,454

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2021

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final		Final Budget - Positive (Negative)
Budgetary fund balance, July 1.	\$ 63,612	\$ -	\$ 63,612	\$ 47,917	\$ (15,695)
Resources (inflows)					
Tax revenues	15,339	-	15,339	18,824	3,485
Intergovernmental	66,074	-	66,074	68,736	2,662
Interest	-	-	-	8	8
Transfers In	175,000	-	175,000	210,000	35,000
Amounts available for appropriation	<u>320,025</u>	<u>-</u>	<u>320,025</u>	<u>345,485</u>	<u>25,460</u>
Charges to appropriations (outflows):					
Public works	315,528	-	315,528	377,017	(61,489)
Total charges to appropriation	<u>315,528</u>	<u>-</u>	<u>315,528</u>	<u>377,017</u>	<u>(61,489)</u>
Budgetary fund balance, June 30	<u>\$ 4,497</u>	<u>\$ -</u>	<u>\$ 4,497</u>	<u>\$ (31,532)</u>	<u>\$ (36,029)</u>

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
PARK FUND
For the Year Ended June 30, 2021

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 211,779	\$ -	\$ 211,779	\$ 191,130	\$ (20,649)
Resources (inflows)					
Interest	31	-	31	16	(15)
Transportation grant	225,000	-	225,000	-	(225,000)
Miscellaneous	-	-	-	1,295	1,295
Operating transfers in	45,000	-	45,000	45,000	-
Amounts available for appropriation	<u>481,810</u>	<u>-</u>	<u>481,810</u>	<u>237,441</u>	<u>(244,369)</u>
Charges to appropriations (outflows)					
Parks/Recreation	478,803	-	478,803	51,427	427,376
Total charges to appropriations	<u>478,803</u>	<u>-</u>	<u>478,803</u>	<u>51,427</u>	<u>427,376</u>
Budgetary fund balance, June 30	<u>\$ 3,007</u>	<u>\$ -</u>	<u>\$ 3,007</u>	<u>\$ 186,014</u>	<u>\$ 183,007</u>

CITY OF WALTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION - MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION
PLAN DISCLOSURE-NON-HAZARDOUS
For the Year Ended June 30, 2021

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.017210%	0.014730%	0.012230%	0.012270%	0.011140%	0.013601%	0.010742%			
Proportionate share of the net pension liability (asset)	\$ 1,319,916	\$ 1,035,967	\$ 744,905	\$ 718,318	\$ 548,732	\$ 584,786	\$ 348,510			
Covered payroll in year of measurement	\$ 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	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	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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 87,895	\$ 85,042	\$ 60,962	\$ 44,534	\$ 41,253	\$ 31,663	\$ 35,901	\$ 28,817		
Actual contribution	87,895	85,042	60,962	44,534	41,253	31,663	35,901	28,817		
Contribution deficiency (excess)				-	-	-	-	-		
Covered payroll	\$ 455,413	\$ 440,632	\$ 375,844	\$ 307,556	\$ 309,039	\$ 254,935	\$ 281,576	\$ 209,730		
Contributions as a percentage of covered payroll	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, 2021

The net pension liability as of June 30, 2021, is based on the June 30, 2020, 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, 2021****Schedule of the Board's Proportionate Share of the Net OPEB Liability****County Employees' Retirement System (CERS)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.017200%	0.014730%	0.012230%	0.012270%						
Proportionate share of the net OPEB liability (asset)	\$ 415,424	\$ 247,685	\$ 217,159	\$ 246,709						
Covered payroll in year of measurement	\$ 440,632	\$ 375,844	\$ 307,556	\$ 309,039						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	94.28%	65.90%	70.61%	79.83%						
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	57.62%	52.40%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 21,678	\$ 20,974	\$ 19,769	\$ 14,455	\$ 13,987					
Actual contribution	21,678	20,974	19,769	14,455	13,987					
Contribution deficiency (excess)				-	-					
Covered payroll	455,413	440,632	375,844	307,556	309,039					
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%					

Notes to Required Supplementary Information**For the Year Ended June 30, 2021**

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, 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.

**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, 2021 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 February 25, 2022.

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. We did identify certain deficiencies in internal control, described below as finding **2021-01** that we consider to be a material weakness.

Finding 2021-01 – Lack of Control Over Financial Reporting

Criteria: Kentucky Revised Statute 91A.020, paragraph (1)(b) states “*Each city shall keep its accounting records and render financial reports in such a way as to: (b) Determine fairly and with full disclosure the financial operations of the constituent funds and account groups of the city in conformity with generally accepted governmental accounting principles.*” The City is required by KRS statute to have internal controls over the fiscal year-end financial reporting process to record year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

Condition: For the fiscal year 2020-2021, the auditor was required to make numerous journal entries, for receivables, payables, fixed asset additions/assumptions, and pension costs. These misstatements were not previously identified by the City's internal controls over financial reporting.

Cause: The City and its consultant accountant failed to provide proper oversight over fiscal year-end financial reporting, which resulted in misstated accounting records.

Effect: The City's books required audit adjustments to ensure the financial records were fairly stated in accordance with generally accepted accounting principles. The City is therefore in violation of KRS 91A.020(1)(b).

Recommendation: We recommend that the City's consultant accountant be responsible for making fiscal year-end adjustment in receivables, payables, fixed assets, and pension, etc. to ensure the City's fiscal year-end reports are accurately stated.

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
February 25, 2022