

CITY OF WALTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

CITY OF WALTON, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

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CITY OF WALTON, KENTUCKY

CITY OFFICIALS

June 30, 2023

Mayor

Gabriel Brown

Council Members

Rosalyn Beach

Matthew Brown

Terri Courtney

Sherri Gaskill

Amanda Long

Dan Martin

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, 2023, 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, 2023, 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 budgetary comparison schedules for the minor governmental funds are presented for the purpose 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 budgetary comparison schedules for the minor governmental funds 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 2, 2024, 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 2, 2024

**City of Walton, Kentucky
Fiscal Year 2023
Management's Discussion and Analysis**

Our discussion and analysis of the City of Walton's financial performance for the fiscal year ended June 30, 2023, 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, 2023, net position changed as follows:

Beginning net position	\$ 19,856,562
Increase in net position	<u>558,629</u>
Ending net position	<u><u>\$ 20,415,191</u></u>

Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 3,684,166	\$ 3,559,052	\$ 3,226,177	\$ 3,466,557	\$ 6,910,343	\$ 7,025,609
Capital assets	7,638,448	7,686,281	9,595,725	9,825,858	17,234,173	17,512,139
Deferred outflows	173,230	219,972	151,846	233,039	325,076	453,011
Total Assets	11,495,844	11,465,305	12,973,748	13,525,454	24,469,592	24,990,759
Current liabilities	792,870	1,250,628	525,466	902,737	1,318,336	2,153,365
Long-term liabilities	849,093	756,893	1,683,188	1,905,050	2,532,281	2,661,943
Deferred inflows	108,595	154,845	95,189	164,044	203,784	318,889
Total Liabilities	1,750,558	2,162,366	2,303,843	2,971,831	4,054,401	5,134,197
Net Position:						
Net investment in						
capital assets	7,638,448	7,686,281	8,484,412	8,544,488	16,122,860	16,230,769
Restricted	7,462	52,638	-	-	7,462	52,638
Unrestricted	2,099,376	1,564,020	2,185,493	2,009,135	4,284,869	3,573,155
Total Net Position	\$ 9,745,286	\$ 9,302,939	\$ 10,669,905	\$ 10,553,623	\$ 20,415,191	\$ 19,856,562

Unrestricted net position of \$4,284,869 may be used to meet the government's ongoing obligations to citizens and creditors.

Cash and investments totaled \$6,173,467 at the end of fiscal year 2023, an increase of \$33,407.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 2,579,973	\$ 2,426,756	\$ 2,579,973	\$ 2,426,756
Operating Grants	676,307	81,895	-	-	676,307	81,895
Capital Grants	-	-	-	-	-	-
General Revenues:						
Property taxes	977,345	803,762	-	-	977,345	803,762
Insurance tax	828,827	826,679	-	-	828,827	826,679
Other taxes	148,436	332,918	-	-	148,436	332,918
Fine and forfeitures	43,244	25	-	-	43,244	25
Water tower - rental	-	-	15,600	15,600	15,600	15,600
Interest	5,010	257	14,653	518	19,663	775
Miscellaneous	24,788	24,896	16,136	2,315	40,924	27,211
Total Revenues	<u>2,703,957</u>	<u>2,070,432</u>	<u>2,626,362</u>	<u>2,445,189</u>	<u>5,330,319</u>	<u>4,515,621</u>
Expenses:						
General Government	1,389,010	937,984	-	-	1,389,010	937,984
Public Works	384,637	332,289	-	-	384,637	332,289
Streets	397,649	384,187	-	-	397,649	384,187
Recreation	90,314	85,144	-	-	90,314	85,144
Water & Sewer	-	-	2,510,080	2,304,285	2,510,080	2,304,285
Total Expenses	<u>2,261,610</u>	<u>1,739,604</u>	<u>2,510,080</u>	<u>2,304,285</u>	<u>4,771,690</u>	<u>4,043,889</u>
Change in Net Position	442,347	330,828	116,282	140,904	558,629	471,732
Beginning 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>
Ending Net Position	<u>\$ 9,745,286</u>	<u>\$ 9,302,939</u>	<u>\$ 10,669,905</u>	<u>\$ 10,553,623</u>	<u>\$ 20,415,191</u>	<u>\$ 19,856,562</u>

Property taxes are the primary source of income to the City and increased \$173,583 from 2022.

Expenses for the City's governmental activities increased (\$451,026, or 4.8%). This change is primarily attributable to purchasing public works truck 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. 2023 General Fund revenues were \$523,159 above budgeted revenues and expenditures were closely managed to budget and ended the year \$369,767 less 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, 2023, amounts to \$33,333,585. 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	
	2023	2022	2023	2022
Land	\$ 1,976,246	\$ 1,976,246	\$ 27,400	\$ 27,400
Buildings	2,524,063	2,511,903	-	-
Sewer system	-	-	15,838,823	15,683,595
Water system	-	-	4,572,537	4,572,535
Infrastructure	5,920,678	5,920,678	-	-
Improvements	931,183	832,802	-	-
Construction in progress	239,806	256,899	-	-
Vehicles	459,238	409,195	95,851	95,851
Equipment	229,540	185,098	281,330	258,297
Furniture & fixtures	236,890	180,515	-	-
Totals	<u>\$ 12,517,644</u>	<u>\$ 12,273,336</u>	<u>\$ 20,815,941</u>	<u>\$ 20,637,678</u>

This year's capital asset additions included:

	Governmental Activities	Business-type Activities
Construction in progress	\$ 81,288	\$ -
Playground equipment	56,375	-
Tennis court resurface	98,381	-
Mower	16,588	-
Security system	15,354	-
Bridge at Owens Lake	12,500	-
Public works vehicle	50,043	-
Garage/shed	12,160	-
Utility system improvements	-	155,229
Control panel, etc.	-	23,033
Total capital purchases	<u>\$ 342,689</u>	<u>\$ 178,262</u>

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 \$1,111,313. The City of Walton's debt represents bonds and notes payable secured solely by specified revenue sources.

	Business-type Activities			June 30, 2023
	June 30, 2022	Additions	Deletions	
Kentucky Infrastructure Authority (backed by fee revenues)	\$ 1,281,370	\$ -	\$ (170,057)	\$ 1,111,313
Totals	\$ 1,281,370	\$ -	\$ (170,057)	\$ 1,111,313

Additional information on the City of Walton’s long-term debt can be found in Note E on pages 26-27 of this report.

GASB 68 AND GASB 75 PENSION AND OPEB LIABILITY RECOGNITION

As of June 30, 2023, 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, \$1,528,112, the deferred outflow of resources, \$325,076, and the deferred inflow of resources, \$203,784, on the Statement of Net Position at June 30, 2023 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 regarding beautification and Downtown vitality.

As the City of Walton looks to 2024, "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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,419,953	\$ 2,753,514	\$ 6,173,467
Receivables	264,213	311,433	575,646
Due from governmental activities	-	161,230	161,230
Capital assets:			
Land	1,976,246	27,400	2,003,646
Construction in progress	239,806	-	239,806
Buildings	2,524,063	-	2,524,063
Sewer system	-	15,838,823	15,838,823
Water system	-	4,572,537	4,572,537
Infrastructure	5,920,678	-	5,920,678
Improvements	931,183	-	931,183
Vehicles	459,238	95,851	555,089
Equipment	229,540	281,330	510,870
Furniture & fixtures	236,890	-	236,890
Less accumulated depreciation	(4,879,196)	(11,220,216)	(16,099,412)
Total assets	11,322,614	12,821,902	24,144,516
Deferred outflow of resources			
Deferred outflows related to pension and OPEB	173,230	151,846	325,076
Total assets and deferred outflow of resources	11,495,844	12,973,748	24,469,592
Liabilities			
Current liabilities:			
Accounts payable	248,678	108,289	356,967
Accrued liabilities	30,216	9,512	39,728
Accrued interest payable	-	2,991	2,991
Customer deposits	-	224,725	224,725
Deferred revenue	352,746	6,727	359,473
Due to business-type activities	161,230	-	161,230
Due within one year	-	173,222	173,222
Noncurrent liabilities:			
Compensated absences	34,775	31,303	66,078
Net pension and OPEB liability	814,318	713,794	1,528,112
Due in more than one year	-	938,091	938,091
Total liabilities	1,641,963	2,208,654	3,850,617
Deferred inflow of resources			
Deferred inflows related to pension and OPEB	108,595	95,189	203,784
Total liabilities and deferred inflow of resources	1,750,558	2,303,843	4,054,401
Net position			
Net investment in capital assets	7,638,448	8,484,412	16,122,860
Restricted for: special revenue	7,462	-	7,462
Unrestricted	2,099,376	2,185,493	4,284,869
Total net position	\$ 9,745,286	\$ 10,669,905	\$ 20,415,191

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

CITY OF WALTON, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

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	\$ 1,275,875	\$ -	\$ 600,000	\$ -	\$ (675,875)	\$ -	\$ (675,875)
Public works	319,754	-	-	-	(319,754)	-	(319,754)
Streets	249,632	-	76,307	-	(173,325)	-	(173,325)
Recreation	27,108	-	-	-	(27,108)	-	(27,108)
Unallocated depreciation	292,141	-	-	-	(292,141)	-	(292,141)
Unallocated pension/OPEB costs	97,100	-	-	-	(97,100)	-	(97,100)
Total governmental activities	<u>2,261,610</u>	<u>-</u>	<u>676,307</u>	<u>-</u>	<u>(1,585,303)</u>	<u>-</u>	<u>(1,585,303)</u>
Business-type activities:							
Water & sewer	2,510,080	2,579,973	-	-	-	69,893	69,893
Total Business-type activities	<u>2,510,080</u>	<u>2,579,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,893</u>	<u>69,893</u>
Total primary government	<u>\$ 4,771,690</u>	<u>\$ 2,579,973</u>	<u>\$ 676,307</u>	<u>\$ -</u>	<u>(1,585,303)</u>	<u>69,893</u>	<u>(1,515,410)</u>
			General revenues:				
			Property taxes		977,345	-	977,345
			Insurance tax		828,827	-	828,827
			Other taxes		148,436	-	148,436
			Fines and forfeitures		43,244	-	43,244
			Water tower - rental		-	15,600	15,600
			Interest		5,010	14,653	19,663
			Miscellaneous		24,788	16,136	40,924
			Total general revenues		<u>2,027,650</u>	<u>46,389</u>	<u>2,074,039</u>
			Change in net position		<u>442,347</u>	<u>116,282</u>	<u>558,629</u>
			Net position - beginning		<u>9,302,939</u>	<u>10,553,623</u>	<u>19,856,562</u>
			Net position - ending		<u>\$ 9,745,286</u>	<u>\$ 10,669,905</u>	<u>\$ 20,415,191</u>

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

CITY OF WALTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Municipal Aid Fund	Minor Funds		Total Governmental Funds
			Park Fund	TIF Fund	
Assets					
Cash and cash equivalents	\$ 3,193,363	\$ 21,845	\$ 9,392	\$ 195,353	\$ 3,419,953
Accounts receivable	256,191	8,022	-	-	264,213
Due from Water & Sewer Fund	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 3,449,554	\$ 29,867	\$ 9,392	\$ 195,353	\$ 3,684,166
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 21,771	\$ 961	\$ 30,836	\$ 195,110	\$ 248,678
Accrued liabilities	30,216	-	-	-	30,216
Deferred revenue	352,746	-	-	-	352,746
Due to Water & Sewer Fund	161,230	-	-	-	161,230
Due to other funds	-	-	-	-	-
Total liabilities	565,963	961	30,836	195,110	792,870
Fund balances:					
Unassigned	2,883,591	-	-	-	2,883,591
Restricted	-	28,906	-	-	28,906
Committed	-	-	(21,444)	243	(21,201)
Total fund balances	2,883,591	28,906	(21,444)	243	2,891,296
Total liabilities and fund balances	\$ 3,449,554	\$ 29,867	\$ 9,392	\$ 195,353	\$ 3,684,166

Reconciliation of fund balances to the statement of net position

Total fund balance for governmental funds	\$ 2,891,296
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.	7,638,448
Long-term liabilities, including compensated absences and net pension and OPEB liability, are not payable from current resources are not reported in the funds.	(849,093)
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	173,230
Deferred inflow of resources	(108,595)
Net position of governmental activities	\$ 9,745,286

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, 2023

	General Fund	Municipal Aid Fund	Minor Funds		Total Governmental Funds
			Park Fund	TIF Fund	
Revenues					
Property taxes	\$ 765,434	\$ 19,022	\$ -	\$ 192,889	\$ 977,345
Licenses and permits	828,827	-	-	-	828,827
Intergovernmental	748,436	76,307	-	-	824,743
Fines and forfeitures	43,244	-	-	-	43,244
Interest	4,742	17	8	243	5,010
Miscellaneous	20,915	-	3,873	-	24,788
Total revenues	2,411,598	95,346	3,881	193,132	2,703,957
Expenditures					
General government	1,078,482	-	-	192,889	1,271,371
Public works	328,666	-	-	-	328,666
Streets	-	249,632	-	-	249,632
Recreation	-	-	27,108	-	27,108
Capital outlay	106,645	-	137,663	-	244,308
Total expenditures	1,513,793	249,632	164,771	192,889	2,121,085
Excess (deficiency) of revenues over (under) expenditures	897,805	(154,286)	(160,890)	243	582,872
Other financing sources (uses)					
Transfers in	-	140,000	130,000	-	270,000
Transfers out	(270,000)	-	-	-	(270,000)
Total other financing sources (uses)	(270,000)	140,000	130,000	-	-
Net change in fund balances	627,805	(14,286)	(30,890)	243	582,872
Fund balances, beginning of year	2,255,786	43,192	9,446	-	2,308,424
Fund balances, end of year	\$ 2,883,591	\$ 28,906	\$ (21,444)	\$ 243	\$ 2,891,296

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, 2023</p>
--

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

Net change in fund balances - total governmental funds	\$ 582,872
<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	244,308
Depreciation expense	(292,141)
<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	(97,100)
<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>4,408</u>
Change in net position of governmental activities	<u>\$ 442,347</u>

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

CITY OF WALTON, KENTUCKY STATEMENT OF NET POSITION - PROPRIETARY FUND June 30, 2023
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Assets

Current assets:

Cash and cash equivalents	\$ 2,753,514
Certificates of deposit	-
Accounts receivable	311,433
Due from other funds	161,230
Total current assets	<u>3,226,177</u>

Capital assets

Land	27,400
Construction in progress	-
Sewer system	15,838,823
Water system	4,572,537
Vehicles & equipment	377,181
Less accumulated depreciation	<u>(11,220,216)</u>
Total capital assets	<u>9,595,725</u>

Total assets	12,821,902
Deferred outflows related to pension and OPEB	<u>151,846</u>
Total assets and deferred outflow of resources	<u>12,973,748</u>

Liabilities

Current liabilities:

Accounts payable	108,289
Accrued liabilities	9,512
Accrued interest payable	2,991
Customer deposits	224,725
Deferred revenue	6,727
Due to other funds	-
Bonds and notes payable - current	<u>173,222</u>
Total current liabilities	<u>525,466</u>

Noncurrent liabilities:

Compensated absences	31,303
Bonds and notes payable	938,091
Net pension and OPEB liability	<u>713,794</u>
Total noncurrent liabilities	<u>1,683,188</u>

Total liabilities	2,208,654
Deferred inflows related to pension and OPEB	<u>95,189</u>
Total liabilities and deferred inflow of resources	<u>2,303,843</u>

Net position

Invested in capital assets, net of related debt	8,484,412
Unrestricted	<u>2,185,493</u>
Total net position	<u>\$ 10,669,905</u>

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, 2023</p>
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Operating revenues:	
Water service	\$ 1,227,310
Sewer service	953,569
Sewer tap fees	46,500
Sewer maintenance user fee	-
Sewer surcharge fee	244,694
Water meter installation	36,500
Water tap fees	15,600
Water sales - quarters	7,158
Penalties	48,642
Miscellaneous	16,136
Total operating revenues	<u>2,596,109</u>
Operating expenses:	
Cost of sales and services	2,116,146
Depreciation	408,395
Total operating expenses	<u>2,524,541</u>
Operating income	<u>71,568</u>
Nonoperating revenues (expenses):	
Water tower - rental	15,600
Interest income	14,653
Interest expense	(19,751)
Net change in share of pension and OPEB benefit	34,212
Total non-operating revenues (expenses)	<u>44,714</u>
Change in net position	116,282
Total net position, beginning of year	<u>10,553,623</u>
Total net position, end of year	<u><u>\$ 10,669,905</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, 2023

Cash flows from operating activities	
Receipts from customers and users	\$ 2,569,519
Payments to suppliers	(1,684,629)
Payments to employees	(447,891)
Net cash from operating activities	<u>436,999</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(178,262)
Principal paid on capital debt	(170,057)
Interest paid on capital debt	(20,210)
Water tower - rental	15,600
Interfund activity	(536,928)
Net cash from capital and related financing activities	<u>(889,857)</u>
Cash flows from investing activities	
Proceeds from certificates of deposit	143,535
Interest income	14,653
Net cash from investing activities	<u>158,188</u>
Net change in cash	(294,670)
Cash, beginning of year	<u>3,048,184</u>
Cash, end of year	<u><u>\$ 2,753,514</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 71,568</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	408,395
(Increase) decrease in accounts receivable	(36,595)
(Decrease) increase in accounts payable	(15,844)
(Decrease) increase in accrued liabilities	(533)
Increase (decrease) in deferred revenues	3
Increase (decrease) in customer deposits	10,005
Total adjustments	<u>365,431</u>
Net cash from operating activities	<u><u>\$ 436,999</u></u>

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

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, 2023.

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.

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

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.

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.

CITY OF WALTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023 was \$161,230 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 proprietary 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.

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

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.

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

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

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.

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, 2023 the City had cash and cash equivalents of \$3,419,953. All cash balances not covered by FDIC insurance are fully collateralized.

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Retirements/ Deletions/ Reclassification	Balance June 30, 2023
Governmental activities:				
Land	\$ 1,976,246	\$ -	\$ -	\$ 1,976,246
Construction in progress	256,899	81,288	(98,381)	239,806
Buildings	2,511,903	12,160	-	2,524,063
Infrastructure	5,920,678	-	-	5,920,678
Improvements	832,802	98,381	-	931,183
Vehicles	409,195	50,043	-	459,238
Equipment	185,098	44,442	-	229,540
Furniture & fixtures	180,515	56,375	-	236,890
Subtotal	<u>12,273,336</u>	<u>342,689</u>	<u>(98,381)</u>	<u>12,517,644</u>
Accumulated depreciation:				
Buildings	(1,105,851)	(56,887)	-	(1,162,738)
Infrastructure	(2,223,915)	(148,018)	-	(2,371,933)
Improvements	(711,562)	(35,164)	-	(746,726)
Vehicles	(325,418)	(29,257)	-	(354,675)
Equipment	(124,495)	(15,887)	-	(140,382)
Furniture & fixtures	(95,814)	(6,928)	-	(102,742)
Subtotal	<u>(4,587,055)</u>	<u>(292,141)</u>	<u>-</u>	<u>(4,879,196)</u>
Net capital assets	<u>\$ 7,686,281</u>	<u>\$ 50,548</u>	<u>\$ (98,381)</u>	<u>\$ 7,638,448</u>

Unallocated depreciation consisted of the following:

Governmental activities:	
General government	\$ 35,660
Public works	45,258
Streets	148,016
Recreation	63,207
Total governmental activities depreciation expense	<u>\$ 292,141</u>

CITY OF WALTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

	Balance June 30, 2022	Additions	Retirements/ Deletions	Balance June 30, 2023
Business-type activities:				
Not being depreciated:				
Land	\$ 27,400	\$ -	\$ -	\$ 27,400
Subtotal	27,400	-	-	27,400
Other capital assets:				
Construction in progress	-	-	-	-
Sewer system	15,683,595	155,229	-	15,838,824
Water system	4,572,535	-	-	4,572,535
Vehicles	95,851	-	-	95,851
Equipment	258,297	23,033	-	281,330
Subtotal	20,610,278	178,262	-	20,788,540
Accumulated depreciation:				
Sewer system	(7,766,347)	(319,980)	-	(8,086,327)
Water system	(2,831,541)	(67,936)	-	(2,899,477)
Vehicles	(60,703)	(9,608)	-	(70,311)
Equipment	(153,230)	(10,871)	-	(164,101)
Subtotal	(10,811,821)	(408,395)	-	(11,220,216)
Net capital assets	<u>\$ 9,825,857</u>	<u>\$ (230,133)</u>	<u>\$ -</u>	<u>\$ 9,595,724</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 06/30/2023
KIA Note B08-05	12/01/2009	0.600%	12/01/2029	\$ 338,231
Bond Series 2017	11/01/2017	2.190%	11/01/2028	773,082
				<u>\$ 1,111,313</u>

The following is a schedule of future debt service requirements to maturity at June 30, 2023:

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

Year ended June 30,	KIA Note B08-05		Bond Series 2017	
	Principal	Interest	Principal	Interest
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	52,423	711	131,469	4,467
2029	79,228	476	138,263	1,514
	<u>\$ 338,231</u>	<u>\$ 7,145</u>	<u>\$ 773,082</u>	<u>\$ 51,925</u>

Year ended June 30,	Debt Total	
	Principal	Interest
2024	\$ 173,222	\$ 17,547
2025	176,178	14,537
2026	178,978	11,470
2027	181,552	8,348
2028	183,892	5,178
2029	217,491	1,990
Total	<u>\$ 1,111,313</u>	<u>\$ 59,070</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, 2023

Membership in CERS consisted of the following at June 30, 2022:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	77,367	76,946
Inactive Plan Members	100,738	28,719
Retired Members	67,206	37,584
	<u>245,311</u>	<u>143,249</u>
Number of participating employers		<u>1,101</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 health insurance benefits 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 of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

Contributions

The City contributed 26.79% of covered-employee’s compensation of which 23.40% was for the pension fund and 3.39% 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 \$133,018, of which \$116,186 was for the pension fund and \$16,832 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, 2023, the City reported a liability of \$1,200,450 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2022 measurement year, the City 's non-hazardous employer allocation proportion was 0.01661% of the total CERS non-hazardous duty employees. For the year ended June 30, 2023, the City recognized pension expense of \$22,140 in addition to its \$116,186 pension contribution.

At June 30, 2023, 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	\$ 1,283	\$ (10,691)
Net difference between projected actual earnings on plan investments	30,775	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	23,503	(54,653)
Contributions subsequent to the measurement date	116,186	-
	<u>\$ 171,747</u>	<u>\$ (65,344)</u>

The City's contributions subsequent to the measurement date of \$116,186 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

Measurement Year Ending June 30,	Net Deferral
2023	\$ (8,798)
2024	(24,998)
2025	(10,088)
2026	34,101
2027	-
Thereafter	-
	<u>\$ (9,783)</u>

Actuarial Methods and Assumptions for Determining the Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2021.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued 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	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

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	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,500,414	\$ 1,200,450	\$ 952,355
Total	\$ 1,500,414	\$ 1,200,450	\$ 952,355

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.

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:

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

	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 3.39% of covered-employee's 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, 2023, the City recognized OPEB expense of \$40,749 in addition to its \$16,832 OPEB contribution.

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

At June 30, 2023, the City reported a liability of \$327,662 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, actuarially determined. At the June 30, 2022 measurement year, the City's proportion of the total non-hazardous plan was 0.01660%.

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	\$ 32,982	\$ (75,141)
Net difference between projected actual earnings on plan investments	13,299	-
Changes of assumptions	51,822	(42,701)
Changes in proportion and differences between contributions and proportionate share of contributions	38,394	(20,598)
Contributions subsequent to the measurement date	16,832	-
	<u>\$ 153,329</u>	<u>\$(138,440)</u>

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

The City's contributions subsequent to the measurement date, \$16,832 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ 11,518
2024	10,341
2025	(21,031)
2026	(2,771)
2027	-
Thereafter	-
	<u>\$ (1,943)</u>

Actuarial Methods and Assumptions to Determine the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

<p>CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023</p>
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Mortality

Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. 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 the plan’s anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member’s retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member’s applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.20% to 5.70%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 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

Single discount rates of 5.70% for CERS Nonhazardous, 5.61% for CERS Hazardous, 5.72% for KERS Nonhazardous, and 5.59% for KERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

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	Long Term
	Non-Hazardous Target Allocation	Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit /high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

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 5.70% 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:

Discount Rate, Non-Hazardous	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, Non-Haz	4.70%	5.70%	6.70%
	\$ 438,032	\$ 327,662	\$ 236,423
Total	\$ 438,032	\$ 327,662	\$ 236,423

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:

CITY OF WALTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 243,610	\$ 327,662	\$ 428,594
Total	\$ 243,610	\$ 327,662	\$ 428,594

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial reports 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 Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

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.

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 is a defendant in two cases in which the plaintiff is seeking monetary damages. The City's insurance carrier is vigorously defending these cases and the City estimates that the amount of actual potential claims against the City as of June 30, 2023, 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 five 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, 2023:

CITY OF WALTON, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023

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	\$ 2,176
Hellman Lumber	Property and School District	Payment in Lieu of Taxes	20 Years	November 2030	\$ -
Total Abatement for the Year Ended June 30, 2023					<u>\$ 2,176</u>

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 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	Up to 30 Years	Up to 30 Years from occupancy	\$ 432	\$ 35,127	\$ 35,559
Total Abatement for the Year Ended June 30, 2023						<u>\$ 35,559</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 \$600,000 as income during the year ended June 30, 2023. The remaining \$319,220 is Unearned Revenue at June 30, 2023.

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 91 – *Conduit Debt Obligations* – FY 2023 – This Standard has no impact on the City.

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023 – This Standard has no impact on the City.

CITY OF WALTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023 – This Standard has no impact on the City.

Statement No. 99 – *Omnibus 2020* – FY 2023 – This Standard affected a portion of Statements No. 87, 91, 94, and 96.

NOTE M – FUTURE ACCOUNTING STANDARDS

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

Statement No. 101 – *Compensated Absences* – Implementation in FY 2024

NOTE N – SUBSEQUENT EVENTS

The City's management has evaluated events through January 2, 2024, the date on which the financial statements were available for issue. The City did not have any events subsequent events to June 30, 2023 through January 2, 2024 to disclose.

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1.	\$ 2,230,000	\$ -	\$ 2,230,000	\$ 2,255,786	\$ 25,786
Resources (inflows)					
Taxes	804,000	-	804,000	765,434	(38,566)
Licenses and permits	940,000	-	940,000	828,827	(111,173)
Intergovernmental	149,000	-	149,000	748,436	599,436
Fines and forfeitures	25	-	25	43,244	43,219
Interest	200	-	200	4,742	4,542
Miscellaneous	21,000	-	21,000	20,915	(85)
Amounts available for appropriation	<u>4,144,225</u>	<u>-</u>	<u>4,144,225</u>	<u>4,667,384</u>	<u>523,159</u>
Charges to appropriations (outflows):					
General government	1,008,200	-	1,008,200	1,106,336	(98,136)
Public works	495,360	-	495,360	407,457	87,903
Transfers out	650,000	-	650,000	270,000	380,000
Total charges to appropriation	<u>2,153,560</u>	<u>-</u>	<u>2,153,560</u>	<u>1,783,793</u>	<u>369,767</u>
Budgetary fund balance, June 30	<u>\$ 1,990,665</u>	<u>\$ -</u>	<u>\$ 1,990,665</u>	<u>\$ 2,883,591</u>	<u>\$ 892,926</u>

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2023

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1.	\$ 119,400	\$ -	\$ 119,400	\$ 43,192	\$ (76,208)
Resources (inflows)					
Tax revenues	-	-	-	19,022	19,022
Intergovernmental	102,800	-	102,800	76,307	(26,493)
Interest	5	-	5	17	12
Transfers In	50,000	-	50,000	140,000	90,000
Amounts available for appropriation	<u>272,205</u>	<u>-</u>	<u>272,205</u>	<u>278,538</u>	<u>6,333</u>
Charges to appropriations (outflows):					
Public works	32,000	-	32,000	56,546	(24,546)
Capital outlay	190,000	-	190,000	193,086	(3,086)
Total charges to appropriation	<u>222,000</u>	<u>-</u>	<u>222,000</u>	<u>249,632</u>	<u>(27,632)</u>
Budgetary fund balance, June 30	<u>\$ 50,205</u>	<u>\$ -</u>	<u>\$ 50,205</u>	<u>\$ 28,906</u>	<u>\$ (21,299)</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, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.01661%	0.017830%	0.017210%	0.014730%	0.012230%	0.012270%	0.011140%	0.013601%	0.010742%	
Proportionate share of the net pension liability (asset)	\$ 1,200,450	\$ 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	\$ 440,799	\$ 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	272.34%	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	52.42%	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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 116,186	\$ 93,317	\$ 87,895	\$ 85,042	\$ 60,962	\$ 44,534	\$ 41,253	\$ 31,663	\$ 35,901	\$ 28,817
Actual contribution	116,186	93,317	87,895	85,042	60,962	44,534	41,253	31,663	35,901	28,817
Contribution deficiency (excess)						-	-	-	-	-
Covered payroll	\$ 496,521	\$ 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	23.40%	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, 2023

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.01660%	0.017830%	0.017200%	0.014730%	0.012230%	0.012270%				
Proportionate share of the net OPEB liability (asset)	\$ 327,662	\$ 341,251	\$ 415,424	\$ 247,685	\$ 217,159	\$ 246,709				
Covered payroll in year of measurement	\$ 440,799	\$ 455,413	\$ 440,632	\$ 375,844	\$ 307,556	\$ 309,039				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	74.33%	74.93%	94.28%	65.90%	70.61%	79.83%				
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 16,832	\$ 25,478	\$ 21,678	\$ 20,974	\$ 19,769	\$ 14,455	\$ 13,987			
Actual contribution	16,832	25,478	21,678	20,974	19,769	14,455	13,987			
Contribution deficiency (excess)						-	-			
Covered payroll	496,521	440,799	455,413	440,632	375,844	307,556	309,039			
Contributions as a percentage of covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%			

Notes to Required Supplementary Information
For the Year Ended June 30, 2023

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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
PARK FUND (Minor Fund)
For the Year Ended June 30, 2023

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 55,000	\$ -	\$ 55,000	\$ 9,446	\$ (45,554)
Resources (inflows)					
Interest	10	-	10	8	(2)
Transportation grant	228,000	-	228,000	-	(228,000)
Miscellaneous	-	-	-	3,873	3,873
Operating transfers in	600,000	-	600,000	130,000	(470,000)
Amounts available for appropriation	883,010	-	883,010	143,327	(739,683)
Charges to appropriations (outflows)					
Parks/Recreation	31,950	-	31,950	27,108	4,842
Capital outlay	835,000	-	835,000	137,663	697,337
Total charges to appropriations	866,950	-	866,950	164,771	702,179
Budgetary fund balance, June 30	\$ 16,060	\$ -	\$ 16,060	\$ (21,444)	\$ (37,504)

CITY OF WALTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUND (Minor Fund)
For the Year Ended June 30, 2023

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (inflows)					
Taxes	-	-	-	192,889	192,889
Interest	-	-	-	243	243
Amounts available for appropriation	-	-	-	193,132	193,132
Charges to appropriations (outflows)					
TIF payments	-	-	-	190,046	(190,046)
Miscellaneous expenses	-	-	-	2,843	(2,843)
Total charges to appropriations	-	-	-	192,889	(192,889)
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ 243	\$ 243

**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, 2023 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 2, 2024.

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 the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Finding 2023-01 – Expenditure in Excess of Amended Budget

Criteria: Kentucky Revised Statute 91A.030(1) states “Each city shall operate under an annual budget ordinance adopted and administered in accordance with the provisions of this section. Notwithstanding any other provision of law, no city shall expend any moneys from any governmental or proprietary fund, except in accordance with a budget ordinance adopted pursuant to this section.”

Condition: For Fiscal Year 2023, the City expended \$27,632 more than budgeted in the Municipal Road Aid Fund and did not have a budget for the Tax Increment Financing (TIF) Fund. Because the TIF Fund did not have a budget, the City expended \$192,889 that was not budgeted in this fund.

Cause: The City did not amend its original Municipal Road Aid Fund expenditures budget and the City did not have a budget for the Tax Increment Financing (TIF) Fund.

Effect: Expending unbudgeted or more than budgeted appropriations are violations of KRS 91A.030(1). The budget is a product of the planning process, represents the legal authority to spend money, and provides an important tool for evaluation of the City’s performance.

Recommendation: When amending the budget, the City should carefully consider all actual expenditures, and ensure all capital and financing-related expenditures are included. The City should budget for both revenues and expenditures of the TIF Fund.

Management Comment: Moving forward the City will review expenditures in more detail and amend any budgets necessary to be in compliance with KRS.

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 2, 2024