

City of Simpsonville, Kentucky

Financial Statements

Year Ended June 30, 2023

City of Simpsonville, Kentucky
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Year Ended June 30, 2023

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Independent Auditor's Report on the Financial Statements

To the Honorable Mayor and City Commissioners
City of Simpsonville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Simpsonville, Kentucky (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Simpsonville, 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 auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Simpsonville, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Independent Auditor's Report on the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements (Continued)

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'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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'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'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 Schedule of Net Pension Liability and Related Ratios Based on Participation in the County Employees' Retirement System of KPPA, Schedule of Contributions Based on Participation in the County Employees' Retirement System of KPPA, and the Notes to Schedules Related to County Employees' Retirement System of KPPA on pages 35 - 36, the Schedule of the Proportionate Share of the Net OPEB Liability in the County Employees Retirement System Insurance Fund, the Schedule of OPEB Contributions Based on Participation in the County Employees' Retirement System Insurance Fund and the Notes to Schedules Related to County Employees' Insurance Fund on pages 37 - 38 and the budgetary comparison schedules on pages 39 - 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023 on our consideration of the City of Simpsonville, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Simpsonville, Kentucky's internal control over financial reporting and compliance.

MJM CPAs & Advisors LLP

Lexington, Kentucky
October 25, 2023

City of Simpsonville, Kentucky
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Current Assets			
Cash equivalents	\$ 2,248,130	\$ 2,072,357	\$ 4,320,487
Restricted cash	1,506,916	-	1,506,916
Accounts receivable, net	251,100	60,192	311,292
Other receivable	1,614	-	1,614
Prepaid expense	851	-	851
Total Current Assets	4,008,611	2,132,549	6,141,160
Noncurrent Assets			
Capital assets			
Land	941,360	112,562	1,053,922
Construction in progress	206,515	148,160	354,675
Depreciable buildings, property, and equipment (net)	7,290,827	6,096,107	13,386,934
Total Noncurrent Assets	8,438,702	6,356,829	14,795,531
Total Assets	12,447,313	8,489,378	20,936,691
Deferred Outflows of Resources			
Deferred outflows of resources - pension	766,088	303,578	1,069,666
Deferred outflows of resources - OPEB	405,935	150,301	556,236
Total Deferred Outflows of Resources	1,172,023	453,879	1,625,902
Total Assets and Deferred Outflows of Resources	\$ 13,619,336	\$ 8,943,257	\$ 22,562,593
Liabilities			
Current Liabilities			
Accounts payable	\$ 16,604	\$ 24,553	\$ 41,157
Accrued payroll	40,159	11,848	52,007
Accrued interest	21,092	-	21,092
Sales tax payable	-	696	696
Current portion of long-term debt			
Bonds payable	175,000	-	175,000
Financed purchase agreements payable	23,163	-	23,163
Total Current Liabilities	276,018	37,097	313,115
Noncurrent Liabilities			
Bonds payable, net	2,717,646	-	2,717,646
Financed purchase agreements payable	270,807	-	270,807
General obligation note payable	-	2,000,000	2,000,000
Deposit liability	-	6,710	6,710
Net OPEB liability	635,685	221,499	857,184
Net pension liability	2,208,502	887,234	3,095,736
Total Non-current Liabilities	5,832,640	3,115,443	8,948,083
Total Liabilities	6,108,658	3,152,540	9,261,198
Deferred Inflows of Resources			
Deferred inflows of resources - pension	275,575	102,569	378,144
Deferred inflows of resources - OPEB	324,105	118,779	442,884
Total Deferred Inflows of Resources	599,680	221,348	821,028
Total Liabilities and Deferred Inflows of Resources	6,708,338	3,373,888	10,082,226
Net Position			
Invested in capital assets, net of related debt	5,252,086	4,356,829	9,608,915
Restricted for			
Streets	78,479	-	78,479
Police	5,202	-	5,202
Tourism	567,681	-	567,681
Capital Outlay	855,554	-	855,554
Unrestricted (deficit)	151,996	1,212,540	1,364,536
Total Net Position	\$ 6,910,998	\$ 5,569,369	\$ 12,480,367
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 13,619,336	\$ 8,943,257	\$ 22,562,593

See accompanying notes.

City of Simpsonville, Kentucky
Statement of Activities
Year Ended June 30, 2023

Function/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities:							
General government	\$ 1,251,066	\$ 540	\$ -	\$ -	\$ (1,250,526)	\$ -	\$ (1,250,526)
Police	1,216,421	1,113	37,095	-	(1,178,213)	-	(1,178,213)
Public works	139,245	-	-	-	(139,245)	-	(139,245)
Streets	212,270	-	51,891	-	(160,379)	-	(160,379)
Interest on long-term debt	81,322	-	-	-	(81,322)	(27,375)	(108,697)
Total Governmental Activities	2,900,324	1,653	88,986	-	(2,809,685)	(27,375)	(2,837,060)
Business-type Activities:							
Sewer	823,811	645,265	-	-	-	(178,546)	(178,546)
Parks and recreation	309,855	138,665	-	-	-	(171,190)	(171,190)
Total Business-type Activities	1,133,666	783,930	-	-	-	(349,736)	(349,736)
Total Primary Government	\$ 4,033,990	\$ 785,583	\$ 88,986	\$ -	(2,809,685)	(377,111)	(3,186,796)
General Revenues:							
					411,735	-	411,735
					276,165	-	276,165
					1,699,140	-	1,699,140
					588,229	-	588,229
					285,227	-	285,227
					268,560	-	268,560
					37,437	-	37,437
					17,127	3,708	20,835
					97,006	-	97,006
					(696,630)	696,630	-
					2,983,996	700,338	3,684,334
					174,311	323,227	497,538
					6,736,687	5,246,142	11,982,829
					\$ 6,910,998	\$ 5,569,369	\$ 12,480,367

See accompanying notes.

City of Simpsonville, Kentucky
Balance Sheet - Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,248,130	\$ -	\$ 2,248,130
Restricted cash	1,428,437	78,479	1,506,916
Accounts receivable, net	251,100	-	251,100
Other receivable	1,614	-	1,614
Prepaid expense	851	-	851
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,930,132</u>	<u>\$ 78,479</u>	<u>\$ 4,008,611</u>
Liabilities			
Accounts payable	\$ 16,604	\$ -	\$ 16,604
Accrued payroll	40,159	-	40,159
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>56,763</u>	<u>-</u>	<u>56,763</u>
Fund Balances			
Restricted for:			
Streets	-	78,479	78,479
Police	5,202	-	5,202
Tourism	567,681	-	567,681
Capital outlay	855,554	-	855,554
Unassigned	2,444,932	-	2,444,932
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,873,369</u>	<u>78,479</u>	<u>3,951,848</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 3,930,132</u>	<u>\$ 78,479</u>	<u>\$ 4,008,611</u>

See accompanying notes.

City of Simpsonville, Kentucky
Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Position
Year Ended June 30, 2023

Total Governmental Fund Balances	\$ 3,951,848
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	8,438,702
Deferred outflows of resources related to the long-term net pension and OPEB liabilities and therefore are not reported in the governmental funds	1,172,023
Deferred inflows of resources related to the long-term net pension and OPEB liabilities and therefore are not reported in the governmental funds	(599,680)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(2,208,502)
Net OPEB liability	(635,685)
Bonds payable - net of related premiums	(2,892,646)
Financed purchase agreements payable	(293,970)
Interest payable	<u>(21,092)</u>
Net Position for Governmental Activities	<u>\$ 6,910,998</u>

See accompanying notes.

City of Simpsonville, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2023

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
Revenues			
Occupational tax	\$ 1,699,140	\$ -	\$ 1,699,140
Insurance tax	588,229	-	588,229
Property taxes	411,735	-	411,735
Franchise taxes	268,560	-	268,560
Restaurant tax	285,227	-	285,227
Garbage collection	248,523	-	248,523
Grants	15,000	-	15,000
Administrative fees	15,780	-	15,780
Rental income	13,182	-	13,182
Permits	29,088	-	29,088
Court fines	8,349	-	8,349
Miscellaneous income	57,265	-	57,265
Interest income	17,065	62	17,127
Donations	25,074	-	25,074
Intergovernmental revenues			
Municipal road aid	-	51,891	51,891
Police incentive	37,095	-	37,095
	<u>3,719,312</u>	<u>51,953</u>	<u>3,771,265</u>
Expenditures			
General government	942,705	-	942,705
Police	1,187,852	-	1,187,852
Public works	132,417	-	132,417
Streets	-	30,331	30,331
Community events	37,925	-	37,925
Debt service			
Principal	194,937	-	194,937
Interest	82,488	-	82,488
Capital outlay	258,085	9,771	267,856
	<u>2,836,409</u>	<u>40,102</u>	<u>2,876,511</u>
Excess of Revenues Over Expenditures	882,903	11,851	894,754
Other Financing Uses			
Operating transfers out	(696,630)	-	(696,630)
	<u>(696,630)</u>	<u>-</u>	<u>(696,630)</u>
Net Change in Fund Balances	186,273	11,851	198,124
Beginning Fund Balance	<u>3,687,096</u>	<u>66,628</u>	<u>3,753,724</u>
Ending Fund Balance	<u>\$ 3,873,369</u>	<u>\$ 78,479</u>	<u>\$ 3,951,848</u>

See accompanying notes.

City of Simpsonville, Kentucky
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 198,124

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

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 as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year.

	Capital outlay	374,737	
	Depreciation expense	<u>(424,130)</u>	(49,393)

Principal payments and loan proceeds on long-term debt is an expenditure and income, respectively, in the governmental funds, but the repayment and proceeds reduces and increases, respectively, long-term liabilities in the statement of net assets.

	Principal payments	194,937	
	Bond premium	<u>3,046</u>	197,983

Pension expense related to long-term net pension liabilities that is not included in the governmental funds. (81,789)

OPEB expense related to long-term net pension liabilities that is not included in the governmental funds. (91,780)

Accrued interest expense on long-term debt is reported in the statement of activities, does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds 1,166

Change in Net Position of Governmental Activities \$ 174,311

See accompanying notes.

City of Simpsonville, Kentucky
Statement of Net Position - Proprietary Funds
June 30, 2023

	Business - Type Activities Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Parks and Recreation Fund	
Assets			
Current Assets			
Cash equivalents	\$ 1,953,570	\$ 118,787	\$ 2,072,357
Accounts receivable	60,192	-	60,192
Total Current Assets	2,013,762	118,787	2,132,549
Noncurrent assets			
Capital Assets			
Land	112,562	-	112,562
Construction in progress	48,160	100,000	148,160
Depreciable buildings, property, and equipment, net	6,071,515	24,592	6,096,107
Total Noncurrent Assets	6,232,237	124,592	6,356,829
Total Assets	8,245,999	243,379	8,489,378
Deferred Outflows of Resources			
Deferred outflows of resources - pension	180,448	123,130	303,578
Deferred outflows of resources - OPEB	92,610	57,691	150,301
Total Deferred Outflows of Resources	273,058	180,821	453,879
Total Assets and Deferred Outflows	\$ 8,519,057	\$ 424,200	\$ 8,943,257
Liabilities			
Current Liabilities			
Accounts payable	\$ 22,836	\$ 1,717	\$ 24,553
Accrued payroll	6,023	5,825	11,848
Sales tax payable	696	-	696
Total Current Liabilities	29,555	7,542	37,097
Noncurrent Liabilities			
General obligation note payable	2,000,000	-	2,000,000
Sewer deposits	6,710	-	6,710
Net OPEB Liability	134,433	87,066	221,499
Net pension liability	526,201	361,033	887,234
Total Noncurrent Liabilities	2,667,344	448,099	3,115,443
Total Liabilities	2,696,899	455,641	3,152,540
Deferred Inflows of Resources			
Deferred inflows of resources - pension	61,705	40,864	102,569
Deferred inflows of resources - OPEB	70,909	47,870	118,779
Total Deferred Inflows of Resources	132,614	88,734	221,348
Total Liabilities and Deferred Inflows	2,829,513	544,375	3,373,888
Net Position			
Invested in capital assets, net of related debt	4,232,237	124,592	4,356,829
Unrestricted	1,457,307	(244,767)	1,212,540
Total Net Position	5,689,544	(120,175)	5,569,369
Total Liabilities and Net Position	\$ 8,519,057	\$ 424,200	\$ 8,943,257

See accompanying notes.

City of Simpsonville, Kentucky
Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds
Year Ended June 30, 2023

	Business - Type Activities Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Parks and Recreation Fund	
Operating Revenues			
Charges for services	\$ 577,070	\$ -	\$ 577,070
Tap on and capacity charges	42,900	-	42,900
Effluent line	25,295	-	25,295
Fall festival	-	7,270	7,270
Celebrations	-	5,193	5,193
Rental income	-	9,155	9,155
Leagues and camp charges	-	84,119	84,119
Contributions	-	28,230	28,230
Miscellaneous	-	4,698	4,698
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	645,265	138,665	783,930
Operating Expenses			
Operations and maintenance	334,502	-	334,502
General and administrative expenses	80,867	104,127	184,994
Advertising	-	854	854
Fall festival	-	738	738
General maintenance	-	10,592	10,592
Office expense	-	4,253	4,253
Salary expense	153,822	136,798	290,620
Sports fees	-	31,032	31,032
Celebrations	-	1,376	1,376
Utilities	-	12,717	12,717
Miscellaneous	-	403	403
Depreciation	254,620	6,965	261,585
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	823,811	309,855	1,133,666
Operating Income (Loss)	(178,546)	(171,190)	(349,736)

See accompanying notes.

City of Simpsonville, Kentucky
Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds (Continued)
Year Ended June 30, 2023

	Business-Type Activities Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Parks and Recreation Fund	
Nonoperating Revenues and Expenses			
Interest income	\$ 3,708	\$ -	\$ 3,708
Debt service	(27,375)	-	(27,375)
Total Nonoperating Revenues (Expenses)	<u>(23,667)</u>	<u>-</u>	<u>(23,667)</u>
Transfers			
Operating transfers in	<u>569,040</u>	<u>127,590</u>	<u>696,630</u>
Net Transfers	569,040	127,590	696,630
Change in Net Position	366,827	(43,600)	323,227
Net Position, beginning of year	<u>5,322,717</u>	<u>(76,575)</u>	<u>5,246,142</u>
Net Position, end of year	<u>\$ 5,689,544</u>	<u>\$ (120,175)</u>	<u>\$ 5,569,369</u>

See accompanying notes.

City of Simpsonville, Kentucky
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2023

	Business-Type Activities		Total Proprietary Funds
	Enterprise Funds		
	Sewer Fund	Parks and Recreation Fund	
Cash Flows From Operating Activities			
Cash receipts from customers	\$ 640,852	\$ 138,665	\$ 779,517
Cash payments to suppliers for goods and services	(404,212)	(167,588)	(571,800)
Cash payments to employees for services	(120,702)	(106,889)	(227,591)
Net Cash Provided (Used) by Operating Activities	115,938	(135,812)	(19,874)
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	569,040	127,590	696,630
Net Cash Provided by Noncapital Financing Activities	569,040	127,590	696,630
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(219,220)	(100,000)	(319,220)
Interest paid on long-term debt	(27,375)	-	(27,375)
Net Cash Used in Capital and Related Financing Activities	(246,595)	(100,000)	(346,595)
Cash Flows from Investing Activities			
Interest received	3,708	-	3,708
Net Cash Provided by Investing Activities	3,708	-	3,708
Net Change in Cash and Cash Equivalents	442,091	(108,222)	333,869
Cash and Cash Equivalents, beginning of year	1,511,479	227,009	1,738,488
Cash and Cash Equivalents, end of year	\$ 1,953,570	\$ 118,787	\$ 2,072,357
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (178,546)	\$ (171,190)	\$ (349,736)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation and amortization	254,620	6,965	261,585
Change in assets and liabilities:			
Accounts receivable	(4,815)	-	(4,815)
Deferred inflows	(6,924)	(6,076)	(13,000)
Deferred outflows	(11,325)	(9,938)	(21,263)
Accounts payable	11,157	(1,496)	9,661
Accrued payroll	840	1,583	2,423
Sewer deposits	402	-	402
Net OPEB liability	3,382	2,968	6,350
Net pension liability	47,147	41,372	88,519
Net Cash Provided (Used) by Operating Activities	\$ 115,938	\$ (135,812)	\$ (19,874)

See accompanying notes.

City of Simpsonville, Kentucky
Notes to Financial Statements
Year Ended June 30, 2023

Note A - Summary of Significant Accounting Policies

The financial statements of the City of Simpsonville (the "City") have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for government accounting and financial reporting. The GASB periodically updates with subsequent GASB pronouncements (Statements and Interpretations) which constitute GAAP for governmental entities. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

1. The Reporting Entity: The City of Simpsonville was incorporated in 1836 under the laws of the Commonwealth of Kentucky. The City operates under a Commission form of government and provides the following services as authorized by its charter: streets, public improvements, planning and zoning, police protection, and general administrative services. The city's citizens elect the Mayor and Commissioners.

The accompanying financial statements include the financial activities of the primary government. Financial information for the City is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the GASB.

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide a specific financial benefit or burden relationship with the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that it would be misleading to exclude them from the primary government's financial statements.

2. Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the duplicate accounting of internal activities. These statements distinguish between the governmental and business-type activities of the City.

Governmental activities normally are supported through taxes and intergovernmental revenues. Business - type activities are financed in whole or in part by fees charged to external parties.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital-specific. Occupational license fees applied to gross wages and net profits, other license fees and permits, taxes, interest income and other revenues not properly included in program revenues are reported as general revenues.

3. Fund Financial Statements: The fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note A - Summary of Significant Accounting Policies (Continued)

3. Fund Financial Statements (Continued): The City has the following major funds:

Governmental Fund Types:

- a) The General Fund is the primary operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.
- b) The Road Fund is a special revenue fund used to account for proceeds from Municipal and Road funds that are legally restricted to a specific purpose.

Proprietary Fund Types:

- a) The Sewer Fund accounts for the sewer services provided to the citizens of the city.
- b) The Parks and Recreation Fund accounts for the maintenance of a park, playground, community center, and recreational system for the citizens of the city.

4. Basis of Accounting: 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 recognized when earned and expenses are recognized 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 liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Insurance premium taxes, restaurant taxes, occupational taxes and other miscellaneous revenues are recognized when received because they are generally not measurable until received. 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 (matured).

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of operations and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

5. Cash and Equivalents: The City considers highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Legal requirements and the City's policies governing deposits are discussed in Note B.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note A - Summary of Significant Accounting Policies (Continued)

6. Interfund Receivables and Payables: Interfund transactions that would be treated as revenues or expenditures/expenses, if they involved organizations external to the City, are similarly treated when involving funds of the City. 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 reimbursed fund. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as interfund transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation. During June 30, 2023, the general fund transferred \$696,630 to the sewer and parks and recreation fund for the use towards the City's new sewer project and general operations.
7. Receivables: In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trend and the periodic aging of accounts receivable. Major receivable balances for the governmental funds consist of payroll taxes. Business-type activities report utilities and interest earnings as their major receivables.

Sewer bills are sent on the 26th or 27th of each month, with payment due by the 10th of the following month. Customers that do not pay by the due date are assessed a 20% penalty and receive a past due notice. Customers that are still past due ten days past the due date will have their utility service terminated. Management writes off accounts after they are 120 days past due and can collect on those accounts in the future if the customer ever needs to be reinstated with utilities.

8. Property Taxes: Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in the month of September and are due and payable at that time. All unpaid taxes levied in the month of September become delinquent January 1 of the following year.

The due date and collection periods for property taxes are as follows:

Description	Per City Ordinance
1. Due-date for payment of taxes	Upon receipt
3. Face value amount payment dates	By November 30
4. 20% penalty added after	November 30
5. 1% interest per month after	November 30

9. Budgetary Data: Budget Policy and Practice - The City Commission follows these procedures in establishing the budgetary data reflected in the financial statements:
- a) In accordance with the City Ordinance, prior to June, the City Administrator submits to the City Commission 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, along with estimates for the current year and actual data for the two preceding years. The City Ordinance requires that the budgets be submitted in summary form. In addition, more detailed line-item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note A - Summary of Significant Accounting Policies (Continued)

9. Budgetary Data (Continued):

- b) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- c) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Fund.
- d) Budgets for the General and the Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- e) Appropriations lapse at the end of each fiscal year.
- f) Encumbrance accounting is not utilized.

10. Capital Assets: General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective proprietary funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; while, the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized.

General infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to October 1, 2003.

Capitalized assets, other than land, will be depreciated using the straight-line depreciation method over the useful life of the asset. The following guidelines shall be followed:

Buildings and improvements	40 - 50 years
Machinery and equipment	5 - 15 years
Utility systems	20- 50 years

11. Restricted Cash: Restricted cash consists of the following:

	Government Funds
Capital outlay	\$ 855,554
Tourism	567,681
Police	5,202
Streets	78,479
	<u>\$ 1,506,916</u>

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note A - Summary of Significant Accounting Policies (Continued)

11. Restricted Cash (Continued): Capital outlay account is restricted for general capital outlay projects. The restricted tourism account is restricted for tourism-related "quality of life" initiatives. The streets account is restricted for road improvements for the city and equipment or supplies to maintain the roads. The police account is restricted for police assets.
12. Fund Balance: The Board of Commissioners is the City's highest level of decision-making authority. Commitments of fund balance must be approved by the Commission. Assigned fund balance is a limitation imposed by a designee of the Commission. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the other categories.

When both restricted and unrestricted resources are available to use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amount in any of those unrestricted fund classifications can be used.

13. Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
14. Subsequent Events: The City has evaluated events occurring subsequent to year-end through the date of the Independent Auditor's Report which represents the date the accompanying financial statement were available to be issued.

Note B - Cash and Investments

In accordance with Kentucky Revised Statutes ("KRS") 66.480, all deposits are to be insured by the Federal Depository Insurance or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), the bank shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. As of June 30, 2023, all bank balances were fully covered by insurance and/or collateral. In accordance with Kentucky Revised Statutes ("KRS") 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies and instruments, repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds or interest-bearing deposits of insured national or state banks. There were no investments as of June 30, 2023.

Interest Rate and Credit Risk - The City has no policy related to interest rate and credit risk.

Custodial Credit Risk- Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2023, the City was fully collateralized.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note C - Capital Assets

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

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
<u>Governmental Activities</u>				
Capital assets, nondepreciable:				
Land	\$ 941,360	\$ -	\$ -	\$ 941,360
Construction in progress	837,793	169,050	(800,328)	206,515
	<u>1,779,153</u>	<u>169,050</u>	<u>(800,328)</u>	<u>1,147,875</u>
Total Capital Assets, Nondepreciable	1,779,153	169,050	(800,328)	1,147,875
Capital assets, depreciable:				
Buildings and improvements	7,709,172	55,760	800,328	8,565,260
Machinery and equipment	1,779,178	149,927	-	1,929,105
	<u>9,488,350</u>	<u>205,687</u>	<u>800,328</u>	<u>10,494,365</u>
Total Capital Assets, Depreciable	9,488,350	205,687	800,328	10,494,365
Less Accumulated Depreciation				
Buildings and improvements	(1,973,415)	(339,349)	-	(2,312,764)
Machinery and equipment	(805,993)	(84,781)	-	(890,774)
	<u>(2,779,408)</u>	<u>(424,130)</u>	<u>-</u>	<u>(3,203,538)</u>
Total	(2,779,408)	(424,130)	-	(3,203,538)
Governmental Activities Capital				
Assets Depreciable, Net	<u>6,708,942</u>	<u>(218,443)</u>	<u>800,328</u>	<u>7,290,827</u>
Governmental Activities, Capital				
Assets, Net	<u>\$ 8,488,095</u>	<u>\$ (49,393)</u>	<u>\$ -</u>	<u>\$ 8,438,702</u>

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note C - Capital Assets (Continued)

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
<u>Business-type Activities</u>				
Capital assets, nondepreciable:				
Land	\$ 112,562	\$ -	\$ -	\$ 112,562
Construction in progress	-	148,160	-	148,160
Total Capital Assets, Nondepreciable	112,562	148,160	-	260,722
Capital assets, depreciable:				
Building and improvements	171,345	-	-	171,345
Sewer system	10,022,057	21,806	-	10,043,863
Machinery and equipment	419,175	149,254	-	568,429
Total Capital Assets, Depreciable	10,612,577	171,060	-	10,783,637
Less Accumulated Depreciation				
Building and improvements	(117,408)	(7,650)	-	(125,058)
Sewer system	(3,964,366)	(223,103)	-	(4,187,469)
Machinery and equipment	(344,171)	(30,832)	-	(375,003)
Total	(4,425,945)	(261,585)	-	(4,687,530)
Business-type Activities Capital Assets Depreciable, Net	6,186,632	(90,525)	-	6,096,107
Business-type Activities, Capital Assets, Net	\$ 6,299,194	\$ 57,635	\$ -	\$ 6,356,829

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 170,535
Police	71,656
Streets	181,939
	<u>\$ 424,130</u>
Business - type activities:	
Sewer	\$ 254,620
Parks and Recreation	6,965
	<u>\$ 261,585</u>

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note D - Long-term Debt

A summary of long-term debt activity for the year ended is as follows. Additional detailed information is available in the following notes.

	June 30, 2022		Principal	June 30, 2023	Due within
	Balance	Additions	Payments	Balance	One Year
Governmental Activities:					
Bonds payable	\$ 3,025,000	\$ -	\$ (175,000)	\$ 2,850,000	\$ 175,000
Bond premiums	45,692	-	(3,046)	42,646	-
Total Bonds and Notes Payable	3,070,692	-	(178,046)	2,892,646	175,000
Financed purchase agreements payable	313,907	-	(19,937)	293,970	23,163
Total	<u>\$ 3,384,599</u>	<u>\$ -</u>	<u>\$ (197,983)</u>	<u>\$ 3,186,616</u>	<u>\$ 198,163</u>

The City issued General Obligation Series 2016 bonds on October 1, 2016 to finance costs for repairs and paving of roads within the city. Total bonds issued totaled \$3,900,922 including a bond premium of \$60,922. Interest on the bonds at a rate of 2.00% is payable semi-annually on April 1 and October 1. The bonds will mature on October 1, 2036. The balance of the bonds at June 30, 2023 was \$2,850,000.

A schedule of the required principal and interest payments on bonds payable as of June 30, 2023 is as follows:

	Governmental Bonds Payable		
	Principal	Interest	Total
2024	\$ 175,000	\$ 63,269	\$ 238,269
2025	180,000	59,719	239,719
2026	185,000	56,069	241,069
2027	185,000	52,253	237,253
2028	190,000	48,269	238,269
2029-2033	1,025,000	177,859	1,202,859
2034-2037	910,000	50,178	960,178
Totals	<u>\$ 2,850,000</u>	<u>\$ 507,616</u>	<u>\$ 3,357,616</u>

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note D - Long-term Debt (Continued)

The City entered into a lease agreement with the Kentucky League of Cities on January 12, 2006 to finance improvements to City Hall. The total amount financed was \$600,000 with a variable interest rate, secured by real property with a net book value of \$392,080. Principal payments and scheduled interest for the agreement are as follows:

	Governmental Financed Purchase Agreements		
	Payable		
	Principal	Interest	Total
2024	\$ 23,163	\$ 8,841	\$ 32,004
2025	23,897	7,999	31,896
2026	24,609	7,102	31,711
2027	25,358	6,487	31,845
2028	26,119	5,833	31,952
2029-2033	143,069	15,665	158,734
2034-2037	27,755	1,267	29,022
	<u>\$ 293,970</u>	<u>\$ 53,194</u>	<u>\$ 347,164</u>

	June 30, 2022 Balance	Additions	Principal Payments	June 30, 2023 Balance	Due within One Year
Business - type Activities:					
General obligation note payable	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ -
 Total	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

The City entered into note agreement with Old National Bank in a maximum principal amount of \$2,000,000 bearing annual interest at the rate of 1.25% per annum payable on June 1st and December 1st, commencing December 1, 2020 and maturing on June 1, 2025 for the purpose of funding the sewer program. The total amount drawn on the note as of June 30, 2023 was \$2,000,000. Principal payments and scheduled interest based on the balance at June 30, 2023 are as follows:

	Business-Type General Obligation Note		
	Principal	Interest	Total
2024	\$ -	\$ 25,000	\$ 25,000
2025	2,000,000	25,000	2,025,000
Totals	<u>\$ 2,000,000</u>	<u>\$ 50,000</u>	<u>\$ 2,050,000</u>

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note E - Defined Benefit Pension Plans

Plan Description - Employees of the City are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the Kentucky Public Pensions Authority ("KPPA"). The KPPA was created by state statute under Kentucky Revised Statute Section 61.645. The Board of Trustees is responsible for the proper operation and administration of the KPPA. The KPPA issues a publicly available financial report that can be obtained by writing to the Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone to (502) 564-4646.

Benefits provided - Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Benefits provided - Non-hazardous. Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service-related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age plus earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

Benefits provided - Hazardous. Tier 1 Hazardous members are eligible to retire with an unreduced benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by a formula using the member's highest three consecutive year average compensation, which must have at least 24 months. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 Hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. Benefits are determined by a formula using the member's highest three consecutive year average compensation, which must be 36 months. Reduced benefits for early retirement are available at age 50 with 15 years of service. Tier 3 Hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index ("CPI") for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note E - Defined Benefit Pension Plans (Continued)

Net Pension Liability

Contributions - Contributions for employees established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were a plan member prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Effective January 1, 2018 the City began participating in the hazardous plan for police officers. For the year ended June 30, 2023, employer contributions for the non-hazardous plan were \$136,481 (\$119,210 pension and \$17,270 insurance) based on a rate of 26.79% (23.40% pension and 3.39% insurance). Employer contributions to the hazardous plan were \$216,844 (\$187,197 pension and \$29,647 insurance) based on a rate of 49.59% (42.81% pension and 6.78% insurance). By law, employer contributions are required to be paid. The KPPA may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of the unfunded liability.

The City's net pension liability was measured as of June 30, 2022. The total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - 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 June 30, 2022, using generally accepted actuarial principals.

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.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note E - Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions (Continued) - The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	2.30 percent
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
Salary Increases	3.30 to 10.30 percent, varies by service (Non-Hazardous) 3.55 to 19.05 percent, varies by service (Hazardous)
Investment Rate of Return	6.25 percent, net of pension plan investment expense, including inflation

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 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.

The long-term expected rates of return were determined using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Equity		
Public Equity	4.45%	50.00%
Private Equity	10.15%	10.00%
Fixed Income		
Core Bonds	0.28%	10.00%
Specialty Credit/High Yield	2.28%	10.00%
Cash	-0.91%	0.00%
Inflation Protected		
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
	<u>4.28%</u>	<u>100.00%</u>

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note E - Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Discount rate. The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major class are summarized in the Kentucky Public Pensions Authority's Annual Comprehensive Financial Report ("ACFR").

Sensitivity of the Net Pension Liability to changes in the Discount Rate - The following presents the net pension liability of the City calculated using the discount rate of 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City of Simpsonville's net pension liability - NonHazardous	\$ 1,351,511	\$ 1,081,316	\$ 857,842
City of Simpsonville's net pension liability - Hazardous	<u>2,509,289</u>	<u>2,014,420</u>	<u>1,611,379</u>
Totals	<u>\$ 3,860,800</u>	<u>\$ 3,095,736</u>	<u>\$ 2,469,221</u>

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Pension expense. For the year ended June 30, 2023, the City recognized pension expense of \$427,145.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note E - Defined Benefit Pension Plans (Continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources below.

The amount shown below for "Contributions subsequent to the measurement date of June 30, 2022", will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	\$ 58,913	\$ 9,630
Investment experience	371,842	297,593
Change of assumptions	-	-
Changes in Proportionate Share	332,504	70,921
Contributions subsequent to the measurement date of June 30, 2022	<u>306,407</u>	<u>-</u>
	<u><u>\$ 1,069,666</u></u>	<u><u>\$ 378,144</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30</u>
2024	\$ 169,154
2025	102,038
2026	29,873
2027	<u>84,050</u>
	<u><u>\$ 385,115</u></u>

In the tables shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note F - Postemployment Benefits Other Than Pensions ("OPEB")

General Information about the Pension Plan

Plan description - Employees of the City are provided hospital and medical insurance through the Kentucky Public Pensions Authority's Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KPPA was created by state statute under Kentucky Revised Statute Section 61.645. The KPPA Board of Trustees is responsible for the proper operation and administration of the KPPA. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided - The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions - Contribution requirements of the participating employers are established and may be amended by the KPPA Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2023 was 3.39% of covered payroll for the nonhazardous plan and 6.78% for the hazardous plan. Contributions to the nonhazardous Insurance Fund from the City were \$17,270 and \$29,647 to the hazardous Insurance Fund for the year ended June 30, 2023. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note F - Postemployment Benefits Other Than Pensions ("OPEB") (Continued)

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 \$857,184 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2022. This method is expected to be reflective of the employers' long-term contribution effort.

For the year ended June 30, 2023, the City recognized OPEB expense of \$181,616. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 42,130	\$ 100,973
Investment experience	172,456	139,963
Change of assumptions	140,499	135,169
Changes in proportion and difference between employer contributions and proportionate share of contributions	137,461	66,779
Contributions subsequent to the measurement date of June 30, 2022	<u>63,690</u>	<u>-</u>
Total	<u>\$ 556,236</u>	<u>\$ 442,884</u>

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note F - Postemployment Benefits Other Than Pensions ("OPEB") (Continued)

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

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 June 30, 2022, using generally accepted actuarial principals.

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 assumptions, 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.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized below:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Equity		
Public Equity	4.45%	50.00%
Private Equity	10.15%	10.00%
Fixed Income		
Core Bonds	0.28%	10.00%
Specialty Credit/High Yield	2.28%	10.00%
Cash	-0.91%	0.00%
Inflation Protected		
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
	4.28%	100.00%

Discount rate. The discount rate used to measure the total OPEB liability was 5.70% for the non-hazardous plan and 5.61% for the hazardous plan. The discount rate is 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. However, the cost associated with the implicit employer subsidy was not included in the calculation of the City's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the City's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note F - Postemployment Benefits Other Than Pensions ("OPEB") (Continued)

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

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the Discount Rate - The following presents the City's proportionate share of the collective net OPEB liability as well as what the City's proportionate share of the collective 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 discount rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
Net OPEB Liability - Nonhazardous	\$ 394,580	\$ 295,159	\$ 212,970
		Current Discount Rate	1% Increase
	1% Decrease (4.61%)	(5.61%)	(6.61%)
Net OPEB Liability - Hazardous	\$ 780,917	\$ 562,025	\$ 384,244
Totals	<u>\$ 1,175,497</u>	<u>\$ 857,184</u>	<u>\$ 597,214</u>

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates - The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective 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 health care cost trend rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB Liability - Nonhazardous	\$ 219,444	\$ 295,159	\$ 386,078
Net OPEB Liability - Hazardous	392,455	562,025	768,722
	<u>\$ 611,899</u>	<u>\$ 857,184</u>	<u>\$ 1,154,800</u>

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KPPA financial report.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note G - Insurance and Risk Management

The City of Simpsonville is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, torts, injuries to employees, natural disasters, etc. Each of these risk areas is covered through the purchase of a commercial insurance package. The City has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the City's experience to date. The City carries unemployment insurance through Kentucky League of Cities Unemployment Compensation Reimbursement Trust.

Note H - Commitments and Contingencies

Litigation

The City is party to numerous legal proceedings, many of which normally occur in government operations and will not involve any liability to the City.

The City participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the City complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Liens and Encumbrances

While the City does have satisfactory title to all owned assets, there may be some liens and encumbrances on such assets for matters other than related to bond issues. Only a complete accurate title search of all properties would disclose such liens and encumbrances.

City of Simpsonville, Kentucky
Notes to Financial Statements (Continued)
Year Ended June 30, 2023

Note I - Future Accounting Pronouncements

In June of 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

The City is currently evaluating the impact that will result from adopting GASB 101 and is therefore unable to disclose the impact that adopting this Standard will have on the City's financial position and the results of its operations when the Statement is adopted.

Required Supplementary Information

City of Simpsonville, Kentucky
Schedule of Net Pension Liability
and Related Ratios Based on Participation In the County
Employees Retirement System of KPPA
Fiscal Year Ending June 30,

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Net Pension Liability for County Employees Retirement Systems									
Non-hazardous	\$ 3,244,376,000	\$ 4,299,525,000	\$ 4,923,618,237	\$ 5,853,307,000	\$ 6,090,305,000	\$ 7,033,044,552	\$ 7,669,917,211	\$ 6,375,784,388	\$ 7,229,013,496
Hazardous	1,201,824,000	1,535,105,880	1,715,941,441	2,237,279,000	2,418,457,000	2,762,295,373	3,015,028,402	2,662,159,257	3,051,457,270
Employer's Proportion (Percentage) of Net Pension Liability									
Non-hazardous	0.02142%	0.02366%	0.02591%	0.02292%	0.02125%	0.01598%	0.01585%	0.01652%	0.01496%
Hazardous	-	-	-	-	0.01626%	0.03938%	0.05394%	0.06387%	0.06602%
Employer's Proportion (Amount) of Net Pension Liability									
Non-hazardous	\$ 695,000	\$ 1,017,411	\$ 1,275,588	\$ 1,341,285	\$ 1,293,946	\$ 1,123,670	\$ 1,215,375	\$ 1,053,280	\$ 1,081,316
Hazardous	-	-	-	-	393,314	1,087,764	1,626,276	1,700,428	2,014,420
Employer's Covered-Employer payroll									
Non-hazardous	\$ 554,652	\$ 640,470	\$ 629,661	\$ 529,357	\$ 405,036	\$ 398,733	\$ 421,963	\$ 459,221	\$ 509,446
Hazardous	-	-	-	-	225,324	305,614	389,962	429,922	437,274
Employer's Proportionate Share (Amount) of the Net Pension Liability									
As a Percentage of Employer's Covered-Employer Payroll									
Non-hazardous	125.30%	158.85%	202.58%	253.38%	319.46%	281.81%	288.03%	229.36%	247.29%
Hazardous	0.00%	0.00%	0.00%	0.00%	174.55%	355.93%	417.03%	395.52%	395.41%
Total Pension Plan's Fiduciary Net Position									
Non-hazardous	\$ 6,528,147,000	\$ 6,440,800,000	\$ 6,141,394,419	\$ 6,687,237,000	\$ 7,018,963,000	\$ 7,159,921,000	\$ 7,027,327,000	\$ 8,565,652,000	\$ 7,963,586,000
Hazardous	2,087,002,000	2,078,202,000	2,010,174,047	2,217,996,000	2,348,337,000	2,413,708,000	2,379,704,000	2,914,408,000	2,718,234,000
Total Pension's Plan Pension Liability									
Non-hazardous	9,772,323,000	10,740,325,000	11,065,012,656	12,540,545,000	13,109,268,000	14,192,966,000	14,697,244,000	\$ 14,941,437,000	\$ 15,192,599,000
Hazardous	\$ 3,288,826,000	\$ 3,613,308,000	\$ 3,726,115,488	\$ 4,455,275,000	\$ 4,766,794,000	\$ 5,176,003,000	\$ 5,394,732,000	5,576,567,000	5,769,591,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability									
Non-hazardous	66.80%	59.97%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%
Hazardous	63.46%	57.52%	53.95%	49.80%	49.26%	46.63%	44.11%	52.26%	47.11%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Simpsonville, Kentucky
Schedule of Contributions Based on Participation
in the County Employees' Retirement System of KPPA
Fiscal Year Ending June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 70,718	\$ 79,547	\$ 74,702	\$ 96,762	\$ 121,711	\$ 168,823	\$ 198,661	\$ 242,789	\$ 306,407
Contributions in relation to the actuarially determined contribution	70,718	79,547	74,702	96,762	121,711	168,823	198,661	242,789	306,407
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 554,652	\$ 640,470	\$ 549,684	\$ 529,357	\$ 630,360	\$ 704,347	\$ 811,925	\$ 889,143	\$ 946,720
Contributions as a percentage covered-employee payroll	12.75%	12.42%	13.59%	18.28%	19.31%	23.97%	24.47%	27.31%	32.37%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedules Related to the County Employees' Retirement System of KPPA

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2020
Experience Date	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	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 (Non-Hazardous) 3.55% to 19.05% varies by service (Hazardous)
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phase into the actuarially determined rate in Accordance with HB 362 enacted in 2018 for CERS Non Hazardous And CERS Hazardous

City of Simpsonville, Kentucky
Schedule of Proportionate Share of the Net OPEB
Liability in the County Employees' Retirement System Insurance Fund
Fiscal Year Ending June 30

	2018	2019	2020	2021	2022	2023
Total Net OPEB Liability for County Employees Retirement Systems						
Non-hazardous	\$ 2,010,342,058	\$ 1,775,480,000	\$ 1,681,954,950	\$ 2,414,695,884	\$ 1,914,449,967	\$ 1,973,513,617
Hazardous	826,672,000	712,959,000	739,859,800	924,105,555	808,559,331	851,785,774
Employer's Proportion (Percentage) of Net OPEB Liability						
Non-hazardous	0.022915%	0.021246%	0.015973%	0.015852%	0.01652%	0.014956%
Hazardous	-	0.016264%	0.039371%	0.053922%	0.06387%	0.065982%
Employer's Proportion (Amount) of Net OPEB Liability						
Non-hazardous	\$ 460,671	\$ 377,219	\$ 268,659	\$ 382,778	\$ 316,191	\$ 295,159
Hazardous	-	115,956	291,290	498,296	516,459	562,025
Employer's Covered-Employer payroll						
Non-hazardous	\$ 529,357	\$ 405,036	\$ 398,733	\$ 421,963	\$ 459,221	\$ 509,446
Hazardous	-	79,607	305,614	389,962	429,922	437,274
Employer's Proportionate Share (Amount) of the Net OPEB Liability as a Percentage of Employer's Covered-Employer Payroll						
Non-hazardous	87.02%	93.13%	67.38%	90.71%	68.85%	67.50%
Hazardous	0.00%	145.66%	95.31%	127.78%	120.13%	110.32%
Total Pension Plan's Fiduciary Net Position						
Non-hazardous	\$ 2,212,536,000	\$ 2,414,126,000	\$ 2,569,511,000	\$ 2,581,613,000	\$ 3,246,801,000	\$ 3,079,984,000
Hazardous	1,889,001,000	1,280,982,000	1,340,714,000	1,321,117,000	1,627,824,000	1,522,671,000
Total Pension's Plan OPEB Liability						
Non-hazardous	\$ 4,222,878,000	\$ 4,189,606,000	\$ 4,251,466,000	\$ 4,996,309,000	\$ 5,161,251,000	\$ 5,053,498,000
Hazardous	2,015,673,000	1,993,941,000	2,080,574,000	2,245,222,000	2,436,383,000	2,374,457,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability						
Non-hazardous	52.40%	57.62%	60.44%	51.67%	62.91%	60.95%
Hazardous	59.00%	64.24%	64.44%	58.84%	66.81%	64.13%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Simpsonville, Kentucky
Schedule of OPEB Contributions Based on
Participation in the County Employees' Retirement System Insurance Fund
Fiscal Year Ending June 30

	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 24,880	\$ 44,896	\$ 48,074	\$ 57,210	\$71,556	\$46,917
Contributions in relation to the actuarially determined	24,880	44,896	48,074	57,210	71,556	46,917
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	529,357	484,643	704,347	811,925	889,143	946,720
Contributions as a percentage covered- employee payroll	4.70%	9.26%	6.83%	7.05%	8.05%	4.96%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedules Related to the County Employees' Insurance Fund of KPPA

Actuarial Valuation Date	June 30, 2020
Experience Date	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Investment Rate of Return	6.25%
Retirement age	65 years or 27 years of service regardless of age
Healthcare Trend Rates Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Non-Hazardous and Hazardous

City of Simpsonville, Kentucky
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Occupational taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,699,140	\$ 449,140
Insurance Tax	350,000	351,000	588,229	237,229
Property	380,000	380,000	411,735	31,735
Franchise taxes	230,000	230,000	268,560	38,560
Restaurant tax	290,000	290,000	285,227	(4,773)
Garbage billing	240,000	240,000	248,523	8,523
Grants	-	-	15,000	15,000
Administrative fees	15,000	15,000	15,780	780
Rental income	13,000	13,000	13,182	182
Permits	5,000	5,000	29,088	24,088
Court fines	25,000	25,000	8,349	(16,651)
Miscellaneous income	500	500	57,265	56,765
Interest income	6,000	5,000	17,065	12,065
Donations	-	-	25,074	25,074
Intergovernmental revenues				
Police incentive	41,000	41,000	37,095	(3,905)
Total Revenues	2,845,500	2,845,500	3,719,312	873,812
Expenditures				
General government	1,067,500	1,067,500	942,705	124,795
Police	1,346,300	1,346,300	1,187,852	158,448
Public works	112,200	112,200	132,417	(20,217)
Community events	40,000	40,000	37,925	2,075
Debt service	277,000	277,000	277,425	(425)
Capital outlay	230,000	230,000	258,085	(28,085)
Total Expenditures	3,073,000	3,073,000	2,836,409	236,591
(Deficiency) Excess of Revenues Over Expenditures	(227,500)	(227,500)	882,903	637,221
Other Financing Sources				
Operating transfers out	-	-	(696,630)	(696,630)
Total Other Financing Sources	-	-	(696,630)	(696,630)
Net Change in Fund Balance	(227,500)	(227,500)	186,273	(59,409)
Fund Balance, beginning of year	3,687,096	3,687,096	3,687,096	-
Fund Balance, end of year	\$ 3,459,596	\$ 3,459,596	\$ 3,873,369	\$ (59,409)

City of Simpsonville, Kentucky
Budgetary Comparison Schedule - Road Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Interest income	\$ 25	\$ 25	\$ 62	\$ 37
Intergovernmental revenues				
Municipal road aid	50,000	50,000	51,891	1,891
Total Revenues	50,025	50,025	51,953	1,928
Expenditures				
Public works	46,025	46,025	30,331	15,694
Capital outlay	4,000	4,000	9,771	(5,771)
Total Expenditures	50,025	50,025	40,102	9,923
Excess (Deficiency) of Revenues Over Expenditures	-	-	11,851	(7,995)
Net Change in Fund Balance	-	-	11,851	(7,995)
Fund Balance, beginning of year	66,628	66,628	66,628	-
Fund Balance, end of year	\$ 66,628	\$ 66,628	\$ 78,479	\$ (7,995)



**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 City Commissioners
City of Simpsonville, 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, the business-type activities and each major fund of the City of Simpsonville, Kentucky (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Simpsonville, Kentucky's basic financial statements, and have issued our report thereon dated October 25, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that have not been identified.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards (Continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Simpsonville, Kentucky's financial statements are free from material misstatements, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

MJM CPA's & Advisors LLP

Lexington, Kentucky
October 25, 2023