

CITY OF SIMPSONVILLE, KENTUCKY

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2024

And Report of Independent Auditor

CITY OF SIMPSONVILLE, KENTUCKY
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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Simpsonville, Kentucky, as of and for the year ended June 30, 2024, 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 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, 2024, 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 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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Simpsonville, 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 Simpsonville, 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 and the schedules related to the City of Simpsonville, Kentucky's participation in the County Employee's pension and other post-employment benefit plans and budgetary comparison information 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's Discussion and Analysis that generally accepted accounting principles 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 November 22, 2024 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 effectiveness of the City of Simpsonville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Simpsonville, Kentucky's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Lexington, Kentucky
November 22, 2024

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF NET POSITION

JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Current Assets:			
Cash equivalents	\$ 2,549,046	\$ 1,588,798	\$ 4,137,844
Restricted cash	1,551,659	-	1,551,659
Accounts receivable, net	240,188	47,387	287,575
Other receivable	1,614	-	1,614
Total Current Assets	<u>4,342,507</u>	<u>1,636,185</u>	<u>5,978,692</u>
Noncurrent Assets:			
Capital Assets:			
Land	941,360	112,562	1,053,922
Construction in progress	134,591	568,832	703,423
Depreciable buildings, property, and equipment (net)	<u>7,215,478</u>	<u>5,986,899</u>	<u>13,202,377</u>
Total Noncurrent Assets	<u>8,291,429</u>	<u>6,668,293</u>	<u>14,959,722</u>
Total Assets	<u>12,633,936</u>	<u>8,304,478</u>	<u>20,938,414</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - pension	604,294	252,291	856,585
Deferred outflows of resources - OPEB	<u>227,162</u>	<u>93,633</u>	<u>320,795</u>
Total Deferred Outflows of Resources	<u>831,456</u>	<u>345,924</u>	<u>1,177,380</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 13,465,392</u></u>	<u><u>\$ 8,650,402</u></u>	<u><u>\$ 22,115,794</u></u>

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 15,385	\$ 23,641	\$ 39,026
Accrued payroll	50,547	13,579	64,126
Accrued interest	19,906	-	19,906
Sales tax payable	-	693	693
Current portion of long-term debt			
Bonds payable	180,000	-	180,000
General obligation note payable	-	2,000,000	2,000,000
Financed purchase agreements payable	23,897	-	23,897
Total Current Liabilities	<u>289,735</u>	<u>2,037,913</u>	<u>2,327,648</u>
Noncurrent Liabilities:			
Bonds payable, net	2,534,600	-	2,534,600
Financed purchase agreements payable	246,971	-	246,971
Deposit liability	-	7,431	7,431
Net OPEB liability	27,038	28,570	55,608
Net pension liability	1,683,310	720,758	2,404,068
Total Noncurrent Liabilities	<u>4,491,919</u>	<u>756,759</u>	<u>5,248,678</u>
Total Liabilities	<u>4,781,654</u>	<u>2,794,672</u>	<u>7,576,326</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	573,620	197,043	770,663
Deferred inflows of resources - OPEB	707,226	240,221	947,447
Total Deferred Inflows of Resources	<u>1,280,846</u>	<u>437,264</u>	<u>1,718,110</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,062,500</u>	<u>3,231,936</u>	<u>9,294,436</u>
Net Position:			
Net investment in capital assets	5,305,961	4,668,293	9,974,254
Restricted for:			
Streets	71,941	-	71,941
Police	5,991	-	5,991
Tourism	581,134	-	581,134
Capital Outlay	892,593	-	892,593
Unrestricted	545,272	750,173	1,295,445
Total Net Position	<u>7,402,892</u>	<u>5,418,466</u>	<u>12,821,358</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 13,465,392</u>	<u>\$ 8,650,402</u>	<u>\$ 22,115,794</u>

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

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	\$ 1,273,198	\$ 2,080	\$ 51,300	\$ -	\$ (1,219,818)	\$ -	\$ (1,219,818)
Police	1,395,048	1,348	34,687	-	(1,359,013)	-	(1,359,013)
Public works	108,046	-	-	-	(108,046)	-	(108,046)
Streets	265,947	-	59,434	-	(206,513)	-	(206,513)
Interest on long-term debt	77,904	-	-	-	(77,904)	(27,450)	(105,354)
Total Governmental Activities	<u>3,120,143</u>	<u>3,428</u>	<u>145,421</u>	<u>-</u>	<u>(2,971,294)</u>	<u>(27,450)</u>	<u>(2,998,744)</u>
Business-type Activities:							
Sewer	784,651	654,182	-	-	-	(130,469)	(130,469)
Parks and recreation	305,988	137,582	-	-	-	(168,406)	(168,406)
Total Business-type Activities	<u>1,090,639</u>	<u>791,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,875)</u>	<u>(298,875)</u>
Total Primary Government	<u>\$ 4,210,782</u>	<u>\$ 795,192</u>	<u>\$ 145,421</u>	<u>\$ -</u>	<u>(2,971,294)</u>	<u>(326,325)</u>	<u>(3,297,619)</u>
General Revenues:							
Property taxes					442,719	-	442,719
Charges for services					306,935	-	306,935
Occupational taxes					1,537,353	-	1,537,353
Insurance tax					572,106	-	572,106
Restaurant tax					273,145	-	273,145
Franchise taxes					264,882	-	264,882
Fines and permits					20,136	-	20,136
Interest income					91,263	5,422	96,685
Other revenues					124,649	-	124,649
Transfers (out) in					(170,000)	170,000	-
Total General Revenues					<u>3,463,188</u>	<u>175,422</u>	<u>3,638,610</u>
Change in Net Position					491,894	(150,903)	340,991
Net Position, Beginning of Year					<u>6,910,998</u>	<u>5,569,369</u>	<u>12,480,367</u>
Net Position, End of Year					<u>\$ 7,402,892</u>	<u>\$ 5,418,466</u>	<u>\$ 12,821,358</u>

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

CITY OF SIMPSONVILLE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2024

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,549,046	\$ -	\$ 2,549,046
Restricted cash	1,479,718	71,941	1,551,659
Accounts receivable, net	240,188	-	240,188
Other receivable	1,614		1,614
Total Assets	<u>\$ 4,270,566</u>	<u>\$ 71,941</u>	<u>\$ 4,342,507</u>
LIABILITIES			
Accounts payable	\$ 15,385	\$ -	\$ 15,385
Accrued payroll	50,547	-	50,547
Total Liabilities	<u>65,932</u>	<u>-</u>	<u>65,932</u>
Fund Balances:			
Restricted for:			
Streets	-	71,941	71,941
Police	5,991	-	5,991
Tourism	581,134	-	581,134
Capital outlay	892,593	-	892,593
Unassigned	2,724,916	-	2,724,916
Total Fund Balances	<u>4,204,634</u>	<u>71,941</u>	<u>4,276,575</u>
Total Liabilities and Fund Balances	<u>\$ 4,270,566</u>	<u>\$ 71,941</u>	<u>\$ 4,342,507</u>

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

CITY OF SIMPSONVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2024

Total Governmental Fund Balances	\$ 4,276,575
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.	8,291,429
Deferred outflows of resources related to the long-term net pension and OPEB liabilities and therefore are not reported in the governmental funds	831,456
Deferred inflows of resources related to the long-term net pension and OPEB liabilities and therefore are not reported in the governmental funds	(1,280,846)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(1,683,310)
Net OPEB liability	(27,038)
Bonds payable - net of related premiums	(2,714,600)
Financed purchase agreements payable	(270,868)
Interest payable	(19,906)
Net Position for Governmental Activities	<u>\$ 7,402,892</u>

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
Revenues:			
Occupational tax	\$ 1,537,353	\$ -	\$ 1,537,353
Insurance tax	572,106	-	572,106
Property taxes	442,719	-	442,719
Franchise taxes	264,882	-	264,882
Restaurant tax	273,145	-	273,145
Garbage collection	281,042	-	281,042
Grants	56,300	-	56,300
Administrative fees	20,634	-	20,634
Rental income	27,973	-	27,973
Permits	18,961	-	18,961
Court fines	1,175	-	1,175
Miscellaneous income	80,415	-	80,415
Interest income	91,181	82	91,263
Donations	24,948	-	24,948
Intergovernmental Revenues:			
Municipal road aid	-	59,434	59,434
Police incentive	29,687	-	29,687
Total Revenues	<u>3,722,521</u>	<u>59,516</u>	<u>3,782,037</u>
Expenditures:			
General government	960,047	-	960,047
Police	1,478,049	-	1,478,049
Public works	112,159	-	112,159
Streets	-	66,054	66,054
Community events	71,350	-	71,350
Debt service:			
Principal	198,102	-	198,102
Interest	79,088	-	79,088
Capital outlay	322,461	-	322,461
Total Expenditures	<u>3,221,256</u>	<u>66,054</u>	<u>3,287,310</u>
Excess of Revenues Over Expenditures	501,265	(6,538)	494,727
Other Financing Uses:			
Operating transfers out	(170,000)	-	(170,000)
Total Other Financing Uses	<u>(170,000)</u>	<u>-</u>	<u>(170,000)</u>
Net Change in Fund Balances	331,265	(6,538)	324,727
Beginning Fund Balance	3,873,369	78,479	3,951,848
Ending Fund Balance	<u>\$ 4,204,634</u>	<u>\$ 71,941</u>	<u>\$ 4,276,575</u>

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

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, 2024

Net Change in Fund Balances - Total Governmental Funds	\$	324,727
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <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 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.</p>		
Capital outlay	346,215	
Depreciation expense	<u>(493,488)</u>	(147,273)
<p>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 position.</p>		
Principal payments	198,102	
Bond premium	<u>3,046</u>	201,148
<p>Pension expense related to long-term net pension liabilities that is not included in the governmental funds.</p>		
		65,353
<p>OPEB expense related to long-term net pension liabilities that is not included in the governmental funds.</p>		
		46,753
<p>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.</p>		
		<u>1,186</u>
Change in Net Position of Governmental Activities	<u>\$</u>	<u>491,894</u>

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2024

	Business - Type Activities Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Recreation Fund	
	Sewer Fund	Recreation Fund	
ASSETS			
Current Assets:			
Cash equivalents	\$ 1,472,202	\$ 116,596	\$ 1,588,798
Accounts receivable	47,387	-	47,387
Total Current Assets	<u>1,519,589</u>	<u>116,596</u>	<u>1,636,185</u>
Noncurrent Assets:			
Capital Assets:			
Land	112,562	-	112,562
Construction in progress	568,832	-	568,832
Depreciable buildings, property, and equipment, net	<u>5,871,621</u>	<u>115,278</u>	<u>5,986,899</u>
Total Noncurrent Assets	<u>6,553,015</u>	<u>115,278</u>	<u>6,668,293</u>
Total Assets	<u>8,072,604</u>	<u>231,874</u>	<u>8,304,478</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - pension	151,751	100,540	252,291
Deferred outflows of resources - OPEB	<u>65,209</u>	<u>28,424</u>	<u>93,633</u>
Total Deferred Outflows of Resources	<u>216,960</u>	<u>128,964</u>	<u>345,924</u>
Total Assets and Deferred Outflows	<u><u>\$ 8,289,564</u></u>	<u><u>\$ 360,838</u></u>	<u><u>\$ 8,650,402</u></u>

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)

JUNE 30, 2024

	Business - Type Activities		Total Proprietary Funds
	Enterprise Funds		
	Sewer Fund	Parks and Recreation	
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 18,890	\$ 4,751	\$ 23,641
Accrued payroll	6,819	6,760	13,579
General obligation note payable	2,000,000	-	2,000,000
Sales tax payable	693	-	693
Total Current Liabilities	<u>2,026,402</u>	<u>11,511</u>	<u>2,037,913</u>
Noncurrent Liabilities:			
Sewer deposits	7,431	-	7,431
Net OPEB Liability (Asset)	34,178	(5,608)	28,570
Net pension liability	439,692	281,066	720,758
Total Noncurrent Liabilities	<u>4,508,396</u>	<u>286,969</u>	<u>4,795,365</u>
Total Liabilities	<u>6,534,798</u>	<u>298,480</u>	<u>6,833,278</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	110,798	86,245	197,043
Deferred inflows of resources - OPEB	134,016	106,205	240,221
Total Deferred Inflows of Resources	<u>244,814</u>	<u>192,450</u>	<u>437,264</u>
Total Liabilities and Deferred Inflows	<u>6,779,612</u>	<u>490,930</u>	<u>7,270,542</u>
Net Position:			
Net investment in capital assets	4,553,015	115,278	4,668,293
Unrestricted	984,032	(233,859)	750,173
Total Net Position	<u>5,537,047</u>	<u>(118,581)</u>	<u>5,418,466</u>
Total Liabilities and Net Position	<u><u>\$ 12,316,659</u></u>	<u><u>\$ 372,349</u></u>	<u><u>\$ 12,689,008</u></u>

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2024

	Business - Type Activities		
	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Parks and Recreation Fund	
Operating Revenues:			
Charges for services	\$ 607,126	\$ -	\$ 607,126
Tap on and capacity charges	20,000	-	20,000
Effluent line	27,056	-	27,056
Fall festival	-	7,389	7,389
Celebrations	-	691	691
Rental income	-	7,836	7,836
Leagues and camp charges	-	90,131	90,131
Contributions	-	271	271
Miscellaneous	-	31,264	31,264
Total Operating Revenues	<u>654,182</u>	<u>137,582</u>	<u>791,764</u>
Operating Expenses:			
Operations and maintenance	335,990	-	335,990
General and administrative expenses	33,958	70,018	103,976
Advertising	-	708	708
Fall festival	-	18,344	18,344
General maintenance	-	9,129	9,129
Office expense	-	4,324	4,324
Salary expense	161,958	150,721	312,679
Sports fees	-	26,417	26,417
Celebrations	-	2,048	2,048
Utilities	-	14,157	14,157
Miscellaneous	-	808	808
Depreciation	252,745	9,314	262,059
Total Operating Expenses	<u>784,651</u>	<u>305,988</u>	<u>1,090,639</u>
Operating Loss	<u>(130,469)</u>	<u>(168,406)</u>	<u>(298,875)</u>

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2024

	Business - Type Activities		Total Proprietary Funds
	Enterprise Funds		
	Sewer Fund	Parks and Recreation Fund	
Nonoperating Revenues and Expenses:			
Interest income	\$ 5,422	\$ -	\$ 5,422
Interest expense	(27,450)	-	(27,450)
Total Nonoperating Expenses	(22,028)	-	(22,028)
Transfers:			
Operating transfers in	-	170,000	170,000
Net Transfers	-	170,000	170,000
Change in net position	(152,497)	1,594	(150,903)
Net position, beginning of year	5,689,544	(120,175)	5,569,369
Net position, end of year	\$ 5,537,047	\$ (118,581)	\$ 5,418,466

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2024

	Business -Type Activities		Total Proprietary Funds
	Enterprise Funds		
	Sewer Fund	Parks and Recreation Fund	
Cash flows from operating activities:			
Cash receipts from customers	\$ 667,708	\$ 137,582	\$ 805,290
Cash payments to suppliers for goods and services	(373,897)	(142,919)	(516,816)
Cash payments to employees for services	(179,628)	(166,854)	(346,482)
Net cash flows from operating activities	<u>114,183</u>	<u>(172,191)</u>	<u>(58,008)</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	-	170,000	170,000
Net cash flows from non-capital financing activities	<u>-</u>	<u>170,000</u>	<u>170,000</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(573,523)	-	(573,523)
Interest paid on long-term debt	(27,450)	-	(20,446)
Net cash flows from capital and related financing activities	<u>(600,973)</u>	<u>-</u>	<u>(593,969)</u>
Cash flows from investing activities:			
Interest received	5,422	-	5,422
Net cash flows from investing activities	<u>5,422</u>	<u>-</u>	<u>5,422</u>
Net change in cash and cash equivalents	(481,368)	(2,191)	(483,559)
Cash and cash equivalents, beginning of year	1,953,570	118,787	2,072,357
Cash and cash equivalents, end of year	<u>\$ 1,472,202</u>	<u>\$ 116,596</u>	<u>\$ 1,588,798</u>

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

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2024

	Business -Type Activities Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Parks and Recreation Fund	
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	\$ (130,469)	\$ (168,406)	\$ (298,875)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation and amortization	252,745	9,314	262,059
Change in assets, deferred outflows, liabilities and deferred inflows:			
Accounts receivable	12,805	-	12,805
Deferred inflows	112,200	103,716	215,916
Deferred outflows	56,098	51,857	107,955
Accounts payable	(3,946)	3,034	(912)
Accrued payroll	796	935	1,731
Sales tax payable	(3)	-	(3)
Sewer deposits	721	-	721
Net OPEB liability	(100,255)	(92,674)	(192,929)
Net pension liability	(86,509)	(79,967)	(166,476)
Net cash flows from operating activities	<u>\$ 114,183</u>	<u>\$ (172,191)</u>	<u>\$ (58,008)</u>

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

CITY OF SIMPSONVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—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 (“U.S. 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 U.S. GAAP for governmental entities. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

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.

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.

CITY OF SIMPSONVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

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.

The City has the following major funds:

Governmental Fund Types:

- 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.
- 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:

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

Basis of 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 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.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

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 2.

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.

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.

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:

<u>Description</u>	<u>Per City Ordinance</u>
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

Budgetary Data – Budget Policy and Practice - The City Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

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.

Prior to June 30, the budget is legally enacted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Fund.

Budgets for the General and the Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (“U.S. GAAP”).

Appropriations lapse at the end of each fiscal year.

Encumbrance accounting is not utilized.

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

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

Restricted Cash – Restricted cash consists of the following:

	Government Funds
Capital outlay	\$ 892,593
Tourism	581,134
Police	5,991
Streets	71,941
	<u>\$ 1,551,659</u>

Cash Restricted – Capital outlay account is restricted for general capital outlay projects. The restricted tourism account is restricted for tourism-related “quality of life” initiatives. The road 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.

Fund Equity – 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.

Subsequent Events – The City has evaluated events occurring subsequent to year-end through the date of the Report of Independent Auditor which represents the date the accompanying financial statement were available to be issued.

Note 2—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, 2024, all bank balances were fully covered by insurance and/or collateral. In accordance with 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, 2024.

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, 2024, the City was fully collateralized.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Capital assets

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2024</u>
Governmental activities:				
Capital assets, non-depreciable:				
Land	\$ 941,360	\$ -	\$ -	\$ 941,360
Construction in progress	206,515	53,322	(125,246)	134,591
Total capital assets, non-depreciable	<u>1,147,875</u>	<u>53,322</u>	<u>(125,246)</u>	<u>1,075,951</u>
Capital assets, depreciable:				
Buildings and improvements	8,565,260	132,664	125,246	8,823,170
Machinery and equipment	1,929,105	160,229	-	2,089,334
Total capital assets, depreciable	<u>10,494,365</u>	<u>292,893</u>	<u>125,246</u>	<u>10,912,504</u>
Less accumulated depreciation:				
Buildings and improvements	(2,312,764)	(365,473)	-	(2,678,237)
Machinery and equipment	(890,774)	(128,015)	-	(1,018,789)
Total	<u>(3,203,538)</u>	<u>(493,488)</u>	<u>-</u>	<u>(3,697,026)</u>
Governmental activities capital assets depreciable, net	<u>7,290,827</u>	<u>(200,595)</u>	<u>125,246</u>	<u>7,215,478</u>
Governmental activities, capital assets, net	<u>\$ 8,438,702</u>	<u>\$ (147,273)</u>	<u>\$ -</u>	<u>\$ 8,291,429</u>

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Capital assets (continued)

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2024</u>
Business-type activities:				
Capital assets, non-depreciable:				
Land	\$ 112,562	\$ -	\$ -	\$ 112,562
Construction in progress	148,160	520,672	(100,000)	568,832
Total capital assets, non-depreciable	<u>260,722</u>	<u>520,672</u>	<u>(100,000)</u>	<u>681,394</u>
Capital assets, depreciable:				
Building and improvements	171,345		100,000	271,345
Sewer system	10,043,863	7,569	-	10,051,432
Machinery and equipment	568,429	45,282	-	613,711
Total capital assets, depreciable	<u>10,783,637</u>	<u>52,851</u>	<u>100,000</u>	<u>10,936,488</u>
Less accumulated depreciation:				
Building and improvements	(125,058)	(11,573)	-	(136,631)
Sewer system	(4,187,469)	(219,081)	-	(4,406,550)
Machinery and equipment	(375,003)	(31,405)	-	(406,408)
Total	<u>(4,687,530)</u>	<u>(262,059)</u>	<u>-</u>	<u>(4,949,589)</u>
Business-type activities capital assets depreciable, net	<u>6,096,107</u>	<u>(209,208)</u>	<u>100,000</u>	<u>5,986,899</u>
Business-type activities, capital assets, net	<u>\$ 6,356,829</u>	<u>\$ 311,464</u>	<u>\$ -</u>	<u>\$ 6,668,293</u>

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

Governmental activities:	
General government	\$ 187,288
Police	106,307
Streets	199,893
	<u>\$ 493,488</u>
Business - type activities:	
Sewer	\$ 252,745
Parks and Recreation	9,314
	<u>\$ 262,059</u>

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 4—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.

Governmental Activities:

	June 30, 2023		Principal	June 30, 2024	Due within
	Balance	Additions	Payments	Balance	One Year
Governmental Activities:					
Bonds payable	\$ 2,850,000	\$ -	\$ (175,000)	\$ 2,675,000	\$ 180,000
Bond premiums	42,646	-	(3,046)	39,600	-
Total bonds and notes payable	2,892,646	-	(178,046)	2,714,600	180,000
Financed purchase agreements payable	293,970	-	(23,102)	270,868	23,897
Total	<u>\$ 3,186,616</u>	<u>\$ -</u>	<u>\$ (201,148)</u>	<u>\$ 2,985,468</u>	<u>\$ 203,897</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, 2024 was \$2,675,000.

A schedule of the required principal and interest payments on bonds payable as of June 30, 2024 is as follows:

	Governmental Bonds Payable		
	Principal	Interest	Total
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	195,000	44,178	239,178
2030-2034	1,050,000	155,263	1,205,263
2035-2038	690,000	28,596	718,596
Totals	<u>\$ 2,675,000</u>	<u>\$ 444,347</u>	<u>\$ 3,119,347</u>

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 4—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 \$379,828. Principal payments and scheduled interest for the agreement are as follows:

	Governmental Financed Purchase Agreements Payable		
	Principal	Interest	Total
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	26,933	4,886	31,819
2030-2034	140,044	12,046	152,090
2035-2038	3,908	-	3,908
	<u>\$ 270,868</u>	<u>\$ 44,353</u>	<u>\$ 315,221</u>

Business-Type Activities

	June 30, 2023 Balance	Additions	Principal Payments	June 30, 2024 Balance	Due within One Year
Business - Type Activities:					
General obligation note payable	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Total	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</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, 2024 was \$2,000,000. Principal payments and scheduled interest based on the balance at June 30, 2024 are as follows:

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

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—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 THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—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, 2024, employer contributions for the non-hazardous plan were \$136,354 (\$136,354 pension and \$0 insurance) based on a rate of 23.34% (23.34% pension and 0.00% insurance). Employer contributions to the hazardous plan were \$230,733 (\$217,108 pension and \$13,625 insurance) based on a rate of 43.69% (41.11% pension and 2.58% 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, 2023. 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, 2023, was performed by Gabriel Roeder Smith (“GRS”). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan’s fiscal year ended June 30, 2023, using generally accepted actuarial principals.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023, and include a change in the investment return assumption from 6.25% to 6.50%. These assumptions are documented in the report titled “2022 Actuarial Experience Study for the Period Ending June 30, 2022.”

The total pension liability as of June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
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	6.50 percent, net of pension plan investment expense, including inflation

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—Defined benefit pension plans (continued)

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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates with the ultimate rates from the MP-2020 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity:		
Public Equity	5.90%	50.00%
Private Equity	11.73%	10.00%
		0.00%
Fixed income:		
Core Bonds	2.45%	10.00%
Specialty Credit/High Yield	3.65%	10.00%
Cash	1.39%	0.00%
Inflation protected:		
Real Estate	4.99%	7.00%
Real Return	5.15%	13.00%
Short-term securities		100.00%

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—Defined benefit pension plans (continued)

Discount Rate – The projection of cash flows used to determine the discount rate of 6.50% for CERS Non-Hazards 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 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

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

Pension expense. For the year ended June 30, 2024, the City recognized pension expense of \$267,394.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City of Simpsonville's net pension liability - NonHazardous	\$ 1,159,205	\$ 918,138	\$ 717,803
City of Simpsonville's net pension liability - Hazardous	1,876,341	1,485,930	1,167,052
Total net pension liability	<u>\$ 3,035,546</u>	<u>\$ 2,404,068</u>	<u>\$ 1,884,855</u>

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—Defined benefit pension plans (continued)

The amount shown below for “Contributions subsequent to the measurement date of June 30, 2023”, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 115,461	\$ 2,495
Investment experience	231,513	258,943
Change of assumptions	-	200,195
Changes in Proportionate Share	156,149	309,030
Contributions subsequent to the measurement date of June 30, 2023	353,462	-
	<u>\$ 856,585</u>	<u>\$ 770,663</u>

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

**Recognition of Existing Deferred Outflows (Inflows) of
Resources for Future Years Ending June 30,**

2025	\$ (58,739)
2026	(120,775)
2027	(45,335)
2028	(42,691)
	<u>\$ (267,540)</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 THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 6—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, 2024 was 0.00% of covered payroll for the Non-Hazardous plan and 2.58% for the hazardous plan. Contributions to the Non-Hazardous Insurance Fund from the City were \$0 and \$13,625 to the hazardous Insurance Fund for the year ended June 30, 2024. 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 THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 6—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, 2024, the City reported a liability of \$55,608 for its proportionate share of the collective net OPEB liability. For the year ended June 30, 2024, the City recognized OPEB expense of (\$42,195). At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ 20,588	\$ 591,196
Investment experience	105,560	120,524
Change of assumptions	90,335	105,655
Changes in proportion and difference between employer contributions and proportionate share of contributions	84,935	130,072
Contributions subsequent to the measurement date of June 30, 2023	19,377	-
Total	<u>\$ 320,795</u>	<u>\$ 947,447</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$19,377 resulting from City contributions subsequent to the measurement date (\$13,625) and before the end of the fiscal year and implicit subsidy (\$5,752) will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

**Recognition of Existing Deferred Outflows (Inflows) of
Resources for Future Years Ending June 30,**

2025	\$ (139,610)
2026	(153,431)
2027	(130,380)
2028	(155,242)
2029	(67,366)
	<u>\$ (646,029)</u>

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 6—Postemployment benefits other than pensions (OPEB) (continued)

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Payroll growth rate	2.00%
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	6.50%
Healthcare Trend Rates Pre-65	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates Post-65	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	Pub-2010 General Mortality table, for the Non-Hazardous System and the Pub 2010 Public Safety Mortality table for the hazardous systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement	System specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 for nondisabled. Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by GRS. The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan’s fiscal year ending June 30, 2023, using generally accepted actuarial principals.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled “2022 Actuarial Experiences Study for the Period Ending June 30, 2022.” Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 6—Postemployment benefits other than pensions (OPEB) (continued)

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	5.90%	50.00%
Private Equity	11.73%	10.00%
		0.00%
Fixed income:		
Core Bonds	2.45%	10.00%
Specialty Credit/High Yield	3.65%	10.00%
Cash	1.39%	0.00%
Inflation protected:		
Real Estate	4.99%	7.00%
Real Return	5.15%	13.00%
Short-term securities	5.75%	100.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.93% for the non-hazardous plan and 5.97% for the hazardous plan. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and 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 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 plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 6—Postemployment benefits other than pensions (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 (4.93%)	Current Discount Rate (5.93%)	1% Increase (6.93%)
Net OPEB Liability - Non-Hazardous	\$ 37,072	\$ (19,755)	\$ (67,340)
	1% Decrease (4.97%)	Current Discount Rate (5.97%)	1% Increase (6.97%)
Net OPEB Liability - Hazardous	\$ 190,595	\$ 75,363	\$ (20,655)
Total net OPEB liability (asset)	<u>\$ 227,667</u>	<u>\$ 55,608</u>	<u>\$ (87,995)</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 - Non-Hazardous	\$ (63,317)	\$ (19,755)	\$ 33,758
Net OPEB Liability - Hazardous	859	75,363	165,343
Total net OPEB liability (asset)	<u>\$ (62,458)</u>	<u>\$ 55,608</u>	<u>\$ 199,101</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.

Note 7—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.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 8—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, 2024 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.

Note 9—Future accounting pronouncements

In June of 2023, 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, 2024.

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	\$ 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	\$ 6,416,508,407
Hazardous	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	2,695,955,612
Employer's Proportion (Percentage) of Net Pension Liability:									
Non-Hazardous	0.02366%	0.02591%	0.02292%	0.02125%	0.01598%	0.01585%	0.01652%	0.01496%	0.01431%
Hazardous				0.01626%	0.03938%	0.05394%	0.06387%	0.06602%	0.05512%
Employer's Proportion (Amount) of Net Pension Liability:									
Non-Hazardous	\$ 1,017,411	\$ 1,275,588	\$ 1,341,285	\$ 1,293,946	\$ 1,123,670	\$ 1,215,375	\$ 1,053,280	\$ 1,081,316	\$ 918,138
Hazardous	-	-	-	393,314	1,087,764	1,626,276	1,700,428	2,014,420	1,485,930
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	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	158.85%	202.58%	253.38%	319.46%	281.81%	288.03%	229.36%	247.29%	180.22%
Hazardous	0.00%	0.00%	0.00%	174.55%	355.93%	417.03%	395.52%	395.41%	339.82%
Total Pension Plan's Fiduciary Net Position:									
Non-Hazardous	\$ 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	\$ 8,672,597,000
Hazardous	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	3,035,192,000
Total Pension's Plan Pension Liability:									
Non-Hazardous	\$ 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	\$ 15,089,106,000
Hazardous	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	5,731,148,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability									
Non-Hazardous	59.97%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%
Hazardous	57.52%	53.95%	49.80%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%

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	2024
Actuarially determined contribution	\$ 70,718	\$ 79,547	\$ 74,702	\$ 96,762	\$ 121,711	\$ 168,823	\$ 198,661	\$ 242,789	\$ 306,407	\$ 353,462
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	353,462
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 554,652	\$ 640,470	\$ 549,684	\$ 529,357	\$ 630,360	\$ 704,347	\$ 811,925	\$ 889,143	\$ 946,720	\$ 1,112,321
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%	31.78%

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

Valuation date: The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2021
Experience Date	July 1, 2018 – June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed Period at June 30, 2019 Gains/losses incurring after 2019 will be amortized over Separate closed 20-year amortization base
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
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

The retiree mortality is 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.

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,

	2017	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	\$ (138,066,692)
Hazardous	826,672,000	712,959,000	739,859,800	924,105,555	808,559,331	851,785,774	136,822,982
Employer's Proportion (Percentage) of Net OPEB Liability:							
Non-Hazardous	0.02292%	0.02125%	0.01597%	0.01585%	0.01652%	0.01496%	0.00570%
Hazardous	0.00000%	0.01626%	0.03937%	0.05392%	0.06387%	0.06598%	0.00008%
Employer's Proportion (Amount) of Net OPEB Liability:							
Non-Hazardous	\$ 460,671	\$ 377,219	\$ 268,659	\$ 382,778	\$ 316,191	\$ 295,159	\$ (19,755)
Hazardous	-	115,956	291,290	498,296	516,459	562,025	75,363
Employer's Covered-Employer Payroll:							
Non-Hazardous	\$ 629,661	\$ 529,357	\$ 405,036	\$ 398,733	\$ 421,963	\$ 459,221	\$ 509,446
Hazardous	-	225,324	225,324	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%	66.33%	96.00%	68.85%	67.50%	-3.88%
Hazardous	0.00%	145.66%	129.28%	163.05%	120.13%	110.32%	17.23%
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	\$ 3,398,375,000
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	1,634,192,000
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	\$ 3,260,308,000
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	1,771,015,000
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%	104.23%
Hazardous	59.00%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%

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	2024
Actuarially determined contribution	\$ 24,880	\$ 44,896	\$ 48,074	\$ 57,210	\$ 71,556	\$ 46,917	\$ 13,625
Contributions in relation to the actuarially determined contribution	24,880	44,896	48,074	57,210	71,556	46,917	13,625
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 529,357	\$ 630,360	\$ 704,347	\$ 811,925	\$ 889,143	\$ 946,720	\$ 1,112,321
Contributions as a percentage covered- employee payroll	4.70%	7.12%	6.83%	7.05%	8.05%	4.96%	1.22%

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

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

Actuarial Valuation Date	June 30, 2021
Experience Date	July 1, 2013 – June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed Period at June 30, 2019 Gains/losses incurring after 2019 will be amortized over Separate closed 20-year amortization base
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%
Healthcare Trend Rates Pre-65	Initial trend starting at 6.43% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 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 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

CITY OF SIMPSONVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Occupational taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,537,353	\$ 187,353
Insurance Tax	400,000	400,000	572,106	172,106
Property	400,000	400,000	442,719	42,719
Garbage billing	240,000	240,000	281,042	41,042
Restaurant tax	335,000	335,000	273,145	(61,855)
Franchise taxes	240,000	240,000	264,882	24,882
Interest income	11,000	11,000	91,181	80,181
Miscellaneous income	500	500	80,415	79,915
Grants	433,950	433,950	56,300	(377,650)
Police incentive	48,100	48,100	29,687	(18,413)
Rental income	13,000	13,000	27,973	14,973
Donations	-	-	24,948	24,948
Administrative fees	20,000	20,000	20,634	634
Permits	15,000	15,000	18,961	3,961
Court fines	8,000	8,000	1,175	(6,825)
Total Revenues	3,514,550	3,514,550	3,722,521	207,971
Expenditures:				
Police	1,503,100	1,503,100	1,478,049	25,051
General government	1,089,300	1,089,300	960,047	129,253
Capital outlay	735,950	735,950	322,461	413,489
Debt service	277,000	277,000	277,190	(190)
Public works	141,300	141,300	112,159	29,141
Community events	50,000	50,000	71,350	(21,350)
Total Expenditures	3,796,650	3,796,650	3,221,256	575,394
(Deficiency) Excess of Revenues Over Expenditures	(282,100)	(282,100)	501,265	783,365
Other Financing Sources				
Operating transfers out	-	-	(170,000)	(170,000)
Total Other Financing Sources	-	-	(170,000)	(170,000)
Net Change in Fund Balance	(282,100)	(282,100)	331,265	613,365
Fund Balance, beginning of year	3,873,369	3,873,369	3,873,369	-
Fund Balance, end of year	\$ 3,591,269	\$ 3,591,269	\$ 4,204,634	\$ 613,365

CITY OF SIMPSONVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - ROAD FUND

YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 50	\$ 50	\$ 82	\$ 32
Intergovernmental revenues	50,000	50,000	59,434	9,434
Total Revenues	50,050	50,050	59,516	9,466
Expenditures:				
Public works	57,050	57,050	66,054	(9,004)
Capital outlay	3,000	3,000	-	3,000
Total Expenditures	60,050	60,050	66,054	(6,004)
(Deficiency) Excess of Revenues Over Expenditures	(10,000)	(10,000)	(6,538)	3,462
Net Change in Fund Balance	(10,000)	(10,000)	(6,538)	3,462
Fund Balance, beginning of year	78,479	78,479	78,479	-
Fund Balance, end of year	\$ 68,479	\$ 68,479	\$ 71,941	\$ 3,462

Report of Independent Auditor 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, 2024, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated November 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Simpsonville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those 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.

Cherry Bekaert LLP

Lexington, Kentucky
November 22, 2024