

CITY OF SIMPSONVILLE, KENTUCKY

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2025

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, 2025, 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, 2025, 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 budgetary comparison information 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 24, 2025 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 24, 2025

CITY OF SIMPSONVILLE, KENTUCKY
STATEMENT OF NET POSITION

JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Current Assets:			
Cash equivalents	\$ 3,387,027	\$ 1,509,509	\$ 4,896,536
Restricted cash	1,762,031	1,523,106	3,285,137
Lease receivable	14,653	-	14,653
Accounts receivable, net	283,366	53,228	336,594
Other receivable	1,614	-	1,614
Total Current Assets	5,448,691	3,085,843	8,534,534
Noncurrent Assets:			
Capital assets			
Land	941,360	112,562	1,053,922
Construction in progress	149,554	1,418,336	1,567,890
Depreciable buildings, property, and equipment (net)	6,852,003	5,715,527	12,567,530
Lease receivable	14,653	-	14,653
Total Noncurrent Assets	7,957,570	7,246,425	15,203,995
Total Assets	13,406,261	10,332,268	23,738,529
Deferred Outflows of Resources			
Deferred outflows of resources - pension	711,586	279,938	991,524
Deferred outflows of resources - OPEB	237,094	96,192	333,286
Total Deferred Outflows of Resources	948,680	376,130	1,324,810
Total Assets and Deferred Outflows of Resources	\$ 14,354,941	\$ 10,708,398	\$ 25,063,339

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, 2025

	Primary Government		
	Governmental	Business - Type	
	Activities	Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 50,485	\$ 566,380	\$ 616,865
Accrued payroll	58,163	14,640	72,803
Accrued interest	18,690	25,000	43,690
Sales tax payable	-	696	696
Current portion of long-term debt	-	-	-
Bonds payable	185,000	-	185,000
Compensated absences	121,649	6,081	127,730
Total Current Liabilities	433,987	612,797	1,046,784
Noncurrent Liabilities:			
Bonds payable, net	2,346,554	-	2,346,554
General obligation bond payable and bond premium	-	3,673,106	3,673,106
Compensated absences	81,100	4,055	85,155
Deposit liability	-	8,066	8,066
Net OPEB liability	24,712	27,971	52,683
Net pension liability	1,844,035	762,173	2,606,208
Total Noncurrent Liabilities	4,296,401	4,475,371	8,771,772
Total Liabilities	4,730,388	5,088,168	9,818,556
Deferred Inflows of Resources			
Deferred inflows of resources - pension	457,862	167,215	625,077
Deferred inflows of resources - OPEB	607,368	214,491	821,859
Deferred inflows for lease	28,841	-	28,841
Total Deferred Inflows of Resources	1,094,071	381,706	1,475,777
Total Liabilities and Deferred Inflows of Resources	5,824,459	5,469,874	11,294,333
Net Position			
Invested in capital assets, net of related debt	5,411,363	5,096,425	10,507,788
Restricted for:			
Streets	71,215	-	71,215
Police	10,418	-	10,418
Tourism	745,674	-	745,674
Capital Outlay	934,724	-	934,724
Unrestricted	1,357,088	142,099	1,499,187
Total Net Position	8,530,482	5,238,524	13,769,006
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 14,354,941	\$ 10,708,398	\$ 25,063,339

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, 2025

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	\$ 1,560,282	\$ 1,560	\$ -	\$ -	\$ (1,558,722)	\$ -	\$ (1,558,722)
Police	1,600,315	2,127	52,558	-	(1,545,630)	-	(1,545,630)
Public works	140,230	-	-	-	(140,230)	-	(140,230)
Streets	266,754	-	52,691	-	(214,063)	-	(214,063)
Interest on long-term debt	69,438	-	-	-	(69,438)	(206,090)	(275,528)
Total Governmental Activities	3,637,019	3,687	105,249	-	(3,528,083)	(206,090)	(3,734,173)
Business-Type Activities:							
Sewer	871,482	891,972	-	-	-	20,490	20,490
Parks and recreation	270,182	152,063	-	-	-	(118,119)	(118,119)
Total Business-Type Activities	1,141,664	1,044,035	-	-	-	(97,629)	(97,629)
Total Primary Government	\$ 4,778,683	\$ 1,047,722	\$ 105,249	\$ -	(3,528,083)	(303,719)	(3,831,802)
General Revenues:							
Property taxes					465,883	-	465,883
Charges for services					297,434	-	297,434
Occupational taxes					2,354,072	-	2,354,072
Insurance tax					640,674	-	640,674
Restaurant tax					327,934	-	327,934
Franchise taxes					272,577	-	272,577
Fines and permits					351,762	-	351,762
Interest income					90,482	6,100	96,582
Other revenues					148,427	-	148,427
Transfers (out) in					(127,500)	127,500	-
Total General Revenues					4,821,745	133,600	4,955,345
Change in Net Position					1,293,662	(170,119)	1,123,543
Net position - Beginning of Year as previously presented					7,402,892	5,418,466	12,821,358
Restatement - Change In accounting principal					(166,072)	(9,823)	(175,895)
Net position - Beginning of Year, as restated (Note 11)					7,236,820	5,408,643	12,645,463
Net Position, End of Year					\$ 8,530,482	\$ 5,238,524	\$ 13,769,006

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

CITY OF SIMPSONVILLE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,387,027	\$ -	\$ 3,387,027
Restricted cash	1,690,816	71,215	1,762,031
Accounts receivable, net	283,366	-	283,366
Other receivable	1,614	-	1,614
Total Assets	<u>\$ 5,362,823</u>	<u>\$ 71,215</u>	<u>\$ 5,434,038</u>
LIABILITIES			
Accounts payable	\$ 50,485	\$ -	\$ 50,485
Accrued payroll	58,163	-	58,163
Total Liabilities	<u>108,648</u>	<u>-</u>	<u>108,648</u>
Fund Balances:			
Restricted for:			
Streets	-	71,215	71,215
Police	10,418	-	10,418
Tourism	745,674	-	745,674
Capital outlay	934,724	-	934,724
Unassigned	3,563,359	-	3,563,359
Total Fund Balances	<u>5,254,175</u>	<u>71,215</u>	<u>5,325,390</u>
Total Liabilities and Fund Balances	<u>\$ 5,362,823</u>	<u>\$ 71,215</u>	<u>\$ 5,434,038</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, 2025

Total Governmental Fund Balances	\$ 5,325,390
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.	7,942,917
Lease receivable used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,306
Deferred outflows of resources related to the long-term net pension and OPEB liabilities and, therefore, are not reported in the governmental funds	948,680
Deferred inflows of resources related to the long-term net pension, OPEB liabilities, and a lease and therefore are not reported in the governmental funds	(1,094,071)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(1,844,035)
Net OPEB liability	(24,712)
Bonds payable - net of related premiums	(2,531,554)
Compensated absences	(202,749)
Interest payable	(18,690)
Net Position for Governmental Activities	<u>\$ 8,530,482</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, 2025*

	General Fund	Road Fund	Total
Revenues:			
Occupational tax	\$ 2,354,072	\$ -	\$ 2,354,072
Insurance tax	640,674	-	640,674
Property taxes	465,883	-	465,883
Franchise taxes	272,577	-	272,577
Restaurant tax	327,934	-	327,934
Garbage collection	270,191	-	270,191
Grants	3,000	-	3,000
Administrative fees	21,127	-	21,127
Rental income	28,358	-	28,358
Permits	255,215	-	255,215
Court fines	96,547	-	96,547
Miscellaneous income	129,407	-	129,407
Interest income	90,405	77	90,482
Donations	-	-	-
Intergovernmental Revenues:			
Municipal road aid	-	52,691	52,691
LGEA	-	-	-
Police incentive	49,558	-	49,558
Total Revenues	<u>5,004,948</u>	<u>52,768</u>	<u>5,057,716</u>
Expenditures:			
General government	1,094,817	-	1,094,817
Police	1,708,105	-	1,708,105
Public works	145,796	-	145,796
Streets	-	53,494	53,494
Parks and recreation	-	-	-
Community events	41,053	-	41,053
Debt Service:			
Principal	450,868	-	450,868
Interest	70,654	-	70,654
Cost of issuance	-	-	-
Capital outlay	316,614	-	316,614
Total Expenditures	<u>3,827,907</u>	<u>53,494</u>	<u>3,881,401</u>
Excess of Revenues Over Expenditures	<u>1,177,041</u>	<u>(726)</u>	<u>1,176,315</u>
Other Financing Uses:			
Bond proceeds	-	-	-
Loan proceeds	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(127,500)	-	(127,500)
Total Other Financing Uses	<u>(127,500)</u>	<u>-</u>	<u>(127,500)</u>
Net Change in Fund Balances	1,049,541	(726)	1,048,815
Beginning Fund Balance	4,204,634	71,941	4,276,575
Ending Fund Balance	<u>\$ 5,254,175</u>	<u>\$ 71,215</u>	<u>\$ 5,325,390</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, 2025*

Net Change in Fund Balances - Total Governmental Funds			\$ 1,048,815
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.			
	Capital outlay expense	148,304 <u>(496,816)</u>	(348,512)
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	450,868	
	Bond premium	<u>3,046</u>	453,914
Pension expense related to long-term net pension liabilities that is not included in the governmental funds.			62,325
OPEB expense related to long-term net pension liabilities that is not included in the governmental funds.			112,116
Changes in compensated absences			(36,677)
Net effect of lease receivable transactions			465
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			1,216
Change in Net Position of Governmental Activities			<u><u>\$ 1,293,662</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

JUNE 30, 2025

	Business - Type Activities		
	Enterprise Funds		Total
	Sewer Fund	Parks and Recreation Fund	Proprietary Funds
ASSETS			
Current Assets:			
Cash equivalents	\$ 1,396,455	\$ 113,054	\$ 1,509,509
Restricted cash	1,523,106	-	1,523,106
Accounts receivable	53,228	-	53,228
Total Current Assets	<u>2,972,789</u>	<u>113,054</u>	<u>3,085,843</u>
Noncurrent Assets:			
Capital Assets:			
Land	112,562	-	112,562
Construction in progress	1,418,336	-	1,418,336
Depreciable buildings, property, and equipment, net	<u>5,608,322</u>	<u>107,205</u>	<u>5,715,527</u>
Total Noncurrent Assets	<u>7,139,220</u>	<u>107,205</u>	<u>7,246,425</u>
Total Assets	<u>10,112,009</u>	<u>220,259</u>	<u>10,332,268</u>
Deferred Outflows of Resources:			
Deferred outflows of resources - pension	167,069	112,869	279,938
Deferred outflows of resources - OPEB	<u>66,627</u>	<u>29,565</u>	<u>96,192</u>
Total Deferred Outflows of Resources	<u>233,696</u>	<u>142,434</u>	<u>376,130</u>
Total Assets and Deferred Outflows	<u>\$ 10,345,705</u>	<u>\$ 362,693</u>	<u>\$ 10,708,398</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, 2025

	Business - Type Activities		
	Enterprise Funds		Total
	Sewer Fund	Parks and Recreation Fund	Proprietary Funds
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 563,374	\$ 3,006	\$ 566,380
Accrued payroll	7,087	7,553	14,640
Current Portion of General obligation payable	25,000	-	25,000
Current Portion of Compensated absences	6,081	-	6,081
Sales tax payable	696	-	696
Total Current Liabilities	602,238	10,559	612,797
Noncurrent Liabilities:			
General obligation bond payable and bond premium	3,673,106	-	3,673,106
Sewer deposits	8,066	-	8,066
Compensated absences	4,055	-	4,055
Net OPEB Liability (Asset)	33,847	(5,876)	27,971
Net pension liability	462,639	299,534	762,173
Total Noncurrent Liabilities	4,181,713	293,658	4,475,371
Total Liabilities	4,783,951	304,217	5,088,168
Deferred Inflows of Resources:			
Deferred inflows of resources - pension	94,271	72,944	167,215
Deferred inflows of resources - OPEB	119,759	94,732	214,491
Total Deferred Inflows of Resources	214,030	167,676	381,706
Total Liabilities and Deferred Inflows	4,997,981	471,893	5,469,874
Net Position:			
Invested in capital assets, net of related debt	4,989,220	107,205	5,096,425
Unrestricted	358,504	(216,405)	142,099
Total Net Position	5,347,724	(109,200)	5,238,524
Total Liabilities and Net Position	\$ 10,345,705	\$ 362,693	\$ 10,708,398

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, 2025

	Business - Type Activities		
	Enterprise Funds		Total
	Sewer Fund	Parks and Recreation Fund	Proprietary Funds
Operating Revenues:			
Charges for services	\$ 647,975	\$ -	\$ 647,975
Tap on and capacity charges	209,840	-	209,840
Effluent line	34,157	-	34,157
Fall festival	-	11,694	11,694
Celebrations	-	816	816
Rental income	-	5,500	5,500
Leagues and camp charges	-	101,331	101,331
Contributions	-	841	841
Miscellaneous	-	31,881	31,881
Total Operating Revenues	891,972	152,063	1,044,035
Operating Expenses:			
Operations and maintenance	395,247	-	395,247
General and administrative expenses	34,076	51,518	85,594
Advertising	-	467	467
Fall festival	-	1,969	1,969
General maintenance	-	9,883	9,883
Office expense	-	5,763	5,763
Salary expense	172,860	139,808	312,668
Sports fees	-	35,625	35,625
Celebrations	-	1,747	1,747
Utilities	-	13,682	13,682
Miscellaneous	-	1,647	1,647
Depreciation	269,299	8,073	277,372
Total Operating Expenses	871,482	270,182	1,141,664
Operating Income (Loss)	20,490	(118,119)	(97,629)
Nonoperating Revenues and Expenses:			
Interest income	6,100	-	6,100
Debt service	(206,090)	-	(206,090)
Total Nonoperating Revenues (Expenses)	(199,990)	-	(199,990)
Transfers:			
Operating transfers in	-	127,500	127,500
Net Transfers	-	127,500	127,500
Change in Net Position	(179,500)	9,381	(170,119)
Net position - Beginning of Year, as previously presented	5,537,047	(118,581)	5,418,466
Restatement - Change In accounting principal	(9,823)	-	(9,823)
Net position - Beginning of Year, as restated (Note 11)	5,527,224	(118,581)	5,408,643
Net position, end of year	\$ 5,347,724	\$ (109,200)	\$ 5,238,524

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, 2025

	Business -Type Activities		
	Enterprise Funds		Total
	Sewer Fund	Parks and Recreation Fund	Proprietary Funds
Cash flows from operating activities:			
Cash receipts from customers	\$ 886,766	\$ 152,063	\$ 1,038,829
Cash payments to suppliers for goods and services	115,164	(124,046)	(8,882)
Cash payments to employees for services	(197,183)	(159,059)	(356,242)
Net cash flows from operating activities	804,747	(131,042)	673,705
Cash flows from noncapital financing activities:			
Transfers from other funds	-	127,500	127,500
Net cash flows from noncapital financing activities	-	127,500	127,500
Cash flows from capital and related financing activities:			
Purchase of capital assets	(855,504)	-	(855,504)
Cash paid on bond interest	(10,450)	-	(10,450)
Payoff of bonds upon issuance of new bonds	(2,000,000)	-	(2,000,000)
Interest paid on refinanced bond payable with bond proceeds	(12,500)	-	(12,500)
Par amount of bonds	3,630,000	-	3,630,000
Bond transaction costs upon bond issuance	(183,140)	-	(183,140)
Bond premium upon bond issuance	68,106	-	68,106
Net cash flows from capital and related financing activities	636,512	-	636,512
Cash flows from investing activities:			
Interest received	6,100	-	6,100
Net cash flows from investing activities	6,100	-	6,100
Net change in cash and cash equivalents	1,447,359	(3,542)	1,443,817
Cash and cash equivalents, beginning of year	1,472,202	116,596	1,588,798
Cash and cash equivalents, end of year	\$ 2,919,561	\$ 113,054	\$ 3,032,615
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	\$ 20,490	\$ (118,119)	\$ (97,629)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation and amortization	269,299	8,073	277,372
Change in assets and liabilities:			
Accounts receivable	(5,841)	-	(5,841)
Deferred inflows	(30,784)	(24,774)	(55,558)
Deferred outflows	(16,736)	(13,470)	(30,206)
Accounts payable	544,484	(1,745)	542,739
Compensated absences	313		313
Accrued payroll	268	793	1,061
Sales tax payable	3	-	3
Sewer deposits	635	-	635
Net OPEB liability	(331)	(268)	(599)
Net pension liability	22,947	18,468	41,415
Net cash flows from operating activities	\$ 804,747	\$ (131,042)	\$ 673,705

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, 2025

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. 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 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. No organizations that meet the criteria to be considered a component unit were noted.

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.

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 THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

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.

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.

CITY OF SIMPSONVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

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:

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

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

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.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

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

Restricted Cash – Restricted cash consists of the following:

	Government Funds	Proprietary Funds
Capital outlay	\$ 934,724	\$ -
Tourism	745,674	-
Police	10,418	-
Streets	71,215	-
Unspend project construction fund	-	1,502,466
Bond sinking fund	-	20,640
	<u>\$ 1,762,031</u>	<u>1,523,106</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. The project construction fund is restricted for sewer construction. The bond sinking fund is restricted for bond payments.

Lease Receivable – The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Regular employees in established positions are eligible for sick leave. Eight (8) hours of leave time after each month of work, except during periods of leave of absence. The maximum number of days carried over allowed in the sick leave account can be 65 days (520 hours) (calendar year). Sick leave may be used in increments of one-half day. The City recognizes a liability for compensated absences that are attributable to services already rendered by employees that accumulates and carries forward to future accounting periods that is determined to be more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

CITY OF SIMPSONVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

Full-time employees will be eligible for two weeks of vacation during the first year of employment. Upon reaching their sixth anniversary of employment, they will be eligible for three weeks. Upon reaching their eleventh anniversary of employment, they will be eligible for four weeks. Upon reaching their sixteenth anniversary of employment, they will be eligible for five weeks. The maximum number of carry over per year for vacation time is 80 hours (calendar year). Employees who leave with notice will be paid all unused vacation.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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, 2025, 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, 2025.

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, 2025, the City was fully collateralized.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Capital assets

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Transfers	Balance June 30, 2025
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 941,360	\$ -	\$ -	\$ 941,360
Construction in progress	134,591	14,963	-	149,554
Total capital assets, nondepreciable	1,075,951	14,963	-	1,090,914
Capital assets, depreciable:				
Buildings and improvements	8,823,170	42,996	-	8,866,166
Machinery and equipment	2,089,334	90,345	-	2,179,679
Total capital assets, depreciable	10,912,504	133,341	-	11,045,845
Less accumulated depreciation:				
Buildings and improvements	(2,678,237)	(371,398)	-	(3,049,635)
Machinery and equipment	(1,018,789)	(125,418)	-	(1,144,207)
Total	(3,697,026)	(496,816)	-	(4,193,842)
Governmental activities capital assets depreciable, net	7,215,478	(363,475)	-	6,852,003
Governmental activities, capital assets, net	<u>\$ 8,291,429</u>	<u>\$ (348,512)</u>	<u>\$ -</u>	<u>\$ 7,942,917</u>
	Balance June 30, 2024	Additions	Transfers	Balance June 30, 2025
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 112,562	\$ -	\$ -	\$ 112,562
Construction in progress	568,832	849,504	-	1,418,336
Total capital assets, nondepreciable	681,394	849,504	-	1,530,898
Capital assets, depreciable:				
Building and improvements	271,345		-	271,345
Sewer system	10,051,432		-	10,051,432
Machinery and equipment	613,711	6,000	-	619,711
Total capital assets, depreciable	10,936,488	6,000	-	10,942,488
Less accumulated depreciation:				
Building and improvements	(136,631)	(12,537)	-	(149,168)
Sewer system	(4,406,550)	(223,134)	-	(4,629,684)
Machinery and equipment	(406,408)	(41,701)	-	(448,109)
Total	(4,949,589)	(277,372)	-	(5,226,961)
Business-type activities capital assets depreciable, net	5,986,899	(271,372)	-	5,715,527
Business-type activities, capital assets, net	<u>\$ 6,668,293</u>	<u>\$ 578,132</u>	<u>\$ -</u>	<u>\$ 7,246,425</u>

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Capital assets (continued)

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

Governmental activities:	
General government	\$ 196,417
Police	87,139
Streets	213,260
	<u>\$ 496,816</u>
Business - type activities:	
Sewer	\$ 269,299
Parks and Recreation	8,073
	<u>\$ 277,372</u>

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, 2024 Balance	Additions	Principal Payments	June 30, 2025 Balance	Due within One Year
Governmental activities:					
Bonds payable	\$ 2,675,000	\$ -	\$ (180,000)	\$ 2,495,000	\$ 185,000
Bond premiums	39,600	-	(3,046)	36,554	-
Total bonds and notes payable	2,714,600	-	(183,046)	2,531,554	185,000
Financed purchase agreements payable	270,868	-	(270,868)	-	-
Total	<u>\$ 2,985,468</u>	<u>\$ -</u>	<u>\$ (453,914)</u>	<u>\$ 2,531,554</u>	<u>\$ 185,000</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, 2025 was \$2,495,000.

A schedule of the required principal and interest payments on bonds payable as of June 30, 2025 is as follows:

	Governmental Bonds Payable		
	Principal	Interest	Total
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	200,000	39,981	239,981
2031-2035	1,075,000	131,022	1,206,022
2036-2037	465,000	12,856	477,856
Totals	<u>\$ 2,495,000</u>	<u>\$ 384,628</u>	<u>\$ 2,879,628</u>

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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 \$367,575. The principal balance was paid off during fiscal year 2025.

Business-Type Activities

	June 30, 2024			June 30, 2025	Due within
	Balance	Additions	Refinanced	Balance	One Year
Business - type Activities:					
General obligation note payable	\$ 2,000,000	\$ 3,630,000	\$ (2,000,000)	\$ 3,630,000	\$ 25,000
Bond premiums	-	68,106	-	68,106	-
Total	<u>\$ 2,000,000</u>	<u>\$ 3,698,106</u>	<u>\$ (2,000,000)</u>	<u>\$ 3,698,106</u>	<u>\$ 25,000</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. The bonds were refunded, and additional bonds were issued. Total bonds issued totaled \$3,630,000 including a bond premium of \$68,106. Total bond transaction costs of \$183,140 are included as expenses on the statement of revenues, expenses, and changes in net position – proprietary funds. The premium will be amortized over the life of the bonds. Interest on the bonds at a rate between 4.375% - 4.5% is payable semi-annually on February 1 and August 1. The bonds will mature on February 1, 2050. The balance of the bonds at June 30, 2025 was \$3,630,000. Principal payments and scheduled interest based on the balance at June 30, 2025 are as follows:

	Business-Type General Obligation Note		
	Principal	Interest	Total
2026	\$ 25,000	\$ 132,160	\$ 157,160
2027	90,000	158,562	248,562
2028	90,000	154,625	244,625
2029	95,000	150,686	245,686
2030	100,000	146,532	246,532
2031-2035	575,000	662,654	1,237,654
2036-2040	705,000	525,938	1,230,938
2041-2045	870,000	357,938	1,227,938
2046-2050	1,080,000	149,090	1,229,090
Totals	<u>\$ 3,630,000</u>	<u>\$ 2,438,185</u>	<u>\$ 6,068,185</u>

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.

CITY OF SIMPSONVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Defined benefit pension plans (continued)

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.

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, 2025, employer contributions for the non-hazardous plan were \$116,257 (\$116,257 pension and \$0 insurance) based on a rate of 19.71% (19.71% pension and 0.00% insurance). Employer contributions to the hazardous plan were \$278,603 (\$263,305 pension and \$15,298 insurance) based on a rate of 38.61% (36.49% pension and 2.12% 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.

CITY OF SIMPSONVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Defined benefit pension plans (continued)

Actuarial Assumptions – For financial reporting, the actuarial valuation as of June 30, 2024, was performed by Gabriel Roeder Smith (“GRS”). The total pension liability, net pension liability, and sensitivity information as of June 30, 2024, were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan’s fiscal year ended June 30, 2024, using generally accepted actuarial principles.

The total pension liability as of June 30, 2024 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

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-2020 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	4.15%	50.00%
Private Equity	9.10%	10.00%
Fixed Income:		
Core Bonds	2.85%	10.00%
Specialty Credit/High Yield	3.82%	10.00%
Cash	1.70%	0.00%
Inflation Protected:		
Real Estate	4.90%	7.00%
Real Return	5.35%	13.00%
	4.69%	100.00%

Discount Rate – The projection of cash flows used to determine the discount rate of 6.50% 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.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Defined benefit pension plans (continued)

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, 2025, the City recognized pension expense of \$301,177.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City of Simpsonville's net pension liability - NonHazardous	\$ 1,189,845	\$ 922,959	\$ 701,514
City of Simpsonville's net pension liability - Hazardous	2,167,007	1,683,249	1,288,287
Totals	<u>\$ 3,356,852</u>	<u>\$ 2,606,208</u>	<u>\$ 1,989,801</u>

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The amount shown below for “contributions subsequent to the measurement date of June 30, 2024”, 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	\$ 154,046	\$ -
Investment experience	156,497	305,677
Change of assumptions	-	136,700
Changes in Proportionate Share	301,419	182,700
Contributions subsequent to the measurement date of June 30, 2024	379,562	-
	<u>\$ 991,524</u>	<u>\$ 625,077</u>

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Defined benefit pension plans (continued)

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
2026	\$ (34,711)
2027	38,152
2028	8,966
2029	(25,522)
	<u>\$ (13,115)</u>

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

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.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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

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, 2025 was 0.00% of covered payroll for the Non-Hazardous plan and 2.12% for the hazardous plan. Contributions to the Non-Hazardous Insurance Fund from the City were \$0 and \$15,298 to the hazardous Insurance Fund for the year ended June 30, 2025. 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).

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

At June 30, 2025, the City reported a liability of \$52,683 for its proportionate share of the collective net OPEB liability. For the year ended June 30, 2025, the City recognized OPEB expense of (\$119,554). At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	1% Decrease (4.99%)	Current Discount Rate (5.99%)	1% Increase (6.99%)
Net OPEB Liability - NonHazardous	\$ 36,131	\$ (26,722)	\$ (79,569)
	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
Net OPEB Liability - Hazardous	\$ 219,437	\$ 79,405	\$ (37,620)
Totals	\$ 255,568	\$ 52,683	\$ (117,189)

Of the total amount reported as deferred outflows of resources related to OPEB, \$21,450 resulting from City contributions subsequent to the measurement date (\$15,298) and before the end of the fiscal year and implicit subsidy (\$6,152) will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. 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,
2026	\$ (161,120)
2027	(133,104)
2028	(162,280)
2029	(67,835)
2030	14,316
	\$ (510,023)

CITY OF SIMPSONVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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

For financial reporting, the actuarial valuation as of June 30, 2024, was performed by GRS. The total pension liability, net pension liability, and sensitivity information as of June 30, 2024, were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, 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 7.10% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Healthcare Trend Rates Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 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.

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan and from 5.97% to 6.02% for the hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare health care costs. The Total OPEB Liability as of June 30, 2024, is determined using these updated assumptions.

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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	4.15%	50.00%
Private Equity	9.10%	10.00%
Fixed Income:		
Core Bonds	2.85%	10.00%
Specialty Credit/High Yield	3.82%	10.00%
Cash	1.70%	0.00%
Inflation Protected:		
Real Estate	4.90%	7.00%
Real Return	5.35%	13.00%
	4.69%	100.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.99% for the non-hazardous plan and 6.02% 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 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. 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.

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 (4.99%)	Current Discount Rate (5.99%)	1% Increase (6.99%)
Net OPEB Liability - NonHazardous	\$ 36,131	\$ (26,722)	\$ (79,569)
	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
Net OPEB Liability - Hazardous	\$ 219,437	\$ 79,405	\$ (37,620)
Totals	\$ 255,568	\$ 52,683	\$ (117,189)

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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 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 healthcare cost trend rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB Liability - NonHazardous	\$ (64,290)	\$ (26,722)	\$ 17,042
Net OPEB Liability - Hazardous	\$ (12,309)	\$ 79,405	\$ 186,598

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.

Note 8—Lease receivable

As of June 30, 2025, the City has one lease receivable in which it is a Lessor. The lease receivable is valued at the present value of the lease payments using individual discount rates.

In July 1, 2024, the City entered into a lease with Visiting Angels of Mount Washington. Under the lease, Visiting Angels pays the City for the use of approximately 900 square-foot office space for a total of \$1,200 per month for thirty-six months. The lease payment for fiscal year 2026 and 2026 will increase to \$1,260 per month. The lease revenue is measured at the present value of the future rent payments expected to be received during the lease term at a discount rate of 3.09%. In Fiscal Year 2025, the City recognized \$14,420 of lease revenue and \$445 of interest revenue under the lease.

Fiscal Year Ending	Principal	Interest	Total
2026	\$ 14,653	\$ 467	\$ 15,120
2027	14,653	467	15,120
	<u>\$ 29,306</u>	<u>\$ 934</u>	<u>\$ 30,240</u>

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 9—Liability for compensated absences

Changes in compensated absences for the year ending June 30, 2025 were as follows:

Compensated Absences	Restated Beginning Balance	Net Change	Ending Balance	Amounts Due in One Year
Governmental type activities	\$ 166,072	\$ 36,677	\$ 202,749	\$ 121,649
Business type activities	9,823	313	10,136	6,081
Total	<u>\$ 175,895</u>	<u>\$ 36,990</u>	<u>\$ 212,885</u>	<u>\$ 127,730</u>

Note 10—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, 2025 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 11—Restatement of net position

During the current year, the City implemented GASB Statement No. 101, *Compensated Absences*. The effects of this change in accounting principle are summarized in the “Restatement – GASB 101 implementation” column of the table below.

	Net position June 30, 2024, as previously reported	Restatement GASB 101 implementation	Net position June 30, 2024, as restated
Government-Wide			
Governmental activities	\$ 7,402,892	\$ (166,072)	\$ 7,236,820
Business - type activities	5,418,466	(9,823)	5,408,643
Total government-wide	<u>\$ 12,821,358</u>	<u>\$ (175,895)</u>	<u>\$ 12,645,463</u>
Business - Type Activities			
Sewer fund	\$ 5,537,047	\$ (9,823)	\$ 5,527,224
Parks and Recreation fund	(118,581)	-	(118,581)
Total business - type activities	<u>\$ 5,418,466</u>	<u>\$ (9,823)</u>	<u>\$ 5,408,643</u>

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,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	\$ 5,980,423,768
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	2,572,005,669
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%	0.01543%
Hazardous	0.00000%	0.00000%	0.00000%	0.01626%	0.03938%	0.05394%	0.06387%	0.06602%	0.05512%	0.06544%
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	\$ 922,959
Hazardous	-	-	-	393,314	1,087,764	1,626,276	1,700,428	2,014,420	1,485,930	1,683,249
Employer's Covered-Employer Payroll:										
Non-hazardous	\$ 640,470	\$ 629,661	\$ 529,357	\$ 405,036	\$ 398,733	\$ 421,963	\$ 459,221	\$ 437,274	\$ 584,206	\$ 589,836
Hazardous	-	-	-	225,324	305,614	389,962	429,922	509,446	528,115	721,582
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%	157.16%	156.48%
Hazardous	0.00%	0.00%	0.00%	174.55%	355.93%	417.03%	395.52%	395.41%	281.36%	233.27%
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	\$ 9,596,244,000
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	3,416,897,000
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	\$ 15,576,667,000
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	5,988,903,000
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%	61.61%
Hazardous	57.52%	53.95%	49.80%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%	57.05%

CITY OF SIMPSONVILLE, KENTUCKY

SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE COUNTY EMPLOYEES' RETIREMENT SYSTEM OF KPPA

FISCAL YEAR ENDING JUNE 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	\$ 79,547	\$ 74,702	\$ 96,762	\$ 121,711	\$ 168,823	\$ 198,661	\$ 242,789	\$ 306,407	\$ 353,462	\$ 379,562
Contributions in relation to the actuarially determined contribution	79,547	74,702	96,762	121,711	168,823	198,661	242,789	306,407	353,462	379,562
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 640,470	\$ 549,684	\$ 529,357	\$ 630,360	\$ 704,347	\$ 811,925	\$ 889,143	\$ 946,720	\$ 1,112,321	\$ 1,311,418
Contributions as a percentage covered- employee payroll	12.42%	13.59%	18.28%	19.31%	23.97%	24.47%	27.31%	32.37%	31.78%	28.94%

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE SCHEDULES RELATED TO THE COUNTY EMPLOYEES' RETIREMENT SYSTEM OF KPPA

FISCAL YEAR ENDING JUNE 30,

Valuation Date – The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2024:

Methods and assumptions used to determine contribution rates:

Valuation Date	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 3.55 % to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50%
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,

	2018	2019	2020	2021	2022	2023	2024	2025
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)	\$ (172,980,142)
Hazardous	826,672,000	712,959,000	739,859,800	924,105,555	808,559,331	851,785,774	136,822,982	121,302,595
Employer's Proportion (Percentage) of Net OPEB Liability:								
Non-hazardous	0.022915%	0.021246%	0.015973%	0.015852%	0.016516%	0.014956%	0.015448%	0.015448%
Hazardous	0.000000%	0.016264%	0.039371%	0.053922%	0.063874%	0.065982%	0.065460%	0.065460%
Employer's Proportion (Amount) of Net OPEB Liability:								
Non-hazardous	\$ 460,671	\$ 377,219	\$ 268,659	\$ 382,778	\$ 316,191	\$ 295,159	\$ (19,755)	\$ (26,722)
Hazardous	-	115,956	291,290	498,296	516,459	562,025	75,363	79,405
Employer's Covered-Employer Payroll:								
Non-hazardous	529,357	\$ 405,036	\$ 398,733	\$ 421,963	\$ 459,221	\$ 437,274	\$ 584,206	\$ 589,836
Hazardous	-	79,607	305,614	389,962	429,922	509,446	528,115	721,582
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%	-3.38%	-4.53%
Hazardous	0.00%	145.66%	95.31%	127.78%	120.13%	110.32%	14.27%	11.00%
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	\$ 3,707,277,000
Hazardous	1,189,001,000	1,280,982,000	1,340,714,000	1,321,117,000	1,627,824,000	1,522,671,000	1,634,192,000	1,752,366,000
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	\$ 3,534,297,000
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	1,873,669,000
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%	104.89%
Hazardous	59.00%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%	93.53%

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	2025
Actuarially determined contribution	\$ 24,880	\$ 44,896	\$ 48,074	\$ 57,210	\$ 71,556	\$ 46,917	\$ 13,625	\$ 15,298
Contributions in relation to the actuarially determined contribution	24,880	44,896	48,074	57,210	71,556	46,917	13,625	15,298
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	529,357	484,643	704,347	811,925	889,143	946,720	1,112,321	1,311,418
Contributions as a percentage covered- employee payroll	4.70%	9.26%	6.83%	7.05%	8.05%	4.96%	1.22%	1.17%

CITY OF SIMPSONVILLE, KENTUCKY
NOTES TO THE SCHEDULES RELATED TO COUNTY EMPLOYEES' INSURANCE FUND

FISCAL YEAR ENDING JUNE 30,

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, 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 3.55 % to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates Pre-65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 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 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 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, 2025

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Occupational taxes	\$ 1,450,000	\$ 1,450,000	\$ 2,354,072	\$ 904,072
Insurance Tax	500,000	500,000	640,674	140,674
Property	400,000	400,000	465,883	65,883
Garbage billing	245,000	245,000	270,191	25,191
Restaurant tax	337,150	337,150	327,934	(9,216)
Franchise taxes	250,000	250,000	272,577	22,577
Interest income	26,000	26,000	90,405	64,405
Miscellaneous income	500	500	129,407	128,907
Grants:				-
Other grants	433,950	3,000	3,000	-
Police incentive	48,310	48,310	49,558	1,248
Rental income	28,000	28,000	28,358	358
Donations	-	-	-	-
Administrative fees	20,000	20,000	21,127	1,127
Permits	15,000	15,000	255,215	240,215
Court fines	8,000	8,000	96,547	88,547
Total Revenues	3,761,910	3,330,960	5,004,948	1,673,988
Expenditures:				
Police	1,678,910	1,751,095	1,708,105	42,990
General government	1,094,750	1,153,487	1,094,817	58,670
Capital outlay	3,027,000	314,297	316,614	(2,317)
Debt service	277,000	522,663	521,522	1,141
Public works	144,150	145,643	145,796	(153)
Community events	40,000	43,371	41,053	2,318
Total Expenditures	6,261,810	3,930,556	3,827,907	102,649
(Deficiency) Excess of Revenues Over Expenditures	(2,499,900)	(599,596)	1,177,041	1,776,637
Other Financing Sources				
Operating transfers out	-	-	(127,500)	(127,500)
Total Other Financing Sources	-	-	(127,500)	(127,500)
Net change in fund balance	(2,499,900)	(599,596)	1,049,541	1,649,137
Fund balance, beginning of year	4,204,634	4,204,634	4,204,634	-
Fund balance, end of year	\$ 1,704,734	\$ 3,605,038	\$ 5,254,175	\$ 1,649,137

CITY OF SIMPSONVILLE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - ROAD FUND

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Interest income	\$ 90	\$ 90	\$ 77	\$ (13)
Intergovernmental revenues	60,000	60,000	52,691	(7,309)
Total Revenues	60,090	60,090	52,768	(7,322)
Expenditures:				
Public works	57,000	57,000	53,494	3,506
Capital outlay	10,000	10,000	-	10,000
Total Expenditures	67,000	67,000	53,494	13,506
(Deficiency) Excess of Revenues Over Expenditures	(6,910)	(6,910)	(726)	6,184
Net change in fund balance	(6,910)	(6,910)	(726)	6,184
Fund balance, beginning of year	71,941	71,941	71,941	-
Fund balance, end of year	\$ 65,031	\$ 65,031	\$ 71,215	\$ 6,184

**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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 24, 2025