City of Hurstbourne

Hurstbourne, Kentucky

Independent Auditors' Report

And Financial Statements

For The Year Ended

June 30, 2025

City of Hurstbourne, Kentucky

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1.866.287.9604
www.baldwincpas.com

INDEPENDENT AUDITORS' REPORT

The Mayor and Members of the City Commission
City of Hurstbourne, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Hurstbourne, 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 of Hurstbourne'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 and each major fund, of the City of Hurstbourne, Kentucky, as of June 30, 2025, and the respective changes in financial position 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, 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 Hurstbourne'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.

Auditors' 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 auditors' 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 Hurstbourne, 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 Hurstbourne, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB schedules on pages 3-9 and 38-47 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2026, on our consideration of the City of Hurstbourne, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hurstbourne, Kentucky's internal control over financial reporting and compliance.

Baldwin CPA's, PLLC

Baldwin CPA's, PLLC
Louisville, Kentucky
February 25, 2026

City of Hurstbourne, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Our discussion and analysis of the City of Hurstbourne, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read the following in conjunction with the City's financial statements, which begin to appear on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 10 and 11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statement also report the City's operations in more detail than the government-side statements by providing information about the City's most significant funds.

FINANCIAL HIGHLIGHTS

Total revenues of the City increased $205,134 over the previous fiscal year. The most significant factors influencing this change were:

- Increase in intergovernmental grant revenues of $113,182
- Increase in property tax revenues of $68,131

Intergovernmental grant revenues of the City are related to the allocation of funds from the American Rescue Plan Act (ARPA) for certain expenditures, and the increase from the previous fiscal year is the result of the City allocating more funds, the remaining $309,143, for paving expenditures during the year. Property tax revenues increased from the previous fiscal year due to an increase in the assessed value of real property, as well as an increase in the City's property tax rate from $.169 per $100 in assessed value to $.176 for fiscal year 2025.

Significant revenues for the fiscal year were:

- Property tax revenues of $1,667,991
- Insurance premium tax revenues of $1,144,683
- Intergovernmental grant revenues of $309,143
- Investment income of $156,857

Total expenditures of the City increased $279,165 over the previous fiscal year. The most significant factor influencing this change was:

- Increase in public works expenditures of $223,580

Public works expenditures increased from the previous fiscal year due to increased snow removal expenditures and increased depreciation expense from additions related to infrastructure during the fiscal year.

Significant expenditures for the fiscal year were:

- Public works expenditures of $1,361,722
- Sanitation expenditures of $757,439
- General government expenditures of $604,543

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 10. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position - the difference between assets and liabilities - as one way to measure the City's health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

Most of the City's basic services are reported here, including general administration, public works, public safety, and sanitation. Property taxes, franchise fees, and insurance taxes finance most of these activities.

To aid in the understanding of the statement of activities some additional explanation is provided. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions to the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

THE CITY AS A WHOLE

The following condensed financial information has been derived from the government-wide financial statements.

The total assets of the City increased by $406,207 in fiscal year 2025 as compared to fiscal year 2024 and the total liabilities of the City decreased by $248,816 over the same period of time. The decrease in total assets was primarily related to the City’s use of remaining American Rescue Plan Act (ARPA) funds during the year, offset by the change in net position. The decrease in liabilities was primarily related to the City using the remaining ARPA funds during the current year, offset by an increase in accounts payable and decrease in net pension liability.

The City’s net position increased approximately $621,000 from the prior year. The City’s unrestricted net position decreased approximately $199,000.

	2025	2024
Assets		
Current Assets	$ 3,451,498	$ 3,954,318
Non-Depreciable Fixed Assets	481,207	481,207
Depreciable Fixed Assets, Net	3,236,406	2,387,818
Lease Receivable - Current	47,132	24,715
Lease Receivable - Noncurrent	48,696	12,078
Net OPEB asset	8,787	7,380
Total Assets	7,273,723	6,867,516
Deferred Outflows of Resources		
Deferred Amounts Related to Pensions	79,421	93,291
Deferred Amounts Related to OPEB	23,275	36,758
Total Deferred Outflows of Resources	102,696	130,049
Liabilities		
Current Liabilities	214,599	423,960
Long-Term Liabilities	303,507	342,962
Total Liabilities	518,106	766,922
Deferred Inflows of Resources		
Deferred Amounts Related to Pensions	66,419	74,707
Deferred Amounts Related to Leases	91,834	40,181
Deferred Amounts Related to OPEB	95,975	132,332
Total Deferred Inflows of Resources	254,228	247,220
Net Position		
Invested in Fixed Assets	3,717,610	2,869,025
Restricted	48,261	76,830
Unrestricted	2,838,214	3,037,568
Total Net Position	$ 6,604,085	$ 5,983,423

Governmental Revenues

The City's primary sources of revenues in this fiscal year continued to be property taxes and insurance taxes. These two sources comprise 76.41% and 78.69% of the total revenue collected in the fiscal years ending 2025 and 2024, respectively. Total revenues for the year ended June 30, 2025, were $3,680,969, which is an increase of $205,134 over the previous fiscal year. The increase is due mainly to significant increases in property taxes and intergovernmental revenues. Revenues are reported as follows:

Governmental Revenues

	2025		2024	
	Amount	Percentage	Amount	Percentage
Program Revenues				
Charges for Service	$ 87,997	2.39%	$ 64,824	1.86%
Operating Grants and Contributions	89,429	2.43%	100,875	2.90%
Total Program Revenues	177,426	4.82%	165,699	4.77%
General Revenues				
Property Taxes	1,667,991	45.31%	1,599,860	46.03%
Insurance Tax	1,144,683	31.10%	1,135,126	32.66%
Bank Franchise Tax	107,251	2.91%	95,534	2.75%
Telecommunication franchise fee	40,761	1.11%	42,003	1.21%
Licenses and permits	54,285	1.47%	55,142	1.59%
Intergovernmental	309,143	8.40%	195,961	5.64%
Miscellaneous	9,961	0.27%	8,893	0.26%
Investment Income	156,847	4.26%	158,725	4.57%
Penalties & Interest	12,621	0.34%	18,892	0.54%
Total General Revenues	3,503,543	95.18%	3,310,136	95.23%
Total Revenues	$ 3,680,969	100.00%	$ 3,475,835	100.00%

Governmental Expenditures

Expenditures for the year ended June 30, 2025 were $3,060,307, which represents an increase of $279,165 over the previous fiscal year. The increase is due mainly to increases in public works expenditures related to increased snow removal expenditures. Expenditures are reported as follows:

	2025		2024	
Program Expenses:	Amount	Percentage	Amount	Percentage
General Government	$ 604,543	19.75%	$ 554,649	19.94%
Public Works	1,361,722	44.50%	1,138,142	40.92%
Public Safety	253,546	8.28%	314,334	11.30%
Sanitation	757,439	24.75%	757,439	27.23%
Community Development	83,057	2.71%	16,578	0.60%
Total Expenses	$ 3,060,307	100.00%	$ 2,781,142	100.00%

Excess of Revenues over Expenditures

	2025	2024
Total Revenues	$ 3,680,969	$ 3,475,835
Total Expenses	3,060,307	2,781,142
Excess of Revenues Over Expenses	$ 620,662	$ 694,693

Change in Net Position

	2025	2024
Beginning Net Position	$ 5,983,423	$ 5,288,730
Increase in Net Position	620,662	694,693
Ending Net Position	$ 6,604,085	$ 5,983,423

FIXED ASSETS

For the year ended June 30, 2025, the City had $6,862,847 invested in fixed assets including land, buildings, equipment, and infrastructure. A schedule of the changes in fixed assets during this fiscal year is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-depreciable Assets:				
Land	$ 481,207	$ -	$ -	$ 481,207
Total non-depreciable assets	481,207	-	-	481,207
Depreciable Assets:				
Building and Improvements	830,653	-	-	830,653
Equipment	18,359	-	-	18,359
Infrastructure	4,303,440	1,229,188	-	5,532,628
Total depreciable assets	5,152,452	1,229,188	-	6,381,640
Total fixed assets	5,633,659	1,229,188	-	6,862,847
Accumulated Depreciation:				
Building and Improvements	278,324	34,826	-	313,150
Equipment	13,814	1,212	-	15,026
Infrastructure	2,472,496	344,565	-	2,817,061
Total accumulated depreciation	2,764,634	380,603	-	3,145,237
Governmental activities fixed assets, net	$ 2,869,025	$ 848,585	$ -	$ 3,717,610

PENSIONS

Current accounting standards require governmental entities to recognize certain financial statements amounts related to pensions. In addition to these financial statement items, there are also note disclosure requirements (Note 7) and tables to be included as required supplementary information. The measurement date for the net pension liability is June 30, 2024.

During this fiscal year, the obligations of the City as they relate to pensions as reported to the City by the Kentucky Retirement Systems are as follows:

	As Reported in the Audit for the Fiscal Year Ending June 30th:	
	2025	**2024**
Pension Obligations	$ 303,507	$ 342,962
Deferred Outflows Related to Pensions	$ 79,421	$ 93,291
Deferred Inflows Related to Pensions	$ 66,419	$ 74,707

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Current accounting standards require governmental entities to recognize certain financial statements amounts related to OPEB. In addition to these financial statement items, there are also note disclosure requirements (Note 8) and tables to be included as required supplementary information. The measurement date for the net OPEB asset is June 30, 2024.

During this fiscal year, the accounts of the City as they relate to OPEB as reported to the City by the Kentucky Retirement Systems are as follows:

	As Reported in the Audit for the Fiscal Year Ending June 30th:			
		2025		**2024**
OPEB (Asset) Liability	$	(8,787)	$	(7,380)
Deferred Outflows Related to OPEB	$	23.275	$	36,758
Deferred Inflows Related to OPEB	$	95,975	$	132,332

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 12. The fund financial statements provide detailed information about the governmental fund — not the City as a whole. Most of the City's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left over at year-end this is available for spending in future periods. This fund is reported using the accounting method called the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more of fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental fund in a separate reconciliation statement after each fund financial statement.

GENERAL FUND BUDGETARY FUND HIGHLIGHTS

For the year ended June 30, 2025, general fund revenues of $3,584,158 were $419,937 more than the $3,164,221 budgeted. Revenue sources with a budget shortfall included property taxes, telecommunication franchise fees, sign permits, home occupation income, coal and mineral income, and base court revenue. For the year ended June 30, 2025, general fund expenditures of $3,325,657 were $161,436 more than the $3,164,221 budgeted. The City spent more than budgeted in public works.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Property tax revenues are expected to increase again due to increased values of commercial properties resulting from commercial developments and increased values of residential properties. The economic outlook calls for slowed growth coupled with inflation over the upcoming fiscal year.

Total revenues increased by $196,130 over the previous year while expenditures increased by $995,452. The City had an deficiency of revenues over expenditures for the year of $295,318. The "bottom line" of the City of Hurstbourne continues to be strong with excess reserve funds and no debt.

The upcoming budget includes continued reinvestment in City assets including roads, sidewalks, irrigation systems, signage, lighting, and storm water drainage improvements. These projects should represent the bulk of non-maintenance expenses for the upcoming fiscal year. Additionally, the mandated employer contribution rate to the Kentucky CERS pension fund is expected to decrease. All of the above listed expenses are to be paid from general revenues which are appropriated in the upcoming budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

City of Hurstbourne City Clerk / City Administrative Officer
200 Whittington Parkway
Suite 100
Louisville, Kentucky 40222
(502) 426-4808
(502) 426-4889
info@hurstbourne.org
www.hurstbourne.org

City of Hurstbourne, Kentucky
Statement of Net Position
June 30, 2025

	Primary Government Governmental Activities
Assets	
Current Assets	
Cash	$ 99,513
Investments	3,047,241
Receivables	304,744
Lease receivables - current	47,132
Total current assets	3,498,630
Noncurrent assets	
Lease receivable - noncurrent	48,696
Net OPEB asset	8,787
Capital assets	
Non-Depreciable Capital Assets	481,207
Depreciable Capital Assets, net	3,236,403
Total noncurrent assets	3,775,093
Total assets	7,273,723
Deferred Outflows of Resources	
Deferred outflows - pension	79,421
Deferred outflows - OPEB	23,275
Total deferred outflows of resources	102,696
Total assets and deferred outflows of resources	$ 7,376,419
Liabilities	
Current liabilities	
Accounts payable	$ 208,984
Tenant deposits	3,615
Other accrued expenses	2,000
Total current liabilities	214,599
Noncurrent liabilities	
Net pension liability	303,507
Total noncurrent liabilities	303,507
Total liabilities	518,106
Deferred Inflows of Resources	
Deferred inflows - pension	66,419
Deferred inflows - OPEB	95,975
Deferred inflows - leases	91,834
Total deferred inflows of resources	254,228
Net Position	
Net invested in capital assets	3,717,610
Restricted for	
Roads	48,261
Unrestricted	2,838,214
Total net position	6,604,085
Total liabilities, deferred inflows of resources and net position	$ 7,376,419

See accompanying notes to financial statements.

City of Hurstbourne, Kentucky
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Primary Government: Net (Expense) Revenue
Primary Government					
Governmental Activities					
General government	$ 604,543	$ 87,997	$ -	$ -	$ (516,546)
Public works	1,361,722	-	89,429	-	(1,272,293)
Public safety	253,546	-	-	-	(253,546)
Sanitation	757,439	-	-	-	(757,439)
Community development	83,057	-	-	-	(83,057)
Total governmental activities	3,060,307	87,997	89,429	-	(2,882,881)
Total Primary Government	$ 3,060,307	$ 87,997	$ 89,429	$ -	(2,882,881)

General revenues	
Taxes:	
Property taxes	1,667,991
Insurance premium tax	1,144,683
Bank franchise tax	107,251
Telecommunication franchise fee	40,761
License and permits	54,285
Intergovernmental grants	309,143
Interest and penalties	9,961
Investment income	156,847
Other income	12,621
Total general revenues	3,503,543
Change in net position	620,662
Net position, beginning	5,983,423
Net Position, ending	$ 6,604,085

See accompanying notes to financial statements.

City of Hurstbourne, Kentucky
Balance Sheet - Governmental Funds
June 30, 2025

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash	$ 51,252	$ 48,261	$ 99,513
Investments	3,047,241	-	3,047,241
Receivables	304,744	-	304,744
Total assets	$ 3,403,237	$ 48,261	$ 3,451,498
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 208,984	$ -	$ 208,984
Tenant deposits	3,615	-	3,615
Other accrued expenses	2,000	-	2,000
Total liabilities	214,599	-	214,599
Deferred Inflows of Resources			
Unavailable revenue	12,113	-	12,113
Total Deferred Inflows of Resources	12,113	-	12,113
Fund Balances			
Restricted	-	48,261	48,261
Committed	399,003	-	399,003
Assigned	95,500	-	95,500
Unassigned	2,682,022	-	2,682,022
Total fund balance	3,176,525	48,261	3,224,786
Total Liabilities and Fund Balances	$ 3,403,237	$ 48,261	$ 3,451,498

City of Hurstbourne, Kentucky
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2025

Fund balances- total governmental funds		$ 3,224,786
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund Financial Statements, net of accumulated depreciation of $3,145,237.		3,717,610
Lease receivables reported in governmental activities are not financial resources and therefore are not reported in the fund Financial Statements.		95,828
Certain property tax and code enforcement revenues are earned but not available and therefore are shown as unavailable revenue in the fund Financial Statements.		12,113
Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Deferred inflows related to leases	(91,834)	
Deferred outflows related to pension and OPEB	102,696	
Deferred inflows related to pension and OPEB	(162,394)	(151,532)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Net pension liability	(303,507)	
Net OPEB asset	8,787	(294,720)
Net position of governmental activities		$ 6,604,085

See accompanying notes to financial statements.

City of Hurstbourne, Kentucky
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Property taxes	$ 1,667,991	$ -	$ 1,667,991
Bank franchise tax	107,251	-	107,251
Telecommunication franchise fee	40,761	-	40,761
Insurance premium tax	1,144,683	-	1,144,683
Intergovernmental	309,143	89,429	398,572
License and permits	54,285	-	54,285
Charges for services	80,615	-	80,615
Investment income	156,847	-	156,847
Interest and penalties	9,961	-	9,961
Other income	12,621	-	12,621
Total revenues	3,584,158	89,429	3,673,587
Expenditures			
General government	628,518	-	628,518
Public works	1,017,157	-	1,017,157
Public safety	253,546	-	253,546
Sanitation	757,439	-	757,439
Community development	83,057	-	83,057
Capital outlay	585,940	643,248	1,229,188
Total expenditures	3,325,657	643,248	3,968,905
Excess of revenues over (under) expenditures	258,501	(553,819)	(295,318)
Other financing sources (uses):			
Transfers	(525,250)	525,250	-
Total other financing uses	(525,250)	525,250	-
Net change in fund balance	(266,749)	(28,569)	(295,318)
Fund balances, beginning	3,443,274	76,830	3,520,104
Fund balances, ending	$ 3,176,525	$ 48,261	$ 3,224,786

See accompanying notes to financial statements.

City of Hurstbourne, Kentucky
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds		$(295,318)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset expenditures capitalized	1,229,188	
Depreciation expense	(380,603)	848,585
Governmental funds report receipts from leases as revenue while governmental activities recognize the revenue over the life of the lease.		
Principal repaid on leases	(47,722)	
Amortization of deferred inflows - leases	55,104	7,382
Some property taxes and code enforcement liens will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are shown as deferred inflows in the fund financial statements. Unavailable revenues increased by this amount this year.		1,859
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount related to the net pension liability and net OPEB asset.		
CERS Pension plan	33,873	
CERS OPEB plan	24,281	58,154
Change in Net Position of Governmental Activities		$ 620,662

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Hurstbourne, Kentucky (the "City") is a home rule city with a population in excess of 4,000 located in Jefferson County, Kentucky. It operates under an elected mayor-commission form of government. The City provides the following services authorized by its charter: public safety, public works, recreation, and community development. Primary revenue sources are property taxes, municipal road aid, and insurance taxes. Those revenues susceptible to accrual are property taxes, insurance taxes, and municipal road aid.

All significant activities and organizations on which the City of Hurstbourne, Kentucky exercises oversight responsibility have been included in the City's financial statements for the year ended June 30, 2025. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial interdependency - The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority - The locally elected City Commission is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to significantly influence operations – The City Commission has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the City Commission.

After consideration of the above criteria, no additional entities are deemed to be component units of the City.

Basis of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the City are classified as governmental activities; the City has no business-type activities.

Government-wide Financial Statements

These financial statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. In the statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The statement of activities reports both the gross and net cost of each of the City's functions (general government, public safety, public works, etc.). The functions are also supported by general government revenues (property taxes, insurance, taxes, bank deposit taxes and certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, public works, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants. The net costs, by function, are normally covered by general revenue (property taxes, insurance taxes, bank deposit taxes and certain intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs and all interfund activity is eliminated in the government-wide financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The following funds are used by the City of Hurstbourne:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

General Fund – The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for road repairs, maintenance, and improvements. The City has one such fund, the Municipal Road Aid Fund, which is used to account for state road funds that are allocated to the City by the State of Kentucky, and it is considered to be a major fund.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded with the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities result exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Encumbrances

The City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

Investments

Investments of the primary government include treasury bills and mutual funds invested with the Kentucky League of Cities investment pool. Investments are valued at fair market value, which is based on quoted market price.

Inventories

Disbursements for inventory type items are considered expenditures at the time of purchase.

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. Major receivable balances for governmental activities primarily include property taxes, insurance taxes, and municipal road aid.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions, collectible but not available, are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

The City considers all receivables to be fully collectible; therefore, an allowance for doubtful accounts is not necessary.

Lease Receivables

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term.

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to only capitalize future individual assets with a value of $5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Starting on July 1, 2004, the City is required to keep a record of all infrastructure assets placed in service from that date forward.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Infrastructure	5-40 years
Buildings	25-40 years
Improvements	10-40 years
Vehicles, furniture, and equipment	5-20 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflow/Inflow of Resources

Deferred Outflows:

The City reports decreases in net position/fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position/fund financials balance sheet - governmental funds. Deferred outflows of resources reported in the government-wide financial statements consisted of contributions made to Kentucky Retirement Systems (KRS) between the measurement date of the net pension liabilities/OPEB liabilities from those plans and the end of the City's fiscal year as well as other amounts related to pension/OPEBs as reported to the City by KRS. No deferred outflows of resources affected the fund financial statements in the current fiscal year.

Deferred Inflows:

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include unavailable revenue, items related to lease receivables, and items related to the pension and OPEB liabilities. Unavailable revenue represents receivables that will not be collected within the available period (typically sixty days after FY-end) and is only reported in the governmental fund financial statements. Deferred inflows of resources related to lease receivables are recorded initially at the value of the lease receivable plus any payments received at or before the commencement of the lease term and then recognized as revenue in a systemic and rational manner over the life of the lease. Deferred inflows of resources related to pension and OPEB liabilities are reported in the government-wide statement of net position.

Accounts Payable

Accounts payable consist of trade payable to vendors who provide goods and services to the City.

Long-term Liabilities

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist solely of the City's share of the unfunded pension/OPEB liabilities through its participation in CERS.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payments on debt are reported as debt service expenditures.

Equity Classifications

Government-Wide Financial Statements

The City reports the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position is divided into three categories defined as follows:

Note 1 - Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Government-Wide Financial Statements (Continued)

a. Net investment in capital assets - Consists of the historical cost of capital assets including restricted capital assets, less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

b. Restricted net position - Consist of assets that are restricted by the City's creditors (for example through debt covenants), by state enabling legislation (through restrictions on shared revenues) by grantors (both federal and state), by other contributors, or by enabling legislation.

c. Unrestricted net position - Balance of net position not meeting the requirements of the other two categories.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

a. Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

b. Restricted - Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors. The City has $48,261 of restricted fund balance at June 30, 2025, related to road maintenance.

c. Committed - Amounts that can be used only for specific purposes determined by a formal action by the City Commission. The City Commission is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Commission. The City has $399,003 of committed fund balance at June 30, 2025, by action of the City Commission for storm drainage.

d. Assigned - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates authority.

e. Unassigned – All amounts not included in other spendable classification.

When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City Commission considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided for otherwise.

Property Tax Revenue

Property tax revenue is recognized when the bills become due and payable. Tax is assessed as a rate of .176 per $100 valuations for real property based on the assessment by the Jefferson County Property Valuation Administrator.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue (Continued)

The City assesses property taxes on January 1, and bills are due and payable by November 30th in the year assessed. Bills paid prior to August 31st are given a 5% discount. Bills paid from September 1st to November 30th are payable at the full-face amount of the bill. All bills paid on or after December 1st are charged a 10% penalty and 1.5% interest per month until collected. On bills collected after January 1st of the following year, an additional 15% penalty will be assessed on the face amount of the bill. Where a tax lien has been filed, the taxpayer shall be responsible for filing and release fees. Should the City have to initiate a lawsuit, or is named a party to a foreclosure action, to collect such delinquent taxes, then an additional 25% penalty shall be encompassed within the City's lien.

Property tax revenue is shown net of property tax discounts in the amount $76,124.

Bank Franchise and Local Deposit Tax

The City assesses a bank franchise and local deposits tax on all financial institutions within the corporate limits of the City. All deposits maintained by such institutions are assessed at the rate of 0.000250. Bills are issued prior to December 1st of each year. Any payment received prior to December 31st will be allowed a 2% discount; bills paid before January 31st of the following year will not receive any discount nor be assessed any penalties. Bills paid after January 31st shall be deemed delinquent and shall be subject to a penalty of 10% and shall bear interest at the rate of 12% per annum.

Business License

The City requires a license to be paid by anyone conducting business within the City. The fee for the license is $75 and the license is good for a period not to exceed one year. Annual renewals may be granted to a licensee in good standing with payment of the $75 license fee.

Alcohol License

The City requires a license to be paid by anyone operating an establishment that sells alcohol. There are different types of alcohol licenses, and associated fees, required based on business type, hours of operation, and access by the general public. Licenses are good for a period not to exceed one year. Annual renewal may be granted to a licensee in good standing with payment of the applicable renewal fee.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements fund expenditures are classified by character; current, debt service, and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Compensated Absences

The City has not made an accrual for compensated absences because the amount is not significant.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Accounting Policies

The following statement will become effective in future periods:

Statement No. 103 – In December 2023, the GASB issued Statement No. 103, *Financial Reporting Model Improvements.* The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The City continues to evaluate the impact of this statement on the City Financial statements.

Statement No. 104 – In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets.* State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The City continues to evaluate the impact of this statement on the City Financial statements.

Note 2 – Deposits and Investments

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. In addition, authorized investment instruments can include shares of mutual funds and money markets that meet certain required characteristics.

The deposits in excess of insurance coverage must be fully collateralized. The City typically invests surplus cash at local banks in the form of certificates of deposit, treasury bills, savings accounts, and money market accounts. This plan subjects the City to the following types of risk:

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

As of June 30, 2025, the government bank balance of $2,221,981, including treasury bills shown as investments in the financial statements, was fully insured or collateralized.

Insured by FDIC or invested in instruments of the United States Government	2,221,981
Total	$ 2,221,981

Investments in external investments pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Note 2 – Deposits and Investments (Continued)

Custodial Credit Risk (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has addressed this risk by purchasing investments that are secured by the FDIC insurance.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City has attempted to address this risk by diversifying the investments and their maturity dates to minimize the risk of loss.

Investments at June 30, 2025, consisted of treasury bills with local financial institutions. The market value and the costs of these investments were essentially the same at June 30, 2025.

As permitted by state statute, the City has also invested funds in the Kentucky League of Cities (KLC) Investment Pool. At June 30, 2025, the balance of this investment was $933,369. The City has recognized investments losses of $203 on these investments during year ended June 30, 2025.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2025, the City's investments were comprised of treasury bills and investments in the KLC investment pool.

Fixed income investments of the City as of June 30, 2025, are summarized and categorized below in the following table:

		Investment Maturities		
Investments Type	Fair Value	1 year or Less	1-5 Years	More than 5 Years
Treasury Bills	$ 2,113,872	$ 2,113,872	$ -	$ -
Money Market Pool - KLC	38,463	38,463	-	-
Total	$ 2,152,335	$ 2,152,335	$ -	$ -

Note 2 – Deposits and Investments (Continued)

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2025:

		Investment Maturities		
Investments by Fair Value Level	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Treasury Bills	$ 2,113,872	$ -	$ 2,113,872	$ -
Kentucky League of Cities Investment Pool:				
Enhanced Income Fund	612,672	-	612,672	-
Dividend Focus Equity Pool	141,943	-	141,943	-
Equity S&P 500 Index Fund Pool	140,291	-	140,291	-
Money Market Pool	38,463	-	38,463	-
Total	$ 3,047,241	$ -	$ 3,047,241	$ -

Note 3 - Receivables

Receivables at year end of the City's major individual funds, including the applicable allowances for uncollectible accounts are as follows:

	Statement of Net Position	Balance Sheet - Governmental Funds	
Receivable Type:	Governmental Activities	General Fund	Special Revenue Fund
Insurance Tax	$ 293,473	$ 293,473	$ -
Property Tax	11,271	11,271	-
Gross Receivables	304,744	304,744	-
Less: allowance for uncollectible	-	-	-
Net receivables	$ 304,744	$ 304,744	$ -

Note 4 - Capital Assets

A summary of capital asset activity during the fiscal year follows:

	July 1, 2024	Additions	Deductions	June 30, 2025
Governmental Activities:				
Capital assets not depreciated:				
Land	$ 481,207	$ -	$ -	$ 481,207
Total non-depreciable assets	481,207	-	-	481,207
Capital assets being depreciated:				
Buildings and improvements	830,653	-	-	830,653
Equipment	18,359	-	-	18,359
Infrastructure assets	4,303,440	1,229,188	-	5,532,628
Total depreciable assets	5,152,452	1,229,188	-	6,381,640
Less accumulated depreciation:				
Buildings and improvements	278,324	34,826	-	313,150
Equipment	13,814	1,212	-	15,026
Infrastructure assets	2,472,496	344,565	-	2,817,061
Totals	2,764,634	380,603	-	3,145,237
Depreciable capital assets, net	2,387,818	848,585	-	3,236,403
Total capital assets, net	$ 2,869,025	$ 848,585	$ -	$ 3,717,610

Depreciation expense was charged to the Governmental functions as follows:

General government	$ 36,038
Public Works	344,565
Total depreciation expense	$ 380,603

Note 5 – Leases Receivable

On July 1, 2021, the City implemented the guidance of Governmental Accounting Standards Board Statement No. 87-*Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Details of the City's leases receivable as of June 30, 2025 are as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Office space (two leases)	$ 95,828	$ 55,104	$ 2,938
Short-term (four leases)	-	30,800	-
Total	$ 95,828	$ 85,904	$ 2,938

Note 5 – Leases Receivable (Continued)

Office Spaces Leases – The City has entered into six agreements to lease office space with unrelated entities. The lease origination date for the leases ranges from June 2024 through October 2024 and the lease period ranges from June 1, 2024 through October 31, 2027.

Future minimum lease payments to be received are as follows:

Year Ended June 30,	Principal	Interest
2026	$ 47,132	$ 2,683
2027	36,308	1,132
2028	12,388	91
Total	$ 95,828	$ 3,906

The total cost of the property acquired by the City for use of the city hall, as well as the additional office space that is rented out, and subsequent improvements was $830,653 (excluding land with a value of $428,032) with accumulated depreciation of $313,150 at June 30, 2025.

Note 6 – Transfers

Transfers during the year ending June 30, 2025 were as follows:

	Transfers In	Transfers Out
General Fund	$ -	$ 525.250
Special Revenue Fund	525,250	-
	$ 525,250	$ 525,250

Transfers are used to (a) move funds from one fund to another fund according to an agreement and to (b) use unrestricted revenues collected in the general fund to finance other funds' operations.

Note 7 - Retirement Plan

County Employees' Retirement System (CERS)

The City of Hurstbourne is a participating employer of the County Employees' Retirement System. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements, which may be downloaded from the Kentucky Retirement Systems website.

Plan Description

CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Note 7 - Retirement Plan (Continued)

County Employees' Retirement System (CERS) (Continued)

Contributions

For the year ended June 30, 2025, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board based on an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The City contributed $43,291 for the year ended June 30, 2025, or 100% of the required contribution. The contribution was allocated $43,291 to the CERS pension fund and $0 for the CERS insurance fund.

Benefits

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years' service or 65 years old
	Reduced retirement	At least 5 years' service and 55 years old 25 years' service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal 87+
	Reduced retirement	At least 10 years' service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal 87+
	Reduced retirement	Not available

Note 7 - Retirement Plan (Continued)

County Employees' Retirement System (CERS) (Continued)

Benefits (Continued)

Cost of living adjustments are provided at the discretion of the General Assembly of the State of Kentucky. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Actuarial Methods and 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 ending June 30, 2024, using generally accepted actuarial principles.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2024, for the nonhazardous plans in determined using these updated benefits provisions.

The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%

Note 7 - Retirement Plan (Continued)

County Employees' Retirement System (CERS) (Continued)

Actuarial Methods and Assumptions (Continued)

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous 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 members 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, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023

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

Valuation Date	June 30, 2022
Experience Study	July 1, 2018 – June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Nonhazardous

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

Note 7 - Retirement Plan (Continued)

County Employees' Retirement System (CERS) (Continued)

Discount Rate (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	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 Fixed Income	2.85%	10.00%
Specialty Credit	3.82%	10.00%
Cash	1.70%	0.00%
Inflation Protected		
Real Estate	4.99%	7.00%
Real Return	5.35%	13.00%
		100.00%

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Discount Rate	City's proportionate share of net pension liability
1% decrease	5.50%	$ 391,269
Current discount rate	6.50%	$ 303,507
1% increase	7.50%	$ 230,686

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the City reported a liability of $303,507 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the City's proportion was .00501 percent, which was a decrease of .00034 percent from its proportion at June 30, 2023 (.00535 percent).

Note 7 - Retirement Plan (Continued)

County Employees' Retirement System (CERS) (Continued)

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

For the year ended June 30, 2025, the City recognized pension expense of $9,415. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 14,690	$ -
Changes in assumptions	-	13,713
Net difference between projected and actual earnings on Plan investments	20,844	40,358
Changes in proposition, and differences between City contributions and proportionate share of contributions	596	12,348
City contributions subsequent to the measurement date	43,291	-
Total	$ 93,291	$ 66,419

The $43,291 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2026	$ (19,270)
2027	832
2028	(7,501)
2029	(4,350)
Total	$ (30,289)

Payable to the Pension Plan – At June 30, 2025, the City did not have a payable to the plan.

Note 8 – Post-Employment Benefits Other than Pensions (OPEB)

At June 30, 2025, the net OPEB asset and the related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred Outflows of Resources	$ 23,275
Deferred Inflows of Resources	$ 95,975
Net OPEB Asset:	$ 8,787

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

Plan Description

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

Contributions

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2025 was 0.00% of covered payroll. Contributions to the Insurance Fund from the City were $0 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).

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date	Before September 1, 2008 but after July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date	After September 1, 2008 and before December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

Net OPEB Liability

For financial reporting the actuarial valuation as of June 30, 2024, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2024, were based on an actuarial valuation date of June 30, 2023. The total OPEB 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.

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

Net OPEB Liability (Continued)

The following actuarial methods and assumptions were used in performing the actuarial valuation as of June 30, 2024:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service
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.
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 9 years.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous 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 members 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, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2024

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

Valuation Date	June 30, 2022
Experience Study	July 1, 2018 – June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
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.
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.

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

Discount Rate

The single discount rate of 5.99% for the CERS non-hazardous insurance plan was used to measure the total OPEB asset as of June 30, 2024. 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 the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	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 Fixed Income	2.85%	10.00%
Specialty Credit	3.82%	10.00%
Cash	1.70%	0.00%
Inflation Protected		
Real Estate	4.90%	7.00%
Real Return	5.35%	13.00%
		100.00%

Sensitivity of the Net OPEB Liability/Asset to Changes in the Discount Rate

The net OPEB liability/asset of the City, as well as what the City's net OPEB liability/asset would be if it were calculated using a discount rate that is one percentage point lower (4.99%) or one percentage point higher (6.99%) follows:

	Discount Rate	City's proportionate share of net OPEB liability (asset)
1% decrease	4.99%	$ 11,882
Current discount rate	5.99%	$ (8,787)
1% increase	6.99%	$ (26,166)

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

Sensitivity of the Net OPEB Liability/Asset to Changes in the Healthcare Cost Trend Rates

The net OPEB liability/asset of the City, as well as what the City's net OPEB liability/asset would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates follows:

Healthcare Cost Trend Rate	City's proportionate share of net OPEB liability (asset)
1% decrease	$ (21,141)
Current healthcare rate	$ (8,787)
1% increase	$ 5,604

OPEB Assets, OPEB Expense and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the City reported an asset of $8,787 for its proportionate share of the collective net OPEB liability. The collective net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB asset was determined by an actuarial valuation as of June 30, 2023. The City's proportion of the collective net OPEB asset and OPEB expense was determined using the employers' actual contributions for fiscal year 2024. This method to be reflective of the employers' long-term contribution effort. At June 30, 2024, the City's proportion was 0.005080%.

For the year ended June 30, 2025, the City recognized OPEB benefit of $21,920. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 4,875	$ 69,139
Changes in assumptions	7,962	6,200
Net difference between projected and actual earnings on Plan investments	7,724	15,743
Changes in proportion and differences between City contributions and proportionate share of contributions	332	4,893
Implicit subsidy	2,390	-
City contributions subsequent to the measurement date	-	-
Total	$ 23,275	$ 95,975

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2026	$ (30,199)
2027	(23,160)
2028	(20,296)
2029	(1,427)
Total	$ (75,082)

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

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

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Those changes in net OPEB asset that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 - Contingencies

The City is involved in various legal proceedings incidental to the normal course of business. The City Commission is of the opinion, based upon the advice of general counsel, that although the outcome of such litigation cannot be forecast with certainty, final disposition should not have a material effect on the financial position of the City.

Note 11 – GASB Pronouncements

Newly Adopted GASB Pronouncements

GASB Statement No. 101, Compensated Absences—an amendment of GASB Statement No. 16. The primary objective of this Statement is to is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The City implemented GASB 101 during the fiscal year ending June 30, 2025. The impact of implementation was not considered material to the financial statements and primarily resulted in new/ enhanced disclosures only.

GASB Statement No. 102, Certain Risk Disclosures. The primary objective of this is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The City implemented GASB 102 during the fiscal year ending June 30, 2025. The impact of implementation was not considered material to the financial statements and primarily resulted in new/ enhanced disclosures only.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hurstbourne, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Balance - General Fund - Budget and Actual
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes:				
Property taxes	$ 1,696,661	$ 1,696,661	$ 1,667,991	$ (28,670)
Insurance premium tax	1,000,000	1,000,000	1,144,683	144,683
Bank franchise	95,000	95,000	107,251	12,251
Telecommunication franchise fee	41,000	41,000	40,761	(239)
License and Permits:				
Sign permits	16,000	16,000	15,333	(667)
Alcohol license fee	17,000	17,000	25,067	8,067
Business license	13,000	13,000	13,275	275
Home occupation income	300	300	-	(300)
Golf Cart Permits	300	300	610	310
Intergovernmental:				
Base court revenue	1,300	1,300	-	(1,300)
Coal and mineral income	300	300	-	(300)
Grant income	-	-	-	-
Charges for Services:				
Rents	58,860	58,860	80,615	21,755
Interest and penalties	4,500	4,500	9,961	5,461
Other income	5,000	5,000	321,764	316,764
Investment income	95,000	95,000	156,847	61,847
Total Revenues Before Prior Year Fund Balance	3,044,221	3,044,221	3,584,158	539,937
Prior Year Fund Balance				
Appropriated for Current Year Budget	-	120,000	-	(120,000)
Total Revenues and Prior Year Fund Balance	3,044,221	3,164,221	3,584,158	419,937
Expenditures				
General Government:				
General and Administrative Expenditures				
General Government:				
City attorney retainer	25,000	25,000	18,441	6,559
Published city directory	13,000	13,000	-	13,000
Outside Council	2,000	2,000	-	2,000
Auditor	18,000	18,000	17,000	1,000
Financial assistant	-	-	-	-
Recording secretary	6,000	6,000	5,822	178
Advertising	3,300	3,300	806	2,494
Travel	2,000	2,000	3,471	(1,471)
Memberships and training	5,500	5,500	6,842	(1,342)
Subscriptions	3,500	3,500	4,668	(1,168)
Refreshments	3,000	3,000	3,394	(394)
Telephones	5,200	5,200	4,096	1,104
Professional fees	5,000	5,000	428	4,572
PVA assessment	41,000	41,000	40,000	1,000
Merchant Fees	1,700	1,700	5,394	(3,694)
Automotive	-	-	-	-
General government miscellaneous	10,000	10,000	971	9,029

See independent auditors' report.

City of Hurstbourne, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Balance - General Fund - Budget and Actual (Continued)
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - (Continued)				
General Government (Continued):				
General and Administrative Expenditures (Continued)				
200 Whittington - City Hall (Continued)				
Gas and electric	$ 15,000	$ 15,000	$ 15,603	$ (603)
Water/sewer	6,500	6,500	5,068	1,432
Cleaning service	7,000	7,000	7,035	(35)
Equipment Maintenance	-	-	-	-
Building maintenance	5,000	5,000	21,218	(16,218)
Building materials/supplies	2,000	2,000	1,061	939
Building improvements	15,000	15,000	12,668	2,332
Leasing expense	-	-	-	-
Legal and management expense	-	-	-	-
Tenant finish	5,000	5,000	1,200	3,800
Insurance - property	9,500	9,500	10,393	(893)
City Hall Miscellaneous Expense	5,000	5,000	171	4,829
Furniture and fixtures	3,000	3,000	2,562	438
Office Supplies:				
Office supplies	3,000	3,000	4,179	(1,179)
Office equipment	2,000	2,000	4,358	(2,358)
Postage	6,000	6,000	2,284	3,716
Computer equipment	3,000	3,000	-	3,000
Computer software	5,000	5,000	5,794	(794)
Equipment maintenance	4,000	4,000	5,730	(1,730)
Printing - newsletter	7,000	7,000	6,930	70
Printing - other	7,000	7,000	19,556	(12,556)
Web page	2,005	2,005	4,970	(2,965)
Personnel:				
Salaries and wages	279,105	279,105	280,277	(1,172)
Payroll taxes - FICA	22,355	22,355	23,507	(1,152)
Payroll taxes unemployment	-	-	-	-
Payroll service	2,500	2,500	3,063	(563)
Retirement contribution	32,605	32,605	33,188	(583)
Health insurance	24,000	24,000	26,071	(2,071)
Dental insurance	5,000	5,000	4,113	887
Insurance:				
Insurance/liability	12,000	12,000	10,585	1,415
Insurance/property	-	-	-	-
Bonding	6,500	6,500	4,706	1,794
Workers compensation	1,500	1,500	895	605
Total General Government	641,770	641,770	628,518	13,252
Public Safety:				
Vehicle/Pedestrian Safety				
Police patrols	200,000	168,000	145,755	22,245
Street lighting - electricity	100,000	65,000	67,525	(2,525)
Street signs and markings	8,000	5,000	2,296	2,704
Supplies/Promotions	1,000	1,000	304	696
Electrical repairs-improvements	-	-	-	-
General Public Safety:				
Public safety miscellaneous	20,000	20,000	37,666	(17,666)
Equipment/security services	-	-	-	-
Total Public Safety	329,000	259,000	253,546	5,454

City of Hurstbourne, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Balance - General Fund - Budget and Actual
(Continued)
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - (Continued)				
Public Works:				
General:				
Holiday decorations	$ 15,000	$ 15,000	$ 14,541	$ 459
Public works miscellaneous	10,000	10,000	8,907	1,093
Landscaping:				
Landscaping other	74,000	74,000	25,293	48,707
Horticulturist	22,000	22,000	21,398	602
Contract gardener	140,000	140,000	139,828	172
Maintenance:				
Grass cutting	125,000	125,000	149,776	(24,776)
Chemical applications	45,000	45,000	38,536	6,464
Irrigation:				
Annual service contract	30,000	30,000	34,443	(4,443)
System replacement	10,000	10,000	11,934	(1,934)
Water	100,000	100,000	123,363	(23,363)
Electrician/landscape lighting	10,000	10,000	3,880	6,120
Other maintenance	55,000	55,000	18,758	36,242
Special Projects:				
Entrance improvements and upgrades	25,000	25,000	9,368	15,632
Median improvements	10,000	10,000	7,053	2,947
Bridle path - wimborne	2,000	2,000	-	2,000
City park	2,000	2,000	6,968	(4,968)
Sidewalk repair	70,000	70,000	25,706	44,294
Storm water	-	100,000	490,000	(390,000)
Spring/fall planning:				
Flowers	28,000	28,000	34,672	(6,672)
Plant replacements	40,000	40,000	37,795	2,205
Mulch	40,951	40,951	47,958	(7,007)
Tree replacement	20,000	20,000	9,382	10,618
Tree removal	25,000	25,000	36,995	(11,995)
Roads:				
City engineer	55,000	55,000	27,279	27,721
Schedule maintenance - resurfacing	65,000	65,000	-	65,000
Unscheduled maintenance	3,000	3,000	-	3,000
Snow removal	175,000	175,000	183,324	(8,324)
Street cleaning	2,000	2,000	-	2,000
Total Public Works	1,198,951	1,298,951	1,507,157	(208,206)

City of Hurstbourne, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Balance - General Fund - Budget and Actual (Continued)
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - (Continued)				
Sanitation/code enforcement:				
Sanitation:				
Residential collection	$ 745,000	$ 745,000	$ 743,939	$ 1,061
Publications	1,000	1,000	-	1,000
Sanitation Miscellaneous	2,000	2,000	-	2,000
Code enforcement:				
Code enforcement field officer	13,500	13,500	13,500	-
Code enforcement miscellaneous	3,000	3,000	-	3,000
Total Sanitation/Code Enf	764,500	764,500	757,439	7,061
Community Development:				
Community projects and events:				
Commission special projects	100,000	190,000	164,228	25,772
Community outreach and events	10,000	10,000	14,769	(4,769)
Total Community Develop.	110,000	200,000	178,997	21,003
Total Expenditures	3,044,221	3,164,221	3,325,657	(161,436)
Transfers	-	-	(525,250)	(525,250)
Net Change in Fund Balance	-	-	(266,749)	(266,749)
Fund Balance - July 1, 2024			3,443,274	
Fund Balance - June 30, 2025			$ 3,176,525	

City of Hurstbourne, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Balance - Municipal Road Aid Fund
Budget and Actual
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Municipal Road Aid:				
Intergovernmental revenue	$ 90,000	$ 90,000	$ 89,429	$ (571)
Total Revenues Before Prior Year Fund Balance	90,000	90,000	89,429	(571)
Prior Year Fund Balance Appropriated for Current Year Budget	175,020	175,020	-	(175,020)
Total Revenues and Prior Year Fund Balance	265,020	265,020	89,429	(175,591)
Expenditures				
Municipal Road Aid:				
Street paving and repairs	265,020	265,020	643,248	(378,228)
Total Municipal Road Aid	265,020	265,020	643,248	(378,228)
Excess(Deficiency) of Revenue over Expenditures	-	-	(553,819)	(553,819)
Transfers	-	-	525,250	525,250
Net change in fund balance	-	-	(28,569)	(28,569)
Fund Balance - July 1, 2024			76,830	
Fund Balance - June 30, 2025			$ 48,261	

Budgets and the Budgetary Process

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets and budget amendments for all funds are adopted on a basis consistent with the accounting principles generally accepted in the United States of America.

Encumbrances

As previously disclosed, the City does not employ encumbrances accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that the portion of the applicable appropriation.

Reconciliation

Certain expenditures are required to be reported as capital outlay on the fund financial statements regardless of the department or function within general government that acquires the capital item. For budgetary purposes, however, the City budgets for those expenditures on specific lines of the department or function from which payment will be made. Differences between the budgetary basis as reported in the required supplementary information differs from the fund financial statements in the following areas:

$490,000 is presented as capital outlay in the statement of revenues, expenditures and changes in fund balances and is presented as a component of public works on the budgetary comparison schedule.

$95,940 is presented as capital outlay in the statement of revenues, expenditures and changes in fund balances and is presented as a component of community development on the budgetary comparison schedule.

$643,248 is presented as capital outlay in the statement of revenues, expenditures and changes in fund balances and is presented as a component of municipal road aid on the budgetary comparison schedule.

Stewardship

The City exceeded the budget in the following departments during the fiscal year:

	Public Works
Budgeted	$ 1,298,951
Actual	1,507,157
Overbudget	$ (208,206)

City of Hurstbourne, Kentucky
Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System
Last Ten Fiscal Years

	CERS Non-Hazardous				
	June 30, 2016	**June 30, 2017**	**June 30, 2018**	**June 30, 2019**	**June 30, 2020**
City's proportion of the net pension liability	0.54700%	0.00521%	0.00529%	0.00530%	0.00537%
City's proportionate share of the net pension liability	$ 235,063	$ 256,568	$ 309,757	$ 322,482	$ 377,956
City's covered payroll	$ 127,557	$ 127,557	$ 124,308	$ 128,859	$ 131,240
City's proportionate share of the net pension liability as a percentage of its covered payroll	184.28%	201.14%	249.19%	250.26%	287.99%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.50%	53.54%	50.45%

	CERS Non-Hazardous				
	June 30, 2021	**June 30, 2022**	**June 30, 2023**	**June 30, 2024**	**June 30, 2025**
City's proportion of the net pension liability	0.00548%	0.00534%	0.00530%	0.00535%	0.00508%
City's proportionate share of the net pension liability	$ 420,235	$ 340,403	$ 383,355	$ 342,962	$ 303,507
City's covered payroll	$ 135,554	$ 136,377	$ 148,191	$ 155,163	$ 159,330
City's proportionate share of the net pension liability as a percentage of its covered payroll	310.01%	249.60%	258.69%	221.03%	190.49%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%	57.48%	61.61%

City of Hurstbourne, Kentucky
Schedule of the City's Pension Contributions
County Employees' Retirement System
Last Ten Fiscal Years

	CERS Non-Hazardous				
	June 30, 2016	**June 30, 2017**	**June 30, 2018**	**June 30, 2019**	**June 30, 2020**
Contractually required contribution	$ 16,263	$ 15,439	$ 17,976	$ 19,004	$ 21,987
Contributions in relation to the contractually required contribution	16,263	15,439	17,976	19,004	21,987
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 127,557	$ 124,308	$ 128,859	$ 131,240	$ 135,554
Contributions as a percentage of covered payroll	12.75%	12.42%	13.95%	14.48%	16.22%

	CERS Non-Hazardous				
	June 30, 2021	**June 30, 2022**	**June 30, 2023**	**June 30, 2024**	**June 30, 2025**
Contractually required contribution	$ 26,321	$ 28,301	$ 36,308	$ 37,188	$ 43,291
Contributions in relation to the contractually required contribution	26,321	28,301	36,308	37,188	43,291
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 136,377	$ 148,191	$ 155,163	$ 159,330	$ 219,639
Contributions as a percentage of covered payroll	19.30%	19.10%	23.40%	23.34%	19.71%

City of Hurstbourne, Kentucky
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)
County Employees' Retirement System
Last Eight Fiscal Years

	CERS Non-Hazardous			
	June 30, 2018	**June 30, 2019**	**June 30, 2020**	**June 30, 2021**
City's proportion of the net OPEB liabilty (asset)	0.053%	0.053%	0.054%	0.054%
City's proportionate share of the net OPEB liability (asset)	$ 106,387	$ 94,012	$ 90,371	$ 132,277
City's covered payroll	$ 124,308	$ 128,859	$ 131,240	$ 135,554
City's proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	85.6%	73.0%	68.9%	97.6%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	52.4%	57.7%	60.4%	51.8%

	CERS Non-Hazardous			
	June 30, 2022	**June 30, 2023**	**June 30, 2024**	**June 30, 2025**
City's proportion of the net OPEB liabilty (asset)	0.053%	0.053%	0.053%	0.051%
City's proportionate share of the net OPEB liability (asset)	$ 102,193	$ 104,636	$ (7,380)	$ (8,787)
City's covered payroll	$ 136,377	$ 148,191	$ 155,163	$ 159,330
City's proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	74.9%	70.6%	-4.8%	-5.5%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	62.9%	61.0%	-4.6%	-5.3%

City of Hurstbourne, Kentucky
Schedule of the City's OPEB Contributions
County Employees' Retirement System
Last Eight Fiscal Years

	CERS Non-Hazardous			
	June 30, 2018	**June 30, 2019**	**June 30, 2020**	**June 30, 2021**
Contractually required contribution	$ 6,095	$ 6,168	$ 7,130	$ 6,492
Contributions in relation to the contractually required contribution	6,095	6,168	7,130	6,492
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 128,859	$ 131,240	$ 135,554	$ 136,377
Contributions as a percentage of covered payroll	4.73%	4.70%	5.26%	4.76%

	CERS Non-Hazardous			
	June 30, 2022	**June 30, 2023**	**June 30, 2024**	**June 30, 2025**
Contractually required contribution	$ 6,980	$ 5,260	$ -	$ -
Contributions in relation to the contractually required contribution	6,980	5,260	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 148,191	$ 155,163	$ 159,330	$ 219,639
Contributions as a percentage of covered payroll	4.71%	3.39%	0.00%	0.00%

See independent auditors' report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Members of the City Commission
City of Hurstbourne, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Hurstbourne, 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 of Hurstbourne, Kentucky's basic financial statements and have issued our report thereon dated February 25, 2026.

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 City'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 determination of financial statement amounts. 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 compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC
Louisville, Kentucky
February 25, 2026