

**CITY OF BURKESVILLE, KENTUCKY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**CITY OF BURKESVILLE, KENTUCKY  
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**CITY OF BURKESVILLE  
P.O. BOX 250  
BURKESVILLE, KENTUCKY  
(270) 864-5391**

**CITY OFFICIALS AND OFFICERS**

**MAYOR**

Laurel Irby

**MEMBERS OF COUNCIL**

Jamie Allen  
Connie Cravens  
Glenn Murphy  
Trevor Owsley  
Doug Radford  
Bobby Shawn Riddle

**OFFICERS**

Marquetta Riley  
City Clerk/Treasurer

Holly Long Parrigin  
City Attorney

Wesley Long  
Chief of Police

Greg Cary  
Fire Chief

David McIntyre  
Public Works Director

Joe Appleby  
Water/Wastewater Superintendent

*SK LEE CPAS, P.S.C.*  
*Certified Public Accountants*

*208 Pauline Drive, Suite D  
Berea, Kentucky 40403  
(859) 986-3756  
(859) 986-0103*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Members of the City Council  
City of Burkesville  
Burkesville, Kentucky 42717

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

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

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison General Fund and the Pension and OPEB schedules and related notes, as listed in the table of contents, 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information such as the Schedule of Water and Sewer Revenues, Expenses, and Changes in Net Position, the Combining Balance Sheet – Non-major Governmental Funds – Special Revenue Funds, and the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-major Governmental Funds – Special Revenue Funds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed above are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*SK LEE CPAs, P.S.C.*

Berea, Kentucky  
December 17, 2025

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,334,014	\$ 240,281	\$ 1,574,295
Receivables, net	9,494	138,039	147,533
Prepaid insurance	16,325	6,649	22,974
<b>Total Current Assets</b>	<u><b>1,359,833</b></u>	<u><b>384,969</b></u>	<u><b>1,744,802</b></u>
<b>Non-Current Assets</b>			
Restricted cash	178,776	822,630	1,001,406
Certificates of deposit	499,681	236,077	735,758
Net OPEB asset	-	17,509	17,509
Capital assets:			
Non-depreciable	230,106	5,123,102	5,353,208
Depreciable, net	817,261	7,043,691	7,860,952
<b>Total Non-Current Assets</b>	<u><b>1,725,824</b></u>	<u><b>13,243,009</b></u>	<u><b>14,968,833</b></u>
<b>Total Assets</b>	<u><b>3,085,657</b></u>	<u><b>13,627,978</b></u>	<u><b>16,713,635</b></u>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	272,288	93,450	365,738
Deferred amounts related to OPEB	82,598	28,459	111,057
<b>Total Deferred Outflows of Resources</b>	<u><b>354,886</b></u>	<u><b>121,909</b></u>	<u><b>476,795</b></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	12,285	37,915	50,200
Accrued expenses	93,094	28,899	121,993
Accrued interest	-	3,956	3,956
Customer deposits payable	-	55,892	55,892
Notes and leases payable, net	-	270,270	270,270
<b>Total Current Liabilities</b>	<u><b>105,379</b></u>	<u><b>396,932</b></u>	<u><b>502,311</b></u>
<b>Non-Current Liabilities</b>			
Notes and leases payable, net	-	3,274,802	3,274,802
Net pension liability	1,614,451	604,743	2,219,194
Net OPEB liability	24,246	-	24,246
<b>Total Non-Current Liabilities</b>	<u><b>1,638,697</b></u>	<u><b>3,879,545</b></u>	<u><b>5,518,242</b></u>
<b>Total Liabilities</b>	<u><b>1,744,076</b></u>	<u><b>4,276,477</b></u>	<u><b>6,020,553</b></u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	375,162	137,585	512,747
Deferred amounts related to OPEB	486,975	192,689	679,664
<b>Total Deferred Inflows of Resources</b>	<u><b>862,137</b></u>	<u><b>330,274</b></u>	<u><b>1,192,411</b></u>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	1,047,367	8,621,721	9,669,088
Restricted	178,776	822,630	1,001,406
Unrestricted (deficit)	(449,975)	(301,215)	(751,190)
<b>Total Net Position (Deficit)</b>	<u><b>\$ 776,168</b></u>	<u><b>\$ 9,143,136</b></u>	<u><b>\$ 9,919,304</b></u>

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

**CITY OF BURKESVILLE, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contribution</b>	
<b>Government Activities</b>					
General government	\$ 187,958	\$ -	\$ -	\$ -	\$ (187,958)
Police	804,313	-	-	-	(804,313)
Fire	97,516	-	15,000	-	(82,516)
Street	207,723	-	-	-	(207,723)
Parks and recreation	118,819	-	-	-	(118,819)
<b>Total Governmental Activities</b>	<b>1,416,329</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>(1,401,329)</b>
<b>Business-Type Activities</b>					
Water and sewer	1,131,740	1,276,805		416,592	561,657
Sanitation	211,642	264,619	-	-	52,977
<b>Total Business-Type Activities</b>	<b>1,343,382</b>	<b>1,541,424</b>	<b>-</b>	<b>416,592</b>	<b>614,634</b>
<b>Total Activities</b>	<b>\$ 2,759,711</b>	<b>\$ 1,541,424</b>	<b>\$ 15,000</b>	<b>\$ 416,592</b>	<b>\$ (786,695)</b>

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Change in Net Position</b>			
Net (expense) revenue	\$ (1,401,329)	\$ 614,634	\$ (786,695)
<b>General Revenues</b>			
Taxes	122,686	-	122,686
Licenses, permits, and other taxes	1,245,350	-	1,245,350
Intergovernmental	337,236	-	337,236
Services and fees	52,826	-	52,826
Interest income	26,723	14,390	41,113
Miscellaneous	15,677	43,055	58,732
Total General Revenues	1,800,498	57,445	1,857,943
<b>Change in Net Position</b>	<b>399,169</b>	<b>672,079</b>	<b>1,071,248</b>
<b>Net Position (Deficit), Beginning</b>	<b>388,992</b>	<b>8,471,057</b>	<b>8,860,049</b>
<b>Net Position (Deficit), Ending</b>	<b>\$ 788,161</b>	<b>\$ 9,143,136</b>	<b>\$ 9,931,297</b>

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



**CITY OF BURKESVILLE, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2025**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,255,166	\$ 78,849	\$ 1,334,015
Certificates of deposit	499,681	-	499,681
Accounts receivable	9,494	-	9,494
Prepaid expenses	16,325	-	16,325
Restricted cash	28,046	150,729	178,775
<b>Total Assets</b>	<b><u>\$ 1,808,712</u></b>	<b><u>\$ 229,578</u></b>	<b><u>\$ 2,038,290</u></b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 12,285	\$ -	\$ 12,285
Unearned revenues	39,250	-	39,250
Accrued expenses	53,844	68,163	122,007
<b>Total Liabilities</b>	<b><u>105,379</u></b>	<b><u>68,163</u></b>	<b><u>173,542</u></b>
<b>Fund Balances</b>			
Restricted	28,046	150,729	178,775
Unassigned	1,675,287	10,686	1,685,973
<b>Total Fund Balances</b>	<b><u>1,703,333</u></b>	<b><u>161,415</u></b>	<b><u>1,864,748</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,808,712</u></b>	<b><u>\$ 229,578</u></b>	<b><u>\$ 2,038,290</u></b>

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Fund balances reported above	\$ 1,864,748
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,047,368
Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds.	(507,251)
All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.	
Net pension liability	(1,614,451)
Net OPEB liability	<u>(24,246)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u>\$ 766,168</u></b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 122,686	\$ -	\$ 122,686
Licenses, permits and fees	1,179,952	65,398	1,245,350
Intergovernmental	316,557	35,679	352,236
Service charges and fees	52,826	-	52,826
Other	41,863	615	42,478
<b>Total Revenues</b>	<b>1,713,884</b>	<b>101,692</b>	<b>1,815,576</b>
<b>Expenditures</b>			
General and administration department	181,858	3,100	184,958
Police department	989,173	32,033	1,021,206
Fire department	97,516	-	97,516
Street department	167,723	-	167,723
Park and recreation department	118,819	-	118,819
Debt service	-	-	-
Capital outlay	76,032	-	76,032
<b>Total Expenditures</b>	<b>1,631,121</b>	<b>35,133</b>	<b>1,666,254</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>82,763</b>	<b>66,559</b>	<b>149,322</b>
<b>Other Financing Sources (Uses)</b>			
Transfer in (out)	58,897	(58,897)	-
<b>Net Change in Fund Balance</b>	<b>141,660</b>	<b>7,662</b>	<b>149,322</b>
<b>Fund Balance, Beginning</b>	<b>1,561,673</b>	<b>153,753</b>	<b>1,715,426</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,703,333</b>	<b>\$ 161,415</b>	<b>\$ 1,864,748</b>
<b>Net Changes in Fund Balances - Total Governmental Funds</b>			<b>\$ 149,322</b>

Amounts reported for *government activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital assets in the current period.

(19,528)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in capital lease liability of governmental activities

-

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities

269,375

**Change in Net Position of Governmental Activities**

**\$ 399,169**

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

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2025**

	<b>Water &amp; Sewer Utilities</b>	<b>Sanitation Utilities</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 107,831	\$ 132,450	\$ 240,281
Receivables, net	112,136	25,903	138,039
Prepaid insurance	5,699	950	6,649
<b>Total Current Assets</b>	<b>225,666</b>	<b>159,303</b>	<b>384,969</b>
<b>Non-Current Assets</b>			
Restricted cash	820,627	2,003	822,630
Certificates of deposit	180,185	55,892	236,077
Net OPEB asset	14,156	3,353	17,509
Capital assets:			
Non-depreciable	5,123,102	-	5,123,102
Depreciable, net	6,999,273	44,418	7,043,691
<b>Total Non-Current Assets</b>	<b>13,137,343</b>	<b>105,666</b>	<b>13,243,009</b>
<b>Total Assets</b>	<b>13,363,009</b>	<b>264,969</b>	<b>13,627,978</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	75,555	17,895	93,450
Deferred amounts related to OPEB	23,009	5,450	28,459
<b>Total Deferred Outflows of Resources</b>	<b>98,564</b>	<b>23,345</b>	<b>121,909</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	29,542	8,373	37,915
Accrued expenses	26,084	2,815	28,899
Accrued interest	3,956	-	3,956
Customer deposits payable	55,892	-	55,892
Notes and leases payable, net	270,270	-	270,270
<b>Total Current Liabilities</b>	<b>385,744</b>	<b>11,188</b>	<b>396,932</b>
<b>Non-Current Liabilities</b>			
Notes and leases payable, net	3,274,802	-	3,274,802
Net pension liability	488,941	115,802	604,743
<b>Total Non-Current Liabilities</b>	<b>3,763,743</b>	<b>115,802</b>	<b>3,879,545</b>
<b>Total Liabilities</b>	<b>4,149,487</b>	<b>126,990</b>	<b>4,276,477</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	111,239	26,346	137,585
Deferred amounts related to OPEB	155,791	36,898	192,689
<b>Total Deferred Inflows of Resources</b>	<b>267,030</b>	<b>63,244</b>	<b>330,274</b>
<b>Net Position</b>			
Net investment in capital assets	8,577,303	44,418	8,621,721
Restricted	820,627	2,003	822,630
Unrestricted (deficit)	(352,874)	51,659	(301,215)
<b>Total Net Position</b>	<b>\$ 9,045,056</b>	<b>\$ 98,080</b>	<b>\$ 9,143,136</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Water and Sewer Utilities</b>	<b>Sanitation Utilities</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenues</b>			
Charges for services	\$ 1,276,805	\$ 264,619	\$ 1,541,424
Miscellaneous	43,055	-	43,055
<b>Total Operating Revenues</b>	<b>1,319,860</b>	<b>264,619</b>	<b>1,584,479</b>
<b>Operating Expenses</b>			
Salaries	282,882	61,608	344,490
Employee benefits	44,410	(5,855)	38,555
Contractual services	8,375	3,675	12,050
Materials and supplies	269,055	106,184	375,239
Travel and training	2,530	98	2,628
Utilities and telephone	131,207	4,421	135,628
Insurance	49,822	11,024	60,846
Depreciation	244,401	18,299	262,700
Bad debt provision	6,363	1,322	7,685
Miscellaneous	39,827	4,643	44,470
<b>Total Operating Expenses</b>	<b>1,078,872</b>	<b>205,419</b>	<b>1,284,291</b>
<b>Operating Income (Loss)</b>	<b>240,988</b>	<b>59,200</b>	<b>300,188</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	11,589	2,801	14,390
Interest expense	(40,068)	-	(40,068)
Loan forgiveness	-	-	-
Grant proceeds	416,592	-	416,592
<b>Total Non-Operating Revenue (Expenses)</b>	<b>388,113</b>	<b>2,801</b>	<b>390,914</b>
<b>Other Financing Sources (Uses)</b>			
Transfer in (out)	(12,800)	(6,223)	(19,023)
<b>Change in Net Position</b>	<b>616,301</b>	<b>55,778</b>	<b>672,079</b>
<b>Total Net Position, Beginning</b>	<b>8,428,755</b>	<b>42,302</b>	<b>8,471,057</b>
<b>Total Net Position, Ending</b>	<b>\$ 9,045,056</b>	<b>\$ 98,080</b>	<b>\$ 9,143,136</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Water &amp; Sewer Utilities</b>	<b>Sanitation Utilities</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 1,253,908	\$ 262,881	\$ 1,516,789
Cash received from other sources	43,055	-	43,055
Cash payments to suppliers for goods and services	(646,278)	(166,448)	(812,726)
Cash payments to employees	(282,881)	(63,890)	(346,771)
<b>Net Cash Provided by Operating Activities</b>	<b>367,804</b>	<b>32,543</b>	<b>400,347</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from grants	416,592	-	416,592
Principal, interest, and related fees paid on long-term debt	(304,081)	-	(304,081)
Acquisition and construction of capital assets	(612,561)	(6,823)	(619,384)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(500,050)</b>	<b>(6,823)</b>	<b>(506,873)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of certificates of deposit	-	-	-
Cash received from interest income	14,390	2,801	17,191
<b>Net Cash Provided by Investing Activities</b>	<b>14,390</b>	<b>2,801</b>	<b>17,191</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(117,856)</b>	<b>28,521</b>	<b>(89,335)</b>
<b>Cash and Cash Equivalents at July 1, 2024</b>	<b>1,046,314</b>	<b>105,932</b>	<b>1,152,246</b>
<b>Cash and Cash Equivalents at June 30, 2025</b>	<b>\$ 928,458</b>	<b>\$ 134,453</b>	<b>1,062,911</b>
<sup>(1)</sup> Cash and cash equivalents are reflected in the Statement of Net Position as follows:			
Cash and cash equivalents	\$ 107,831	\$ 132,450	\$ 240,281
Restricted cash and cash equivalents	820,627	2,003	822,630
<b>Subtotal</b>	<b>\$ 928,458</b>	<b>\$ 134,453</b>	<b>\$ 1,062,911</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
<b>Operating Income</b>	<b>\$ 240,988</b>	<b>\$ 59,200</b>	<b>\$ 300,188</b>
Adjustments to reconcile operating Income (loss) to net cash provided by operating activities:			
Depreciation	244,401	18,299	262,700
Bad debt provision	6,363	1,322	7,685
Changes in assets and liabilities:			
(Increase) decrease in customer accounts receivable	(26,842)	(1,738)	(28,580)
(Increase) decrease in prepaid insurance	(373)	826	453
(Increase) decrease in outflows of resources	37,393	12,434	49,827
Increase (decrease) in accounts payable	1,074	(779)	295
Increase (decrease) in accrued expenses	(1,025)	(829)	(1,854)
Increase (decrease) in accrued interest	1,228	-	1,228
Increase (decrease) in customer deposits	3,945	-	3,945
Increase (decrease) in net pension and OPEB liability	(103,726)	(39,791)	(143,517)
Increase (decrease) in inflows of resources	(35,622)	(16,401)	(52,023)
<b>Total adjustments</b>	<b>126,816</b>	<b>(26,657)</b>	<b>100,159</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 367,804</b>	<b>\$ 32,543</b>	<b>\$ 400,347</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Burkesville, Kentucky (hereinafter “the City”) operates under a Mayor-Council form of government. The City's major operations include police and fire protection, parks and recreation, and general administrative services. The City also operates a water, sewer and sanitation system for its citizens. The citizens of Burkesville elect a mayor-at-large and six city council members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

**Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing City, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component unit.

**Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

**Government-wide financial statements** display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

- *Statement of Net Position* presents information on all of the assets and liabilities, with the difference between the two reported as *net position*.
- *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

- *General Fund* is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.
- *Special Revenue Funds* consists of accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are restricted for the use of public safety and street improvements.

**Proprietary fund financial statements** include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Measurement Focus and Basis of Accounting**

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

The government-wide financial statements and the proprietary funds financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitation funds are charges to customers for sales and services. The water, sewer, and sanitation funds also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgeting**

The City Council adopts an annual budget for the General, Special Revenues, and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2025, the original budget was approved in June 2024. The budget for the General and Special Revenue Funds is presented in the Statements of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.



**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash and Certificates of Deposit**

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments.

Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

**Receivables**

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**Internal Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds," Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Property Tax Calendar**

Property taxes for fiscal year 2025 were levied in November 2024, respectively, on the assessed property located in the City of Burkesville as of the preceding January 1. The rate for real estate was 7.5 cents per one hundred dollars of assessed value. The rate for auto and boats was 23.3 cents and other tangible property was 29 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- |   |                              |
|---|------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30                  |
| 2. Face value payment period                  | December 1 to December 31    |
| 3. Past due date, 10% penalty                 | January 1                    |
| 4. Interest charge                            | 12% per annum from January 1 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Cumberland County and are due and collected in the birth month of the licensee.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

**Capital Assets**

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$500, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. 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 lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Equipment	5-10 years
Water and Sewer System Utility Plants	25-40 years
Infrastructure	15-40 years

**Compensated Absences**

The City allows employees to accumulate unused sick leave with no limit and vacation leave to a maximum of 160 hours. Accumulated vacation time in excess of 120 hours is generally required to be used within one year of accumulation. Upon termination, up to 120 hours of accumulated vacation leave will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the City.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meets this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

**Pensions and Other Postemployment Benefits**

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

**Net Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed* – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

*Assigned* – Portion of fund balance that has been budgeted by the City Council.

*Unassigned* – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT**

Deposits, both restricted and unrestricted at June 30, 2025 consisted of the following:

<b>Account</b>	<b>Interest Bearing</b>	<b>Governmental</b>	<b>Water &amp; Sewer</b>	<b>Sanitation</b>	<b>Total</b>
Operating	Yes	\$ 1,255,111	\$ 107,831	\$ 132,450	\$ 1,495,392
Petty Cash	No	58	-	-	58
LGEA	Yes	5,164	-	-	5,164
MRA	Yes	39,434	-	-	39,434
Payroll	Yes	78,848	-	-	78,848
Better Ball Initiative	Yes	-	-	-	-
Police Cruiser Grant	Yes	9,888	-	-	9,888
ABC Police Dept.	Yes	96,242	-	-	96,242
KLC	Yes	28,046	10,016	2,003	40,065
1989 Sinking Fund	Yes	-	-	-	-
1997 Depreciation Fund	Yes	-	-	-	-
2010 Depreciation Fund	Yes	-	30,073	-	30,073
2010 Sinking Fund	Yes	-	22,762	-	22,762
2011 Sinking Fund	Yes	-	130,855	-	130,855
2011 Depreciation Fund	Yes	-	34,497	-	34,497
2015 Sinking Fund	Yes	-	167,198	-	167,198
2015 Depreciation Fund	Yes	-	16,037	-	16,037
2018 Sinking Fund	Yes	-	181,275	-	181,275
2018 Depreciation Fund	Yes	-	24,197	-	24,197
Regions Sewer Project	Yes	-	10,000	-	10,000
Regions Reserve Account	Yes	-	-	-	-
2019 Sinking Fund	Yes	-	89,122	-	89,122
2019 Depreciation	Yes	-	40,909	-	40,909
Waste Water Project #2 2019	Yes	-	8,537	-	8,537
2020 Sinking Fund	Yes	-	8,138	-	8,138
American Relief Plan Act	Yes	-	-	-	-
KY Bond Corporation	Yes	-	47,010	-	47,010
<b>Total</b>		<b>\$ 1,512,791</b>	<b>\$ 928,457</b>	<b>\$ 134,453</b>	<b>\$ 2,575,701</b>

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2025**

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT – CONTINUED**

Certificates of deposit at June 30, 2025 consisted of the following:

<b>Description</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Total</b>
Certificate of deposit	4.00%	11/23/25	\$ 499,681
Certificate of deposit	4.00%	11/21/25	55,892
Certificate of deposit	4.00%	11/23/25	180,185
<b>Total</b>			<b><u>\$ 735,758</u></b>

**Credit Risk**

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, 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. As of June 30, 2025, none of the City's deposits were subject to credit risk.

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits 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.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and certificates of deposit totaled \$3,311,459 and the bank balances totaled \$3,369,129. At June 30, 2025, \$3,288,782 of collateral was pledged to the City by the custodial bank and \$797,009 by FDIC insurance.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 3 – RECEIVABLES**

Receivables as of fiscal year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Account receivables				
Taxes	\$ 37	\$ -	\$ -	\$ 37
Customers	-	204,662	47,191	251,853
Other	7,321	-	-	7,321
Interest	2,136	770	229	3,135
Gross receivables	9,494	205,432	47,420	262,346
Less allowance for bad debt	-	93,296	21,517	114,813
<b>Net total receivables</b>	<b><u>\$ 9,494</u></b>	<b><u>\$ 112,136</u></b>	<b><u>\$ 25,903</u></b>	<b><u>\$ 147,533</u></b>

**NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities. All fund transfers for the year ended June 30, 2025 were eliminated.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS**

Capital assets for the governmental activities during the year ended June 30, 2025 are as follows:

<b>Governmental Activities</b>	<b>Beginning Balance 7/1/2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 6/30/2025</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 130,319	\$ -	\$ -	\$ 130,319
Construction in process	99,787	-	-	99,787
<b>Total capital assets, not being depreciated:</b>	<b>230,106</b>	<b>-</b>	<b>-</b>	<b>230,106</b>
<b>Capital assets, being depreciated:</b>				
Buildings	590,899	14,443	-	605,342
Machinery and equipment	755,668	44,219	-	799,887
Furniture and fixtures	5,869	17,370	-	23,239
Infrastructure	1,120,097	-	-	1,120,097
Other Assets	3,250	-	-	3,250
Road equipment	87,184	-	-	87,184
Right of use sssets	49,506	-	-	49,506
<b>Total capital assets, being depreciated:</b>	<b>2,612,473</b>	<b>76,032</b>	<b>-</b>	<b>2,688,505</b>
<b>Less accumulated depreciation for:</b>				
Buildings	56,558	35,742	-	92,300
Machinery and equipment	671,916	32,982	-	704,898
Furniture and fixtures	1,862	2,123	-	3,985
Infrastructure	906,491	24,713	-	931,204
Other Assets	2,166	-	-	2,166
Road equipment	87,184	-	-	87,184
Right of use sssets	49,507	-	-	49,507
<b>Total accumulated depreciation:</b>	<b>1,775,684</b>	<b>95,560</b>	<b>-</b>	<b>1,871,244</b>
<b>Total capital assets, being depreciated, net:</b>	<b>836,789</b>			<b>817,261</b>
<b>Government activities capital assets, net:</b>	<b>\$ 1,066,895</b>			<b>\$ 1,047,367</b>

Depreciation expense for governmental activities is charged to functions as follows:

	<b>2025</b>
General	\$ 34,466
Police	10,318
Fire	22,098
Street	8,685
Park	19,993
<b>Total</b>	<b>\$ 95,560</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED**

Capital assets for the business-type activities during the year ended June 30, 2025 are as follows:

<b>Business-Type Activities</b>	<b>Beginning Balance 7/1/2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 6/30/2025</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 61,445	\$ -	\$ -	\$ 61,445
Construction in process	4,519,993	541,662	-	5,061,655
<b>Total capital assets, not being depreciated:</b>	<b>4,581,438</b>	<b>541,662</b>	<b>-</b>	<b>5,123,100</b>
<b>Capital assets, being depreciated:</b>				
Buildings and Improvements	52,848	-	-	52,848
Machinery and Equipment	415,052	60,105	-	475,157
Sanitary Sewer Extension	159,108	-	-	159,108
Utility Plant	10,708,950	-	-	10,708,950
Waste Water Treatment Facility	4,124,716	-	-	4,124,716
Sanitation Equipment	301,433	6,823	-	308,256
Right of Use Assets	30,443	3,971	-	34,414
<b>Total capital assets, being depreciated:</b>	<b>15,792,550</b>	<b>70,899</b>	<b>-</b>	<b>15,863,449</b>
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	39,877	1,966	-	41,843
Machinery and Equipment	371,908	13,916	-	385,824
Sanitary Sewer Extension	159,108	11,935	-	171,043
Utility Plant	4,107,077	16,343	-	4,123,420
Waste Water Treatment Facility	3,603,102	199,711	-	3,802,813
Sanitation Equipment	245,541	18,299	-	263,840
Right of Use Assets	30,443	529	-	30,972
<b>Total accumulated depreciation:</b>	<b>8,557,056</b>	<b>262,700</b>	<b>-</b>	<b>8,819,756</b>
<b>Total capital assets, being depreciated, net:</b>	<b>7,235,494</b>			<b>7,043,693</b>
<b>Business-type activities capital assets, net:</b>	<b>\$ 11,816,932</b>			<b>\$ 12,166,793</b>

Depreciation expense for business-type activities is charged to functions as follows:

	<b>2025</b>
Water	\$ 195,521
Sewer	48,880
Sanitation	18,299
<b>Total</b>	<b>\$ 262,700</b>



**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2025:

	<b>Balance 7/1/2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2025</b>	<b>Due Within One Year</b>
<b><u>Governmental-Type</u></b>					
Net Pension Liability	\$ 1,837,534	\$ -	\$ 223,083	\$ 1,614,451	\$ -
Net OPEB Liability	34,753	-	10,507	24,246	-
<b><u>Business-Type</u></b>					
Leases	-	2,878	-	2,878	689
Notes Payable	3,807,509	-	265,315	3,542,194	269,581
Net Pension Liability	746,821	-	142,078	604,743	-
Net OPEB Liability	(16,205)	-	1,304	(17,509)	-
Plus: Unamortized Note Premium	8,855	-	-	8,855	-
Plus: Unamortized Bond Premium	3,518	-	-	3,518	-
<b>Total</b>	<b><u>\$ 6,422,785</u></b>	<b><u>\$ 2,878</u></b>	<b><u>\$ 642,287</u></b>	<b><u>\$ 5,783,376</u></b>	<b><u>\$ 270,270</u></b>

**Revenue Bonds and Covenants**

The government issues revenue bonds to provide for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued in prior years was \$1,933,000. No general obligation bonds were issued during the current year. Revenue bonds are pledged by revenues and by the full faith and credit of the government. These bonds are issued as 10 to 40-year serial bonds with varying amounts of principal maturing each year. The bond covenants include the maintenance of sinking fund to set aside resources for the payment of future debt service obligations. Interest rates range from 4.5% to 5.0%. The debt reserve requirement was in compliance for the fiscal year.

**Notes Payable**

On September 3, 2009, the City of Burkesville entered into a loan assistance agreement of \$1,153,000, with Kentucky Infrastructure Authority for a repair of the main street water line. As of June 30, 2025, the City had a balance of \$156,544 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2030. The loan calls for a \$30,000 repairs and maintenance reserve.

On May 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$1,000,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2025, the City had a balance of \$349,927 on the loan. The note bears interest at a rate of 1% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$25,000 repairs and maintenance reserve.

On June 1, 2013, the City of Burkesville entered into a loan assistance agreement of \$500,000, with Kentucky Infrastructure Authority for a sanitary sewer system overflow. As of June 30, 2025, the City had a balance of \$246,841 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2035. The loan calls for a \$13,000 repairs and maintenance reserve.

On January 1, 2017, the City of Burkesville entered into a loan assistance agreement of \$621,323, with Kentucky Infrastructure Authority for a water distribution extension project. As of June 30, 2025, the City had a balance of \$368,579 on the loan. The note bears interest at a rate of .75% and principal and interest payments are due in December and June of each fiscal year. The note matures on December 1, 2037. The loan calls for a \$16,000 repairs and maintenance reserve.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 6 – LONG-TERM DEBT – CONTINUED**

**Notes Payable – Continued**

On May 13, 2020, the City of Burkesville entered into a loan assistance agreement of \$895,000, with Kentucky Bond Corporation to refinance City's loan balances to the USDA. As of June 30, 2025, the City had a balance of \$494,583 on the loan. The note bears interest at a rate of 2% through February 2031 and 2.25% through February 2032 and principal and interest payments are due in August and February of each fiscal year. The note matures on February 1, 2032.

On October 5, 2020, the City of Burkesville entered into a loan agreement of \$3,088,045, with Kentucky Bond Corporation for a construction loan. As of June 30, 2025, the City had a balance of \$1,925,739 on the loan. The note bears interest at a rate of 0.5%. The note matures on December 1, 2052. The loan calls for a \$142,000 repairs and maintenance reserve.

The minimum obligations of the City's at June 30, 2025 for the payment of loan principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2026	269,581	29,830	299,411
2027	270,962	26,748	297,710
2028	272,355	23,655	296,010
2029	253,759	20,551	274,310
2030	255,173	17,837	273,010
2031-2035	916,788	52,462	969,250
2036-2040	397,578	27,884	425,462
2041-2045	356,482	18,712	375,194
2046-2050	365,495	9,699	375,194
2051-2053	184,040	1,399	185,439
<b>Total</b>	<b><u>\$ 3,542,214</u></b>	<b><u>\$ 228,777</u></b>	<b><u>\$ 3,770,991</u></b>

**Capital Leases**

The City entered into a lease agreement with Don Franklin in the amount of \$40,591 for the purpose of purchasing a vehicle in April 2021 payable in 48 monthly installments of \$1,128. At June 30, 2025, the lease was paid off.

The City entered into a lease agreement with Marco in the amount of \$3,971 for the purpose of leasing a printer in November 2024 payable in 60 monthly installments of \$66. At June 30, 2025, the lease had lease payments totaling \$3,509.

2026	689
2027	690
2028	690
2029	689
2030	215
Total minimum lease payments	2,973
Less amount representing interest	(116)
Present value of minimum lease payments	<b><u>\$ 2,857</u></b>

As indicated above, the future minimum payments on the leases are \$2,973 with a present value of \$3,425.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 6 – LONG-TERM DEBT – CONTINUED**

**Compliance with Reserve Requirements**

The City of Burkesville is required to maintain the following funds and accounts related to the bond issuance and loan agreements:

Depreciation Fund – The bond ordinance requires the creation of a depreciation fund that shall be available and shall be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the system which will either increase income and revenues or provide a higher degree of service. One twelfth (1/12) of five percent (5%) of the annual gross income and revenue of the public water and sewer project of the previous fiscal year, should be deposited into the Depreciation Fund. The KIA loans call for the creation of a repairs and maintenance reserve of \$226,000. At June 30, 2025, the depreciation fund had a balance of \$145,713.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement. As of June 30, 2025, the debt service funds had a balance of \$599,350.

**NOTE 7 – RETIREMENT PLAN**

The City of Burkesville is a participating employer of the County Employees' Retirement System (CERS). 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.

*Contributions* – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications, and 8% of wages for 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 on the basis of 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, on the basis of 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% (non-hazardous) and 38.61% (hazardous) 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.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

Plan members who began participating on, or after, January 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% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous job classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each member's account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer contribution. For the fiscal year ended June 30, 2025, the City contributed \$136,551 and \$103,037 for non-hazardous and hazardous positions, respectively, to the same pension trust.

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' 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.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2025 the City reported a liability of \$2,219,194 for its proportionate share of the net pension liability. The net pension liability is based on an actuarial valuation as of June 30, 2023, and the total pension liability used to calculate the net pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2024 using generally accepted actuarial procedures. 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. The City's proportionate share at June 30, 2024, was .021515 percent for non-hazardous and .036256 percent for hazardous. For the year ended June 30, 2025, the City recognized pension expenses for both non-hazardous and hazardous of \$7,275.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Difference between expected and actual results	\$ 122,870	\$ -
Changes of assumptions	-	110,762
Net difference between projected and actual earnings on plan investments	-	132,497
Changes in proportion and differences between employer contribution and proportionate share of contribution	3,280	269,488
City's contributions subsequent to the measurement date	239,588	-
<b>Total</b>	<b>\$ 365,738</b>	<b>\$ 512,747</b>

The \$239,588 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 following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2025	\$ (228,967)
2026	(63,886)
2027	(63,784)
2028	(29,959)
2029	-
Thereafter	-

*Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability* – 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, and was performed by Gabriel Roeder Smith (GRS). 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. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2024:

**Non-Hazardous**

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increases:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Amortization Period:	30-year closed period at June 30, 2019

**Hazardous**

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increases:	3.55% to 19.05%, varies by service
Investment Rate of Return:	6.25%
Amortization Period:	30-year closed period at June 30, 2019

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2014. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2024.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The current long-term inflation assumption is 2.50% per annum non-hazardous. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
<b>Equity</b>		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Fixed Income</b>		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protected</b>		
Real Estate	7.00%	4.90%
Real Return	13.00%	2.50%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>4.69%</b>
<b>Long Term Nominal Return for Portfolio</b>		<b>2.50%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>7.19%</b>

*Discount Rate* – The projection of cash flows used to determine the discount rate of 6.50% for non-hazardous and hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

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

	<b>Discount Rate</b>	<b>City's Proportionate Share of Net Pension Liability</b>
1% Decrease	5.50%	\$ 2,859,256
Current discount rate	6.50%	\$ 2,219,194
1% Increase	7.50%	\$ 1,691,675

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 7 – RETIREMENT PLAN – CONTINUED**

*Payable to the Pension Plan* – At June 30, 2025, the City reported a payable of \$33,262 for the outstanding amount of contributions to the pension and OPEB plans.

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*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 the 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.

*Benefits Provided* – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

*Contributions* – Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. For the year ended June 30, 2025, participating employers contributed 0.00% (non-hazardous) and 2.12% and (hazardous) of covered payroll. 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). For the fiscal year ended June 30, 2025, the City contributed \$0 and \$5,986 for non-hazardous and hazardous positions, respectively, to the same pension trust.

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2025 the City reported a liability of \$6,737 for its proportionate share of the net OPEB liability. The net OPEB liability is based on an actuarial valuation as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024, was .021536 percent for non-hazardous and .036265 percent for hazardous. For the year ended June 30, 2025, the City recognized OPEB expenses of \$(144,835).

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Difference between expected and actual results	\$ 32,580	\$ 454,123
Changes of assumptions	63,594	65,000
Net difference between projected and actual earnings on plan investments	-	61,639
Changes in proportion and differences between employer contribution and proportionate share of contribution	8,897	98,902
City's contributions subsequent to the measurement date	5,986	-
<b>Total</b>	<b>\$ 111,057</b>	<b>\$ 679,664</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

The \$5,986 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ending June 30,</b>	
2025	\$ (195,759)
2026	(158,595)
2027	(166,175)
2028	(54,929)
2029	863
Thereafter	-

*Actuarial Assumptions* – The total OPEB liability reported at June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-Hazardous**

Inflation:	2.30%
Payroll Growth Rate:	2.00%
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% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 9.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.

**Hazardous**

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increase:	3.55% to 19.05%, varies by service
Investment Rate of Return:	6.25%
Healthcare Trend Rates:	
Pre - 65	Initial trend starting at 6.20% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 9.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.



**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2014. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2024.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
<b>Equity</b>		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Fixed Income</b>		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protected</b>		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>4.69%</b>
 <b>Long Term Nominal Return for Portfolio</b>		 <b>2.50%</b>
 <b>Expected Nominal Return for Portfolio</b>		 <b>7.19%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.99% for non-hazardous classifications. The single discount rate is 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, the plan's fiduciary net position and future contributions were projected to be 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 retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2025**

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate for June 30, 2025*

Non-hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability 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:

	<b>Discount Rate</b>	<b>City's Proportionate Share of Net OPEB Liability</b>
1% Decrease	4.99%	\$ 50,370
Current discount rate	5.99%	\$ (37,253)
1% Increase	6.99%	\$ (110,927)

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.02%) or one percentage point higher (7.02%) follows:

	<b>Discount Rate</b>	<b>City's Proportionate Share of Net OPEB Liability</b>
1% Decrease	5.02%	\$ 121,569
Current discount rate	6.02%	\$ 43,990
1% Increase	7.02%	\$ (20,841)

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates for June 30, 2025*

Non-hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.99%) or one percentage point higher (6.99%) than current healthcare cost trend rates follows:

<b>City's Net OPEB Liability Healthcare Cost</b>		
<b>Trend Rate -1%</b>	<b>Trend Rate</b>	<b>Trend Rate +1%</b>
4.99%	5.99%	6.99%
<b>\$ (89,626)</b>	<b>\$ (37,253)</b>	<b>\$ 23,758</b>

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.02%) or one percentage point higher (7.02%) than current healthcare cost trend rates follows:

<b>City's Net OPEB Liability Healthcare Cost</b>		
<b>Trend Rate -1%</b>	<b>Trend Rate</b>	<b>Trend Rate +1%</b>
5.02%	6.02%	7.02%
<b>\$ (6,819)</b>	<b>\$ 43,990</b>	<b>\$ 103,376</b>

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

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2025**

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The City is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer's Responses to Auditor's Request per the opinion of counsel.

Significant losses are covered by commercial insurance with premiums (based on industry information adjustment for any City claims) for general liability, vehicles, personal and real property. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 10 – RISK MANAGEMENT**

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2025, the City was sufficiently insured.

**NOTE 11 – DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through December 17, 2025, which is the date the financial statements were available to be issued.

**CITY OF BURKESVILLE, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Budget</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 891,922	\$ 891,922	\$ 122,686	\$ (769,236)
Licenses, permits and fees	57,250	57,250	1,179,952	1,122,702
Intergovernmental	6,600	6,600	316,557	309,957
Service charges and fees	-	-	52,826	52,826
Other	341,773	341,773	41,863	(299,910)
<b>Total Revenues</b>	<b>1,297,545</b>	<b>1,297,545</b>	<b>1,713,884</b>	<b>416,339</b>
<b>Expenditures</b>				
General and administrative	275,737	275,737	181,858	93,879
Police	677,125	677,125	989,173	(312,048)
Fire	74,828	74,828	97,516	(22,688)
Street	269,820	269,820	167,723	102,097
Parks and recreation	141,900	141,900	118,819	23,081
Debt services	-	-	-	-
Capital outlay	-	-	76,032	(76,032)
<b>Total Expenditures</b>	<b>1,439,410</b>	<b>1,439,410</b>	<b>1,631,121</b>	<b>(191,711)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(141,865)</b>	<b>(141,865)</b>	<b>82,763</b>	<b>(224,628)</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in (out)	-	-	58,897	(58,897)
<b>Net Change in Fund Balance</b>	<b>(141,865)</b>	<b>(141,865)</b>	<b>141,660</b>	<b>283,525</b>
<b>Fund Balance, Beginning</b>	<b>1,561,673</b>	<b>1,561,673</b>	<b>1,561,673</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,419,808</b>	<b>\$ 1,419,808</b>	<b>\$ 1,703,333</b>	<b>\$ 283,525</b>

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST TEN FISCAL YEARS**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b><u>HAZARDOUS</u></b>										
City's proportion of the net pension liability (asset)	0.039437%	0.043087%	0.041847%	0.044367%	0.042234%	0.042251%	0.043479%	0.042353%	0.038149%	0.036256%
City's proportionate share of the net pension liability (asset)	\$ 605,398	\$ 739,341	\$ 936,234	\$ 1,072,924	\$ 1,166,876	\$ 1,273,880	\$ 1,157,480	\$ 1,292,384	\$ 1,028,480	\$ 932,506
City's covered-employee payroll	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637	\$ 271,715	\$ 282,370
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	270.26%	321.85%	378.84%	449.60%	472.71%	489.98%	419.64%	482.89%	378.51%	330.24%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%	57.05%
<b><u>NON-HAZARDOUS</u></b>										
City's proportion of the net pension liability (asset)	0.022232%	0.023521%	0.022980%	0.023810%	0.025111%	0.024653%	0.025090%	0.025734%	0.024248%	0.021515%
City's proportionate share of the net pension liability (asset)	\$ 955,859	\$ 1,158,084	\$ 1,345,090	\$ 1,450,102	\$ 1,766,068	\$ 1,890,865	\$ 1,599,684	\$ 1,860,314	\$ 1,555,875	\$ 1,286,688
City's covered-employee payroll	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860	\$ 675,070	\$ 692,802
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.36%	206.68%	224.99%	218.20%	273.17%	296.65%	224.83%	264.30%	230.48%	185.72%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	61.61%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b><u>HAZARDOUS</u></b>										
Contractually required contribution	\$ 45,383	\$ 49,872	\$ 54,864	\$ 61,618	\$ 74,295	\$ 78,155	\$ 93,395	\$ 114,575	\$ 111,702	\$ 109,023
Contributions in relation to the contractually required contribution	<u>(45,383)</u>	<u>(49,872)</u>	<u>(54,864)</u>	<u>(61,618)</u>	<u>(74,295)</u>	<u>(78,155)</u>	<u>(93,395)</u>	<u>(114,575)</u>	<u>(111,702)</u>	<u>(109,023)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 224,004	\$ 229,719	\$ 247,133	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637	\$ 271,715	\$ 282,370
Contributions as a percentage of covered-employee payroll	20.26%	21.71%	22.20%	25.82%	30.10%	30.06%	33.86%	42.81%	41.11%	38.61%
<b><u>NON-HAZARDOUS</u></b>										
Contractually required contribution	\$ 69,744	\$ 78,166	\$ 86,568	\$ 107,795	\$ 124,782	\$ 123,027	\$ 150,627	\$ 164,703	\$ 157,561	\$ 136,551
Contributions in relation to the contractually required contribution	<u>(69,744)</u>	<u>(78,166)</u>	<u>(86,568)</u>	<u>(107,795)</u>	<u>(124,782)</u>	<u>(123,027)</u>	<u>(150,627)</u>	<u>(164,703)</u>	<u>(157,561)</u>	<u>(136,551)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 561,095	\$ 560,332	\$ 597,843	\$ 664,583	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860	\$ 675,070	\$ 692,802
Contributions as a percentage of covered-employee payroll	12.43%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%	23.34%	19.71%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
LAST SEVEN FISCAL YEARS**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b><u>HAZARDOUS</u></b>							
City's proportion of the net OPEB liability	0.044367%	0.044223%	0.042238%	0.043479%	0.042332%	0.038123%	0.036265%
City's proportionate share of the net OPEB liability	\$ 316,319	\$ 312,472	\$ 390,324	\$ 351,554	\$ 360,578	\$ 52,161	\$ 43,990
City's covered-employee payroll	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637	\$ 271,715	\$ 282,370
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	132.55%	126.59%	150.13%	127.45%	134.73%	19.20%	15.58%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%	93.53%
<b><u>NON-HAZARDOUS</u></b>							
City's proportion of the net OPEB liability	0.022980%	0.025105%	0.024646%	0.025085%	0.025730%	0.024247%	0.021536%
City's proportionate share of the net OPEB liability	\$ 422,724	\$ 422,255	\$ 595,126	\$ 480,240	\$ 507,785	\$ (33,477)	\$ (37,253)
City's covered-employee payroll	\$ 664,503	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860	\$ 675,070	\$ 692,802
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	63.62%	65.31%	93.37%	67.50%	72.14%	-4.96%	-5.38%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS TO THE  
OTHER POST EMPLOYMENT BENEFITS  
LAST SEVEN FISCAL YEARS**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b><u>HAZARDOUS</u></b>							
Contractually required contribution	\$ 22,719	\$ 23,497	\$ 24,749	\$ 28,879	\$ 18,146	\$ 7,010	\$ 5,986
Contributions in relation to the contractually required contribution	<u>(22,719)</u>	<u>(23,497)</u>	<u>(24,749)</u>	<u>(28,879)</u>	<u>(18,146)</u>	<u>(7,010)</u>	<u>(5,986)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 238,642	\$ 246,847	\$ 259,988	\$ 275,827	\$ 267,637	\$ 271,715	\$ 282,370
Contributions as a percentage of covered-employee payroll	9.52%	9.52%	9.52%	10.47%	6.78%	2.58%	2.12%
<b><u>NON-HAZARDOUS</u></b>							
Contractually required contribution	\$ 34,957	\$ 30,767	\$ 30,335	\$ 41,125	\$ 23,861	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(34,957)</u>	<u>(30,767)</u>	<u>(30,335)</u>	<u>(41,125)</u>	<u>(23,861)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 664,503	\$ 646,507	\$ 637,415	\$ 711,510	\$ 703,860	\$ 675,070	\$ 692,802
Contributions as a percentage of covered-employee payroll	5.26%	4.76%	4.76%	5.78%	3.39%	0.00%	0.00%

Note: The above schedules will present 10 years of historical data, once available.



**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL**

**Budget Law**

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with the Statute, the following process is used to adopt the annual budget:

- The budget proposal is the responsibility of the Mayor and the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
- The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
- No budget ordinance shall be adopted that provides for appropriations to exceed available resources in any one fiscal year, which would also violate section 157 of the Kentucky Constitution.
- The City legislative body may amend the budget ordinance after the ordinances' adoption if the amended ordinance continues to satisfy the requirements of KRS 91A.030.
- Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

**Budgetary Accounting**

The annual operation budgets of governmental and proprietary funds are prepared and presented on the modified accrual basis of accounting. The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance, Budgetary and Actual are the same.

**NOTE 2 – CERS**

**General Information**

**Contributions:** Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

**Payroll:** The Authority's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the Authority's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**Changes of Assumptions**

*June 30, 2024 - Pension and OPEB Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The single discount rate increased from 5.93% to 5.99% for non-hazardous and from 5.97% to 6.02% for hazardous. The assumed increase in future health care costs, or trend assumption, was updated to better reflect plan's long-term healthcare cost increases.

**CITY OF BURKESVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED**  
**JUNE 30, 2025**

**NOTE 2 – CERS – CONTINUED**

**Changes of Assumptions – Continued**

*June 30, 2023 - Pension and OPEB Hazardous and Nonhazardous*

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The single discount rate increased from 6.25% to 6.50% for non-hazardous and from 6.25% to 6.50% for hazardous.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The single discount rate increased from 5.70% to 5.93% for non-hazardous and from 5.05% to 5.97% for hazardous. The municipal bond rate increased from 3.39% to 3.86%.

*June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The single discount rate increased from 5.20% to 5.70% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate increased from 1.92% to 3.39%

*June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The single discount rate decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate decreased from 3.13% to 1.92%

*June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous*

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

**CITY OF BURKESVILLE, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED  
JUNE 30, 2025**

**NOTE 2 – CERS – CONTINUED**

**Changes of Assumptions – Continued**

*June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous*

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

*June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

*June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous*

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

*June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

*June 30, 2015 – Pension – Hazardous and Nonhazardous*

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**CITY OF BURKESVILLE, KENTUCKY**  
**SCHEDULE OF WATER AND SEWER REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Water Utilities</b>	<b>Sewer Utilities</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 932,512	\$ 344,293	\$ 1,276,805
Miscellaneous	43,055	-	43,055
<b>Total Operating Revenues</b>	<b>975,567</b>	<b>344,293</b>	<b>1,319,860</b>
<b>Operating Expenses</b>			
Salaries	245,708	37,174	282,882
Employee benefits	36,812	7,598	44,410
Contractual services	4,300	4,075	8,375
Materials and supplies	220,628	48,427	269,055
Travel and training	2,530	-	2,530
Utilities and telephone	62,596	68,611	131,207
Insurance	31,276	18,546	49,822
Depreciation	195,521	48,880	244,401
Bad debt provision	4,636	1,727	6,363
Miscellaneous	23,983	15,844	39,827
<b>Total Operating Expenses</b>	<b>827,990</b>	<b>250,882</b>	<b>1,078,872</b>
<b>Operating Income</b>	<b>147,577</b>	<b>93,411</b>	<b>240,988</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	11,589		11,589
Interest expense	(28,048)	(12,020)	(40,068)
Grant proceeds	416,592	-	416,592
<b>Total Non-Operating Revenue (Expenses)</b>	<b>400,133</b>	<b>(12,020)</b>	<b>388,113</b>
<b>Other Financing Sources (Uses)</b>			
Transfer in (out)	(19,022)	6,222	(12,800)
<b>Change in Net Position</b>			616,301
<b>Total Net Position, Beginning</b>			<b>8,428,755</b>
<b>Total Net Position, Ending</b>			<b>\$ 9,045,056</b>

**CITY OF BURKESVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**JUNE 30, 2025**

	<u>Payroll</u>	<u>LGEA Fund</u>	<u>Road Fund</u>	<u>ABC</u>	<u>Total Non-major Fund</u>
<b>Assets</b>					
Cash in bank	\$ 78,848	\$ 5,165	\$ 39,434	\$ 106,131	\$ 229,578
Due from other funds	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 78,848</u></b>	<b><u>\$ 5,165</u></b>	<b><u>\$ 39,434</u></b>	<b><u>\$ 106,131</u></b>	<b><u>\$ 229,578</u></b>
<b>Liabilities</b>					
Payroll liabilities	\$ 68,163	\$ -	\$ -	\$ -	\$ 68,163
<b>Fund Balance</b>					
Restricted:					
ABC	-	-	-	106,131	106,131
Economic assistance	-	5,165	-	-	5,165
Municipal roads	-	-	39,434	-	39,434
Assigned:					
Administrative	10,685	-	-	-	10,685
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 78,848</u></b>	<b><u>\$ 5,165</u></b>	<b><u>\$ 39,434</u></b>	<b><u>\$ 106,131</u></b>	<b><u>\$ 229,578</u></b>

**CITY OF BURKESVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**JUNE 30, 2025**

	<b>Payroll</b>	<b>LGEA Fund</b>	<b>Road Fund</b>	<b>ABC</b>	<b>Total Non-major Fund</b>
<b>Revenues</b>					
Regulatory Fees	\$ -	\$ -	\$ -	\$ 65,398	\$ 65,398
Interest income	178	4	154	279	615
Intergovernmental revenues	-	3,415	32,264	-	35,679
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<b>178</b>	<b>3,419</b>	<b>32,418</b>	<b>65,677</b>	<b>101,692</b>
<b>Expenditures</b>					
Current:					
Administration	-	1,550	1,550	-	3,100
Public Safety	-	-	-	32,033	32,033
Streets	-	-	-	-	-
Capital Fund	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>1,550</b>	<b>1,550</b>	<b>32,033</b>	<b>35,133</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>178</b>	<b>1,869</b>	<b>30,868</b>	<b>33,644</b>	<b>66,559</b>
<b>Other Financing Sources</b>					
Transfers in (out)	-	(3,000)	(40,000)	(15,897)	(58,897)
<b>Net Change in Fund Balance</b>	<b>178</b>	<b>(1,131)</b>	<b>(9,132)</b>	<b>17,747</b>	<b>7,662</b>
<b>Fund Balance - Beginning of Year</b>	<b>10,507</b>	<b>6,296</b>	<b>48,566</b>	<b>88,384</b>	<b>153,753</b>
<b>Fund Balance - End of Year</b>	<b>\$ 10,685</b>	<b>\$ 5,165</b>	<b>\$ 39,434</b>	<b>\$ 106,131</b>	<b>\$ 161,415</b>

**SK LEE CPAS, P.S.C.**  
*Certified Public Accountants*

*208 Pauline Drive, Suite D  
Berea, Kentucky 40403  
(859) 986-3756*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

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

To the Honorable Mayor and Members of the City Council  
City of Burkesville  
Burkesville, Kentucky 42717

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burkesville (hereinafter called the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2025.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***SK LEE CPAs, P.S.C.***

Berea, Kentucky  
December 17, 2025



**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**MATERIAL WEAKNESS**

**2025-001 Financial Statement Preparation**

**Condition:**

During our audit procedures, we noted some instances of this objective not being completely achieved.

**Criteria:**

A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Cause:**

The City did not prepare a complete set of GAAP financial statements and related note disclosures.

**Effect:**

Management is responsible for establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regards to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

**Recommendation:**

Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

**Views of Responsible Officials:**

Management agrees with the recommendation.

**CITY OF BURKESVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2025**

**MATERIAL WEAKNESS**

**2025-002 Segregation of Duties**

**Condition:**

While conducting our audit procedures to gain an understanding of internal controls over financial reporting, we noted a lack of segregation of duties which enabled one individual access to authorize transactions, custody of assets, recording and reporting of the City's transactions in the cash receipts, cash disbursement, and payroll process.

**Criteria:**

Segregation of duties is a control in which no person should be given the responsibility to perform more than one related function of an accounting process.

**Cause:**

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate custodial duties from recordkeeping duties in the cash collection and billing process.

**Effect:**

The lack of internal controls increases the risk that an error, either intentional or unintentional, will go undetected and the financial statements will contain material misstatements.

**Recommendation:** The lack of segregation of duties is a common deficiency in City's the size of Burkesville. The City Council should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

**Views of Responsible Officials:**

Management agrees with the recommendation.