

CITY OF BROWNSBORO FARM, KENTUCKY
AUDITED FINANCIAL STATEMENTS
INCLUDING REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

CITY OF BROWNSBORO FARM, KENTUCKY
JUNE 30, 2025

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SUMMERS, MCCRARY & SPARKS, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Commissioners
City of Brownsboro Farm, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brownsboro Farm, Kentucky as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Brownsboro Farm, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brownsboro Farm, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 4-7 and page 26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of the City of Brownsboro Farm, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Brownsboro Farm, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Brownsboro Farm, Kentucky's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Lexington, KY
January 30, 2026

**CITY OF BROWNSBORO FARM, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

INTRODUCTION

The Management’s Discussion and Analysis (this section) provides financial highlights and interpretation of the financial reports by explaining changes in the financial data. The MDA is intended to disclose any known significant events or decisions that affect the financial condition of the City. In addition, the MDA provides supplementary information that aids in understanding the City as a whole.

Included as a part of this MDA are several sections that provide important information about the operations and economic environment of the City of Brownsboro Farm. The sections are summarized as follows:

- A. Overview of the Financial Statements
- B. Government-wide Financial Analysis
- C. Major Projects for the Year and for the Future
- D. Economic Outlook
- E. Contact Information

A. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include public safety, sanitation, recreation, general administration, and maintenance. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**CITY OF BROWNSBORO FARM, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 12 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 22 of this report.

B. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$736,312 as of June 30, 2025 as compared to \$700,814 as of June 30, 2024.

The largest portion of the City’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The City’s total net position increased \$35,497 in fiscal year 2025.

SUMMARY OF NET POSITION

	Governmental Activities	
	6/30/2025	6/30/2024
Current Assets	\$ 257,276	\$ 392,112
Noncurrent Assets	544,854	419,930
Total Assets	802,130	812,042
Current Liabilities	65,818	61,228
Noncurrent Liabilities	-	50,000
Total Liabilities	65,818	111,228
Net investment in capital assets	480,451	319,930
Restricted	14,403	50,055
Unrestricted	241,458	330,829
Total Net Position	\$ 736,312	\$ 700,814

**CITY OF BROWNSBORO FARM, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Governmental Activities: Governmental activities increased the City’s net position \$35,497. The main sources of operating revenues are property taxes.

Total property tax revenue for the year ended June 30, 2025 amounted to \$177,444. The property tax rate was 18.084 cents per \$100 assessed value on all real property in the City limits. 5 cents per \$100 assessed value is committed to park operation and maintenance, which for the year ended June 30, 2025 totaled \$38,435 of the \$177,444 total.

The City also collects bank deposit franchise tax which is levied on all bank deposits. The rate for this tax for the year ended June 30, 2025 was .00025. The amount collected for this tax during the year ended June 30, 2025 was \$7,142.

The City also collects usage fees for the pool and community center facilities. These fees totaled \$74,714 for the year ended June 30, 2025.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2025 and 2024.

Changes in Net Position

	Governmental Activities	
	6/30/2025	6/30/2024
Revenues:		
Program Revenues:		
Charges for services	\$ 74,714	\$ 70,009
Operating grants	13,745	17,890
General revenues:		
Taxes	258,634	251,345
Interest income	108	761
Franchise Fees	7,142	7,141
Miscellaneous	4,934	3,435
Total Revenues	359,277	350,581
Expenses:		
General government	124,960	115,363
Public safety	5,400	8,192
Roads	21,465	18,383
Sanitation	72,465	69,678
Parks and recreation	99,489	101,009
Total Expenses	323,779	312,625
Increase (decrease) in net position	35,498	37,956
Beginning Net position	700,814	662,858
Ending Net position	\$ 736,312	\$ 700,814

**CITY OF BROWNSBORO FARM, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

C. MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE

Capital Assets & Infrastructure

As part of GASB 34 compliance, the City is required to report capital assets, including infrastructure, in its statement of net position and report depreciation expense in the statement of activities. At the end of year ended June 30, 2025 the City had \$1.461 million invested in a broad range of capital assets, buildings, roads, pool and construction projects.

Capital Assets

	Governmental Activities	
	6/30/2025	6/30/2024
Signage	\$ 68,621	\$ 68,621
Pool	525,432	464,632
Community center	340,079	340,079
Equipment and furniture	161,128	157,269
Fencing	18,797	18,797
Road and path improvements	347,250	238,185
	<u>1,461,307</u>	<u>1,287,583</u>
Less accumulated depreciation	930,856	867,653
Total Capital Assets, Net	<u>\$ 530,451</u>	<u>\$ 419,930</u>

D. ECONOMIC CONDITION AND OUTLOOK

The City has been working hard to control costs. Taxes have been increased slightly over the past two years. In order to fund future capital projects, it is expected that tax rates will be increased in small increments over the next five years.

E. CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, creditors, and investors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have any questions about this report or need additional information, please contact the City Clerk at 508-838-9332.

Jimmy Stout, Mayor
3615 Cascade Road
Brownsboro Farm, KY 40241
502-418-1846

CITY OF BROWNSBORO FARM, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 234,326
Insurance premium taxes receivable	22,950
Total Current Assets	<u>257,276</u>
Capital Assets	
Signage	68,621
Pool	525,432
Community center	340,079
Equipment and furniture	161,128
Fencing	18,797
Road and path improvements	347,250
	<u>1,461,307</u>
Less accumulated depreciation	930,856
Total Capital Assets, Net	<u>530,451</u>
Other Assets	
Cash and equivalents, restricted	14,403
Total Other Assets	<u>14,403</u>
TOTAL ASSETS	<u><u>\$ 802,130</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 127
Accrued payroll taxes payable	1,691
Accrued audit expense	14,000
Note payable - current portion	50,000
Total Current Liabilities	<u>65,818</u>
TOTAL LIABILITIES	<u>65,818</u>
NET POSITION	
Net investment in capital assets	480,451
Restricted - municipal road aid	14,403
Unrestricted	241,458
TOTAL NET POSITION	<u>736,312</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 802,130</u></u>

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

**CITY OF BROWNSBORO FARM, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
AND RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2025**

	GENERAL FUND	ROAD FUND	POOL FUND	PARK FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 152,953	\$ 14,403	\$ 52,306	\$ 29,067	\$ 248,729
Insurance premium taxes receivable	22,950	-	-	-	22,950
TOTAL ASSETS	\$ 175,903	\$ 14,403	\$ 52,306	\$ 29,067	\$ 271,679
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 127	\$ -	\$ -	\$ -	\$ 127
Payroll taxes withheld and accrued	1,691	-	-	-	1,691
Total Liabilities	1,818	-	-	-	1,818
FUND BALANCES					
Restricted	-	14,403	-	-	14,403
Committed:					
Pool	-	-	52,306	-	52,306
Park	-	-	-	29,067	29,067
Unassigned	174,085	-	-	-	174,085
Total Fund Balances	174,085	14,403	52,306	29,067	269,861
TOTAL LIABILITIES AND FUND BALANCES	\$ 175,903	\$ 14,403	\$ 52,306	\$ 29,067	\$ 271,679
TOTAL GOVERNMENTAL FUND BALANCES					\$ 269,861
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.					
					530,451
Long-term debt liabilities are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows:					
					(50,000)
					(14,000)
TOTAL NET POSITION					\$ 736,312

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

CITY OF BROWNSBORO FARM, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2025

	GENERAL FUND	ROAD FUND	POOL FUND	PARK FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Property	\$ 139,009	\$ -	\$ -	\$ -	\$ 139,009
Park	-	-	-	38,435	38,435
Insurance premium	81,190	-	-	-	81,190
Fees:					
Franchise	7,142	-	-	-	7,142
Facility usage	-	-	71,964	2,750	74,714
Intergovernmental revenues	-	13,745	-	-	13,745
Interest income	94	12	1	1	108
Miscellaneous Revenue	4,934	-	-	-	4,934
Total Revenues	232,369	13,757	71,965	41,186	359,277
EXPENDITURES					
General government	104,758	-	-	-	104,758
Public safety	5,400	-	-	-	5,400
Roads	8,148	13,317	-	-	21,465
Sanitation	72,465	-	-	-	72,465
Parks and recreation	-	-	63,417	36,072	99,489
Capital outlay	173,724	-	-	-	173,724
Total Expenditures	364,495	13,317	63,417	36,072	477,301
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(132,126)	440	8,548	5,114	(118,024)
OTHER FINANCING SOURCES (USES)					
Transfers	33,713	(35,974)	1,412	849	-
TOTAL OTHER FINANCING SOURCES (USES)	33,713	(35,974)	1,412	849	-
NET CHANGE IN FUND BALANCES	(98,413)	(35,534)	9,960	5,963	(118,024)
FUND BALANCES, BEGINNING	272,498	49,937	42,346	23,104	387,885
FUND BALANCES, ENDING	\$ 174,085	\$ 14,403	\$ 52,306	\$ 29,067	\$ 269,861

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

CITY OF BROWNSBORO FARM, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds	\$ (118,024)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capital Expenditures	173,724
Depreciation Expense	(63,203)

Generally, expenditures reported in the fund financial statement are limited to only those that use current financial resources.

However, expenses are recognized in the statement of activities when they are incurred.

Accrued Audit Expense	(7,000)
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Governmental funds reports long-term debt borrowings as other financing sources and long-term debt payments as expenditures.

However, the results of these transactions are reflected as increases and decreases in liabilities on the statement of net position.

Note Payable - Principal	50,000
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Change in net position as reflected in the Statement of Activities	\$ 35,497
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The accompanying notes are an integral part of these financial statements.

CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Brownsboro Farm, Kentucky (the "City") was incorporated under the provisions of the State of Kentucky. The City operates under a Mayor-Commissioners form of government and provides the following services as authorized by its charter: public safety, streets, culture-recreation, public improvements, and general administrative services.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following represent the more significant accounting and reporting practices used in the preparation of these financial statements.

A - REPORTING ENTITY

The City, for financial purposes, includes all of the funds, organizations, agencies, boards and commissions relevant to the operations of the City of Brownsboro Farm, Kentucky, for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements presented herein do not include entities which have been formed under applicable state laws or separate and distinct units of government apart from the City of Brownsboro Farm, Kentucky. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

B - BASIS OF PRESENTATION

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - (CONTINUED)

Fund Accounting

The accounts of the City are organized in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, into fund types as follows:

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

C – MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements - On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recognized as a liability rather than as other financing resources. Amounts paid to reduce long-term debt of the City are reported as reductions of the related liability, rather than as expenditures.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each major function/program of the City's governmental activities. Direct expenses are those that are specifically associated with a program.

CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - (CONTINUED)

Program revenues include (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

D - BUDGETARY PROCESS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The City Commission approves, by ordinance, the budget. The budget may be amended by subsequent ordinance.
3. Unused appropriations, for all of the above annually budgeted funds, lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E - PROPERTY, PLANT AND EQUIPMENT

General capital assets are long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

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

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Community Center	40 years
Signage	20 years
Equipment and Furniture	5-7 years
Pool	20 years
Fencing	10 years
Road Improvements	10-15 years

F - EQUITY CLASSIFICATIONS

Government-wide Statements - Equity is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation
3. Unrestricted net position consists of all other net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

Expenditures incurred for purposes for which both restricted and unrestricted net position are available are first applied to the restricted net position.

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact.

CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commissioners or by an official body to which the City Commissioners delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

G - CASH EQUIVALENTS

Cash equivalents are considered by the City to be all highly liquid investments with a maturity of three months or less when purchased.

H - ESTIMATES

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

I - LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of bonds and notes payable.

CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

J - INTERFUND TRANSFERS

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

K- REVENUE RECOGNITION – PROPERTY TAXES

Property taxes for FY 2025 were levied on the assessed property located in the City of Brownsboro Farm, Kentucky, as of the preceding January 1. The assessments are determined by the Jefferson County Property Valuation Administrator in accordance with Kentucky Revised Statutes. Taxes were levied on October 15, 2024 and were due November 30, 2024. Taxes unpaid after November 30, 2024 were delinquent and were subject to a 2% penalty if paid by December 31, 2024 and a 10% penalty if paid after this date.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. As of June 30, 2025 there were no property tax receivables.

L – LEASE LIABILITIES

The lease liability is recognized at the commencement of the lease term, unless the lease is a short-term lease, below the lease capitalization threshold of \$5,000, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives) based on a borrowing rate specified in the contract or implicit rate. The lease term includes the noncancelable period of the lease and extensions the City is reasonably certain to exercise. The City monitors changes in circumstances that are expected to significantly affect the amount of a lease liability that may require a remeasurement of its lease.

M – NEW ACCOUNTING PRONOUNCEMENTS

In June 2023, the GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023 (the District's 2025 fiscal year). This standard revises some definitions for compensated absences and consolidates guidance for all types of leave to a single accounting recognition. Management has reviewed this standard, and determined it did not have a material impact on the City's financials.

CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

GASBS No. 102, *Certain Risk Disclosures*, was issued in December 2023 and was effective for fiscal years beginning after June 15, 2024. This standard requires additional disclosures for concentrations that reflect a lack of diversity in resource flows. In addition, disclosures about constraints that impose limitation by external party or by the formal action of the government’s highest level of decision-making authority. Constraints may also affect a government’s ability to acquire resources or control spending. The City has evaluated significant revenue sources and critical legal and statutory requirements to evaluate whether the City is vulnerable to risks of concentration or constraints. The City’s management has determined that no risk disclosures are required by GASBS No. 102.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025 (The City’s 2026 fiscal year). This guidance clarifies management’s responsibility for explaining key variances in management’s discussion and analysis. The budget discussion will be deleted from the MD&A and governments will only report the budgetary comparison schedule in required supplementary information. Additional changes include classification of unusual or infrequent items, the reporting format for proprietary statements, and reporting major component units.

GASBS No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024 and will be effective for fiscal years beginning after June 15, 2025 (The City’s 2026 fiscal year). GASBS No. 104 requires separate reporting of leased, public-private partnership, and subscription-based information technology right-to-use assets. Additional disclosures may also be required for capital assets that are held for resale. The City currently has no leased or SBITA right-to-use assets or capital assets that are held for sale, so implementation of this standard will have no impact on the City’s financial position.

NOTE 2- CASH AND BANK DEPOSITS

At year end, the carrying amount of the City’s cash and cash equivalents was \$248,728 and the bank balance was \$262,220. The \$248,728 year end balance is made up of the following restricted and unrestricted amounts:

<u>Governmental Funds</u>	
Unrestricted Cash	\$ 234,325
Restricted Cash	<u>14,403</u>
	<u>\$ 248,728</u>

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits will not be returned to it. The City does not have a policy for custodial credit risk. At year end, \$250,000 of the City’s deposits were covered by Federal depository insurance, \$12,220 were covered by collateral held by the pledging banks' trust departments in the City’s name.

**CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 – CAPITAL ASSETS

Depreciation expense for 2025 totaled \$63,203 for governmental activities.

The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance 6/30/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2025</u>
Depreciable Assets:				
Community Center	\$ 340,079	\$ -	\$ -	\$ 340,079
Pool	464,632	60,800	-	525,432
Signage	68,621	-	-	68,621
Equipment & Furniture	157,269	3,859	-	161,128
Fencing	18,797	-	-	18,797
Road Improvements	238,185	109,065	-	347,250
Total Depreciable Assets	<u>1,287,583</u>	<u>173,724</u>	<u>-</u>	<u>1,461,3067</u>
Accumulated Depreciation	<u>(867,653)</u>	<u>(63,203)</u>	<u>-</u>	<u>(930,856)</u>
Net Depreciable Assets	<u>\$ 419,930</u>	<u>\$ 110,521</u>	<u>\$ -</u>	<u>\$ 530,451</u>

NOTE 4 - LONG-TERM DEBT

On July 29, 2005, the City entered into a general obligation loan agreement with Kentucky League of Cities Funding Trust, the proceeds of which were used to finance construction of the pool and community center. This agreement requires monthly payments consisting of interest based on a fixed rate of 3.69% per annum and loan fees beginning September 2005 and ending July 2025. Annual graduated principal payments began in July 2005 amounting to \$20,000 and graduate to the final principal payment of \$50,000 due in July 2025. These payments are payable to Huntington National Bank which is the trustee. The total amount borrowed was \$700,000 less \$11,226 of closing costs, netting \$688,774.

Future payments under this agreement are requires as follows:

Year Ending	Principal	Interest	Total
6/30/2026	50,000.00	193.00	50,193.00
	<u>50,000.00</u>	<u>193.00</u>	<u>50,193.00</u>

Total interest paid during the year ending June 30, 2025 totaled \$2,527.

The following is a summary of long-term debt activity for the year ended June 30, 2025:

	<u>Balance 6/30/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2025</u>
Note Payable - Community Center	\$ 100,00	\$ -	\$ 50,000	\$ 50,000

**CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2025 totaled \$22,950 consisting entirely of Insurance Premium Taxes.

NOTE 6- INSURANCE COVERAGE

The City is exposed to various forms of loss of assets 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. The City has purchased certain policies which are retrospectively rated and include worker’s compensation insurance.

NOTE 7 - INTERFUND ACTIVITY

In addition, certain funds have been transferred among the governmental funds to allocate resources to subsidize operations. Transfers during FY 2025 included the following:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Pool	General	Capital Expenses	\$ 2,140
Road	General	Capital Expenses	\$ 108,969
General	Road	Indirect Costs	\$ 72,995
General	Park	Indirect Costs	\$ 849
General	Pool	Indirect Costs	\$ 3,552

NOTE 8 – CONDUIT DEBT OBLIGATION

On April 1, 2021, the City signed Resolution/Municipal Order 2021 Issue 1 that authorized the issuance of a new bond issue to pay off the outstanding Educational Revenue Bond Series 2009 and to finance the construction, equipping expansion and installation by Kentucky Country Day School (“Borrower”) of Borrower’s main campus facility at 4100 Springdale Road, Louisville, Kentucky consisting of Borrower’s Lower School, Middle School, STEAM Academic Center and Athletic Center; in an amount not to exceed \$12,500,000, and currently refund the refinancing of a portion of the outstanding debt of the borrower in an amount no to exceed \$1,950,000. In no event shall the amount financed by the Note for the Project exceed \$13,500,000.

The 2021 series bonds are not a general obligation of the City, nor do the bonds pledge the general credit or taxing power of the City, but shall be payable solely from the loan payments made by Borrower. The loan agreement between the City and Borrower includes an indemnification clause limiting the City’s liability. According to Borrower’s legal counsel, Borrower assumes all liability in the event of any default on the current bond issue.

CITY OF BROWNSBORO FARM, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9– SUBSEQUENT EVENTS

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through January 30, 2026, the date the financial statements were available to be issued.

SUMMERS, MCCRARY & SPARKS, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

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JESSIE N. SANDEFUR, CPA

LAURENCE T. SUMMERS
1961-1992
STUART K. MCCRARY, JR., CPA
1982-2022

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

To the Mayor and City Commissioners
City of Brownsboro Farm, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brownsboro Farm as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Brownsboro Farm's basic financial statements, and have issued our report thereon dated January 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brownsboro Farm's internal control over financial reporting (internal control) as a basis for designing the 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 of Brownsboro Farm's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brownsboro Farm's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brownsboro Farm'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Summers, McCrary & Sparks, PSC

Lexington, KY
January 30, 2026

**CITY OF BROWNSBORO FARM, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025**

FINDINGS – FINANCIAL REPORTING

No findings in the current year

FINDINGS - COMPLIANCE

2025-01: Budget – Repeat Finding

Condition: Debt service expenditures were not included in the budget.

Criteria: KRS 91A.030(9) – The full amount required for debt service during the budget year shall be appropriated for all fund types

Cause: The City did not include debt service expenditures in the FY2023 budget.

Recommendation: We recommend the City budget for all expenditures including debt service (principal & interest) expenditures.

Response: City Clerk and Mayor were not aware of having to include debt expenditures in the budget and will correct this issue on all future budgets.

CITY OF BROWNSBORO FARM, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
Property Taxes	\$ 138,805	\$ 138,805	\$ 139,009	\$ 204
Insurance Premium Taxes	58,240	58,240	81,190	22,950
Franchise Fees	7,142	7,142	7,142	-
Interest Income	94	94	94	-
Miscellaneous Revenue	3,800	3,800	4,934	1,134
TOTAL REVENUES	<u>208,081</u>	<u>208,081</u>	<u>232,369</u>	<u>24,288</u>
EXPENDITURES:				
General government	92,500	92,500	278,482	(185,982)
Public safety	10,800	7,200	5,400	1,800
Roads	7,500	9,800	8,148	1,652
Sanitation	57,018	76,650	72,465	4,185
TOTAL EXPENDITURES	<u>167,818</u>	<u>186,150</u>	<u>364,495</u>	<u>(178,345)</u>
Excess (Deficit) of Revenues over Expenditures	<u>40,263</u>	<u>21,931</u>	<u>(132,126)</u>	<u>(154,057)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers	(21,242)	(21,242)	33,713	54,955
TOTAL OTHER FINANCING SOURCES (USES):	<u>(21,242)</u>	<u>(21,242)</u>	<u>33,713</u>	<u>54,955</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	19,021	689	(98,413)	(99,102)
Fund balance, beginning	<u>272,498</u>	<u>272,498</u>	<u>272,498</u>	<u>-</u>
Fund balance, ending	<u>\$ 291,519</u>	<u>\$ 273,187</u>	<u>\$ 174,085</u>	<u>\$ (99,102)</u>

See Auditor's Report and Accompanying Notes