

**REPORT OF THE AUDIT OF THE  
NICHOLAS COUNTY  
FISCAL COURT**

**For The Year Ended  
June 30, 2024**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
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**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

**Independent Auditor's Report**

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Steve Hamilton, Nicholas County Judge/Executive  
Members of the Nicholas County Fiscal Court

**Report on the Audit of the Financial Statement**

***Opinions***

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Nicholas County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Nicholas County Fiscal Court's financial statement as listed in the table of contents.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Nicholas County Fiscal Court, for the year ended June 30, 2024, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Nicholas County Fiscal Court, for the year ended June 30, 2024, or the changes in financial position and cash flows thereof for the year then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Nicholas County Fiscal Court 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.



To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
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### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the financial statement is prepared by the Nicholas County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### ***Responsibilities of Management for the Financial Statement***

Nicholas County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is 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 Nicholas County Fiscal Court'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 Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement is 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 GAAS 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 statement.

In performing an audit in accordance with GAAS 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 statement, 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 statement.
- 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 Nicholas County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
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Members of the Nicholas County Fiscal Court

***Auditor's Responsibilities for the Audit of the Financial Statement (Continued)***

- 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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nicholas County Fiscal Court'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.

**Other Matters**

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Nicholas County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

***Other Information***

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the People of Kentucky  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2025, on our consideration of the Nicholas County Fiscal Court'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nicholas County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report finding:

2024-001    The Nicholas County Fiscal Court Failed To Repay A Bank Note Before The End Of The Fiscal Year And Did Not Notify The State Local Debt Officer In Writing

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

June 3, 2025



**NICHOLAS COUNTY OFFICIALS****For The Year Ended June 30, 2024****Fiscal Court Members:**

Steve Hamilton	County Judge/Executive
Rodney Matthews	Magistrate
Matt Hughes	Magistrate
Kenny Holbrook	Magistrate
Tommy Crawford	Magistrate
Ross Haney	Magistrate

**Other Elected Officials:**

Dawn Letcher	County Attorney
Robert Sosby	Jailer
Martha Moss	County Clerk
Sandye Watkins	Circuit Court Clerk
Jeff Sidles	Sheriff
Jacqueline Earlywine	Property Valuation Administrator
Emily Gaunce	Coroner

**Appointed Personnel:**

Julie Watson	County Treasurer
Tammy McConnell	Administrative Assistant

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**NICHOLAS COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2024**

**NICHOLAS COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2024**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,280,921	\$	\$
Excess Fees	41,677		
Licenses and Permits	6,672		
Intergovernmental	456,485	1,889,168	71,602
Charges for Services	167,485	2,849	7,534
Miscellaneous	774,074	43,612	8,329
Interest	13,763	21,376	880
Total Receipts	<u>2,741,077</u>	<u>1,957,005</u>	<u>88,345</u>
<b>DISBURSEMENTS</b>			
General Government	1,129,342	18,000	
Protection to Persons and Property	880,742		222,375
General Health and Sanitation	78,890		
Social Services	33,161		
Recreation and Culture	13,000		
Roads		1,555,034	
Debt Service	39,788	39,314	
Capital Projects	320,367		
Administration	593,177	291,942	9,913
Total Disbursements	<u>3,088,467</u>	<u>1,904,290</u>	<u>232,288</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(347,390)</u>	<u>52,715</u>	<u>(143,943)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Financing Obligation Proceeds	195,000		
Gain On Sale Of Investment			
Transfers From Other Funds	130,725		149,500
Transfers To Other Funds	(209,300)	(111,850)	
Total Other Adjustments to Cash (Uses)	<u>116,425</u>	<u>(111,850)</u>	<u>149,500</u>
Net Change in Fund Balance	(230,965)	(59,135)	5,557
Fund Balance - Beginning	378,338	231,600	4,669
Fund Balance - Ending	<u>\$ 147,373</u>	<u>\$ 172,465</u>	<u>\$ 10,226</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 165,211	\$ 196,801	\$ 10,226
Less: Outstanding Checks	(17,838)	(24,336)	
Investments			
Fund Balance - Ending	<u>\$ 147,373</u>	<u>\$ 172,465</u>	<u>\$ 10,226</u>

The accompanying notes are an integral part of the financial statement.

**NICHOLAS COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>Budgeted Funds</b>				
<b>Convenience Center Fund</b>	<b>Courthouse Maintenance/ Preservation Fund</b>	<b>Clerk Storage Fee Fund</b>	<b>Opioid Settlement Fund</b>	<b>Mathers Fund</b>
\$ 7,667	\$	\$	\$	\$
84,152				
5,841	25,000	12,410	58,194	
581	2,823	938	3,315	40,826
98,241	27,823	13,348	61,509	40,826
	43,250			
151,287				103,789
7,568				3,161
158,855	43,250			106,950
(60,614)	(15,427)	13,348	61,509	(66,124)
59,800				140,609
59,800				140,609
(814)	(15,427)	13,348	61,509	74,485
10,107	66,301	12,133	53,418	690,522
\$ 9,293	\$ 50,874	\$ 25,481	\$ 114,927	\$ 765,007
\$ 9,534	\$ 50,874	\$ 25,481	\$ 114,927	\$ 765,007
(241)				
\$ 9,293	\$ 50,874	\$ 25,481	\$ 114,927	\$ 765,007

The accompanying notes are an integral part of the financial statement.

**NICHOLAS COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

	<u>Unbudgeted Funds</u>	<u>Private Purpose Trust Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Knox Hospital Trust Fund</u>	<u>Mathers Educational Trust Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 1,288,588
Excess Fees				41,677
Licenses and Permits				6,672
Intergovernmental	841,494			3,258,749
Charges for Services				262,020
Miscellaneous				927,460
Interest	25,639	13,869	86,870	210,880
Total Receipts	<u>867,133</u>	<u>13,869</u>	<u>86,870</u>	<u>5,996,046</u>
<b>DISBURSEMENTS</b>				
General Government				1,190,592
Protection to Persons and Property				1,103,117
General Health and Sanitation				230,177
Social Services				136,950
Recreation and Culture				13,000
Roads				1,555,034
Debt Service	841,494			920,596
Capital Projects	58,319			378,686
Administration		3,745	19,216	928,722
Total Disbursements	<u>899,813</u>	<u>3,745</u>	<u>19,216</u>	<u>6,456,874</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(32,680)</u>	<u>10,124</u>	<u>67,654</u>	<u>(460,828)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds				195,000
Gain On Sale Of Investment		12,019	186,928	198,947
Transfers From Other Funds				480,634
Transfers To Other Funds		(18,875)	(140,609)	(480,634)
Total Other Adjustments to Cash (Uses)		<u>(6,856)</u>	<u>46,319</u>	<u>393,947</u>
Net Change in Fund Balance	(32,680)	3,268	113,973	(66,881)
Fund Balance - Beginning	<u>446,115</u>	<u>321,753</u>	<u>2,326,362</u>	<u>4,541,318</u>
Fund Balance - Ending	<u>\$ 413,435</u>	<u>\$ 325,021</u>	<u>\$ 2,440,335</u>	<u>\$ 4,474,437</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 413,435	\$ 15,827	\$ 90,762	\$ 1,751,496
Less: Outstanding Checks				(42,415)
Investments		309,194	2,349,573	2,658,767
Fund Balance - Ending	<u>\$ 413,435</u>	<u>\$ 325,021</u>	<u>\$ 2,440,335</u>	<u>\$ 4,474,437</u>

The accompanying notes are an integral part of the financial statement.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

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**NICHOLAS COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Nicholas County includes all budgeted and unbudgeted funds under the control of the Nicholas County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.



**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Convenience Center Fund - The primary purpose of this fund is to account for trash collections and solid waste transfers. The primary source of receipts for this fund are payments for trash collections, recycling income, and transfers from the General Fund.

Courthouse Maintenance/Preservation Fund - The primary purpose of this fund is to account for future courthouse maintenance and preservation. The primary source of receipts for this fund is donations.

Clerk Storage Fees Fund - The primary purpose of this fund is to account for county clerk storage fees. The primary source of receipts for this fund is the county clerk.

Opioid Settlement Fund - The primary purpose of this fund is to account for funds used to combat the county's opioid crisis. Receipts of this fund are received from the state as a result of the state's agreement with major opioid manufactures and distributors.

Mathers Fund - The primary purpose of this fund is to account for the distribution requirements of the Mathers Educational Trust Fund. The primary source of receipts for this fund is the income generated by the principal of the Mathers Educational Trust Fund. The Mathers Educational Trust Fund requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the financing and construction of major capital facilities. This fund handles financial activities associated with the judicial center construction.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Nicholas County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Nicholas County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Nicholas County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**H. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered joint ventures of the Nicholas County Fiscal Court:

Bourbon County – Nicholas County Regional Jail Authority  
 Bourbon County – Nicholas County Joint Economic Development Board

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 2. Deposits and Investments**

**A. Deposits**

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2024, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

	Cost
Common Stock	\$ 944,121
Mutual Funds	1,714,646
Total Investments	<u>\$ 2,658,767</u>

**Custodial Credit Risk** is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments, or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$2,658,767 of investments in securities held by the counterparties' trust departments in the fiscal court's name.

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings at the time of purchase. KRS 66.480 and the fiscal court's investment policy define the following items as permissible investments:

- 1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
  - a. United States Treasury;
  - b. Export-Import Bank of the United States;
  - c. Farmers Home Administration;
  - d. Government National Mortgage Corporation; and
  - e. Merchant Marine bonds.
- 3) Obligations of any corporation of the United States government, including but not limited to:
  - a. Federal Home Loan Mortgage Corporation;
  - b. Federal Farm Credit Banks;
  - c. Bank for Cooperatives;
  - d. Federal Intermediate Credit Banks;
  - e. Federal Land Banks;
  - f. Federal Home Loan Banks;
  - g. Federal National Mortgage Association; and
  - h. Tennessee Valley Authority.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- 7) Commercial paper rated in the highest category by a competent rating agency;
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
  - a. The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
  - b. The management company of the investment company shall have been in operation for at least five years; and
  - c. All of the securities in the mutual fund shall be eligible investments pursuant to this section.
- 11) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and
- 12) Individual high-quality corporate bonds that are managed by a professional investment manager that:
  - a. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
  - b. Have a standard maturity of no more than ten years; and
  - c. Are rated in the three highest rating categories by at least two competent credit rating agencies.

According to KRS 66.480, the fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

The fiscal court's rated investments, as of June 30, 2024, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Type	Unrated/NA	Cost Basis
Investments:		
Common Stock	\$ 944,121	\$ 944,121
Mutual Funds	1,714,646	1,714,646
Total Investments	<u>2,658,767</u>	<u>2,658,767</u>
Total Fund Balance	<u>\$ 2,658,767</u>	<u>\$ 2,658,767</u>

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the fiscal court's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does not have 5 percent or more of the fiscal court's investments invested in any single security.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The fiscal court's policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. See table above for investments listed by type and duration.

**Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's policy historically has been to invest only in securities in U.S. denominations.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2024.

	General Fund	Road Fund	Knox Hospital Trust Fund	Mathers Educational Trust Fund	Total Transfers In
General Fund	\$	\$ 111,850	\$ 18,875	\$	\$ 130,725
Jail Fund	149,500				149,500
Convenience Center Fund	59,800				59,800
Mathers Fund				140,609	140,609
Total Transfers Out	<u>\$ 209,300</u>	<u>\$ 111,850</u>	<u>\$ 18,875</u>	<u>\$ 140,609</u>	<u>\$ 480,634</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 4. Custodial Funds**

Private-purpose trust funds are used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The fiscal court has the following private purpose trust funds:

Knox Hospital Trust Fund – This fund was established to promote the general health and welfare of the people of Nicholas County, especially for the employment of a health nurse. The trust fund reports resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the county's programs. The trust fund is maintained by a third-party trustee who determines the investment portfolio of the fund and account for the investment earnings. The balance in the Knox Hospital Trust Fund as of June 30, 2024, was \$325,021.

Mathers Educational Trust Fund – This fund was established for educational expenses of Nicholas County school age children. The fiscal court awards the income generated from the principal of the trust based upon applications received, less administrative costs. The trust fund is maintained by a third-party trustee who determines the investment portfolio of the fund and accounts for the investment earnings. The balance in the Mathers Educational Trust Fund as of June 30, 2024, was \$2,440,335.

**Note 5. Leases**

**Lessor**

**A. Nicholas County Fire Protection District**

During the fiscal year ending June 30, 2018, the Nicholas County Fiscal Court began leasing a building located at 250 S. Walnut St., to the Nicholas County Fire Protection District. The lease is for 20 years and the Nicholas County Fiscal Court will receive monthly payments of \$313. The Nicholas County Fiscal Court recognized \$3,751 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the Nicholas County Fiscal Court's receivable for lease payments was \$50,640.

**B. Administrative Office of the Courts (AOC)**

During the fiscal year ending June 30, 2020, the Nicholas County Fiscal Court began leasing office space in the Nicholas County courthouse. The lease is for 20 years and the Nicholas County Fiscal Court will receive semi-annual payments of varying amounts. The Nicholas County Fiscal Court recognized \$842,494 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the Nicholas County Fiscal Court's receivable for lease payments was \$12,659,769.

**C. Community Action**

During the fiscal year ending June 30, 2023, the Nicholas County Fiscal Court began leasing a building located at 2323 Concrete Road. The lease is for four years and the Nicholas County Fiscal Court will receive monthly payments of \$2,150. The Nicholas County Fiscal Court recognized \$25,800 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the value of the lease liability was \$51,600.

**D. Community Action**

During the fiscal year ending June 30, 2023, the Nicholas County Fiscal Court began leasing a building located at 2323 Concrete Road. The lease is for four years and the Nicholas County Fiscal Court will receive monthly payments of \$1,000. The Nicholas County Fiscal Court recognized \$12,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the value of the lease liability was \$24,000.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 6. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Financing Obligation – Building Improvement**

On May 22, 2013, the Kentucky Association of Counties Finance Corporation issued Program Revenue Bonds, Series 2013, in the amount of \$135,000 for the Nicholas County Fiscal Court to finance a building improvement for the hospital. Monthly payments of principal, fixed interest, and associated fees will end January 20, 2028. The obligation of the lessee created by the lease shall be a full general obligation of the lessee and, for the prompt payment of the lease payments, the full faith, credit and revenue of the lessee are pledged. In case of default, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps: enforce the pledge set forth so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due; take legal title to, and sell or re-lease the project or any portion thereof; or take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements under this lease and to recover damages for the breach thereof. The outstanding balance as of June 30, 2024, was \$35,833. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 10,000	\$ 1,592
2026	10,000	1,293
2027	10,000	977
2028	5,833	459
Totals	<u>\$ 35,833</u>	<u>\$ 4,321</u>

**2. Financing Obligation – Buildings and Equipment**

On August 9, 2017, the Kentucky Association of Counties Finance Corporation issued Financing Program Revenue Bonds, 2017 First Series B, in the amount of \$140,000 for the Nicholas County Fiscal Court to finance building the fire department and park shelter and purchase of a mower. The bonds have interest rates from 2 percent to 4 percent with a retirement date of January 1, 2037. Semi-annual interest payments are due on July 1 and January 1 of each year. Annual principal amounts begin January 1, 2019.

There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. In case of default, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps: by appropriate court action, the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due, take legal title to and sell or re-lease the project or any proportion thereof; take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease. The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**2. Financing Obligation – Buildings and Equipment (Continued)**

The outstanding principal balance as of June 30, 2024, was \$110,000. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 5,000	\$ 3,688
2026	5,000	3,525
2027	5,000	3,406
2028	5,000	3,275
2029	10,000	3,050
2030-2034	50,000	10,375
2035-2037	<u>30,000</u>	<u>2,300</u>
Totals	<u>\$ 110,000</u>	<u>\$ 29,619</u>

**3. Financing Obligation – Ambulance**

On March 2, 2021, the Nicholas County Fiscal Court entered into a \$60,000 lease agreement for the purchase of an ambulance. The agreement requires 48 monthly payments of \$1,345 beginning April 20, 2021, and ending March 20, 2025. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. Whenever any event of default has occurred, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps: terminate the lease term and give notice to the lessee to vacate or surrender the project within seven days from the date of such notice; exercise all rights and remedies of a secured party with respect to the project and my otherwise repossess and liquidate or realize or foreclose upon the project in a lawful manner; or sell or re-lease the project.

The lease balance as of June 30, 2024, was \$10,619. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 10,619	\$ 139
Totals	<u>\$ 10,619</u>	<u>\$ 139</u>



**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**4. Financing Obligation – Truck**

On March 4, 2022, the Nicholas County Fiscal Court entered into a \$54,490 lease agreement for the purchase of a truck. The agreement requires 48 monthly payments of \$1,227 beginning April 20, 2022, and ending March 20, 2026. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. Whenever any event of default has occurred, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps: terminate the lease term and give notice to the lessee to vacate or surrender the project within seven days from the date of such notice; exercise all rights and remedies of a secured party with respect to the project and my otherwise repossess and liquidate or realize or foreclose upon the project in a lawful manner; or sell or re-lease the project. The lease balance as of June 30, 2024, was \$23,763. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 14,080	\$ 649
2026	<u>9,683</u>	<u>136</u>
Totals	<u>\$ 23,763</u>	<u>\$ 785</u>

**5. Financing Obligation – Truck**

On November 22, 2022, the Nicholas County Fiscal Court entered into a \$109,815 lease agreement for the purchase of a truck. The agreement requires 60 monthly payments of \$2,049 beginning January 20, 2023, and ending November 20, 2027. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. Whenever any event of default has occurred, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps: terminate the lease term and give notice to the lessee to vacate or surrender the project within seven days from the date of such notice; exercise all rights and remedies of a secured party with respect to the project and my otherwise repossess and liquidate or realize or foreclose upon the project in a lawful manner; or sell or re-lease the project. The lease balance as of June 30, 2024, was \$76,937. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 22,084	\$ 2,501
2026	22,924	1,661
2027	23,797	789
2028	<u>8,132</u>	<u>63</u>
Totals	<u>\$ 76,937</u>	<u>\$ 5,014</u>

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**6. Financing Obligation – Bank Loan**

On February 29, 2024, the Nicholas County Fiscal Court entered into a \$195,000 promissory note for governmental operations. The county is to pay the loan in one payment of all outstanding principal plus all accrued unpaid interest on February 29, 2026. In addition, regular quarterly payments of all accrued unpaid interest due as of each payment date, beginning May 29, 2024, with all subsequent interest payments to be due on the same day of each quarter thereafter. Payments will be applied first to any unpaid collection costs; then to any late charges; then to any accrued unpaid interest; and then to principal. In the event of default, all commitments and obligations of the lender will terminate, and all indebtedness immediately will be due. The balance as of June 30, 2024, was \$195,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 0	\$ 2,902
2026	<u>195,000</u>	
Totals	<u>\$ 195,000</u>	<u>\$ 2,902</u>

**B. Other Debt**

**1. First Mortgage Revenue Bonds, Series 2020**

On January 28, 2020, the Nicholas County, Kentucky Public Properties Corporation issued first mortgage revenue bonds in the amount of \$13,340,000 to finance the construction of the Nicholas County Judicial Center and to retire the 2018 bond anticipation notes. The bonds have interest rates ranging from 2 percent to 5 percent with a retirement date of June 1, 2039. The bonds require interest payments to be made on December 1 and June 1 of each year and principal payment is due on June 1 beginning June 1, 2020. Funding of the debt service is provided by a lease agreement with the Kentucky Administrative Office of the Courts (AOC).

In the event the AOC elects not to renew this lease at any time, or fails to pay the stipulated rentals, or the county elects not to renew this lease at any time, or fails to pay the stipulated county proportionate share, then and in that event and upon any ensuing default in the payment of the principal of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. The county may at any time, by payment of all costs of action and charges of trustee, and by discharge of principal of and interest of bonds, receive unencumbered fee simple title to the project. In the event of any such enforcement by the trustee from the proceeds of any operation of the project or foreclosure and sale of the project by the trustee there shall first be paid all expenses incident to said enforcement, as provided in the mortgage, and thereafter the bonds and interest then outstanding shall be paid and retired, and if there shall remain any excess after paying such expenses and the claims of owners, the entire amount of such excess shall be paid over in cash to the county.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**1. First Mortgage Revenue Bonds, Series 2020 (Continued)**

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than 50 percent in principal amount of the outstanding bonds, by annulling such declaration and its consequences. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

The outstanding principal balance as of June 30, 2024, was \$10,520,000. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 580,000	\$ 264,294
2026	600,000	241,094
2027	625,000	217,094
2028	645,000	198,344
2029	655,000	185,444
2030 - 2034	3,500,000	721,181
2035 - 2039	<u>3,915,000</u>	<u>297,318</u>
Totals	<u>\$ 10,520,000</u>	<u>\$ 2,124,769</u>

**C. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ 322,464	\$ 195,000	\$ 65,312	\$ 452,152	\$ 61,783
Revenue Bonds	<u>11,075,000</u>		<u>555,000</u>	<u>10,520,000</u>	<u>580,000</u>
Total Long-term Debt	<u>\$ 11,397,464</u>	<u>\$ 195,000</u>	<u>\$ 620,312</u>	<u>\$10,972,152</u>	<u>\$ 641,783</u>

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**D. Aggregate Debt Schedule**

The amount of required principal and interest payments on long-term obligations as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 580,000	\$ 264,294	\$ 61,783	\$ 11,471
2026	600,000	241,094	242,607	6,615
2027	625,000	217,094	38,797	5,172
2028	645,000	198,344	18,965	3,797
2029	655,000	185,444	10,000	3,050
2030 - 2034	3,500,000	721,181	50,000	10,375
2035 - 2039	3,915,000	297,318	30,000	2,300
Totals	<u>\$ 10,520,000</u>	<u>\$ 2,124,769</u>	<u>\$ 452,152</u>	<u>\$ 42,780</u>

**Note 7. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems (Ky. Ret. Sys.). The CERS nine-member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2022 was \$372,977, FY 2023 was \$363,126, and FY 2024 was \$327,325.

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salary to be allocated as follows: 5% will go to the member's account and 1% will go to the Ky. Ret. Sys. insurance trust fund to be attributed to CERS's share of assets in the fund.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% of their annual creditable compensation. Nonhazardous members also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the CERS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 23.34%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten 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. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

**B. Health Insurance Coverage - Tier 2 and Tier 3 – Nonhazardous**

Once members reach a minimum vesting period of 15 years, they earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

**C. Cost of Living Adjustments - Tier 1**

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

**D. Cost of Living Adjustments - Tier 2 and Tier 3**

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

**E. Death Benefit**

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

**F. Annual Financial Report and Proportionate Share Audit Report**

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports may also be obtained online at <https://kyret.ky.gov>.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

**NICHOLAS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 8. Deferred Compensation**

The Nicholas County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2024, the Nicholas County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2024**

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**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2024**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Taxes	\$ 981,300	\$ 1,231,321	\$ 1,280,921	\$ 49,600
Excess Fees		41,678	41,677	(1)
Licenses and Permits	6,350	6,484	6,672	188
Intergovernmental	34,800	449,941	456,485	6,544
Charges for Services	150,000	155,449	167,485	12,036
Miscellaneous	683,781	901,538	774,074	(127,464)
Interest	38,080	38,080	13,763	(24,317)
Total Receipts	1,894,311	2,824,491	2,741,077	(83,414)
<b>DISBURSEMENTS</b>				
General Government	875,557	1,249,666	1,129,342	120,324
Protection to Persons and Property	811,395	890,620	880,742	9,878
General Health and Sanitation	44,400	90,170	78,890	11,280
Social Services	42,000	42,000	33,161	8,839
Recreation and Culture	14,000	14,000	13,000	1,000
Debt Service	60,000	62,902	39,788	23,114
Capital Projects		320,367	320,367	
Administration	562,926	876,564	593,177	283,387
Total Disbursements	2,410,278	3,546,289	3,088,467	457,822
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(515,967)	(721,798)	(347,390)	374,408
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds		294,995	195,000	(99,995)
Transfers From Other Funds	111,850	111,850	130,725	18,875
Transfers To Other Funds	(285,883)	(285,883)	(209,300)	76,583
Total Other Adjustments to Cash (Uses)	(174,033)	120,962	116,425	(4,537)
Net Change in Fund Balance	(690,000)	(600,836)	(230,965)	369,871
Fund Balance - Beginning	690,000	690,000	378,338	(311,662)
Fund Balance - Ending	\$ 0	\$ 89,164	\$ 147,373	\$ 58,209

**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 938,014	\$ 1,646,232	\$ 1,889,168	\$ 242,936
Charges for Services	800	2,279	2,849	570
Miscellaneous	32,000	36,470	43,612	7,142
Interest	10,000	19,882	21,376	1,494
Total Receipts	980,814	1,704,863	1,957,005	252,142
<b>DISBURSEMENTS</b>				
General Government	18,000	18,000	18,000	
Roads	662,850	1,560,969	1,555,034	5,935
Debt Service	45,000	39,319	39,314	5
Administration	318,114	293,143	291,942	1,201
Total Disbursements	1,043,964	1,911,431	1,904,290	7,141
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(63,150)	(206,568)	52,715	259,283
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(111,850)	(111,850)	(111,850)	
Total Other Adjustments to Cash (Uses)	(111,850)	(111,850)	(111,850)	
Net Change in Fund Balance	(175,000)	(318,418)	(59,135)	259,283
Fund Balance - Beginning	175,000	231,600	231,600	
Fund Balance - Ending	\$ 0	\$ (86,818)	\$ 172,465	\$ 259,283

**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 72,700	\$ 72,778	\$ 71,602	\$ (1,176)
Charges for Services	8,400	8,587	7,534	(1,053)
Miscellaneous		142	8,329	8,187
Interest	475	756	880	124
Total Receipts	81,575	82,263	88,345	6,082
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	296,628	297,828	222,375	75,453
Administration	14,780	14,268	9,913	4,355
Total Disbursements	311,408	312,096	232,288	79,808
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(229,833)	(229,833)	(143,943)	85,890
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	224,833	224,833	149,500	(75,333)
Total Other Adjustments to Cash (Uses)	224,833	224,833	149,500	(75,333)
Net Change in Fund Balance	(5,000)	(5,000)	5,557	10,557
Fund Balance - Beginning	5,000	5,000	4,669	(331)
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,226	\$ 10,226

**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>CONVENIENCE CENTER FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 6,000	\$ 7,667	\$ 7,667	\$
Charges for Services	72,000	72,000	84,152	12,152
Miscellaneous	3,000	5,811	5,841	30
Interest	300	482	581	99
Total Receipts	81,300	85,960	98,241	12,281
<b>DISBURSEMENTS</b>				
General Health and Sanitation	132,600	151,893	151,287	606
Administration	13,750	7,570	7,568	2
Total Disbursements	146,350	159,463	158,855	608
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(65,050)	(73,503)	(60,614)	12,889
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	61,050	61,050	59,800	(1,250)
Total Other Adjustments to Cash (Uses)	61,050	61,050	59,800	(1,250)
Net Change in Fund Balance	(4,000)	(12,453)	(814)	11,639
Fund Balance - Beginning	4,000	10,107	10,107	
Fund Balance - Ending	\$ 0	\$ (2,346)	\$ 9,293	\$ 11,639

**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

**COURTHOUSE MAINTENANCE/PRESERVATION FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$	\$ 25,000	\$ 25,000	\$
Interest	400	2,414	2,823	409
Total Receipts	400	27,414	27,823	409
<b>DISBURSEMENTS</b>				
General Government	50,400	93,715	43,250	50,465
Total Disbursements	50,400	93,715	43,250	50,465
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(50,000)	(66,301)	(15,427)	50,874
Net Change in Fund Balance	(50,000)	(66,301)	(15,427)	50,874
Fund Balance - Beginning	50,000	66,301	66,301	
Fund Balance - Ending	\$ 0	\$ 0	\$ 50,874	\$ 50,874

**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>CLERK STORAGE FEE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Miscellaneous	\$ 12,000	\$ 12,000	\$ 12,410	\$ 410
Interest	250	739	938	199
Total Receipts	12,250	12,739	13,348	609
<b>DISBURSEMENTS</b>				
General Government	24,250	24,250		24,250
Administration		622		622
Total Disbursements	24,250	24,872		24,872
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(12,000)	(12,133)	13,348	25,481
Net Change in Fund Balance	(12,000)	(12,133)	13,348	25,481
Fund Balance - Beginning	12,000	12,133	12,133	
Fund Balance - Ending	\$ 0	\$ 0	\$ 25,481	\$ 25,481



**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>OPIOID SETTLEMENT FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Miscellaneous	\$	\$ 58,194	\$ 58,194	\$
Interest	500	2,392	3,315	923
Total Receipts	500	60,586	61,509	923
<b>DISBURSEMENTS</b>				
Administration	53,500	114,004		114,004
Total Disbursements	53,500	114,004		114,004
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(53,000)	(53,418)	61,509	114,927
Net Change in Fund Balance	(53,000)	(53,418)	61,509	114,927
Fund Balance - Beginning	53,000	53,418	53,418	
Fund Balance - Ending	\$ 0	\$ 0	\$ 114,927	\$ 114,927

**NICHOLAS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>MATHERS FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Interest	\$ 131,000	\$ 175,248	\$ 40,826	\$ (134,422)
Total Receipts	131,000	175,248	40,826	(134,422)
<b>DISBURSEMENTS</b>				
Social Services	125,800	127,800	103,789	24,011
Administration	685,200	737,970	3,161	734,809
Total Disbursements	811,000	865,770	106,950	758,820
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(680,000)	(690,522)	(66,124)	624,398
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			140,609	140,609
Total Other Adjustments to Cash (Uses)			140,609	140,609
Net Change in Fund Balance	(680,000)	(690,522)	74,485	765,007
Fund Balance - Beginning	680,000	690,522	690,522	
Fund Balance - Ending	\$ 0	\$ 0	\$ 765,007	\$ 765,007

**NICHOLAS COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2024**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

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**NICHOLAS COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2024**

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**NICHOLAS COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2024**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 528,173	\$	\$ 13,500	\$ 514,673
Construction In Progress	12,566,043	58,319		12,624,362
Buildings	16,241,754			16,241,754
Vehicles	1,109,452	54,500	45,000	1,118,952
Equipment	1,051,415	30,000	23,500	1,057,915
Infrastructure	7,628,310	824,256		8,452,566
 Total Capital Assets	 <u>\$ 39,125,147</u>	 <u>\$ 967,075</u>	 <u>\$ 82,000</u>	 <u>\$ 40,010,222</u>

**NICHOLAS COUNTY**  
**NOTES TO OTHER INFORMATION - REGULATORY BASIS**  
**SCHEDULE OF CAPITAL ASSETS**

**June 30, 2024**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10 - 60
Buildings	\$ 50,000	10 - 100
Building Improvements	\$ 25,000	10 - 100
Vehicles	\$ 5,000	2 - 10
Equipment	\$ 5,000	2 - 10
Infrastructure	\$ 25,000	5 - 50



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*

**Independent Auditor's Report**

The Honorable Steve Hamilton, Nicholas County Judge/Executive  
Members of the Nicholas County Fiscal Court

We have audited, 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, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Nicholas County Fiscal Court for the fiscal year ended June 30, 2024 and the related notes to the financial statement which collectively comprise the Nicholas County Fiscal Court's financial statement and have issued our report thereon dated June 3, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Nicholas County Fiscal Court'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Nicholas County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nicholas County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Nicholas County Fiscal Court's financial statement is free of 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 statement. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2024-001.

**Views of Responsible Official and Planned Corrective Action**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Nicholas County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, 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.

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

June 3, 2025

**NICHOLAS COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2024**

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**NICHOLAS COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2024**

FINANCIAL STATEMENT FINDING:

2024-001    The Nicholas County Fiscal Court Failed To Repay A Bank Note Before The End Of The Fiscal Year And Did Not Notify The State Local Debt Officer In Writing

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In February 2024, the fiscal court entered into a two-year promissory note with a local bank for \$195,000 for governmental operations. Notes are allowable but must be paid off before the end of the fiscal year and the state local debt officer must be notified in writing. The fiscal court failed to repay the note before June 30 and did not contact the state local debt officer in writing. The fiscal court did not realize the note was required to be paid off by the end of the fiscal year and thought they did not need to notify the Department for Local Government (DLG) in writing since the agreement was for less than \$200,000. As a result, the fiscal court failed to comply with requirements set by DLG applicable to financing obligations.

KRS 65.7707 states, “[n]otes payable shall mature on a date determined by the governing body which shall be no later than the last day of the fiscal year in which the notes are issued.”

Pursuant to KRS 65.117, no city, county, urban county, consolidated local government, charter county, special district, or taxing district shall enter into any financing obligation of any nature, except leases under \$200,000, without first notifying the state local debt officer in writing.

A local government proposing to enter into a financing obligation of any nature shall complete the Notice of Intent to Finance/Application for Debt Approval (SLDO-1) form located on pages 87-89 of the DLG’s County Budget Preparation and State Local Finance Officer Policy Manual.

We recommend the fiscal court follow KRS 65.7707 when obtaining bank loans like these and pay off the loan before the end of the fiscal year as required. Furthermore, the fiscal court should follow KRS 65.117 by submitting the Notice of Intent to Finance/Application for Debt Approval (SLDA-1) form prior to entering any financing arrangements.

*County Judge/Executive’s Response: Since this loan was under \$195,000, we did not notify DLG. We did discuss it with them and were not made aware of the fact that a revolving loan had to be paid back in the fiscal year. We have since converted it into a regular loan. Going forward, we will remember that revolving loans must be paid back in the fiscal year they are in.*