

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

**For The Year Ended
June 30, 2023**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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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, 2023, 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, 2023, 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, 2023, 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 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.

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.
- 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.

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

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

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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Members of the Nicholas County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, 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.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 28, 2024

NICHOLAS COUNTY OFFICIALS**For The Year Ended June 30, 2023****Fiscal Court Members:**

Steve Hamilton	County Judge/Executive
Mike Webb	Magistrate (7/1/2022 - 12/31/2022)
Rodney Matthews	Magistrate (1/1/2023 - present)
Matt Hughes	Magistrate
Kenny Holbrook	Magistrate
Jeff Randolph	Magistrate (7/1/2022 - 12/31/2022)
Tommy Crawford	Magistrate (1/1/2023 - present)
Wayne Shields	Magistrate (7/1/2022 - 12/31/2022)
Ross Haney	Magistrate (1/1/2023 - present)

Other Elected Officials:

Dawn Letcher	County Attorney
Darren Robinson	Jailer (7/1/2022 - 11/10/2022)
Robert Sosby	Jailer (1/9/2023 - present)
Martha Moss	County Clerk
Sandy 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, 2023

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

For The Year Ended June 30, 2023

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,219,758	\$	\$
Excess Fees	36,776		
Licenses and Permits	6,653		
Intergovernmental	209,928	1,118,211	72,111
Charges for Services	152,000	1,916	10,940
Miscellaneous	652,258	76,866	645
Interest	27,095	13,640	560
Total Receipts	<u>2,304,468</u>	<u>1,210,633</u>	<u>84,256</u>
DISBURSEMENTS			
General Government	986,179	18,000	
Protection to Persons and Property	961,579		283,800
General Health and Sanitation	131,511		
Social Services	44,040		
Recreation and Culture	12,000		
Roads		943,092	
Debt Service	39,407	29,071	
Capital Projects	900		
Administration	671,791	194,008	14,392
Total Disbursements	<u>2,847,407</u>	<u>1,184,171</u>	<u>298,192</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(542,939)</u>	<u>26,462</u>	<u>(213,936)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		109,815	
Gain On Sale Of Investment			
Transfers From Other Funds	26,123		215,500
Transfers To Other Funds	(251,000)		
Total Other Adjustments to Cash (Uses)	<u>(224,877)</u>	<u>109,815</u>	<u>215,500</u>
Net Change in Fund Balance	(767,816)	136,277	1,564
Fund Balance - Beginning	1,146,154	95,323	3,105
Fund Balance - Ending	<u>\$ 378,338</u>	<u>\$ 231,600</u>	<u>\$ 4,669</u>
Composition of Fund Balance			
Bank Balance	\$ 374,640	\$ 235,180	\$ 4,669
Less: Outstanding Checks	(25,231)	(3,580)	
Certificates of Deposit	28,929		
Investments			
Fund Balance - Ending	<u>\$ 378,338</u>	<u>\$ 231,600</u>	<u>\$ 4,669</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, 2023
(Continued)

<u>Budgeted Funds</u>					
<u>Convenience Center Fund</u>	<u>Courthouse Maintenance/ Preservation Fund</u>	<u>Clerk Storage Fees Fund</u>	<u>Opioid Settlement Fund</u>	<u>American Rescue Plan Fund</u>	<u>Mathers Fund</u>
\$ 6,459	\$	\$	\$	\$	\$
				705,959	
85,877					
6,727	50,000	11,880	52,194		
359	1,610	253	1,224	7,836	27,606
<u>99,422</u>	<u>51,610</u>	<u>12,133</u>	<u>53,418</u>	<u>713,795</u>	<u>27,606</u>
	63,572				
372					
121,319				957,883	
					69,630
11,463					3,513
<u>133,154</u>	<u>63,572</u>			<u>957,883</u>	<u>73,143</u>
<u>(33,732)</u>	<u>(11,962)</u>	<u>12,133</u>	<u>53,418</u>	<u>(244,088)</u>	<u>(45,537)</u>
35,500					160,058
				(2,808)	
<u>35,500</u>				<u>(2,808)</u>	<u>160,058</u>
1,768	(11,962)	12,133	53,418	(246,896)	114,521
8,339	78,263			246,896	576,001
<u>\$ 10,107</u>	<u>\$ 66,301</u>	<u>\$ 12,133</u>	<u>\$ 53,418</u>	<u>\$ 0</u>	<u>\$ 690,522</u>
\$ 10,328	\$ 66,301	\$ 12,133	\$ 53,418	\$	\$ 690,772
(221)					(250)
<u>\$ 10,107</u>	<u>\$ 66,301</u>	<u>\$ 12,133</u>	<u>\$ 53,418</u>	<u>\$ 0</u>	<u>\$ 690,522</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, 2023
(Continued)

	<u>Unbudgeted Fund</u>		<u>Private Purpose Trust Funds</u>		<u>Total Funds</u>
	<u>Public Properties Corporation Fund</u>	<u>Knox Hospital Trust Fund</u>	<u>Mathers Educational Trust Fund</u>		
RECEIPTS					
Taxes	\$	\$	\$		\$ 1,226,217
Excess Fees					36,776
Licenses and Permits					6,653
Intergovernmental	843,894				2,950,103
Charges for Services					250,733
Miscellaneous					850,570
Interest	14,040	12,594	79,917		186,734
Total Receipts	<u>857,934</u>	<u>12,594</u>	<u>79,917</u>		<u>5,507,786</u>
DISBURSEMENTS					
General Government					1,067,751
Protection to Persons and Property					1,245,751
General Health and Sanitation					1,210,713
Social Services					113,670
Recreation and Culture					12,000
Roads					943,092
Debt Service	842,894				911,372
Capital Projects	34,022				34,922
Administration	1,100	3,602	15,695		915,564
Total Disbursements	<u>878,016</u>	<u>3,602</u>	<u>15,695</u>		<u>6,454,835</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,082)</u>	<u>8,992</u>	<u>64,222</u>		<u>(947,049)</u>
Other Adjustments to Cash (Uses)					
Financing Obligation Proceeds					109,815
Gain On Sale Of Investment		1,121	57,542		58,663
Transfers From Other Funds					437,181
Transfers To Other Funds		(23,315)	(160,058)		(437,181)
Total Other Adjustments to Cash (Uses)		<u>(22,194)</u>	<u>(102,516)</u>		<u>168,478</u>
Net Change in Fund Balance	(20,082)	(13,202)	(38,294)		(778,571)
Fund Balance - Beginning	<u>466,197</u>	<u>334,955</u>	<u>2,364,656</u>		<u>5,319,889</u>
Fund Balance - Ending	<u>\$ 446,115</u>	<u>\$ 321,753</u>	<u>\$ 2,326,362</u>		<u>\$ 4,541,318</u>
Composition of Fund Balance					
Bank Balance	\$ 446,115	\$ 8,475	\$ 35,158		\$ 1,937,189
Less: Outstanding Checks					(29,282)
Certificates of Deposit					28,929
Investments		313,278	2,291,204		2,604,482
Fund Balance - Ending	<u>\$ 446,115</u>	<u>\$ 321,753</u>	<u>\$ 2,326,362</u>		<u>\$ 4,541,318</u>

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

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**NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2023

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, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Convenience Center Fund - This fund was previously disclosed as the landfill fund. The primary purpose of this fund is to account for trash collections and solid waste transfers. The primary sources 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.

American Rescue Plan Fund - The primary purpose of this fund is to account for American Rescue Plan Act receipts and related disbursements. The primary sources of receipts for this fund are grants from the federal government.

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 fund:

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.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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.

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 this 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, 2023
(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) *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 *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Cash and Investments

I. Cash

	Cost
Cash	\$ 1,907,907
Certificates of Deposit	28,929
Total Cash	<u>\$ 1,936,836</u>

II. Investments

	Cost
Common Stock	\$ 879,598
Mutual Funds	1,724,884
Total Investments	<u>\$ 2,604,482</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 \$28,929 of certificates of deposit and \$2,604,482 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The counterparty maintains the \$28,929 of certificates of deposit at depository institutions insured by the FDIC and limits certificates of deposit at each depository institution to the \$250,000 FDIC coverage limit. In addition, the SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 2. Deposits and Investments (Continued)

B. Cash and Investments (Continued)

II. Investments (Continued)

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;
- 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

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 2. Deposits and Investments (Continued)

B. Cash and Investments (Continued)

II. Investments (Continued)

- 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, 8, 9, and 10 above per state statute and the fiscal court's investment policy. As of June 30, 2023, the fiscal court has investments of less than 20 percent in these categories.

The fiscal court's rated investments, as of June 30, 2023, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Investments and Credit Ratings:

Type	Unrated/NA	Cost Basis
Investments:		
Common Stock	\$ 879,598	\$ 879,598
Mutual Funds	1,724,884	1,724,884
Total Investments	2,604,482	2,604,482
 Total Fund Balance	\$ 2,604,482	\$2,604,482

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.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2023.

	General Fund	American Rescue Plan Fund	Knox Hospital Trust Fund	Mathers Educational Trust Fund	Total Transfers In
General Fund	\$	\$ 2,808	\$ 23,315	\$	\$ 26,123
Jail Fund	215,500				215,500
Convenience Center Fund	35,500				35,500
Mathers Fund				160,058	160,058
Total Transfers Out	<u>\$ 251,000</u>	<u>\$ 2,808</u>	<u>\$ 23,315</u>	<u>\$ 160,058</u>	<u>\$ 437,181</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.

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:

- A. 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 accounts for the investment earnings. The balance in the Knox Hospital Trust Fund as of June 30, 2023, was \$321,753.
- B. 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, 2023, was \$2,326,362.

Note 5. Leases

A. Lessor

1. 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 was for 20 years. The Nicholas County Fiscal Court receives monthly payments of \$313. The Nicholas County Fiscal Court recognized \$4,064 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Nicholas County Fiscal Court's receivable for lease payments was \$54,391.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases

A. Lessor

2. During the fiscal year ending June 30, 2023, the Nicholas County Fiscal Court began leasing space at a building 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, 2023, the Nicholas County Fiscal Court's receivable for lease payment was \$77,400.
3. During the fiscal year ending June 30, 2023, the Nicholas County Fiscal Court began leasing space at a building 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, 2023, the Nicholas County Fiscal Court's receivable for lease payment was \$36,000.

B. Lessee

1. During the fiscal year ending June 30, 2018, the Nicholas County Fiscal Court entered into a five-year lease agreement as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$9,208 during that fiscal year. As of June 30, 2023, the value of the lease liability was \$0.

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.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Financing Obligation - Building Improvement (Continued)

The outstanding balance as of June 30, 2023, was \$45,833. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 10,000	\$ 1,870
2025	10,000	1,592
2026	10,000	1,293
2027	10,000	977
2028	5,833	459
Totals	<u>\$ 45,833</u>	<u>\$ 6,191</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, 2023
(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, 2023, was \$115,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 5,000	\$ 3,900
2025	5,000	3,688
2026	5,000	3,525
2027	5,000	3,406
2028	5,000	3,275
2029-2033	50,000	12,000
2034-2037	40,000	3,725
Totals	<u>\$ 115,000</u>	<u>\$ 33,519</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, 2023, was \$26,093. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 15,474	\$ 665
2025	10,619	139
Totals	<u>\$ 26,093</u>	<u>\$ 804</u>

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(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, 2023, was \$37,327. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 13,564	\$ 1,165
2025	14,080	649
2026	<u>9,683</u>	<u>136</u>
Totals	<u>\$ 37,327</u>	<u>\$ 1,950</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, 2023, was \$98,210. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 21,274	\$ 3,311
2025	22,084	2,501
2026	22,924	1,661
2027	23,796	789
2028	<u>8,132</u>	<u>63</u>
Totals	<u>\$ 98,210</u>	<u>\$ 8,325</u>

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 6. Long-term Debt (Continued)

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. The Nicholas County Public Properties Corporation (the issuer), the county, and the Administrative Office of the Courts (AOC) have entered into a lease agreement, dated January 1, 2020, where the AOC will lease from the issuer the justice center, at an agreed rental, which rental amount will be assigned by the issuer to the trustee and is anticipated to be adequate to pay approximately 100% of the principal and interest on the bonds.

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.

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, 2023 was \$11,075,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 555,000	\$ 286,494
2025	580,000	264,294
2026	600,000	241,094
2027	625,000	217,094
2028	645,000	198,344
2029-2033	3,425,000	792,343
2034-2038	3,825,000	391,100
2039	820,000	20,500
Totals	<u>\$ 11,075,000</u>	<u>\$ 2,411,263</u>

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 6. Long-term Debt (Continued)

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 267,264	\$ 109,815	\$ 54,616	\$ 322,463	\$ 65,312
Revenue Bonds	11,610,000		535,000	11,075,000	555,000
Total Long-term Debt	<u>\$ 11,877,264</u>	<u>\$ 109,815</u>	<u>\$ 589,616</u>	<u>\$ 11,397,463</u>	<u>\$ 620,312</u>

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2023, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2024	\$ 555,000	\$ 286,494	\$ 65,312	\$ 10,911
2025	580,000	264,294	61,783	8,569
2026	600,000	241,094	47,607	6,615
2027	625,000	217,094	38,796	5,172
2028	645,000	198,344	18,965	3,797
2029-2033	3,425,000	792,343	50,000	12,000
2034-2038	3,825,000	391,100	40,000	3,725
2039	820,000	20,500		
Totals	<u>\$ 11,075,000</u>	<u>\$ 2,411,263</u>	<u>\$ 322,463</u>	<u>\$ 50,789</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), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). 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 Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

The county's contribution for FY 2021 was \$257,802, FY 2022 was \$372,977, and FY 2023 was \$363,126.

Nonhazardous covered employees are required to contribute five percent (5%) of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent (6%) of their salary to be allocated as follows: five percent (5%) will go to the member's account and one percent (1%) will go to the Ky. Ret. Sys. insurance fund.

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 five percent (5%) of their annual creditable compensation. Nonhazardous covered members also contribute one percent (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 Ky. Ret. Sys. Board of Directors 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%) percent 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 26.79 percent.

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:

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

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1 (Continued)

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 ten dollars 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.

B. Health Insurance Coverage - Tier 2 and Tier 3

Once members reach a minimum vesting period of 15 years, they earn ten dollars 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 percent. 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 percent 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 percent. 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.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. 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.

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.

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, 2023, 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, 2023

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NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 936,600	\$ 1,183,958	\$ 1,219,758	\$ 35,800
Excess Fees		36,776	36,776	
Licenses and Permits	6,350	6,465	6,653	188
Intergovernmental	49,025	223,509	209,928	(13,581)
Charges for Services	145,000	147,096	152,000	4,904
Miscellaneous	531,256	600,521	652,258	51,737
Interest	15,280	41,665	27,095	(14,570)
Total Receipts	<u>1,683,511</u>	<u>2,239,990</u>	<u>2,304,468</u>	<u>64,478</u>
DISBURSEMENTS				
General Government	853,667	1,051,815	986,179	65,636
Protection to Persons and Property	823,895	980,179	961,579	18,600
General Health and Sanitation	28,900	433,200	131,511	301,689
Social Services	42,000	44,540	44,040	500
Recreation and Culture	14,000	14,500	12,000	2,500
Debt Service	58,000	44,408	39,407	5,001
Capital Projects		900	900	
Administration	737,142	976,581	671,791	304,790
Total Disbursements	<u>2,557,604</u>	<u>3,546,123</u>	<u>2,847,407</u>	<u>698,716</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(874,093)</u>	<u>(1,306,133)</u>	<u>(542,939)</u>	<u>763,194</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	147,626	147,626	26,123	(121,503)
Transfers To Other Funds	(273,533)	(273,533)	(251,000)	22,533
Borrowed Money		300,000		(300,000)
Total Other Adjustments to Cash (Uses)	<u>(125,907)</u>	<u>174,093</u>	<u>(224,877)</u>	<u>(398,970)</u>
Net Change in Fund Balance	(1,000,000)	(1,132,040)	(767,816)	364,224
Fund Balance - Beginning	1,000,000	1,146,154	1,146,154	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 14,114</u>	<u>\$ 378,338</u>	<u>\$ 364,224</u>

NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 896,495	\$ 1,118,211	\$ 1,118,211	\$
Charges for Services	700	1,916	1,916	
Miscellaneous	27,000	68,850	76,866	8,016
Interest	600	11,669	13,640	1,971
Total Receipts	<u>924,795</u>	<u>1,200,646</u>	<u>1,210,633</u>	<u>9,987</u>
DISBURSEMENTS				
General Government	18,000	18,000	18,000	
Roads	615,969	957,412	943,092	14,320
Debt Service	15,000	29,071	29,071	
Administration	303,200	333,352	194,008	139,344
Total Disbursements	<u>952,169</u>	<u>1,337,835</u>	<u>1,184,171</u>	<u>153,664</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(27,374)</u>	<u>(137,189)</u>	<u>26,462</u>	<u>163,651</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		109,815	109,815	
Transfers To Other Funds	<u>(147,626)</u>	<u>(147,626)</u>		<u>147,626</u>
Total Other Adjustments to Cash (Uses)	<u>(147,626)</u>	<u>(37,811)</u>	<u>109,815</u>	<u>147,626</u>
Net Change in Fund Balance	(175,000)	(175,000)	136,277	311,277
Fund Balance - Beginning	<u>175,000</u>	<u>175,000</u>	<u>95,323</u>	<u>(79,677)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 231,600</u>	<u>\$ 231,600</u>

NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 72,900	\$ 72,900	\$ 72,111	\$ (789)
Charges for Services	8,900	9,898	10,940	1,042
Miscellaneous		594	645	51
Interest	40	471	560	89
Total Receipts	<u>81,840</u>	<u>83,863</u>	<u>84,256</u>	<u>393</u>
DISBURSEMENTS				
Protection to Persons and Property	273,473	294,347	283,800	10,547
Administration	18,780	14,648	14,392	256
Total Disbursements	<u>292,253</u>	<u>308,995</u>	<u>298,192</u>	<u>10,803</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(210,413)</u>	<u>(225,132)</u>	<u>(213,936)</u>	<u>11,196</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	207,913	207,913	215,500	7,587
Total Other Adjustments to Cash (Uses)	<u>207,913</u>	<u>207,913</u>	<u>215,500</u>	<u>7,587</u>
Net Change in Fund Balance	(2,500)	(17,219)	1,564	18,783
Fund Balance - Beginning	<u>2,500</u>	<u>3,105</u>	<u>3,105</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (14,114)</u>	<u>\$ 4,669</u>	<u>\$ 18,783</u>

NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	CONVENIENCE CENTER FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 5,100	\$ 6,459	\$ 6,459	\$
Charges for Services	72,000	72,000	85,877	13,877
Miscellaneous	3,000	5,870	6,727	857
Interest	45	262	359	97
Total Receipts	<u>80,145</u>	<u>84,591</u>	<u>99,422</u>	<u>14,831</u>
DISBURSEMENTS				
Protection to Persons and Property	400	400	372	28
General Health and Sanitation	133,445	135,916	121,319	14,597
Administration	14,920	22,234	11,463	10,771
Total Disbursements	<u>148,765</u>	<u>158,550</u>	<u>133,154</u>	<u>25,396</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(68,620)</u>	<u>(73,959)</u>	<u>(33,732)</u>	<u>40,227</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>65,620</u>	<u>65,620</u>	<u>35,500</u>	<u>(30,120)</u>
Total Other Adjustments to Cash (Uses)	<u>65,620</u>	<u>65,620</u>	<u>35,500</u>	<u>(30,120)</u>
Net Change in Fund Balance	(3,000)	(8,339)	1,768	10,107
Fund Balance - Beginning	<u>3,000</u>	<u>8,339</u>	<u>8,339</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,107</u>	<u>\$ 10,107</u>

NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

COURTHOUSE MAINTENANCE/PRESERVATION FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$	\$ 50,000	\$ 50,000	\$
Interest	80	1,088	1,610	522
Total Receipts	<u>80</u>	<u>51,088</u>	<u>51,610</u>	<u>522</u>
DISBURSEMENTS				
General Government	75,080	75,080	63,572	11,508
Administration		54,271		54,271
Total Disbursements	<u>75,080</u>	<u>129,351</u>	<u>63,572</u>	<u>65,779</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(75,000)</u>	<u>(78,263)</u>	<u>(11,962)</u>	<u>66,301</u>
Net Change in Fund Balance	(75,000)	(78,263)	(11,962)	66,301
Fund Balance - Beginning	<u>75,000</u>	<u>78,263</u>	<u>78,263</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,301</u>	<u>\$ 66,301</u>

NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	CLERK STORAGE FEES FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$	\$ 10,850	\$ 11,880	\$ 1,030
Interest		162	253	91
Total Receipts		<u>11,012</u>	<u>12,133</u>	<u>1,121</u>
DISBURSEMENTS				
Administration		<u>11,012</u>		<u>11,012</u>
Total Disbursements		<u>11,012</u>		<u>11,012</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>12,133</u>	<u>12,133</u>
Net Change in Fund Balance			12,133	12,133
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,133</u>	<u>\$ 12,133</u>

NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

OPIOID SETTLEMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 52,194	\$ 52,194	\$
Interest		803	1,224	421
Total Receipts		52,997	53,418	421
DISBURSEMENTS				
Administration		52,998		52,998
Total Disbursements		52,998		52,998
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1)	53,418	53,419
Net Change in Fund Balance		(1)	53,418	53,419
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 53,418	\$ 53,419

NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

AMERICAN RESCUE PLAN FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 705,959	\$ 705,959	\$
Interest	300	7,836	7,836	
Total Receipts	300	713,795	713,795	
DISBURSEMENTS				
General Health and Sanitation		957,883	957,883	
Administration	705,300	460,912		460,912
Total Disbursements	705,300	1,418,795	957,883	460,912
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(705,000)	(705,000)	(244,088)	460,912
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(2,808)	(2,808)
Total Other Adjustments to Cash (Uses)			(2,808)	(2,808)
Net Change in Fund Balance	(705,000)	(705,000)	(246,896)	458,104
Fund Balance - Beginning	705,000	705,000	246,896	(458,104)
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

NICHOLAS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	MATHERS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 110,850	\$ 182,204	\$ 27,606	\$ (154,598)
Total Receipts	<u>110,850</u>	<u>182,204</u>	<u>27,606</u>	<u>(154,598)</u>
DISBURSEMENTS				
Social Services	125,800	125,800	69,630	56,170
Administration	555,050	632,405	3,513	628,892
Total Disbursements	<u>680,850</u>	<u>758,205</u>	<u>73,143</u>	<u>685,062</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(570,000)</u>	<u>(576,001)</u>	<u>(45,537)</u>	<u>530,464</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			160,058	160,058
Total Other Adjustments to Cash (Uses)			<u>160,058</u>	<u>160,058</u>
Net Change in Fund Balance	(570,000)	(576,001)	114,521	690,522
Fund Balance - Beginning	<u>570,000</u>	<u>576,001</u>	<u>576,001</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 690,522</u>	<u>\$ 690,522</u>

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

June 30, 2023

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.

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

For The Year Ended June 30, 2023

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NICHOLAS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 528,173	\$	\$	\$ 528,173
Construction In Progress	12,532,021	34,022		12,566,043
Buildings	16,411,962		170,208	16,241,754
Vehicles	1,058,180	81,490	30,218	1,109,452
Equipment	945,660	144,681	38,926	1,051,415
Infrastructure	7,460,603	167,707		7,628,310
 Total Capital Assets	 <u>\$ 38,936,599</u>	 <u>\$ 427,900</u>	 <u>\$ 239,352</u>	 <u>\$ 39,125,147</u>

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

June 30, 2023

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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
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, 2023 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 February 28, 2024.

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.

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



Report On 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 28, 2024