

INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Commissioners
City of Nicholasville, Kentucky

Report on the Audit of Financial Statements

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

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

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 21 to the financial statements, the City adopted Governmental Accounting Standard Board (GASB) No. 101, Compensated Absences, during the year ended June 30, 2025. The effect of applying GASB No. 101 is presented as a restatement of the FY 2024 balances and of the beginning net position as of July 1, 2024. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison information on pages 71 through 73, schedule of proportionate share of net pension liability in County Employees Retirement System (CERS) and the schedule of pension contributions to CERS on pages 74 through 87, schedule of proportionate share of net other postemployment benefits (OPEB) liability in CERS and the schedule of OPEB contributions to CERS on pages 78 through 81, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information presented on pages 82 through 85 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 85 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditure of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Baldwin CPAs, PLLC
Richmond, Kentucky
February 19, 2026

City of Nicholasville, Kentucky
Schedule Of Revenues, Expenditures, and Changes in Fund Balances –
General Fund – Budget and Actual
Year Ended June 30, 2025

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Taxes				
Property taxes	\$6,090,000	\$6,083,000	\$6,087,318	\$4,318
Motor vehicle and boat tax	650,000	715,000	725,130	10,130
Bank deposit tax	130,000	138,000	137,836	(164)
Motel tax	165,000	180,000	188,372	8,372
Insurance premium tax	6,970,000	7,400,000	7,594,027	194,027
Total taxes	14,005,000	14,516,000	14,732,683	216,683
License, permits, and fees				
Occupational licenses	13,500,000	13,710,000	13,802,190	92,190
Franchise fees	1,783,000	1,922,000	1,929,153	7,153
Total licenses, permits, and fees	15,283,000	15,632,000	15,731,343	99,343
Fines and forfeitures				
Penalties and interest	300,000	150,000	162,457	12,457
Police & Fire fines/fees	200	200	100	(100)
Police arrest fees	9,000	9,000	8,560	(440)
Total fines and forfeitures	309,200	159,200	171,117	11,917
Intergovernmental revenues				
Police training incentives	400,000	385,000	390,202	5,202
Firefighters training incentives	322,000	360,000	360,976	976
Base court revenue	30,000	32,000	32,017	17
Grants	75,000	130,000	131,197	1,197
School resource officer and other	377,300	629,000	639,227	10,227
Total intergovernmental revenue	1,204,300	1,536,000	1,553,619	17,619
Other revenue				
Income from investments	700,000	1,135,000	1,343,359	208,359
Incentive fee	75,000	244,000	334,377	90,377
Sales of assets	-	35,000	37,105	2,105
Other	80,000	132,000	150,610	18,610
Total other revenue	855,000	1,546,000	1,865,451	319,451
Total Revenues	31,656,500	33,389,200	34,054,213	665,013
Expenditures				
General government				
Personnel services	2,016,300	2,042,600	2,072,361	29,761
Medical claims paid	2,325,000	2,450,000	2,507,358	57,358
Outside services	576,000	739,100	702,389	(36,711)
Utilities, rent, insurance	487,100	588,600	563,047	(25,553)
Materials and supplies	102,500	102,000	117,757	15,757
Repairs and maintenance	81,000	189,000	168,506	(20,494)
Other expenses	273,750	308,350	272,936	(35,414)
Intergovernmental expenditures	1,084,000	1,241,700	1,317,340	35,640
Total general government	6,945,650	7,701,350	7,721,694	20,344
Public safety - police				
Personnel services	8,626,000	8,957,000	8,950,997	(6,003)
Outside services	130,500	137,000	98,113	(38,887)
Utilities, rent, insurance	110,000	104,000	92,018	(11,982)
Materials and supplies	456,500	448,500	416,505	(31,995)
Repairs and maintenance	203,000	203,000	214,386	11,386
Other expenses	174,000	128,900	97,734	(31,166)
Total public safety - police	9,700,000	9,978,400	9,869,753	(108,647)
Public safety fire				
Personnel services	6,664,225	7,088,000	7,179,062	91,062
Outside services	110,250	122,250	122,324	74
Utilities, rent, insurance	120,500	109,500	101,702	(7,798)
Materials and supplies	288,900	278,250	251,452	(26,998)
Repairs and maintenance	214,000	230,400	252,821	22,421
Other expenses	83,700	119,800	75,677	(44,123)
Total public safety - fire	7,481,575	7,948,200	7,983,038	34,838

Public works - streets				
Personnel services	570,800	558,000	546,815	(11,185)
Outside services	45,500	281,800	318,889	37,089
Stormwater, refuse, paving	366,000	474,000	518,764	44,764
Utilities, rent, insurance	320,500	340,500	327,739	(12,761)
Materials and supplies	106,300	111,300	138,614	27,314
Repairs and maintenance	41,500	52,500	26,696	(25,804)
Other expenses	1,500	1,850	633	(1,217)
Total public works - streets	1,452,100	1,819,950	1,878,150	58,200
Other (income) expenditures				
Capital outlay	7,656,100	7,754,600	8,023,747	269,147
Capital grant expenditures	62,500	411,800	392,659	(26,141)
Proceeds from leases	-	(123,200)	(233,258)	(110,058)
Payments on leases	274,500	300,400	500,978	200,574
Interfund transfers in	(7,868,900)	(4,908,000)	(4,913,784)	(5,784)
Interfund transfers out	3,301,100	2,445,600	2,366,277	(79,323)
Total other (income) expenditures	3,429,300	5,888,200	6,136,619	248,419
Total Expenditures	29,008,625	33,336,100	33,589,254	253,154
Net Change In Fund Balances	2,647,875	53,100	464,959	411,859
Beginning fund balance	40,008,760	40,008,760	40,008,760	-
Ending fund balance	\$42,656,635	\$40,061,860	\$40,473,719	\$411,859

City of Nicholasville, Kentucky
Schedule Of Revenues, Expenditures, and Changes in Fund Balances –
American Rescue Plan Act Fund – Budget and Actual
Year Ended June 30, 2025

Intergovernmental				
Intergovernmental revenue	\$3,295,900	\$4,079,800	\$4,079,787	\$(13)
Other revenue				
Interest income	60,000	131,000	131,028	28
Total revenue	3,355,900	4,210,800	4,210,815	15
Program Expenses				
General administration	345,000	281,300	281,267	(33)
Total expenditures	345,000	281,300	281,267	(33)
Transfers out	(2,950,900)	(3,999,000)	(3,999,041)	(41)
Net change in fund balance	\$60,000	\$(69,500)	\$(69,493)	\$(59)

City of Nicholasville, Kentucky
Budgetary Comparison Schedule –
Utilities Fund
Year Ended June 30, 2025

Operating revenue				
Electric, water, and sewer service charges				
Electric	\$18,000,000	\$17,150,000	\$16,799,801	\$(350,199)
Water	8,243,000	8,166,000	7,898,441	(267,559)
Sewer	6,710,000	6,491,000	6,271,718	(219,282)
Total service charges	32,953,000	31,807,000	30,969,960	(837,040)
Penalties and services charges	483,000	495,000	509,997	14,597
Other revenues	285,000	347,300	397,334	50,034
Total operating revenue	33,721,000	32,649,300	31,877,291	(72,009)

Operating Expenses:

Utility administration				
Personnel services	1,730,940	1,750,080	1,862,329	112,249
GASB 68 Pension and GASB 75 OPEB expense (benefit)	-	-	(166,322)	(166,322)
Medical claims paid	950,000	1,600,000	1,576,449	(23,551)
Contractual services	334,000	394,000	385,140	(8,560)
Materials and supplies	145,100	147,100	156,858	9,758
Repairs and maintenance	54,450	54,450	54,856	406
Other expenses	722,620	631,620	537,469	(94,151)
Total utility administration	3,937,110	4,577,250	4,407,079	(170,171)
Electric department				
Personnel services	1,451,730	1,396,010	1,447,210	51,200
GASB 68 Pension and GASB 75 OPEB expense (benefit)	44,760	44,210	(151,133)	(195,343)
Electric purchases	13,000,000	13,100,000	13,103,441	3,441
Contractual services	391,300	487,300	470,366	(16,934)
Materials and supplies	94,500	120,000	122,710	2,710
Repairs and maintenance	28,000	30,000	28,767	(1,233)
Other expenses	384,500	402,000	408,036	6,036
Total electric department	15,394,790	15,579,520	15,429,397	(150,123)
Meter operations				
Personnel services	701,070	684,040	732,641	48,601
GASB 68 Pension and GASB 75 OPEB expense (benefit)	-	-	(56,369)	(56,369)
Contractual services	87,100	104,100	78,967	(25,133)
Materials and supplies	78,850	75,850	63,613	(12,237)
Repairs and maintenance	24,500	15,000	11,979	(3,021)
Other expenses	27,180	28,680	29,025	345
Total meter operations	918,700	907,670	859,856	(47,814)
Water distribution				
Personnel services	648,130	775,540	728,726	(50,814)
GASB 68 Pension and GASB 75 OPEB expense (benefit)	-	-	(69,033)	(69,033)
Water purchases	650,000	600,000	750,974	150,974
Contractual services	89,500	101,500	110,577	9,077
Materials and supplies	196,200	196,200	167,807	(28,393)
Repairs and maintenance	20,000	24,500	22,424	(2,076)
Other expenses	50,900	52,000	28,125	(23,875)
Total water distributions	1,654,730	1,753,740	1,739,600	(14,140)
Water treatment				
Personnel services	822,540	788,960	882,690	93,730
GASB 68 Pension and GASB 75 OPEB expense (benefit)	17,970	17,970	(71,283)	(89,253)
Water withdrawal fees	425,000	450,000	435,453	(14,547)
Contractual services	100,700	92,700	80,481	(12,219)