

Independent Auditors' Report

To the Members of the City Council
City of Russell Springs, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Russell Springs, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also included evaluation the appropriateness of accounting policies used and the reasonableness or significant accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 and each major fund, of the City of Russell Springs, Kentucky, as of June 30, 2013, and the respective changes financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 29, 2014, on our consideration of the City of Russell Springs, Kentucky's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 audit performed in accordance with *Government Auditing Standards* in considering the City of Russell, Springs, Kentucky's internal control over financial reporting and compliance.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC
January 29, 2014

City of Russell Springs, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Municipal Road Aid Fund	Special Revenue Fund	Total Governmental Funds
Revenue				
Taxes	\$ 1,126,679	\$ -	\$ -	\$ 1,126,679
Licenses and permits	759,932	-	-	759,932
Fines and forfeits	6,909	-	-	6,909
Intergovernmental programs	196,486	62,065	-	258,551
Miscellaneous income	78,864	-	-	78,864
Total Revenue	<u>2,168,870</u>	<u>62,065</u>	<u>-</u>	<u>2,230,935</u>
Expenditures				
General government	470,468	-	-	470,468
Police	706,961	-	1,000	707,961
Fire	73,354	-	-	73,354
Highways and streets	320,047	16,226	-	336,273
Culture and recreation	312,935	-	-	312,935
Debt service	10,921	-	-	10,921
Capital outlay	34,931	-	-	34,931
Total Expenditures	<u>1,929,617</u>	<u>16,226</u>	<u>1,000</u>	<u>1,946,843</u>
Excess of Revenues Over (Under) Expenditures	<u>239,253</u>	<u>45,839</u>	<u>(1,000)</u>	<u>284,092</u>
Other Financing Uses				
Operating transfers out	<u>(30,900)</u>	<u>-</u>	<u>-</u>	<u>(30,900)</u>
Total Other Financing Uses	<u>(30,900)</u>	<u>-</u>	<u>-</u>	<u>(30,900)</u>
Net Change in Fund Balance	208,353	45,839	(1,000)	253,192
Fund Balances July 1, 2012	<u>1,296,021</u>	<u>27,107</u>	<u>10,500</u>	<u>1,333,628</u>
Fund Balances June 30, 2013	<u>\$ 1,504,374</u>	<u>\$ 72,946</u>	<u>\$ 9,500</u>	<u>\$ 1,586,820</u>

City of Russell Springs, Kentucky
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Water & Sewer Fund	Senior Citizens Fund	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 2,132,613	\$ 15,600	\$ 2,148,213
Total Operating Revenues	<u>2,132,613</u>	<u>15,600</u>	<u>2,148,213</u>
Operating Expenses			
Salaries	345,625	-	345,625
Payroll taxes	26,549	-	26,549
Motor fuels	47,851	-	47,851
Depreciation and amortization	422,811	36,876	459,687
Maintenance	17,156	-	17,156
Utilities	78,201	-	78,201
Chemicals	2,323	-	2,323
Employee benefits	163,485	-	163,485
Insurance	77,552	-	77,552
Supplies	161,104	-	161,104
Office supplies	4,922	-	4,922
Professional fees	16,312	-	16,312
Advertising and printing	2,462	-	2,462
Lab analysis	22,372	-	22,372
Water purchases	491,894	-	491,894
Sanitation	295,761	-	295,761
Travel and lodging	100	-	100
Dues and subscriptions	3,144	-	3,144
Uniforms	5,176	-	5,176
Miscellaneous	2,431	-	2,431
Sales tax	20,071	-	20,071
Utility tax	35,871	-	35,871
Communications and postage	26,681	-	26,681
Safety Equipment	21	-	21
Equipment parts	9,355	-	9,355
Total Operating Expenses	<u>2,279,230</u>	<u>36,876</u>	<u>2,316,106</u>
Operating Loss	<u>(146,617)</u>	<u>(21,276)</u>	<u>(167,893)</u>
Nonoperating Revenues (Expenses)			
Grant revenue	-	-	-
Interest revenue	1,274	-	1,274
Interest expense	(110,521)	-	(110,521)
Transfers in	-	30,900	30,900
Miscellaneous revenue	48,563	-	48,563
Total Nonoperating Revenues (Expenses)	<u>(60,684)</u>	<u>30,900</u>	<u>(29,784)</u>
Change in Net Position	(207,301)	9,624	(197,677)
Net Position, July 1, 2012	<u>7,664,317</u>	<u>1,066,482</u>	<u>8,730,799</u>
Net Position, June 30, 2013	<u>\$ 7,457,016</u>	<u>\$ 1,076,106</u>	<u>\$ 8,533,122</u>