

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, 2016, 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating 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, 2016, and the respective changes in 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 and pension schedules on pages 36 through 37, 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 Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 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 opinion on 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 of Russell Springs, Kentucky's internal control over financial reporting and compliance.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC
November 7, 2016

City of Russell Springs, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
June 30, 2016

	General Fund	Municipal Road Aid Fund	Special Revenue Fund	Total Governmental Funds
Revenue				
Taxes	\$ 1,296,927	\$ -	\$ -	\$ 1,296,927
Licenses and permits	795,445	-	-	795,445
Fines and forfeits	4,995	-	-	4,995
Intergovernmental programs	83,163	48,004	-	131,167
Miscellaneous income	93,810	-	-	93,810
Total Revenue	<u>2,274,340</u>	<u>48,004</u>	<u>-</u>	<u>2,322,344</u>
Expenditures				
General government	645,432	-	-	645,432
Police	927,670	-	1,496	929,166
Fire	75,925	-	-	75,925
Highways and streets	398,051	51,659	-	449,710
Culture and recreation	274,568	-	-	274,568
Debt service	18,461	-	-	18,461
Total Expenditures	<u>2,340,107</u>	<u>51,659</u>	<u>1,496</u>	<u>2,393,262</u>
Excess of Revenues Over (Under) expenditures	<u>(65,767)</u>	<u>(3,655)</u>	<u>(1,496)</u>	<u>(70,918)</u>
Other Financing Uses				
Proceeds from long-term debt	62,057	-	-	62,057
Total Other Financing Uses	<u>62,057</u>	<u>-</u>	<u>-</u>	<u>62,057</u>
Net Change in Fund Balance	(3,710)	(3,655)	(1,496)	(8,861)
Fund Balances July 1, 2015	<u>2,156,448</u>	<u>34,824</u>	<u>9,500</u>	<u>2,200,772</u>
Fund Balances June 30, 2016	<u>\$ 2,152,738</u>	<u>\$ 31,169</u>	<u>\$ 8,004</u>	<u>\$ 2,191,911</u>

See accompanying notes to financial statements.

City of Russell Springs, Kentucky
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Water & Sewer Fund	Senior Citizens Fund	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 2,800,772	\$ 15,600	\$ 2,816,372
Total Operating Revenues	<u>2,800,772</u>	<u>15,600</u>	<u>2,816,372</u>
Operating Expenses			
Salaries	329,259	-	329,259
Payroll taxes	26,222	-	26,222
Motor fuels	29,552	-	29,552
Depreciation and amortization	416,798	37,897	454,695
Maintenance	41,874	-	41,874
Utilities	103,774	-	103,774
Employee benefits	199,075	-	199,075
Insurance	81,638	-	81,638
Supplies	155,545	-	155,545
Office supplies	2,227	-	2,227
Professional fees	37,501	-	37,501
Advertising and printing	2,027	-	2,027
Lab analysis	6,660	-	6,660
Water purchases	688,477	-	688,477
Sanitation	560,666	-	560,666
Travel and lodging	125	-	125
Dues and subscriptions	425	-	425
Uniforms	3,784	-	3,784
Miscellaneous	2,999	-	2,999
Sales tax	31,273	-	31,273
Utility tax	48,378	-	48,378
Communications and postage	27,345	-	27,345
Safety equipment	386	-	386
Total Operating Expenses	<u>2,796,010</u>	<u>37,897</u>	<u>2,833,907</u>
Operating Income (Loss)	<u>4,762</u>	<u>(22,297)</u>	<u>(17,535)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental programs	-	-	-
Interest revenue	977	-	977
Interest expense	(106,251)	-	(106,251)
Miscellaneous revenue	69,036	-	69,036
Total Nonoperating Revenues (Expenses)	<u>(36,238)</u>	<u>-</u>	<u>(36,238)</u>
Change in Net Position	(31,476)	(22,297)	(53,773)
Net Position, July 1, 2015	<u>6,463,302</u>	<u>1,029,296</u>	<u>7,492,598</u>
Net Position, June 30, 2016	<u>\$ 6,431,826</u>	<u>\$ 1,006,999</u>	<u>\$ 7,438,825</u>

See accompanying notes to financial statements.