

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, 2015, 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, 2015, 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 8 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 *Governmental Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 2, 2015 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 2, 2015

City of Russell Springs, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Municipal Road Aid Fund	Special Revenue Fund	Total Governmental Funds
Revenue				
Taxes	\$ 1,227,718	\$ -	\$ -	\$ 1,227,718
Licenses and permits	818,895	-	-	818,895
Fines and forfeits	5,007	-	-	5,007
Intergovernmental programs	88,149	54,728	-	142,877
Miscellaneous income	255,901	-	-	255,901
Total Revenue	<u>2,395,670</u>	<u>54,728</u>	<u>-</u>	<u>2,450,398</u>
Expenditures				
General government	566,595	-	-	566,595
Police	778,202	-	-	778,202
Fire	305,320	-	-	305,320
Highways and streets	276,398	92,964	-	369,362
Culture and recreation	294,098	-	-	294,098
Debt service	664	-	-	664
Total Expenditures	<u>2,221,277</u>	<u>92,964</u>	<u>-</u>	<u>2,314,241</u>
Excess of Revenues Over (Under) Expenditures	<u>174,393</u>	<u>(38,236)</u>	<u>-</u>	<u>136,157</u>
Other Financing Uses				
Proceeds from long-term debt	160,472	-	-	160,472
Operating transfers out	(26,554)	-	-	(26,554)
Total Other Financing Uses	<u>133,918</u>	<u>-</u>	<u>-</u>	<u>133,918</u>
Net Change in Fund Balance	308,311	(38,236)	-	270,075
Fund Balances July 1, 2014	<u>1,848,137</u>	<u>73,060</u>	<u>9,500</u>	<u>1,930,697</u>
Fund Balances June 30, 2015	<u>\$ 2,156,448</u>	<u>\$ 34,824</u>	<u>\$ 9,500</u>	<u>\$ 2,200,772</u>

City of Russell Springs, Kentucky
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Water & Sewer Fund	Senior Citizens Fund	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 2,152,709	\$ 15,600	\$ 2,168,309
Total Operating Revenues	<u>2,152,709</u>	<u>15,600</u>	<u>2,168,309</u>
Operating Expenses			
Salaries	349,944	-	349,944
Payroll taxes	27,620	-	27,620
Motor fuels	44,798	-	44,798
Depreciation and amortization	431,190	37,897	469,087
Maintenance	78,484	-	78,484
Utilities	91,327	-	91,327
Chemicals	4,904	-	4,904
Employee benefits	158,179	-	158,179
Insurance	72,940	-	72,940
Supplies	125,730	-	125,730
Office supplies	2,935	-	2,935
Professional fees	14,188	4,582	18,770
Advertising and printing	568	-	568
Lab analysis	5,125	-	5,125
Water purchases	514,762	-	514,762
Sanitation	351,232	-	351,232
Travel and lodging	104	-	104
Dues and subscriptions	1,367	-	1,367
Uniforms	5,313	-	5,313
Miscellaneous	5,952	-	5,952
Sales tax	26,116	-	26,116
Utility tax	36,052	-	36,052
Communications and postage	25,205	-	25,205
Safety equipment	210	-	210
Equipment parts	1,200	-	1,200
Total Operating Expenses	<u>2,375,445</u>	<u>42,479</u>	<u>2,417,924</u>
Operating Loss	<u>(222,736)</u>	<u>(26,879)</u>	<u>(249,615)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental programs	61,389	-	61,389
Interest revenue	966	-	966
Interest expense	(114,500)	-	(114,500)
Transfers in	26,554	-	26,554
Miscellaneous revenue	53,875	-	53,875
Total Nonoperating Revenues (Expenses)	<u>28,284</u>	<u>-</u>	<u>28,284</u>
Change in Net Position	(194,452)	(26,879)	(221,331)
Net Position, July 1, 2014, as originally reported	7,203,671	1,056,175	8,259,846
Prior period adjustment (see Note 17)	<u>(545,917)</u>	<u>-</u>	<u>(545,917)</u>
Net Position, July 1, 2014, as restated	<u>6,657,754</u>	<u>1,056,175</u>	<u>7,713,929</u>
Net Position, June 30, 2015	<u>\$ 6,463,302</u>	<u>\$ 1,029,296</u>	<u>\$ 7,492,598</u>

See accompanying notes to financial statements.