

## 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, 2017, 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, 2017, 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 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 Schedule of Water and Sewer Services on page 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Water and Sewer Services 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. Such 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 Schedule of Water and Sewer Services is 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 November 2, 2017 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, 2017

✓



City of Russell Springs, Kentucky  
Statement of Net Position  
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows			
Current Assets			
Cash and cash equivalents	\$ 1,594,583	\$ 302,760	\$ 1,897,343
Investments	3,953	-	3,953
Receivables:			
Customers	-	369,407	369,407
Taxes	369,409	-	369,409
Unbilled	-	129,442	129,442
Allowance	-	(100,000)	(100,000)
Other	895	-	895
Inventory	-	56,956	56,956
Internal balances	103,503	(103,503)	-
Restricted assets:			
Cash	-	509,084	509,084
Total Current Assets	<u>2,072,343</u>	<u>1,164,146</u>	<u>3,236,489</u>
Noncurrent Assets			
Capital assets	3,430,330	18,483,252	21,913,582
Less: accumulated depreciation	<u>(1,773,555)</u>	<u>(9,021,341)</u>	<u>(10,794,896)</u>
Net capital assets	<u>1,656,775</u>	<u>9,461,911</u>	<u>11,118,686</u>
Total Assets	<u>3,729,118</u>	<u>10,626,057</u>	<u>14,355,175</u>
Deferred Outflows of Resources	<u>572,360</u>	<u>158,205</u>	<u>730,565</u>
Liabilities, Deferred Inflows and Net Position			
Liabilities			
Current Liabilities			
Revenue bonds payable	-	84,600	84,600
Notes payable	78,574	36,762	115,336
Accounts payable	41,603	161,932	203,535
Accrued payroll and payroll taxes	43,074	3,345	46,419
Customer deposits payable	-	225,769	225,769
Accrued vacation	26,372	10,265	36,637
Accrued interest payable	-	22,735	22,735
Total Current Liabilities	<u>189,623</u>	<u>545,408</u>	<u>735,031</u>
Non-current Liabilities			
Revenue bonds payable	-	1,834,499	1,834,499
Notes payable	118,288	564,097	682,385
Net pension liability	<u>1,961,382</u>	<u>742,250</u>	<u>2,703,632</u>
Total non-current liabilities	<u>2,079,670</u>	<u>3,140,846</u>	<u>5,220,516</u>
Total Liabilities	<u>2,269,293</u>	<u>3,686,254</u>	<u>5,955,547</u>
Deferred Inflows of Resources	<u>9,616</u>	<u>8,209</u>	<u>17,825</u>
Net Position			
Invested in capital assets, net of related debt	1,459,913	6,941,953	8,401,866
Restricted for:			
Debt service	-	296,025	296,025
Other purposes	-	213,059	213,059
Unrestricted	<u>562,656</u>	<u>(361,238)</u>	<u>201,418</u>
Total Net Position	<u>\$ 2,022,569</u>	<u>\$ 7,089,799</u>	<u>\$ 9,112,368</u>

See accompanying notes to financial statements.

City of Russell Springs, Kentucky  
Statement of Activities  
For the Year Ended June 30, 2017

Function/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities
Governmental Activities:					
General government	\$ 735,968	\$ 9,585	\$ -	\$ (726,383)	\$ -
Police	1,119,534	-	-	(1,119,534)	-
Fire	81,763	-	-	(81,763)	-
Highways and streets	443,199	-	-	(443,199)	-
Culture and Recreation	241,646	-	-	(230,235)	-
Interest on long-term debt	7,452	-	-	(7,452)	-
Unallocated depreciation	140,904	-	-	(140,904)	-
Total Governmental Activities	2,770,466	-	-	(2,749,470)	-
Business-Type Activities					
Water and Sewer	3,279,690	2,948,946	-	-	(330,744)
Senior Citizens	37,928	15,600	-	-	(22,328)
Total Business-Type Activities	3,317,618	2,964,546	-	-	(353,072)
Total City	\$ 6,088,084	\$ 2,985,542	\$ -	(2,749,470)	(353,072)
					(3,102,542)
General Revenues:					
Taxes				1,381,568	-
Licenses and permits				986,813	-
Fines				3,033	-
Intergovernmental programs				142,198	-
Interest revenue				-	1,084
Other revenues				47,669	73,590
Total General Revenues				2,561,281	74,674
Transfers				70,628	(70,628)
Change in Net Position				(117,561)	(349,026)
Net Position - Beginning				2,140,130	7,438,825
Net Position - Ending				\$ 2,022,569	\$ 7,089,799
					\$ 9,112,368

City of Russell Springs, Kentucky  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017

	Water & Sewer Fund	Senior Citizens Fund	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 2,948,946	\$ 15,600	\$ 2,964,546
Total Operating Revenues	<u>2,948,946</u>	<u>15,600</u>	<u>2,964,546</u>
Operating Expenses			
Salaries	319,098	-	319,098
Payroll taxes	24,941	-	24,941
Motor fuels	29,171	-	29,171
Depreciation and amortization	418,476	37,897	456,373
Maintenance	93,031	-	93,031
Utilities	84,909	-	84,909
Employee benefits	196,775	-	196,775
Insurance	68,153	-	68,153
Supplies	191,851	-	191,851
Office supplies	3,923	-	3,923
Professional fees	17,852	31	17,883
Advertising and printing	1,049	-	1,049
Lab analysis	4,785	-	4,785
Water purchases	794,633	-	794,633
Sanitation	722,959	-	722,959
Dues and subscriptions	425	-	425
Uniforms	4,097	-	4,097
Miscellaneous	5,114	-	5,114
Sales tax	34,809	-	34,809
Utility tax	54,317	-	54,317
Communications and postage	25,287	-	25,287
Bad debt expense	90,000	-	90,000
Total Operating Expenses	<u>3,185,655</u>	<u>37,928</u>	<u>3,223,583</u>
Operating Income (Loss)	<u>(236,709)</u>	<u>(22,328)</u>	<u>(259,037)</u>
Nonoperating Revenues (Expenses)			
Transfer Out	-	(70,628)	(70,628)
Interest revenue	1,084	-	1,084
Interest expense	(94,035)	-	(94,035)
Miscellaneous revenue	73,590	-	73,590
Total Nonoperating Revenues (Expenses)	<u>(19,361)</u>	<u>(70,628)</u>	<u>(89,989)</u>
Change in Net Position	(256,070)	(92,956)	(349,026)
Net Position, July 1, 2016	<u>6,431,826</u>	<u>1,006,999</u>	<u>7,438,825</u>
Net Position, June 30, 2017	<u><u>\$ 6,175,756</u></u>	<u><u>\$ 914,043</u></u>	<u><u>\$ 7,089,799</u></u>

See accompanying notes to financial statements.

✓