

City of Russell Springs

A copy of the complete audit report, including financial statements and supplemental information are on file at the Russell Springs City Hall available for public inspection during normal business hours (Monday-Friday 7:00am – 4:00pm). Any citizen may obtain a copy of the complete auditors report, including financial statements and supplemental information for duplication cost at a rate that shall not exceed twenty-five cents (\$.25) per page.



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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, 2019, 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, 2019, 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, pension schedules on pages 40 through 41 and OPEB schedules on pages 42 through 43, 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 out 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 44 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 February 21, 2020 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

February 21, 2020

City of Russell Springs, Kentucky
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows			
Current Assets			
Cash and cash equivalents	\$ 1,256,086	\$ 398,189	\$ 1,654,275
Investments	4,033	-	4,033
Receivables:			
Customers	-	455,203	455,203
Taxes	442,045	-	442,045
Unbilled	-	167,481	167,481
Allowance	-	(47,000)	(47,000)
Other	1,504	-	1,504
Inventory	-	40,394	40,394
Internal balances	103,503	(103,503)	-
Total Current Assets	1,807,171	910,764	2,717,935
Restricted assets:			
Cash	18,647	385,206	403,853
Noncurrent Assets			
Capital assets	3,466,457	19,049,339	22,515,796
Less: accumulated depreciation	(2,098,812)	(9,983,731)	(12,082,543)
Net capital assets	1,367,645	9,065,608	10,433,253
Total Assets	3,193,463	10,361,578	13,555,041
Deferred Outflows of Resources	1,245,256	344,861	1,590,117
Liabilities, Deferred Inflows and Net Position			
Liabilities			
Current Liabilities			
Revenue bonds payable	-	94,100	94,100
Notes payable	15,925	37,780	53,705
Accounts payable	43,156	153,544	196,700
Accrued payroll and payroll taxes	44,208	7,522	51,730
Customer deposits payable	-	245,647	245,647
Accrued vacation	26,588	11,110	37,698
Accrued interest payable	-	20,672	20,672
Total Current Liabilities	129,877	570,375	700,252
Non-current Liabilities			
Revenue bonds payable	-	1,650,498	1,650,498
Notes payable	87,574	489,051	576,625
Net OPEB liability	881,961	255,923	1,137,884
Net pension liability	2,909,259	970,856	3,880,115
Total non-current liabilities	3,878,794	3,366,328	7,245,122
Total Liabilities	4,008,671	3,936,703	7,945,374
Deferred Inflows of Resources	345,688	118,581	464,269
Net Position			
Invested in capital assets, net of related debt	1,284,146	6,794,179	8,058,325
Restricted for:			
Debt service	-	190,287	190,287
Other purposes	-	194,919	194,919
Unrestricted	(1,179,786)	(528,230)	(1,708,016)
Total Net Position	\$ 84,360	\$ 6,651,155	\$ 6,735,515

City of Russell Springs

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City of Russell Springs, Kentucky
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows			
Current Assets			
Cash and cash equivalents	\$ 1,256,086	\$ 398,189	\$ 1,654,275
Investments	4,033	-	4,033
Receivables:			
Customers	-	455,203	455,203
Taxes	442,045	-	442,045
Unbilled	-	167,481	167,481
Allowance	-	(47,000)	(47,000)
Other	1,504	-	1,504
Inventory	-	40,394	40,394
Internal balances	103,503	(103,503)	-
Total Current Assets	1,807,171	910,764	2,717,935
Restricted assets:			
Cash	18,647	385,206	403,853
Noncurrent Assets			
Capital assets	3,466,457	19,049,339	22,515,796
Less: accumulated depreciation	(2,098,812)	(9,983,731)	(12,082,543)
Net capital assets	1,367,645	9,065,608	10,433,253
Total Assets	3,193,463	10,361,578	13,555,041
Deferred Outflows of Resources	1,245,256	344,861	1,590,117
Liabilities, Deferred Inflows and Net Position			
Liabilities			
Current Liabilities			
Revenue bonds payable	-	94,100	94,100
Notes payable	15,925	37,780	53,705
Accounts payable	43,156	153,544	196,700
Accrued payroll and payroll taxes	44,208	7,522	51,730
Customer deposits payable	-	245,647	245,647
Accrued vacation	26,588	11,110	37,698
Accrued interest payable	-	20,672	20,672
Total Current Liabilities	129,877	570,375	700,252
Non-current Liabilities			
Revenue bonds payable	-	1,650,498	1,650,498
Notes payable	87,574	489,051	576,625
Net OPEB liability	881,961	255,923	1,137,884
Net pension liability	2,909,259	970,856	3,880,115
Total non-current liabilities	3,878,794	3,366,328	7,245,122
Total Liabilities	4,008,671	3,936,703	7,945,374
Deferred Inflows of Resources	345,688	118,581	464,269
Net Position			
Invested in capital assets, net of related debt	1,284,146	6,794,179	8,058,325
Restricted for:			
Debt service	-	190,287	190,287
Other purposes	-	194,919	194,919
Unrestricted	(1,179,786)	(528,230)	(1,708,016)
Total Net Position	\$ 84,360	\$ 6,651,155	\$ 6,735,515

See accompanying notes to financial statements.

City of Russell Springs, Kentucky
Statement of Net Position - Proprietary Funds
June 30, 2019

	Water and Sewer Fund	Senior Citizens Fund	Total Proprietary Funds
Assets and Deferred Outflows			
Current Assets			
Cash and cash equivalents	\$ 309,141	\$ 89,048	\$ 398,189
Receivables:			
Customers	455,203	-	455,203
Unbilled	167,481	-	167,481
Allowance	(47,000)	-	(47,000)
Inventory	40,394	-	40,394
Restricted Assets:			
Cash	385,206	-	385,206
Total Current Assets	1,310,425	89,048	1,399,473
Noncurrent Assets			
Capital assets, net of depreciation	8,213,954	851,654	9,065,608
Total Noncurrent Assets	8,213,954	851,654	9,065,608
Total Assets	9,524,379	940,702	10,465,081
Deferred Outflows of Resources	344,861	-	344,861
Liabilities and Net Pension			
Liabilities			
Current Liabilities			
Revenue bonds payable	94,100	-	94,100
Notes payable	37,780	-	37,780
Accounts payable	153,544	-	153,544
Accrued payroll and payroll taxes	7,522	-	7,522
Customer deposits payable	245,647	-	245,647
Accrued vacation	11,110	-	11,110
Due to other funds	87,912	15,591	103,503
Accrued interest payable	20,672	-	20,672
Total Current Liabilities	658,287	15,591	673,878
Noncurrent Liabilities			
Revenue bonds payable	1,650,498	-	1,650,498
Notes payable	489,051	-	489,051
Net OPEB liability	255,923	-	255,923
Net pension liability	970,856	-	970,856
Total Noncurrent Liabilities	3,366,328	-	3,366,328
Total Liabilities	4,024,615	15,591	4,040,206
Deferred Inflows of Resources	118,581	-	118,581
Net Position			
Invested in capital assets, net of related debt	5,942,525	851,654	6,794,179
Restricted for:			
Debt service	190,287	-	190,287
Other purposes	194,919	-	194,919
Unrestricted	(601,687)	73,457	(528,230)
Total Net Position	\$ 5,726,044	\$ 925,111	\$ 6,651,155

See accompanying notes to financial statements.

City of Russell Springs, Kentucky
Statement of Activities
For the Year Ended June 30, 2019

							Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Program Revenues Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Fund/Programs	Expenses						
Governmental Activities:							
General government	\$ 997,982	\$ 9,410	\$ 27,987	\$ -	\$ (860,185)	\$ -	\$ (860,185)
Police and ABC	1,801,103	-	52,943	-	(1,548,160)	-	(1,548,160)
Fire	109,285	-	-	-	(109,285)	-	(109,285)
Highways and streets	135,534	-	48,399	-	(87,135)	-	(87,135)
Culture and Recreation	497,073	34,804	-	-	(422,469)	-	(422,469)
Cemetery	16,143	-	15,254	-	(889)	-	(889)
Interest on long-term debt	4,186	-	-	-	(4,186)	-	(4,186)
Unallocated depreciation	174,401	-	-	-	(174,401)	-	(174,401)
Total Governmental Activities	3,483,319	44,014	144,583	-	(3,296,722)	-	(3,296,722)
Business-Type Activities							
Water and Sewer	3,736,100	3,408,740	-	-	-	(327,360)	(327,360)
Senior Citizens	45,235	19,350	-	-	-	(25,885)	(25,885)
Total Business-Type Activities	3,781,335	3,428,090	-	-	-	(353,245)	(353,245)
Total City	\$ 7,265,654	\$ 3,472,104	\$ 144,583	\$ -	(3,296,722)	(353,245)	(3,649,967)
General Revenues:							
Taxes					1,365,321	-	1,365,321
Licenses and permits					1,088,111	-	1,088,111
Fines					4,313	-	4,313
Intergovernmental programs					68,284	77,355	145,638
Interest revenue					-	878	878
Loss from sale of asset					(13,667)	-	(13,667)
Other revenues					45,403	84,800	130,203
Total General Revenues					2,567,825	163,133	2,730,958
Transfers					3,750	(3,750)	-
Change in Net Position					(725,147)	(193,862)	(919,009)
Net Position - Beginning					809,507	6,845,017	7,654,524
Net Position - Ending					\$ 84,360	\$ 6,651,155	\$ 6,735,515