CITY OF RUSSELL SPRINGS
Russell Springs, Kentucky

FINANCIAL STATEMENTS
June 30, 2025

C O N T E N T S

Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Russell Springs, Kentucky

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Russell Springs, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Russell Springs, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Russell Springs, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Russell Springs, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 4-8 and 38-46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Russell Springs, Kentucky's basic financial statements. The schedule of water and sewer activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 activities 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 August 20, 2026, on our consideration of the City of Russell Springs, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City of Russell Springs, Kentucky's 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.

RFH

RFH, PLLC
Lexington, Kentucky
August 20, 2026

As management of the City of Russell Springs, we offer readers of the City of Russell Springs' financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- Retirement rates for fiscal year FY 2025 were 19.71% for non-hazardous and 38.61% for hazardous.
- General Fund revenues totaled approximately $4.1 million for FY 2025 which represented a 1% increase from FY 2024.
- In FY 2025, the City made several capital purchases including fire truck equipment, infrastructure, and multiple new City vehicles. Water and Sewer made several capital purchases including a pump control panel, a new vehicle, and sewer pumps.
- The property tax rate for 2024 was .1470 per $100 of assessed property value.
- Cash available for use to pay the General Fund's obligations as of June 30, 2025, is approximately $1.5 million which was an increase compared to the prior year balance of $1.2 million.
- The City's total General Fund revenues were under budget by approximately $186,877 and expenses were under budget by approximately $332,554.
- The City's proportionate share of the CERS net pension and OPEB liability decreased approximately $900,000 from the previous fiscal year, from approximately $4,592,000 to $3,692,000.
- In FY 2025, the City made all scheduled debt service payments.

OVERVIEW OF FINANCIAL STATEMENTS - This discussion and analysis is intended to serve as an introduction to the City of Russell Springs' basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The government-wide financial statements are designed to provide readers with a broad overview of the City of Russell Springs' finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the City of Russell Springs' assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Russell Springs is improving or deteriorating. The statement of activities presents information showing how the City of Russell Springs' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements outline functions of the City of Russell Springs that are principally supported by various taxes, licenses and permits. The governmental activities of the City include fire, safety, highways, streets, sanitation, parks and miscellaneous services. Property taxes, licenses and permits also support fixed assets and related debt. The government-wide financial statements can be found on pages 9-10 of this report.

FUND FINANCIAL STATEMENTS - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Russell Springs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The two proprietary funds are the water and sewer fund and the senior citizens fund. All other activities of the City are included in the governmental funds. The basic fund financial statements can be found on pages 11-15 of this report.

NOTES TO THE FINANCIAL STATEMENTS - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-37 of this report. The City of Russell Springs' financial position is the product of several financial transactions including the net results of the activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, the depreciation of capital assets and changes in the net pension liability.

THE CITY AS A WHOLE

Table 1
Net Position (in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 2,601	$ 2,158	$ 3,393	$ 2,979	$ 5,994	$ 5,137
Capital assets	4,418	4,443	7,836	7,951	12,254	12,394
Total assets	7,019	6,601	11,229	10,930	18,248	17,531
Deferred outflows of resources	768	1,028	282	375	1,050	1,403
Current liabilities	379	274	662	567	1,041	841
Non-current liabilities	4,148	5,056	2,753	3,003	6,901	8,059
Total liabilities	4,527	5,330	3,415	3,570	7,942	8,900
Deferred inflows of resources	1,530	1,542	686	678	2,216	2,220
Net position:						
Invested in capital assets net of debt	2,755	2,680	5,967	5,967	8,722	8,647
Restricted	155	127	138	576	293	703
Unrestricted	(1,181)	(2,050)	1,306	514	125	(1,536)
Total net position	$ 1,729	$ 757	$ 7,411	$ 7,057	$ 9,140	$ 7,814

Table 2
Changes in Net Position (in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	$ 47	$ 42	$ 4,552	$ 4,193	$ 4,599	$ 4,235
Operating grants and contributions	106	216	292	302	398	518
Capital grants and contributions	79	168	107	213	186	381
General revenues:						
Taxes	451	435	-	-	451	435
Licenses and permits	3,301	3,076	-	-	3,301	3,076
Fines and forfeits	7	7	-	-	7	7
Investment earnings	1	-	52	18	53	18
Other revenue	151	116	-	-	151	116
Total revenues	4,143	4,060	5,003	4,726	9,146	8,786
Program expenses:						
General government	1,185	1,507	-	-	1,185	1,507
Police and ABC	909	1,011	-	-	909	1,011
Fire	206	179	-	-	206	179
Highway and streets	256	206	-	-	256	206
Parks	525	723	-	-	525	723
Cemetery	1	11	-	-	1	11
Interest on long-term debt	51	51	-	-	51	51
Water and sewer	-	-	4,518	4,233	4,518	4,233
Senior citizens	-	-	45	54	45	54
Total expenses	3,133	3,688	4,563	4,287	7,696	7,975
Excess (deficiency)	1,010	372	440	439	1,450	811
Transfers in (out)	29	-	(29)	-	-	-
Gain (loss) on sale of assets	38	31	7	7	45	38
Increase (decrease) in net position	$ 1,077	$ 403	$ 418	$ 446	$ 1,495	$ 849

CAPITAL ASSETS

In FY 2025, the City made several capital purchases including fire truck equipment, infrastructure, and multiple new City vehicles. Water and Sewer made several capital purchases including a pump control panel, a new vehicle, and sewer pumps.

Table 3
Capital Assets (in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Vehicles & equipment	$ 2,939	$ 2,798	$ 1,090	$ 1,095	$ 4,029	$ 3,893
Buildings	2,990	2,990	1,377	1,377	4,367	4,367
Land and improvements	1,377	1,364	190	199	1,567	1,563
Infrastructure assets	291	212	-	-	291	212
Construction in progress	-	-	326	21	326	21
Water and sewer systems	-	-	17,808	17,662	17,808	17,662
Totals	$ 7,597	$ 7,364	$ 20,791	$ 20,354	$ 28,388	$ 27,718

DEBT

Rural Development requires interest payments by April 1 and interest and principal payments by October 1, of each year. KIA loans require payments in June and December. The fire truck payment is due each October.

Table 4
Outstanding Debt at Year-End (in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Notes payable	$ 1,663	$ 1,763	$ 660	$ 728	$ 2,323	$ 2,491
Revenue bonds	-	-	1,144	1,255	1,144	1,255
Totals	$ 1,663	$ 1,763	$ 1,804	$ 1,983	$ 3,467	$ 3,746

COMMENTS ON BUDGET COMPARISONS

- Raises were given to all employees.
- Water and Sewer rates were increased by ordinance during FY 2025.

THE CITY'S FUNDS

More utility customers continue to use credit cards to pay their utility bill. The Community Center remains a wonderful rental asset for the City.

Contacting the City of Russell Springs

This financial report is designed to provide citizens, creditors and other users with an overview of the City of Russell Springs, Kentucky's finances, fiscal practices and responsibility. If you have questions or need additional information, please contact the City Clerk at P.O. Box 247, Russell Springs, KY 42642-0247.

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,430,810	$ 1,045,328	$ 2,476,138
Investments	4,393	-	4,393
Receivables, net	795,484	767,221	1,562,705
Grant receivable	-	50,334	50,334
Lease receivable	-	9,132	9,132
Inventory	-	266,794	266,794
Internal balances	214,616	(214,616)	-
Total current assets	2,445,303	1,924,193	4,369,496
Noncurrent assets			
Restricted cash and cash equivalents	155,492	137,564	293,056
Investments	-	1,175,000	1,175,000
Lease receivable	-	123,580	123,580
Net OPEB asset	-	32,568	32,568
Capital assets			
Land	1,376,793	189,999	1,566,792
Construction in progress	-	326,291	326,291
Utility systems, net	-	6,135,526	6,135,526
Infrastructure, net	263,051	-	263,051
Depreciable buildings, property, vehicles, and equipment, net	2,778,129	1,184,311	3,962,440
Total noncurrent assets	4,573,465	9,304,839	13,878,304
Total assets	7,018,768	11,229,032	18,247,800
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	569,522	199,152	768,674
Deferred outflows - OPEB	198,843	83,254	282,097
Total deferred outflows of resources	768,365	282,406	1,050,771
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,787,133	$ 11,511,438	$ 19,298,571
LIABILITIES			
Current liabilities			
Accounts payable	$ 59,521	$ 21,127	$ 80,648
Construction payable	-	50,334	50,334
Retainage payable	-	14,106	14,106
Customer deposits payable	-	299,289	299,289
Accrued liabilities	237,938	97,337	335,275
Accrued interest payable	-	3,050	3,050
Current portion of long-term obligations	81,673	176,414	258,087
Total current liabilities	379,132	661,657	1,040,789
Noncurrent liabilities			
Noncurrent portion of long-term obligations	1,581,021	1,627,869	3,208,890
Net pension liability	2,526,575	1,124,891	3,651,466
Net OPEB liability	40,416	-	40,416
Total noncurrent liabilities	4,148,012	2,752,760	6,900,772
Total liabilities	4,527,144	3,414,417	7,941,561
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	716,090	215,098	931,188
Deferred inflows - OPEB	813,860	337,734	1,151,594
Deferred inflows - leases	-	132,712	132,712
Total deferred inflows of resources	1,529,950	685,544	2,215,494
NET POSITION			
Net investment in capital assets	2,755,279	5,967,404	8,722,683
Restricted for:			
Debt service	-	137,564	137,564
Other	155,492	-	155,492
Unrestricted	(1,180,732)	1,306,509	125,777
Total net position	1,730,039	7,411,477	9,141,516
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 7,787,133	$ 11,511,438	$ 19,298,571

The accompanying notes are an integral part of the financial statements.

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	$ 1,184,301	$ 2,128	$ 58,117	$ -	$ (1,124,056)	$ -	$ (1,124,056)
Police and ABC	908,420	-	31,583	-	(876,837)	-	(876,837)
Fire	205,897	-	-	-	(205,897)	-	(205,897)
Highways and streets	256,254	-	-	79,117	(177,137)	-	(177,137)
Culture and recreation	525,478	44,603	-	-	(480,875)	-	(480,875)
Cemetery	1,013	-	15,891	-	14,878	-	14,878
Interest on long-term debt	50,536	-	-	-	(50,536)	-	(50,536)
Total governmental activities	3,131,899	46,731	105,591	79,117	(2,900,460)	-	(2,900,460)
Business-type activities							
Water and Sewer	4,518,366	4,532,015	292,054	106,550	-	412,253	412,253
Senior Citizens	44,737	19,850	-	-	-	(24,887)	(24,887)
Total business-type activities	4,563,103	4,551,865	292,054	106,550	-	387,366	387,366
Total primary government	$ 7,695,002	$ 4,598,596	$ 397,645	$ 185,667	(2,900,460)	387,366	(2,513,094)

	Governmental Activities	Business-type Activities	Total
General revenues:			
Taxes:			
Property taxes, levied for general purposes	450,697	-	450,697
License fees:			
Franchise	242,694	-	242,694
Insurance premiums	1,176,022	-	1,176,022
Occupational	1,567,716	-	1,567,716
ABC	254,973	-	254,973
Other	59,452	-	59,452
Fines & forfeitures	7,388	-	7,388
Investment earnings	701	51,970	52,671
Miscellaneous	151,377	-	151,377
Total general revenues	3,911,020	51,970	3,962,990
Gain (loss) on sale of assets	37,500	7,046	44,546
Transfers in (out)	28,980	(28,980)	-
Change in net position	1,077,040	417,402	1,494,442
Net position-beginning, as restated	652,999	6,994,075	7,647,074
NET POSITION-ENDING	$ 1,730,039	$ 7,411,477	$ 9,141,516

The accompanying notes are an integral part of the financial statements.

CITY OF RUSSELL SPRINGS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	Municipal Road Aid	Drug Forfeiture Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,485,266	$ 71,672	$ 29,364	$ 1,586,302
Investments	4,393	-	-	4,393
Receivables, net	795,484	-	-	795,484
Due from other funds	214,616	-	-	214,616
Total assets	$ 2,499,759	$ 71,672	$ 29,364	$ 2,600,795
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 59,521	$ -	$ -	$ 59,521
Accrued liabilities	67,061	-	-	67,061
Total liabilities	126,582	-	-	126,582
Fund balances				
Restricted	54,456	71,672	29,364	155,492
Unassigned	2,318,721	-	-	2,318,721
Total fund balances	2,373,177	71,672	29,364	2,474,213
Total liabilities and fund balances	$ 2,499,759	$ 71,672	$ 29,364	$ 2,600,795

Amounts reported for *governmental activities* in the statement of net position are different because:	
Fund balances reported above	$ 2,474,213
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,417,973
Accrued leave is not due and payable in the current period and therefore is not reported in the funds.	(170,877)
Net deferred inflows/outflows related to the long-term net pension/OPEB liabilities are not reported in the funds.	(761,585)
Long-term liabilities, including notes payable and net pension/OPEB liability, are not due and payable in the current period and therefore are not reported in the funds.	(4,229,685)
Net position of governmental activities	$ 1,730,039

The accompanying notes are an integral part of the financial statements.

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2025

	General	Municipal Road Aid	Drug Forfeiture Fund	Total Governmental Funds
REVENUES				
Taxes	$ 450,697	$ -	$ -	$ 450,697
Licenses and permits	3,302,985	-	-	3,302,985
Intergovernmental	184,672	36	-	184,708
Fines and forfeitures	7,388	-	-	7,388
Other revenues	182,899	-	13,782	196,681
Total revenues	4,128,641	36	13,782	4,142,459
EXPENDITURES				
Current:				
General government	1,260,015	-	-	1,260,015
Police and ABC	1,104,394	-	434	1,104,828
Fire	144,248	-	-	144,248
Culture and recreation	615,221	-	-	615,221
Highways and streets	147,651	-	-	147,651
Cemetery	1,013	-	-	1,013
Capital outlay	341,929	-	-	341,929
Debt service	150,668	-	-	150,668
Total expenditures	3,765,139	-	434	3,765,573
Excess (deficiency) of revenues over expenditures	363,502	36	13,348	376,886
Other Financing Sources (Uses)				
Proceeds from sale of assets	37,500	-	-	37,500
Transfers in (out)	28,980	-	-	28,980
Total other financing sources (uses)	66,480	-	-	66,480
Net Change in Fund Balance	429,982	36	13,348	443,366
Fund balances - beginning, as restated	1,943,195	71,636	16,016	2,030,847
FUND BALANCES - ENDING	$ 2,373,177	$ 71,672	$ 29,364	$ 2,474,213

Reconcilation to government-wide change in net position:	
Net change in fund balances	$ 443,366
add: capital outlay expenditures capitalized	341,929
add: debt service expenditures	150,668
add: gain on sale of assets	37,500
less: proceeds from sale of assets	(37,500)
less: change in accrued liabilities	(6,607)
add: change in net pension liability	376,191
add: change in OPEB liability	201,945
less: depreciation on governmental activities assets	(379,916)
less: interest on long - term debt	(50,536)
Change in net position, governmental activities	$ 1,077,040

The accompanying notes are an integral
part of the financial statements.

CITY OF RUSSELL SPRINGS, KENTUCKY
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2025

	Business-type Activities		
	Water & Sewer Fund	Senior Citizens Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 920,672	$ 124,656	$ 1,045,328
Receivables, net	767,221	-	767,221
Grant receivable	50,334	-	50,334
Lease receivable	9,132	-	9,132
Inventory	266,794	-	266,794
Total current assets	2,014,153	124,656	2,138,809
Noncurrent assets			
Restricted cash and cash equivalents	137,564	-	137,564
Investments	1,175,000	-	1,175,000
Lease receivable	123,580	-	123,580
Net OPEB asset	32,568	-	32,568
Capital assets:			
Land	10,715	179,284	189,999
Construction in progress	326,291	-	326,291
Depreciable capital assets	19,090,261	1,184,311	20,274,572
Less accumulated depreciation	(12,222,980)	(731,755)	(12,954,735)
Total noncurrent assets	8,672,999	631,840	9,304,839
Total assets	10,687,152	756,496	11,443,648
DEFFERED OUTFLOW OF RESOURCES			
Deferred outflows - pension	199,152	-	199,152
Deferred outflows - OPEB	83,254	-	83,254
Total deferred outflows	282,406	-	282,406
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 10,969,558	$ 756,496	$ 11,726,054
LIABILITIES			
Current liabilities			
Accounts payable	$ 21,127	$ -	$ 21,127
Construction payable	50,334	-	50,334
Retainage payable	14,106	-	14,106
Customer deposits payable	299,289	-	299,289
Accrued liabilities	97,337	-	97,337
Accrued interest payable	3,050	-	3,050
Due to other funds	199,025	15,591	214,616
Current portion of long-term obligations	176,414	-	176,414
Total current liabilities	860,682	15,591	876,273
Noncurrent liabilities			
Noncurrent portion of long-term obligations	1,627,869	-	1,627,869
Net pension liability	1,124,891	-	1,124,891
Total noncurrent liabilities	2,752,760	-	2,752,760
Total liabilities	3,613,442	15,591	3,629,033
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	215,098	-	215,098
Deferred inflows - OPEB	337,734	-	337,734
Deferred inflows - leases	132,712	-	132,712
Total deferred inflows	685,544	-	685,544
NET POSITION			
Net investment in capital assets	5,335,564	631,840	5,967,404
Restricted for other purposes	137,564	-	137,564
Unrestricted	1,197,444	109,065	1,306,509
Total net position	6,670,572	740,905	7,411,477
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 10,969,558	$ 756,496	$ 11,726,054

The accompanying notes are an integral part of the financial statements.

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2025

	Business-type Activities		
	Water & Sewer Fund	Senior Citizens Fund	Totals
Operating revenues			
Charges for services	$ 4,374,071	$ 19,850	$ 4,393,921
Penalties	60,170	-	60,170
Other revenue	97,774	-	97,774
Total operating revenues	4,532,015	19,850	4,551,865
Operating expenses			
Salaries	521,759	-	521,759
Payroll taxes	42,365	-	42,365
Motor fuels	33,842	-	33,842
Depreciation and amortization	513,683	44,347	558,030
Maintenance	130,404	390	130,794
Utilities	110,302	-	110,302
Employee benefits	314,069	-	314,069
Insurance	59,813	-	59,813
Supplies	392,594	-	392,594
Office supplies	3,228	-	3,228
Professional fees	35,093	-	35,093
Advertising and printing	1,150	-	1,150
Lab analysis	5,380	-	5,380
Water purchases	1,026,222	-	1,026,222
Sanitation - Sewer and Garbage	1,170,117	-	1,170,117
Contractual services	21,615	-	21,615
Travel and lodging	358	-	358
Dues and subscriptions	4,055	-	4,055
Uniforms	9,893	-	9,893
Miscellaneous	37,403	-	37,403
Communications and postage	49,283	-	49,283
Total operating expenses	4,482,628	44,737	4,527,365
Operating income (loss)	49,387	(24,887)	24,500
Nonoperating revenues (expenses)			
Gain (loss) on sale of capital assets	7,046	-	7,046
Interest and investment revenue	51,970	-	51,970
Interest expense	(35,738)	-	(35,738)
Total nonoperating revenues (expenses)	23,278	-	23,278
Income before capital contributions and transfers	72,665	(24,887)	47,778
Capital contributions			
Water and sewer tap fees	106,550	-	106,550
Grants	292,054	-	292,054
Transfers	(28,980)	-	(28,980)
Increase (decrease) in net position	442,289	(24,887)	417,402
Total net position-beginning, as restated	6,228,283	765,792	6,994,075
TOTAL NET POSITION-ENDING	$ 6,670,572	$ 740,905	$ 7,411,477

The accompanying notes are an integral
part of the financial statements.

CITY OF RUSSELL SPRINGS, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2025

	Business-type Activities		
	Water & Sewer Fund	Senior Citizens Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 4,506,073	$ 19,850	$ 4,525,923
Payments to suppliers for goods or services	(3,070,187)	-	(3,070,187)
Payments for employee services and benefits	(909,356)	(390)	(909,746)
Net cash and cash equivalents provided by operating activities	526,530	19,460	545,990
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts (payments) on interfund loans	29,639	-	29,639
Transfers (to) from other funds	(28,980)	-	(28,980)
Net cash and cash equivalents provided by noncapital financing activities	659	-	659
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions - tap fees	106,550	-	106,550
Grants received	241,720	-	241,720
Proceeds from sale of capital assets	13,325	-	13,325
Purchases of capital assets	(385,584)	-	(385,584)
Principal paid on capital debt	(178,852)	-	(178,852)
Interest paid on capital debt	(35,442)	-	(35,442)
Net cash and cash equivalents (used by) capital and related financing activities	(238,283)	-	(238,283)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	(1,175,000)	-	(1,175,000)
Interest and dividends	51,970	-	51,970
Net cash and cash equivalents (used by) investing activities	(1,123,030)	-	(1,123,030)
Net increase (decrease) in cash and cash equivalents	(834,124)	19,460	(814,664)
Balances-beginning of the year	1,892,360	105,196	1,997,556
BALANCES-END OF THE YEAR	$ 1,058,236	$ 124,656	$ 1,182,892
Reconciliation of operating income (loss) to net cash and cash equivalents provided by operating activities:			
Operating income (loss)	$ 49,387	$ (24,887)	$ 24,500
Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided by operating activities:			
Depreciation and amortization	513,683	44,347	558,030
Net pension liability activity	70,863	-	70,863
Net OPEB liability activity	(42,213)	-	(42,213)
Change in assets and liabilities:			
Receivables, net	(29,713)	-	(29,713)
Inventory	(4,437)	-	(4,437)
Customer deposits payable	3,771	-	3,771
Accounts and other payables	(25,393)	-	(25,393)
Accrued expenses	(9,418)	-	(9,418)
Net cash and cash equivalents provided by operating activities	$ 526,530	$ 19,460	$ 545,990
Reconciliation of total cash and cash equivalents:			
Current assets - cash and cash equivalents	$ 920,672	$ 124,656	$ 1,045,328
Restricted cash	137,564	-	137,564
Total cash and cash equivalents	$ 1,058,236	$ 124,656	$ 1,182,892

The accompanying notes are an integral
part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Russell Springs, Kentucky ("City") operates under a City Council form of government and has budgetary authority over the following functional areas: public safety, public service, water and sewer, and general administration, and for financial reporting purposes, all funds and account groups that are controlled by or dependent on the City, as determined on the basis of budget adoption, management oversight responsibility, and taxing authority.

A. Reporting Entity

Generally accepted accounting principles require governmental entities to determine the agencies or entities which comprise the government for financial reporting purposes; the criteria of oversight responsibility over such agencies or entities, special financing relationships, and scope of public service provided by the agencies or entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. A review of other agencies was performed in order to determine if they met the criteria as discussed above for inclusion in the City's financial statements. City management determined that no other agencies should be in the City's financial statements.

B. Basis of Presentation

The City's financial statements consist of the following:

Management's Discussion and Analysis (required supplementary information)
Basic Financial Statements
 Government-wide financial statements
 Fund financial statements
 Notes to financial statements
Budgetary Comparison and Pension/OPEB Schedules (required supplementary information)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, licenses, insurance premium taxes, and occupational taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Municipal Road Aid – accounts for receipts and expenditures from the state municipal aid program.

Special Revenue Fund – accounts for drug forfeitures and related expenditures.

The City reports the following major proprietary funds:

Water and Sewer Fund – is used to account for water, sewer, and sanitation activities.

Senior Citizens Fund – is used to account for activity related to the rental of land for use as the site for a senior citizens building.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

D. Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

E. Investments

Investments consist of certificates of deposit with an original maturity date of greater than 90 days.

F. Inventory

Inventory consists of water and sewer maintenance and repair parts and supplies. Inventory amounts are stated at cost.

G. Accounts Receivable - Proprietary Fund

The water and sewer accounts receivable are for services to customers. If a customer fails to pay within 25 days after the prior month's bill, their water service is terminated, and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved. Unbilled receivables represent the water and sewer usage from the end of the last billing cycle in June through the last day of the fiscal year. Typically, the billing cycle is cut off on the 15th of the month, and the usage from then until the last day of the month is not billed until the following month.

H. Allowance for Doubtful Accounts

The City has provided for an allowance for doubtful accounts for the year ended June 30, 2025, totaling $46,961 in the Water & Sewer Fund based upon the City’s estimate of the collectability of accounts receivable.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets, continued

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets and improvements are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are 5-40 years for infrastructure; 25-40 years for buildings; 10-40 years for improvements; and 5-20 years for vehicles and equipment.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

However, claims and judgments, the noncurrent portion of leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

L. Compensated Absences

City employees are allowed to accumulate sick leave and vacation time based on the City's approved policies. Regular full-time employees (40 hours per week) receive 8 hours of sick time per month. Sick leave may be accrued up to a maximum of 680 hours and is paid to the employee upon retirement. Vacation leave may be accrued up to a maximum of 240 hours and is paid to the employee upon retirement or termination of service with proper notice. Regular full-time employees also receive 16 hours of personal leave per year. Personal leave may not be accrued and is not paid to the employee upon retirement or termination of service.

The liability for these compensated absences is recorded as a current liability in the government-wide statements. Liabilities are calculated using the employee's current rate of pay and the total hours of accumulated leave.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences (continued)

The City follows GASB Statement No. 101, *Compensated Absences.* The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City implemented GASB Statement No. 101 during the fiscal year ending June 30, 2025. See Note 13 for the effect on the beginning fund balance/net position of the City as a result of implementing GASB Statement No. 101.

M. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms.

N. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

O. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Management's Review of Subsequent Events

The City evaluated and considered the need to recognize or disclose subsequent events through August 20, 2026, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2025, have not been evaluated by the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. The City breaks down both nonspendable and spendable fund balance components into the following components:

Nonspendable – amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision-making authority. For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

Assigned – for all governmental funds, other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted, or committed. For the General Fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

Unassigned – for the General Fund, amounts not classified as nonspendable, restricted, committed, or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed, or assigned.

S. Leases

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In addition, GASB 87 requires the lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See Note 4 for information regarding the City's lease receivables. As of June 30, 2025, the City does not have any lease liabilities.

T. Subscription-based Information Technology Arrangements (SBITA)

Effective July 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. As of June 30, 2025, the City does not have any subscription-based assets or liabilities.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

The City of Russell Springs' deposits and investments at June 30, 2025, were fully covered by federal depository insurance and pledged collateral. The book balances of the City's deposits were $3,948,587, and the bank balances were $4,432,823. As of June 30, 2025, the City had deposits totaling $1,218,058 that were covered by FDIC insurance and $3,214,765 covered by collateral pledged by the bank and held in the City's name.

Statement of Cash Flow

The Water & Sewer Fund Statement of Cash Flows includes as cash and cash equivalents all cash restricted or unrestricted as follows:

Cash	$ 920,672
Cash-Restricted	137,564
Total cash and cash equivalents	$ 1,058,236

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2025, for all funds of the City is as follows:

	Customer Accounts	Taxes	Licenses & Permits	Intergov.	Allowance	Total
General Fund	$ -	$ 5,672	$ 710,731	$ 79,081	$ -	$ 795,484
Water & Sewer	814,182	-	-	-	(46,961)	767,221
Totals	$ 814,182	$ 5,672	$ 710,731	$ 79,081	$ (46,961)	$ 1,562,705

4. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

The City follows the requirements of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. The City entered into an agreement with Verizon Wireless on August 11, 2021, which resulted in the City recognizing both a lease receivable and a deferred inflow of resources related to a cell phone tower lease agreement totaling $162,642. The lease agreement has an initial term of five years, with two five-year renewal options at the option of the lessee. The City has calculated the present value of future lease payments based on an incremental borrowing rate of 2.75%. The present value of expected future minimum leases payments is as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 9,132	$ 3,536	$ 12,668
2027	9,581	3,279	12,860
2028	10,042	3,010	13,052
2029	10,525	2,727	13,252
2030	11,024	2,432	13,456
2031-2035	63,146	7,222	70,368
2036-2037	19,262	378	19,640
Total	$ 132,712	$ 22,584	$ 155,296

Additionally, the City recognized deferred inflows of resources related to the above lease that totaled $132,712 as of June 30, 2025. The deferred inflows of resources will be recognized over the term of the lease agreement as lease revenue. During 2025, the City recognized $4,863 of interest revenue and $8,700 of lease revenue from the lease agreement.

5. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not depreciated:				
Land	$ 1,363,793	$ 13,000	$ -	$ 1,376,793
Construction in progress	-	-	-	-
Total assets not depreciated	1,363,793	13,000	-	1,376,793
Capital assets that are depreciated:				
Buildings and improvements	2,989,642	-	-	2,989,642
Vehicles	1,622,443	180,232	(108,163)	1,694,512
Equipment	1,175,086	69,617	-	1,244,703
Infrastructure assets	211,622	79,081	-	290,703
Total depreciable capital assets	5,998,793	328,930	(108,163)	6,219,560
Total capital assets	7,362,586	341,930	(108,163)	7,596,353
Less accumulated depreciation:				
Buildings and improvements	1,209,653	81,713	-	1,291,366
Vehicles	1,194,018	175,695	(108,163)	1,261,550
Equipment	482,243	115,570	-	597,813
Infrastructure assets	20,714	6,938	-	27,652
Totals	2,906,628	379,916	(108,163)	3,178,381
Capital assets, net	$ 4,455,958	$ (37,986)	$ -	$ 4,417,972
Business-type Activities				
Capital assets:				
Land	$ 189,999	$ -	$ -	$ 189,999
Construction in progress	21,000	305,291	-	326,291
Water and sewer system	17,671,505	144,732	(8,016)	17,808,221
Buildings	1,376,557	-	-	1,376,557
Vehicle and equipment	1,094,994	-	(5,200)	1,089,794
Totals	20,354,055	450,023	(13,216)	20,790,862
Less accumulated depreciation	12,403,643	558,030	(6,938)	12,954,735
Capital assets, net	$ 7,950,412	$ (108,007)	$ (6,278)	$ 7,836,127

Depreciation expense was charged to the Governmental functions as follows:

General government	$ 110,981
Police and ABC	98,683
Fire	61,649
Highways and streets	108,603
Total depreciation expense	$ 379,916

6. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

Direct Borrowing - Notes Payable

In a previous year, the City entered into a promissory note agreement with a local bank for the purchase of a fire truck. The note bore interest at 3.00% and was scheduled to mature in fiscal year 2026, but the City paid the note off early in fiscal year 2025. At June 30, 2025, the principal balance of the note was $0.

On March 4, 2020, the City entered into a promissory note agreement with a local bank to finance construction of a new police building. The note bears interest at 3.00% and is scheduled to mature in March 2040. Construction began in fiscal year 2020 and was completed in fiscal year 2021, with the amount borrowed totaling $490,265. Principal payments began in April 2021. At June 30, 2025, the principal balance of the note was $399,081.

On July 28, 2022, the City entered into a promissory note agreement with a local bank to finance the purchase of land. The note bears interest at 2.75% and is scheduled to mature in July 2042. At June 30, 2025, the principal balance of the note was $1,263,613.

The future payments on the promissory notes are summarized as follows:

	Principal	Interest	Total
2026	$ 81,673	$ 45,672	$ 127,345
2027	84,007	43,339	127,346
2028	86,379	40,967	127,346
2029	88,875	38,471	127,346
2030	91,414	35,932	127,346
2031-2035	497,758	138,970	636,728
2036-2040	544,936	63,948	608,884
2041-2043	187,652	5,642	193,294
	$ 1,662,694	$ 412,941	$ 2,075,635

A summary of changes in governmental long-term debt follows:

	July 1, 2024	Additions	Retirements	June 30, 2025
Fire Truck Notes Payable	$ 20,727	$ -	$ (20,727)	$ -
Police Building Notes Payable	421,310	-	(22,229)	399,081
SK Lane Notes Payable	1,320,789	-	(57,176)	1,263,613
Net Pension Liability	3,324,244	-	(797,669)	2,526,575
Net OPEB Liability	69,100	-	(28,684)	40,416
Total	$ 5,156,170	$ -	$ (926,485)	$ 4,229,685

7. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

Direct Placement - Revenue Bonds

On September 25, 2019, the City issued Revenue Bonds, Series 2019B totaling $1,770,000 to advance refund previously issued bonds. The Series 2019B bonds bear interest at 3% with a maturity date of February 1, 2037. At June 30, 2025, the principal balance of the bonds was $ 1,139,168.

Direct Borrowing - Notes Payable

In a previous year, the City entered into a promissory note agreement with the Kentucky Infrastructure Authority to finance a manhole project. The note bears interest at 1.00% and is scheduled to mature in 2034. At June 30, 2025, the principal balance of the note was $323,482.

In 2022, the City entered into a promissory note agreement with the Kentucky Infrastructure Authority to finance a sewer rehab project. The note bears interest at .25% and is scheduled to mature in 2043. At June 30, 2025, the principal balance of the note was $261,104.

On May 24, 2023, the City entered into a promissory note agreement with a local bank to finance the purchase of an excavator. The note bears interest at 3.95% and is scheduled to mature in 2028. At June 30, 2025, the principal balance of the note was $75,528.

The annual debt service requirements to maturity, including principal and interest for bonds and notes payable as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2026	$ 176,414	$ 31,984	$ 4,441	$ 212,839
2027	171,911	28,537	4,084	204,532
2028	175,362	25,166	3,741	204,269
2029	152,479	21,707	3,392	177,578
2030	152,851	19,235	3,034	175,120
2031-2035	771,649	55,312	9,657	836,618
2036-2040	147,559	3,469	1,840	152,868
2041-2044	51,057	251	201	51,509
	$ 1,799,282	$ 185,661	$ 30,390	$ 2,015,333

A summary of changes in business-type activities long-term debt follows:

	July 1, 2024	Additions	Retirements	June 30, 2025
Direct Placement - Revenue Bonds	$ 1,249,168	$ -	$ (110,000)	$ 1,139,168
Bond Premium	5,474	-	(473)	5,001
Notes Payable	728,493	-	(68,379)	660,114
Net Pension Liability	1,198,429	-	(73,538)	1,124,891
Total Debt	$ 3,181,564	$ -	$ (252,390)	$ 2,929,174

7. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (CONTINUED)

Revenue Bonds and Notes Payable, continued

Bond Ordinance Restrictions

The bond ordinances require that certain reserves be created and maintained as follows:

Debt Service Reserve - This reserve is required to have 125% of the maximum annual principal and interest requirements.

Sinking Fund - This reserve is required to receive a monthly transfer of 1/6 of the next interest payment and 1/12 of the next principal payment.

As of June 30, 2025, the City set aside in separate accounts $387,564 for the reserve requirements.

As of June 30, 2025, the City met all reserve requirements related to the bonds.

8. RETIREMENT PLAN

CERS

The City of Russell Springs is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the CERS. The plan issues publicly available financial statements which may be downloaded from the KPPA website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee’s wages for non-hazardous job classifications and 38.61% of each employee’s wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 9. Plan members’ contributions were allocated 19.71% to the pension trust for non-hazardous job classifications and 36.49% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of KPPA are financed through employer contributions and investment earnings.

8. RETIREMENT PLAN (CONTINUED)

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications.

Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2025, the City contributed $227,943, or 100% of the required contribution for non-hazardous job classifications, which was allocated $227,943 to the CERS pension fund and $0 to the CERS insurance fund. The City contributed $171,627, or 100% of the required contribution for hazardous job classifications, which was allocated $162,203 to the CERS pension fund and $9,424 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 1 month of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement, and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

8. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net Pension Liability	Non-hazardous	Hazardous
$ 3,651,466	$ 2,159,651	$ 1,491,815

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024, was as follows:

Non-hazardous	Hazardous
.036%	.058%

The proportionate share at June 30, 2024, relative to June 30, 2023, decreased for non-hazardous by .004% and decreased for hazardous by .014%.

For the year ended June 30, 2025, the City recognized pension expense of $83,975. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 201,465	$ -
Changes of assumptions	-	181,769
Net difference between projected and actual earnings on Plan investments	-	218,476
Changes in proportion and differences between City contributions and proportionate share of contributions	181,146	530,943
City contributions subsequent to the measurement date	386,063	-
Total	$ 768,674	$ 931,188

The $386,063 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2026	$ (266,913)
2027	$ (67,072)
2028	$ (158,298)
2029	$ (56,294)

8. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions – The total pension liability reported at June 30, 2024, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity	**20.00%**	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	**20.00%**	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	**100.00%**	**4.69%**
Long term inflation assumption		**2.50%**
Expected nominal return for portfolio		**7.19%**

8. RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	**City's proportionate share of net pension liability**	**Discount rate**	**City's proportionate share of net pension liability**
1% decrease	5.50%	$ 2,784,143	5.50%	$ 1,920,556
Current discount rate	6.50%	$ 2,159,651	6.50%	$ 1,491,815
1% increase	7.50%	$ 1,641,487	7.50%	$ 1,141,771

Payable to the Pension Plan – At June 30, 2025, the City reported a payable of $41,018 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025. The payable includes both the pension and insurance contribution allocation.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 8, the City of Russell Springs participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2025, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.12% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of KPPA are financed through employer contributions and investment earnings.

For the year ended June 30, 2025, the City contributed $0, or 100% of the required contribution for non-hazardous job classifications, and $9,424, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date	Before September 1, 2008, but after July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date	After September 1, 2008, and before December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities (Assets), Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the City reported a liability (asset) for its proportionate share of the net OPEB liability (asset) as follows:

Total Net OPEB Liability (Asset)	Non-hazardous	Hazardous
$ 7,849	$ (62,527)	$ 70,376

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined.

The City's proportionate share at June 30, 2024, was as follows:

Non-hazardous	Hazardous
.036%	.058%

The proportionate share at June 30, 2024, relative to June 30, 2023, decreased for non-hazardous by .004% and decreased for hazardous by .014%.

For the year ended June 30, 2025, the City recognized OPEB expense of $(219,249). At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 53,746	$ 749,558
Changes of assumptions	104,392	106,055
Net difference between projected and actual earnings on Plan investments	-	101,283
Changes in proportion and differences between City contributions and proportionate share of contributions	98,602	194,698
City contributions subsequent to the measurement date	25,357	-
Total	$ 282,097	$ 1,151,594

The $25,357 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. This includes adjustments of $16,949 for the nonhazardous implicit subsidy and $(968) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2026	$ (309,211)
2027	$ (247,924)
2028	$ (245,305)
2029	$ (83,409)
2030	$ (9,005)

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions – The total OPEB liability reported at June 30, 2024, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous	
Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Post – 65:	Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years
Hazardous	
Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Post – 65:	Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity	**20.00%**	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	**20.00%**	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	**100.00%**	**4.69%**
Long term inflation assumption		**2.50%**
Expected nominal return for portfolio		**7.19%**

Discount Rate – The discount rate used to measure the total OPEB liability was 5.99% and 6.02% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2024. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	**City's proportionate share of net OPEB liability (asset)**	**Discount rate**	**City's proportionate share of net OPEB liability (asset)**
1% decrease	4.99%	$ 84,544	5.02%	$ 194,487
Current discount rate	5.99%	$ (62,527)	6.02%	$ 70,376
1% increase	6.99%	$ (186,185)	7.02%	$ (33,342)

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous	Hazardous
	City's proportionate share of net OPEB liability (asset)	**City's proportionate share of net OPEB liability (asset)**
1% decrease	$ (150,433)	$ (10,910)
Current trend rate	$ (62,527)	$ 70,376
1% increase	$ 39,877	$ 165,382

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

10. PROPERTY TAX CALENDAR

Property taxes are a significant portion of the General Fund revenues. The property tax calendar is as follows:

Levy Date	January 1
Collection Date	October 1
Due Date	November 30, 2% discount
Lien Date	January 1 of year following Levy Date

11. RISK MANAGEMENT

The City is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, employee injury, fiduciary responsibility, etc. Each of these risks areas is covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated which include worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of June 30, 2025, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 214,616	$ -
Water and Sewer Fund	-	199,025
Senior Citizens Fund	-	15,591
Totals	$ 214,616	$ 214,616

13. RESTATEMENT OF NET POSITION

During fiscal year 2025, the City implemented GASB Statement No. 101, *Compensated Absences,* as described more fully in Note 1. As outlined in GASB Statement No. 101, accrued compensated absences were restated for remeasurement of accrued vacation, sick, and personal leave and the employer portion of FICA and Medicare taxes related to compensated absences for the year ended June 30, 2025. This remeasurement impacted only the General Fund and the Water and Sewer Fund. All other funds of the City were not impacted by the implementation of GASB No. 101. On the government-wide financial statements, both governmental activities and business-type activities were impacted.

In addition, governmental activities on the government-wide financial statements were impacted by a restatement to record an addition to a capital project that was completed during fiscal year 2024 but not appropriately recognized as a fixed asset and depreciated.

Restated beginning fund balance/net position is summarized as follows:

General Fund	
Fund balance, at beginning of year	$ 1,896,090
Restatement for GASB 101	47,105
Fund balance, at beginning of year, as restated	$ 1,943,195
Water and Sewer Fund	
Net position, at beginning of year	$ 6,291,356
Restatement for GASB 101	(63,073)
Net position, at beginning of year, as restated	$ 6,228,283
Governmental Activities	
Net position, at beginning of year	$ 757,398
Restatement for GASB 101	(117,164)
Restatement for fixed assets	12,765
Net position, at beginning of year, as restated	$ 652,999
Business-type Activities	
Net position, at beginning of year	$ 7,057,148
Restatement for GASB 101	(63,073)
Net position, at beginning of year, as restated	$ 6,994,075

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
MAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2025

GENERAL FUND

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Taxes	$ 458,004	$ 673,374	$ 450,697	$ (222,677)
Licenses and permits	2,775,691	3,017,458	3,302,985	285,527
Intergovernmental	260,187	299,789	184,672	(115,117)
Fines and forfeitures	27,148	(148,468)	7,388	155,856
Other revenues	532,401	473,365	182,899	(290,466)
Total Revenues	4,053,431	4,315,518	4,128,641	(186,877)
EXPENDITURES				
Current:				
General government	1,349,900	1,288,400	1,260,015	(28,385)
Police and ABC	1,449,500	1,143,800	1,104,394	(39,406)
Fire	239,300	125,200	144,248	19,048
Culture and recreation	1,251,199	1,119,322	615,221	(504,101)
Highways and streets	331,300	(8,266)	147,651	155,917
Cemetery	55,494	10,000	1,013	(8,987)
Capital outlay	323,121	251,237	341,929	90,692
Debt service	168,000	168,000	150,668	(17,332)
Total Expenditures	5,167,814	4,097,693	3,765,139	(332,554)
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	28,980	28,980
Proceeds from sale of assets	49,374	49,374	37,500	(11,874)
Total Other Financing Sources (Uses)	49,374	49,374	66,480	17,106
Net Change In Fund Balance	$ (1,065,009)	$ 267,199	$ 429,982	$ 162,783

MUNICIPAL ROAD AID

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Intergovernmental	$ 59,000	$ 114,360	$ 36	$ (114,324)
Other revenues	-	33	-	(33)
Total Revenues	59,000	114,393	36	(114,357)
EXPENDITURES				
Highways and streets	152,600	-	-	-
Total Expenditures	152,600	-	-	-
Excess (Deficiency) of Revenues over Expenditures	$ (93,600)	$ 114,393	$ 36	$ (114,357)

DRUG FORFEITURE

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Other revenues	$ 10,000	$ 13,848	$ 13,782	$ (66)
Total Revenues	10,000	13,848	13,782	(66)
EXPENDITURES				
Police and ABC	26,016	500	434	(66)
Total Expenditures	26,016	500	434	(66)
Excess (Deficiency) of Revenues over Expenditures	$ (16,016)	$ 13,348	$ 13,348	$ -

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Ten Years

Reporting Fiscal Year (Measurement Date)	**2016 (2015)**	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**	**2024 (2023)**	**2025 (2024)**
City's proportion of the net pension liability	0.029%	0.028%	0.029%	0.030%	0.032%	0.033%	0.036%	0.038%	0.040%	0.036%
City's proportionate share of the net pension liability (asset)	$ 1,246,916	$ 1,395,161	$ 1,718,999	$ 1,834,948	$ 2,267,524	$ 2,550,632	$ 2,294,262	$ 2,713,120	$ 2,575,843	$ 2,159,651
City's covered employee payroll	$ 634,516	$ 678,576	$ 714,607	$ 714,607	$ 814,786	$ 863,623	$ 917,899	$ 1,034,515	$ 1,221,896	$ 1,130,672
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	196.51%	205.60%	240.55%	256.78%	278.30%	295.34%	249.95%	262.26%	210.81%	191.01%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	61.61%

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Ten Years

Reporting Fiscal Year (Measurement Date)	**2016 (2015)**	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**	**2024 (2023)**	**2025 (2024)**
City's proportion of the net pension liability	0.066%	0.076%	0.078%	0.085%	0.084%	0.079%	0.066%	0.064%	0.072%	0.058%
City's proportionate share of the net pension liability (asset)	$ 1,018,235	$ 1,308,471	$ 1,744,585	$ 2,045,168	$ 2,321,046	$ 2,385,852	$ 1,744,140	$ 1,940,910	$ 1,946,830	$ 1,491,815
City's covered employee payroll	$ 353,949	$ 394,788	$ 428,358	$ 428,358	$ 476,625	$ 455,148	$ 388,147	$ 414,235	$ 413,530	$ 428,511
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	287.68%	331.44%	407.27%	477.44%	486.98%	524.19%	449.35%	468.55%	470.78%	348.14%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	41.11%	52.26%	47.11%	52.96%	57.05%

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	$ 84,279	$ 99,688	$ 103,475	$ 132,156	$ 164,402	$ 177,155	$ 235,663	$ 285,924	$ 263,899	$ 227,943
Contributions relative to contractually required employer contribution	84,279	99,688	103,475	132,156	164,402	177,155	235,663	285,924	263,899	227,943
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ 678,576	$ 714,607	$ 714,607	$ 814,786	$ 863,623	$ 917,899	$ 1,034,515	$ 1,221,896	$ 1,130,672	$ 1,156,484
Employer contributions as a percentage of covered-employee payroll	12.42%	13.95%	14.48%	16.22%	19.04%	19.30%	22.78%	23.40%	23.34%	19.71%

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	$ 79,984	$ 92,977	$ 95,095	$ 118,489	$ 138,974	$ 116,677	$ 147,467	$ 179,120	$ 176,161	$ 162,203
Contributions relative to contractually required employer contribution	79,984	92,977	95,095	118,489	138,974	116,677	147,467	179,120	176,161	162,203
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ 394,788	$ 428,358	$ 428,358	$ 476,625	$ 455,148	$ 388,147	$ 414,235	$ 413,530	$ 428,511	$ 444,514
Employer contributions as a percentage of covered-employee payroll	20.26%	21.71%	22.20%	24.86%	30.53%	30.06%	35.60%	43.31%	41.11%	36.49%

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Nine Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**	**2024 (2023)**	**2025 (2024)**
City's proportion of the net OPEB liability	0.029%	0.029%	0.030%	0.032%	0.033%	0.036%	0.038%	0.040%	0.036%
City's proportionate share of the net OPEB liability (asset)	$ 463,090	$ 590,397	$ 534,934	$ 542,145	$ 802,786	$ 688,763	$ 740,541	$ (55,423)	$ (62,527)
City's covered employee payroll	$ 678,576	$ 714,607	$ 714,607	$ 814,786	$ 863,623	$ 917,899	$ 1,034,515	$ 1,221,896	$ 1,130,672
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	68.24%	82.62%	74.86%	66.54%	92.96%	75.04%	71.58%	-4.54%	-5.53%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%

The above schedule will present 10 years of historical data, once available.

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Nine Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**	**2024 (2023)**	**2025 (2024)**
City's proportion of the net OPEB liability	0.031%	0.078%	0.085%	0.084%	0.079%	0.066%	0.064%	0.072%	0.058%
City's proportionate share of the net OPEB liability (asset)	$ 385,185	$ 644,622	$ 602,950	$ 621,575	$ 731,032	$ 529,736	$ 541,534	$ 98,737	$ 70,376
City's covered employee payroll	$ 394,788	$ 428,358	$ 428,358	$ 476,625	$ 455,148	$ 388,147	$ 414,235	$ 413,530	$ 428,511
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	97.57%	150.49%	140.76%	130.41%	160.61%	136.48%	130.73%	23.88%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%	93.53%

The above schedule will present 10 years of historical data, once available.

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	$ 31,486	$ 33,801	$ 33,587	$ 42,858	$ 40,547	$ 43,692	$ 43,139	$ 41,422	$ -	$ -
Contributions relative to contractually required employer contribution	31,486	33,801	33,587	42,858	40,547	43,692	43,139	41,422	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ 678,576	$ 714,607	$ 714,607	$ 814,786	$ 863,623	$ 917,899	$ 1,034,515	$ 1,221,896	$ 1,130,672	$ 1,156,484
Employer contributions as a percentage of covered-employee payroll	4.64%	4.73%	4.70%	5.26%	4.69%	4.76%	4.17%	3.39%	0.00%	0.00%

CITY OF RUSSELL SPRINGS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	$ 50,099	$ 40,051	$ 45,038	$ 49,903	$ 44,013	$ 36,952	$ 36,163	$ 25,950	$ 11,056	$ 9,424
Contributions relative to contractually required employer contribution	50,099	40,051	45,038	49,903	44,013	36,952	36,163	25,950	11,056	9,424
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ 394,788	$ 428,358	$ 428,358	$ 476,625	$ 455,148	$ 388,147	$ 414,235	$ 413,530	$ 428,511	$ 444,514
Employer contributions as a percentage of covered-employee payroll	12.69%	9.35%	10.51%	10.47%	9.67%	9.52%	8.73%	6.28%	2.58%	2.12%

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2024 – Pension and OPEB - Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.

June 30, 2023 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by 0.20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by 0.20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.80%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2022 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7.00% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5.00% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.30% to 10.30% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 2.00%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

SUPPLEMENTARY INFORMATION

CITY OF RUSSELL SPRINGS, KENTUCKY
SCHEDULE OF WATER AND SEWER ACTIVITIES
for the year ended June 30, 2025

	Water Services	Sewer Services	Sanitation Services	Total
OPERATING REVENUES				
Charges for services	$ 2,990,520	$ 1,194,873	$ 188,678	$ 4,374,071
Penalties	60,170	-	-	60,170
Other revenue	50,639	47,135	-	97,774
Total operating revenues	3,101,329	1,242,008	188,678	4,532,015
OPERATING EXPENSES				
Salaries and wages	387,650	134,109	-	521,759
Payroll taxes	31,782	10,583	-	42,365
Motor fuels	19,230	14,612	-	33,842
Depreciation and amortization	259,370	254,313	-	513,683
Maintenace	25,462	104,942	-	130,404
Utilities	43,236	67,066	-	110,302
Employee benefits	247,012	67,057	-	314,069
Insurance	59,813	-	-	59,813
Supplies	291,757	100,837	-	392,594
Office supplies	3,228	-	-	3,228
Professional fees	20,529	14,564	-	35,093
Advertising and printing	1,076	74	-	1,150
Lab analysis	5,380	-	-	5,380
Water purchases	1,026,222	-	-	1,026,222
Surcharge - Sewer and Garbage	-	1,009,365	160,752	1,170,117
Uniform allowance	6,296	3,597	-	9,893
Dues and subscriptions	4,055	-	-	4,055
Contractual services	16,197	5,418	-	21,615
Travel and lodging	-	358	-	358
Miscellaneous	35,525	1,878	-	37,403
Communications and postage	46,143	3,140	-	49,283
Total operating expenses	2,529,963	1,791,913	160,752	4,482,628
Operating income (loss)	$ 571,366	$ (549,905)	$ 27,926	$ 49,387

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and the City Council
City of Russell Springs, Kentucky

We have audited, in accordance with the 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, the 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, 2025, and the related notes to the financial statements, which collectively comprise the City of Russell Springs, Kentucky's basic financial statements and have issued our report thereon dated August 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Russell Springs, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Russell Springs, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Russell Springs, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001, that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Russell Springs, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Russell Springs, Kentucky's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Russell Springs, Kentucky's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of Russell Springs, Kentucky's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
August 20, 2026

CITY OF RUSSELL SPRINGS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2025

2025-001 – Material Misstatements

Criteria**:** The City is required to have internal controls over the period-end financial reporting process that enable the City to produce financial records that are in accordance with generally accepting accounting principles.

Condition: During the audit, we identified material misstatements related to a grant receivable and a construction payable that were not identified by the City's internal controls over financial reporting.

Cause: The City's internal control procedures did not include adequate review of activity prior and subsequent to the end of the fiscal year. Additionally, the City's internal control procedures related to the bank reconciliation process were not operating effectively to catch one of the oversights resulting from this inadequate review.

Effect: The City failed to identify and record a receivable related to a grant for road repaving. The City also incorrectly recorded a payable for a construction expense that was paid prior to the end of the fiscal year. Audit adjustments to the City's accounting records were required to accurately report outstanding grant receivables and construction payables as of fiscal year end.

Recommendation: We recommend the City implement stronger controls and monitoring procedures over the period-end financial reporting process, including the recording of receivables and payables and the performance of bank reconciliations. Management should ensure that finance personnel receive adequate training on identifying and accounting for receivables and payables and correctly and effectively completing bank reconciliations.

Management's Response: The City agrees with the finding and has recorded the necessary audit adjustments. The City will strengthen its year-end review of receivables, payables, and subsequent transactions, improve its bank reconciliation procedures, and provide additional training to finance personnel to help prevent similar errors in the future.