

**CITY OF BUNKER HILL, KANSAS**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
**For the Year Ended December 31, 2011**

**CITY OF BUNKER HILL, KANSAS**

**For the Year Ended December 31, 2011**

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Shareholder

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Shareholder

James Malone, CPA

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and City Council  
City of Bunker Hill  
Bunker Hill, Kansas

We have audited the accompanying financial statements of the City of Bunker Hill, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Bunker Hill, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative information has been derived from the City's 2010 financial statements and, in our report dated October 24, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the City of Bunker Hill, Kansas, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Bunker Hill, Kansas, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Bunker Hill, Kansas, as of December 31, 2011, and its cash receipts and expenditures or disbursements, and budgetary comparisons for the year then ended, on the basis of accounting described in Note A.

A handwritten signature in blue ink, appearing to read "Gudenkauf Malone Inc".

Gudenkauf & Malone, Inc.  
Russell, Kansas  
November 6, 2012

CITY OF BUNKER HILL, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH  
For the Year Ended December 31, 2011

Statement 1

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund	\$ 162,161	-	\$ 73,991	\$ 90,742	\$ 145,410	\$ 10,835	\$ 156,245
Special Revenue Funds:							
Special Highway	-	-	2,440	2,440	-	-	-
Special Lighting	2,850	-	6,581	5,278	4,153	441	4,594
Debt Service Fund:							
Water Principal and Interest Fund	1,657	-	8,700	9,600	757	-	757
Proprietary Type Funds:							
Enterprise Funds							
Water Fund	2,024	-	29,236	25,744	5,516	306	5,822
Sanitation Fund	1,542	-	11,926	11,844	1,624	-	1,624
Lift Station	15,988	-	5,976	13,367	8,597	1,974	10,571
Water Surplus Fund	500	-	-	-	500	-	500
Water Depreciation Fund	5,000	-	-	-	5,000	-	5,000
Bond Reserve Fund	9,120	-	-	-	9,120	-	9,120
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 200,842</u>	<u>\$ -</u>	<u>\$ 138,850</u>	<u>\$ 159,015</u>	<u>\$ 180,677</u>	<u>\$ 13,556</u>	<u>\$ 194,233</u>
Composition of Cash:							
United National Checking							\$ 44,000
United National Money Market							100,233
United National CD							50,000
Total							<u>\$ 194,233</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BUNKER HILL, KANSAS**

**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
(Budgeted Funds Only)  
For the Year Ended December 31, 2011**

**Statement 2**

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Under (Over)
<b>Governmental Type Funds:</b>					
General Fund	\$ 150,625	\$ -	\$ 150,625	\$ 90,742	\$ 59,883
<b>Special Revenue Funds:</b>					
Special Highway	3,000	-	3,000	2,440	560
Special Lighting	12,218	-	12,218	5,278	6,940
<b>Debt Service Fund:</b>					
Water Principal and Interest Fund	9,600	-	9,600	9,600	-
<b>Proprietary Type Funds:</b>					
<b>Enterprise Funds</b>					
Water Fund	41,734	-	41,734	25,744	15,990
Sanitation Fund	20,776	-	20,776	11,844	8,932
Lift Station Fund	20,327	-	20,327	13,367	6,960
 Total	 <u>\$ 258,280</u>	 <u>\$ -</u>	 <u>\$ 258,280</u>	 <u>\$ 159,015</u>	 <u>\$ 99,265</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BUNKER HILL, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**For the Year Ended December 31, 2011**  
**(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)**

**GENERAL FUND**

Statement 3  
1 of 8

		2011		
	2010	Actual	Budget	Variance - Under (Over)
Cash receipts				
Ad valorem tax	\$ 25,009	\$ 45,532	\$ 25,595	\$ 19,937
Delinquent tax	4	75	-	75
Motor vehicle tax	4,502	4,835	4,861	(26)
Local sales tax	4,085	4,670	17,500	(12,830)
Franchise tax	2,084	1,526	2,500	(974)
Sales use tax	8,368	9,564	-	9,564
Interest	635	493	490	3
Tower Lease	-	-	1,500	(1,500)
Miscellaneous	331	4,856	-	4,856
Reimbursement	<u>2,471</u>	<u>2,440</u>	<u>1,500</u>	<u>940</u>
 Total cash receipts	 <u>47,489</u>	 <u>73,991</u>	 <u>\$ 53,946</u>	 <u>\$ 20,045</u>
 Expenditures				
Personal services	11,580	12,522	15,000	2,478
Contractual	13,970	19,821	30,000	10,179
Commodities	1,642	2,774	19,700	16,926
Streets	300	-	45,000	45,000
Transfer to water principal and interest fund	2,475	-	-	-
Capital outlay	<u>11,355</u>	<u>55,625</u>	<u>40,925</u>	<u>(14,700)</u>
 Total expenditures	 <u>41,322</u>	 <u>90,742</u>	 <u>\$ 150,625</u>	 <u>\$ 59,883</u>
 Receipts over (under) expenditures	 6,167	 (16,751)		
 Unencumbered cash, beginning	 <u>155,994</u>	 <u>162,161</u>		
 Unencumbered cash, ending	 <u>\$ 162,161</u>	 <u>\$ 145,410</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF BUNKER HILL, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)**

**SPECIAL HIGHWAY FUND**

**Statement 3  
2 of 8**

		2011		
	2010	Actual	Budget	Variance - Under (Over)
Cash receipts				
State	\$ 2,471	\$ 2,440	\$ 3,000	\$ (560)
Total cash receipts	<u>2,471</u>	<u>2,440</u>	<u>\$ 3,000</u>	<u>\$ (560)</u>
Expenditures				
Street Repair	<u>2,471</u>	<u>2,440</u>	<u>3,000</u>	<u>560</u>
Total expenditures	<u>2,471</u>	<u>2,440</u>	<u>\$ 3,000</u>	<u>\$ 560</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>-</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ -</u>	<u>\$ -</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF BUNKER HILL, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)**

**SPECIAL LIGHTING FUND**

Statement 3  
3 of 8

		2011		Variance - Under (Over)
	2010	Actual	Budget	
Cash receipts				
Franchise Tax	\$ 6,586	\$ 6,581	\$ 9,000	\$ (2,419)
Total cash receipts	<u>6,586</u>	<u>6,581</u>	<u>\$ 9,000</u>	<u>\$ (2,419)</u>
Expenditures				
Contractual	<u>5,967</u>	<u>5,278</u>	<u>12,218</u>	<u>6,940</u>
Total expenditures	<u>5,967</u>	<u>5,278</u>	<u>\$ 12,218</u>	<u>\$ 6,940</u>
Receipts over (under) expenditures	619	1,303		
Unencumbered cash, beginning	<u>2,231</u>	<u>2,850</u>		
Unencumbered cash, ending	<u>\$ 2,850</u>	<u>\$ 4,153</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF BUNKER HILL, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)**

**WATER PRINCIPAL AND INTEREST FUND**

Statement 3  
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		2011		
	2010	Actual	Budget	Variance - Under (Over)
Cash receipts				
Transfer from water fund	7,425	8,700	9,600	(900)
Transfer from general fund	\$ 2,475	\$ -	\$ -	\$ -
Total cash receipts	<u>9,900</u>	<u>8,700</u>	<u>\$ 9,600</u>	<u>\$ (900)</u>
Expenditures				
Principal	6,000	6,000	6,000	-
Interest	<u>3,900</u>	<u>3,600</u>	<u>3,600</u>	<u>-</u>
Total expenditures	<u>9,900</u>	<u>9,600</u>	<u>\$ 9,600</u>	<u>\$ -</u>
Receipts over (under) expenditures	-	(900)		
Unencumbered cash, beginning	<u>1,657</u>	<u>1,657</u>		
Unencumbered cash, ending	<u>\$ 1,657</u>	<u>\$ 757</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF BUNKER HILL, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)**

**WATER FUND**

**Statement 3  
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		2011		
	2010	Actual	Budget	Variance - Under (Over)
Cash receipts				
Water sales	\$ 26,675	\$ 26,736	\$ 35,000	\$ (8,264)
Deposits	255	-	-	-
Rent Income	-	2,400	-	2,400
Other Income	-	100	-	100
	<u>26,930</u>	<u>29,236</u>	<u>\$ 35,000</u>	<u>\$ (5,764)</u>
Expenditures				
Personal services	3,775	3,881	8,000	4,119
Contractual	14,312	6,741	5,000	(1,741)
Commodities	1,263	672	12,000	11,328
Deposit refunds	91	-	-	-
Transfer to water principal and interest fund	7,425	8,700	9,600	900
Capital outlay	-	5,750	7,134	1,384
	<u>26,866</u>	<u>25,744</u>	<u>\$ 41,734</u>	<u>\$ 15,990</u>
Receipts over (under) expenditures	64	3,492		
Unencumbered cash, beginning	<u>1,960</u>	<u>2,024</u>		
Unencumbered cash, ending	<u>\$ 2,024</u>	<u>\$ 5,516</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF BUNKER HILL, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

SANITATION FUND

Statement 3  
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	2010	2011		Variance - Under (Over)
		Actual	Budget	
Cash receipts				
Collections	\$ 11,814	\$ 11,926	\$ 17,500	\$ (5,574)
Total cash receipts	<u>11,814</u>	<u>11,926</u>	<u>\$ 17,500</u>	<u>\$ (5,574)</u>
Expenditures				
Contractual	<u>11,188</u>	<u>11,844</u>	<u>20,776</u>	<u>8,932</u>
Total expenditures	<u>11,188</u>	<u>11,844</u>	<u>\$ 20,776</u>	<u>\$ 8,932</u>
Receipts over (under) expenditures	626	82		
Unencumbered cash, beginning	<u>916</u>	<u>1,542</u>		
Unencumbered cash, ending	<u>\$ 1,542</u>	<u>\$ 1,624</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF BUNKER HILL, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

LIFT STATION FUND

Statement 3  
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	2010	2011		Variance - Under (Over)
		Actual	Budget	
Cash receipts				
Collections	\$ 6,320	\$ 5,976	\$ 7,500	\$ (1,524)
Total cash receipts	<u>6,320</u>	<u>5,976</u>	<u>\$ 7,500</u>	<u>\$ (1,524)</u>
Expenditures				
Personal services	3,775	3,881	5,000	1,119
Contractual	335	-	-	-
Commodities	1,874	281	5,000	4,719
Capital Outlay	-	8,791	10,327	1,536
Other	-	229	-	(229)
Permits	<u>185</u>	<u>185</u>	<u>-</u>	<u>(185)</u>
Total expenditures	<u>6,169</u>	<u>13,367</u>	<u>\$ 20,327</u>	<u>\$ 6,960</u>
Receipts over (under) expenditures	151	(7,391)		
Unencumbered cash, beginning	<u>15,837</u>	<u>15,988</u>		
Unencumbered cash, ending	<u>\$ 15,988</u>	<u>\$ 8,597</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF BUNKER HILL, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)**

**Statement 3  
8 of 8**

	<u>2010 Actual</u>	<u>2011 Actual</u>
<b>WATER SURPLUS FUND</b>		
Unencumbered cash, beginning	<u>\$ 500</u>	<u>\$ 500</u>
Unencumbered cash, ending	<u>\$ 500</u>	<u>\$ 500</u>
<b>DEPRECIATION FUND</b>		
Unencumbered cash, beginning	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Unencumbered cash, ending	<u>\$ 5,000</u>	<u>\$ 5,000</u>
<b>BOND RESERVE FUND</b>		
Unencumbered cash, beginning	<u>\$ 9,120</u>	<u>\$ 9,120</u>
Unencumbered cash, ending	<u>\$ 9,120</u>	<u>\$ 9,120</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF BUNKER HILL, KANSAS

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2011

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### FINANCIAL REPORTING ENTITY

The City of Bunker Hill, located in Russell County, Kansas, was incorporated in 1876. The City is governed under the Mayor-Council form of government. Bunker Hill provides a minimal range of municipal services, including general government administration, water, sewer, and refuse services for the residents of the City of Bunker Hill. The City is a Kansas municipal corporation with a six member City Council comprised of the Mayor and five at large members. These financial statements present the City of Bunker Hill and its component units, if any.

##### FUND ACCOUNTING

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City for the fiscal year ended December 31, 2011.

##### Governmental Funds

General Fund – To account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditures for specific purposes.

Debt Service Funds – The bond and interest funds are used to account for the accumulation of resources for, and the payment of, interest and principal on long-term debt.

##### Fiduciary Funds

Trust and Agency Funds – To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds.

**CITY OF BUNKER HILL, KANSAS**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations where it is the stated intent that costs of providing that service to the general public on a continuing basis be financed or recovered primarily through user charges.

STATUTORY BASIS OF ACCOUNTING

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligations bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**CITY OF BUNKER HILL, KANSAS**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

REIMBURSEMENTS

The City of Bunker Hill records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

**NOTE B – BUDGETARY INFORMATION**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include

**CITY OF BUNKER HILL, KANSAS**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2011**

**NOTE B – BUDGETARY INFORMATION – CONTINUED**

disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, and permanent funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**NOTE C – DEPOSITS AND INVESTMENTS**

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during

**CITY OF BUNKER HILL, KANSAS**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2011**

**NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED**

designated “peak periods” when required coverage is 50%. The City had no designated “peak periods.” All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$194,233 and the bank balance was \$196,265. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$196,265 was covered by federal depository insurance.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

**NOTE D – PROPERTY TAXES**

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County appraiser annually determines assessed valuations based on real estate transactions recorded by the Register of Deeds and personal property transactions reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are assessed on a calendar year basis and become a lien on property on November 1 of each year. The taxes are due one-half on December 20<sup>th</sup> and one-half the following May 10<sup>th</sup>. Any taxes unpaid at the due dates are considered delinquent.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes are not available as a source that can be used to finance the current operation of the City and therefore are not susceptible to accrual.

Undistributed taxes from the prior year levy are recognized as income in the current year. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

**CITY OF BUNKER HILL, KANSAS**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2011**

**NOTE E – INTERFUND TRANSACTIONS**

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Fund	Water Principal and Interest Fund	K.S.A. 12-825d	\$ 8,700

**NOTE F – RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss; torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverages in the past years.

**NOTE G – CONTINGENT LIABILITIES**

The City participates in certain federal and state assistance grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE H – COMPARATIVE DATA**

The amounts presented for 2010 in Statement 3 in the accompanying financial statements are included in order to provide an understanding of changes in the City's cash and unencumbered cash balances. However, complete data (i.e., presentation of prior year totals in Statement 1 and Statement 2) has not been presented since their inclusion would make certain statements unduly complex and difficult to read. Certain amounts for 2010 in Statement 3 may have been restated to conform to the presentation of similar amounts for 2011.

**NOTE I – RELATED PARTY TRANSACTIONS**

In a governmental entity, related parties include members of the governing body, board members, administrative officials, and immediate family of administrative officials, board members, and members of the governing body. The following are not required to be reported, but are presented for information only.

**CITY OF BUNKER HILL, KANSAS**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2011**

**NOTE I – RELATED PARTY TRANSACTIONS – CONTINUED**

Cook Construction	
Ryan Cook was Mayor/council member in 2011	\$ 4,006
Brian Pertl Mowing	
Brian Pertl is a council member	60
Tracey Kuntzsch Spraying	
Tracey Kuntzsch is a council member	200
Donna Hidde for flood map assistance	
Donna Hidde is city clerk	625
Paul Satchell Mowing	
Paul Satchell is the Utilities Superintendent	690
Paul Satchell for replacing pit & water meter at an address	
Paul Satchell is the Utilities Superintendent	50
Jeremy Nestler for work on lift station and water leak	
Jeremy Nestler is the road superintendent's son	185

**NOTE J – LONG-TERM DEBT**

Ordinance No. 183 authorizing the issuance of the revenue bonds contains the following requirements for the water fund:

1. Establish rates adequate to insure net income equal to at least 125% of the total principal and interest due each year. This requirement was met in 2011.
2. Establishment of separate funds to provide for the payment of principal and interest each year. This requirement was met in 2011.
3. Establishment of a bond reserve fund into which the City shall transfer funds to an accumulation of at least \$9,120. The reserve is to be used for the sole purpose of paying principal and interest on the debt when funds might not otherwise be available due to unforeseen circumstances. The balance in the reserve fund at December 31, 2011 was \$9,120. The ordinance requires a depreciation reserve fund to be accumulated to at least \$5,000. The balance in the depreciation reserve fund at December 31, 2011 was \$5,000. The ordinance also requires a surplus reserve fund to be established. The balance in the surplus reserve fund at December 31, 2011 was \$500.
4. A statement of the number of customers served is required by the ordinance. As of December 31, 2011, there were 76 meters in operation representing active customers.

**CITY OF BUNKER HILL, KANSAS**

**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2011**

**NOTE J – LONG TERM DEBT – CONTINUED**

5. The City is required to carry and maintain a record of all insurance on the water system. Property insurance consists of \$242,030 building, \$27,847 personal property, and \$256,428 water tower. In addition, the City carries \$1,000,000 general.

**NOTE K – SUBSEQUENT EVENTS**

Management has evaluated the effects on the financial statements of subsequent events occurring through November 5, 2012 which is the date at which the financial statements were available to be issued.

**NOTE L – USES OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF BUNKER HILL, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2011**

NOTE J - LONG-TERM DEBT - CONTINUED

Changes in long-term liabilities for the City of Bunker Hill For the Year Ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Financial Maturity	Balance Beginning of Year	Additions	Principal - Payments / Reductions	Interest Paid	Net Change	Balance End of Year
Revenue Bonds 1981 Series	5%	11/16/81	\$ 156,000	11/01/21	\$ 72,000	\$ -	\$ 6,000	\$ 3,600	\$ (6,000)	\$ 66,000

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	2012	2013	2014	2015	2016	2017-2021	Total
<b>PRINCIPAL</b>							
Revenue Bonds	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 7,000	\$ 35,000	\$ 66,000
Total Principal	6,000	6,000	6,000	6,000	7,000	35,000	66,000
<b>INTEREST</b>							
Revenue Bonds	3,300	3,000	2,700	2,400	2,100	5,250	18,750
Total Interest	3,300	3,000	2,700	2,400	2,100	5,250	18,750
Total Principal and Interest	\$ 9,300	\$ 9,000	\$ 8,700	\$ 8,400	\$ 9,100	\$ 40,250	\$ 84,750