

**CITY OF PHILLIPSBURG, KANSAS PUBLIC BUILDING COMMISSION**

**Phillipsburg, Kansas**

**FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT**

**December 31, 2011**

**MAPES & MILLER  
Certified Public Accountants  
Phillipsburg, Kansas 67661**

**CITY OF PHILLIPSBURG, KANSAS PUBLIC BUILDING COMMISSION  
Phillipsburg, Kansas**

**December 31, 2011**

**Commission Board**

**Fred Robinson – President**

**Shane Kinter – Vice President**

**Linda Flipse - Secretary**

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**Bret Miles**

**Mike James**

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CITY OF PHILLIPSBURG, KANSAS PUBLIC BUILDING COMMISSION  
Phillipsburg, Kansas

For the Year Ended December 31, 2011

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A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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## **INDEPENDENT AUDITOR'S REPORT**

### **Commission Members**

**City of Phillipsburg, Kansas Public Building Commission  
Phillipsburg, KS 67661**

**We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Phillipsburg, Kansas Public Building Commission, as of and for the year ended December 31, 2011, which comprises the basic financial statement of the Public Building Commission's government, as listed in the table of contents. This financial statement is the responsibility of the Public Building Commission's management. Our responsibility is to express an opinion on the financial statement based on our audit.**

**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 require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 1, the Public Building Commission has prepared this financial statement using 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 effects on the financial statement of the variances between these statutory 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 statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Public Building Commission as of December 31, 2011, or the respective changes in its financial position for the year then ended.**

Commission Board  
Phillipsburg, Kansas  
July 16, 2012  
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Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Public Building Commission, as of December 31, 2011, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The individual fund schedule of cash receipts and expenditures-actual (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the statutory 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Respectfully submitted,

*Mapes & Miller LLP*  
Certified Public Accountants

July 16, 2012  
Phillipsburg, Kansas

CITY OF PHILLIPSBURG, KANSAS PUBLIC BUILDING COMMISSION  
Phillipsburg, Kansas

Statement 1

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

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:							
Capital Projects Fund							
Swimming Pool Fund	\$ -	\$ -	\$ 3,240,998	\$ 3,249,571	\$ (8,573) *	\$ 2,791,174	\$ 2,782,601
Total Reporting Entity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,240,998</u>	<u>\$ 3,249,571</u>	<u>\$ (8,573)</u>	<u>\$ 2,791,174</u>	<u>\$ 2,782,601</u>
						Composition of Cash:	
						Checking Account	<u>\$ 2,782,601</u>
						Total Reporting Entity	<u>\$ 2,782,601</u>

\* See Note 3B

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

**CITY OF PHILLIPSBURG, KANSAS PUBLIC BUILDING COMMISSION**  
Phillipsburg, Kansas

**NOTES TO FINANCIAL STATEMENT**  
December 31, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The City of Phillipsburg, Kansas Public Building Commission, a component unit of the City of Phillipsburg, Kansas was formed on November 15, 2010. The Public Building Commission was formed to acquire sites for constructing, reconstructing, equipping and furnishing, or purchasing or otherwise acquiring, a building or buildings or other facilities of a revenue producing character and to maintain and operate such facilities for the benefit of the county, city, school district, state or federal government. The Commission members are made up of the City Council and Mayor.

Component Unit of the City of Phillipsburg – Public Building Commission was created under the provisions of the laws of the State of Kansas. The Public Building Commission of the City of Phillipsburg is considered a component unit of the City of Phillipsburg, Kansas. This is due to the City’s ability to appoint the Public Building Commission governing board.

Component Units of the Public Building Commission – Generally accepted accounting principles of the United States of America require that the financial statements present the accounts and operations of the Public Building Commission and its component units, entities for which the entity is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the entity’s operations. If component units exist, data from these units are combined with data from the Public Building Commission. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Public Building Commission. As of December 31, 2011, and for the fiscal year then ended, the Public Building Commission had no discretely presented component units or any component units required to be blended in these financial statements.

**FUND ACCOUNTING**

The accounts of the Public Building Commission are organized on the basis of funds. 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. Funds are classified into three categories: governmental, proprietary, and fiduciary. Within each of these three categories there are one or more fund types. The Public Building Commission uses the following fund type:

**Governmental Type Funds**

**Capital Projects Fund** – The capital projects fund is used to account for all financial resources segregated for the acquisition of major capital facilities (other than those financed by enterprise funds).

## **BASIS OF ACCOUNTING**

**Statutory Basis of Accounting** - The statutory basis of accounting, as used in the preparation of this statutory basis financial statement, 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 Public Building Commission 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 Public Building Commission 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. 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 in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the Public Building Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

## **REIMBURSEMENTS**

Reimbursements are defined as repayments of amounts remitted on behalf of another party. All reimbursements shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursement was directly tied to the amount of the original cash disbursement.

## **2. BUDGETARY INFORMATION**

A legal operating budget is not required for the Public Building Commission.



### **3. COMPLIANCE WITH KANSAS STATUTES**

- A. K.S.A. 10-1117 requires the Public Building Commission to maintain a record of each fund's indebtedness and contracts creating a liability against the Public Building Commission. The records did not include fund indebtedness and contracts for the year ended December 31, 2011, violating K.S.A. 10-1117.
- B. K.S.A. 10-1113 requires that no indebtedness be created for a fund in excess of available monies in that fund. The Public Building Commission was not in compliance with this statute. However, the Public Building Commission applied for, and was approved to receive local grants. Subsequent to year end, the Public Building Commission received the local grants in excess of the indebtedness.
- C. The Public Building Commission is not aware of any other noncompliance with Kansas Statutes.

### **4. DEPOSITS AND INVESTMENTS**

#### Deposits

As of December 31, 2011, the City of Phillipsburg, Kansas Public Building Commission had no investments. K.S.A. 9-1401 establishes the depositories which may be used by the Public Building Commission. The statute requires banks eligible to hold the Public Building Commission's funds have a main or branch bank in the county in which the Public Building Commission is located or in an adjoining County, if such an 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 Public Building Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Public Building Commission'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 Public Building Commission has no investment policy that would further limit its investment choices.

#### Concentration of Credit Risk

State statutes place no limit on the amount the Public Building Commission 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 Public Building Commission's deposits may not be returned to it. State statutes require the Public Building Commission'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 the designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the Public Building Commission's carrying amount of deposits was \$2,782,601 and the bank balance was \$2,782,601. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance \$250,000 was covered by federal depository insurance and \$2,532,601 was collateralized with securities held by the pledging institution's agent in the City's name.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Public Building Commission 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.

**5. CAPITAL PROJECTS**

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable to Date</u>
Swimming Pool	\$3,195,718	\$3,195,718

**6. OPERATING LEASE**

The Public Building Commission entered into a lease agreement, dated September 1, 2011, leasing the swimming pool recreational facility to the City of Phillipsburg. The lease agreement provides for semi-annual lease payments. The lease payments will be used to make the annual revenue bond payments.

Future minimum rental commitments are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 215,012
2013	224,165
2014	221,765
2015	224,365
2016	221,865
2017-2021	1,120,038
2022-2026	1,114,175
2027-2031	1,116,075
Total Future Minimum Lease Payments	<u><u>\$ 4,457,460</u></u>

**7. SUBSEQUENT EVENTS**

On March 16, 2012 the Public Building Commission approved termination of the Vanum Construction Co., Inc.'s contract for the construction of the swimming pool facility, due to breach of contract. On April 24, 2012, the Commission approved a new contract with Branko Enterprises Inc. for the completion of the swimming pool facility. On June 4, 2012, the Commission moved to approve \$36,000 as liquidated damages from the bonding company, Granite RE, Inc.

## 8. LONG-TERM DEBT

Changes in long-term liabilities for the Commission for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning Balance 1/1/2011	Additions	Reductions/Payments	Net Change	Ending Balance 12/31/2011	Interest Paid
Revenue Bond										
Revenue Bonds Series 2011	2.0-4.1%	09/01/11	\$ 3,070,000	10/1/2031	\$ -	\$ 3,070,000	\$ -	\$ -	\$ 3,070,000	\$ -
<b>Total Long-Term Debt</b>			<b>\$ 3,070,000</b>		<b>\$ -</b>	<b>\$ 3,070,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,070,000</b>	<b>\$ -</b>

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

Year	Revenue Bonds	
	Principal	Interest
2012	\$ 100,000	\$ 115,012
2013	120,000	104,165
2014	120,000	101,765
2015	125,000	99,365
2016	125,000	96,865
2017-2021	685,000	435,038
2022-2026	805,000	309,175
2027-2031	990,000	126,075
	<b>\$ 3,070,000</b>	<b>\$ 1,387,460</b>

**CITY OF PHILLIPSBURG, KANSAS PUBLIC BUILDING COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**CITY OF PHILLIPSBURG, KANSAS PUBLIC BUILDING COMMISSION**  
**Phillipsburg, Kansas**

Schedule 1-1

**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**For the Year Ended December 31, 2011**

**SWIMMING POOL FUND**

	<b>Actual</b>
<b>CASH RECEIPTS</b>	
Bond Issue	\$ 3,070,000
Original Issue Premium	52,900
Accrued Bond Interest	1,474
Grants	116,624
<b>Total Cash Receipts</b>	<b>3,240,998</b>
<b>EXPENDITURES</b>	
Bond Expense	62,058
Contract Labor	2,936,060
Engineering	247,158
Office Supplies	36
Printing & Reproduction	92
Other Expense	4,167
<b>Total Expenditures</b>	<b>3,249,571</b>
Cash Receipts Over (Under) Expenditures	(8,573)
<b>UNENCUMBERED CASH, January 1, 2011</b>	-
<b>UNENCUMBERED CASH, December 31, 2011</b>	<b>\$ (8,573) *</b>

\* See Note 3B