

CITY OF PHILLIPSBURG

Phillipsburg, Kansas

FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2012

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

CITY OF PHILLIPSBURG

For the Year Ended December 31, 2012

Fred Robinson, Mayor

City Council

**Linda Flipse
Rod Innes
Shane Kinter**

**Doug Jerry
Marilyn Goracke
Mike James**

City Offices

**Brenda Chance
Kelly Vanderplas**

**City Clerk
City Treasurer**

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

For the Year Ended December 31, 2012

TABLE OF CONTENTS		<u>Page</u>
		<u>Numbers</u>
	Independent Auditor's Report	1-3
<u>FINANCIAL SECTION</u>		
Statement 1	Summary Statement of Receipts, Expenditures and Unencumbered Cash – Regulatory Basis	4-5
	Notes to the Financial Statement	6-12
<u>REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION</u>		
Schedule 1	Summary of Expenditures - Actual and Budget – Regulatory Basis	13
Schedule 2	Schedule of Receipts and Expenditures- Actual and Budget – Regulatory Basis	
	<u>General Fund</u>	
2-1	General Operating Fund	14-17
	<u>Special Purpose Funds</u>	
2-2	Equipment Reserve Fund	18
2-3	Library Fund	19
2-4	Employee Benefit Fund	20
2-5	Special Parks & Recreation Fund	21
2-6	Special Highway Fund	22
2-7	Fire Equipment Capital Outlay Fund	23
2-8	Industrial Development Fund	24
	<u>Bond & Interest Fund</u>	
2-9	Bond & Interest Fund	25
	<u>Capital Projects Funds</u>	
2-10	Airport Grant Fund	26
2-11	FEMA Grant Fund	27
	<u>Trust Fund</u>	
2-12	Endowment Fund	28
	<u>Business Funds</u>	
2-13	Water & Sewer Utility Fund	29-30
2-14	Meter Deposits Fund	31
2-15	Solid Waste Fund	32
2-16	Partially Self-Funded Health Insurance Fund	33
Schedule 3	Schedule of Receipts and Disbursements – Regulatory Basis – Agency Funds	34

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

For the Year Ended December 31, 2012

TABLE OF CONTENTS		Cont.
		<u>Page</u>
		<u>Numbers</u>
<u>Related Municipal Entity</u>		
Schedule 4	Public Building Commission	
4-1	Pool Bond & Interest Fund	35
4-2	Pool Capital Projects Fund	36
<u>Additional Information</u>		
Schedule 5	Water and Sewer Utility Allocation	37
<u>SINGLE AUDIT SECTION</u>		
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statement performed in Accordance with <i>Government Auditing Standards</i>	38-39
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	40-41
Schedule 6	Schedule of Expenditures of Federal Awards	42
Schedule 7	Schedule of Findings and Questioned Costs	43-44
<u>UNAUDITED ADDITIONAL INFORMATION</u>		
Exhibit 1	The City, Educational Facilities, Location, Population, Public Safety	45
Exhibit 2	Utilities, Employment History, Major Employers	46
Exhibit 3	Climate, Bank Deposits, Gross Retail Sales, Phillipsburg City Sales Tax Collected by State of Kansas, Taxable Retail Sales	47
Exhibit 4	Transportation, Community Services, Tax Structure, Property Tax Mill Levy Rates	48
Exhibit 5	Assessed Valuation History	49
Exhibit 6	City's Authority to Incur Debt	49
Exhibit 7	Overlapping Indebtedness	50



MAPES & MILLER LLP

CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D. MAPES, CPA, CHTD
DENIS W. MILLER, CPA, PA
THOMAS B. CARPENTER, CPA, PA
DON E. TILTON, CPA, PA
BRIAN S. THOMPSON, CPA, PA
REBECCA A. LIX, CPA, PA
STEPHANIE M. HEIER, CPA, PA

418 E HOLME
NORTON, KS 67654
(785)877-5833

P.O. BOX 266
711 3RD STREET
PHILLIPSBURG, KS 67661
(785)543-6561

P.O. BOX 508
503 MAIN STREET
STOCKTON, KS 67669
(785)425-6764

306 N POMEROY
HILL CITY, KS 67642
(785)421-2163

PO BOX 412
QUINTER, KS 67752
(785)754-2111

117 N MAIN ST
WAKEENEY, KS 67672
(785)743-5513

INDEPENDENT AUDITOR'S REPORT

**Mayor and City Council
City of Phillipsburg, Kansas**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Phillipsburg, Kansas, a Municipal Financial Reporting Entity as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide*. Those standards and the *Kansas Municipal Audit and Accounting Guide* require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Phillipsburg, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" 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 City of Phillipsburg, Kansas as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Phillipsburg, Kansas, as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2012 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures – agency funds, schedules of regulatory basis receipts and expenditures-actual-related municipal entity, and water and sewer utility allocation (Schedules 1, 2, 3, 4 and 5 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2012 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards (Schedule 6 as listed in the table of contents) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 2012 basic financial statement. The 2012 information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 basic financial statement or to the 2012 basic financial statement itself, and other additional

Mayor and City Council
City of Phillipsburg, Kansas
August 5, 2013
Page 3

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 supplementary information is fairly stated in all material respects in relation to the 2012 basic financial statement as a whole, on the basis of accounting described in Note 1. The information identified in the table of contents, as unaudited additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we express no opinion on the unaudited information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 5, 2013, on our consideration of the City of Phillipsburg'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Phillipsburg's internal control over financial reporting and compliance.

Respectfully submitted,

Mapes & Miller LLP

Certified Public Accountants

August 5, 2013
Phillipsburg, Kansas

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 1
Page 1 of 2

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2012

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund							
General Operating Fund	\$ 173,422	\$ 78,807	\$ 1,895,920	\$ 1,478,062	\$ 670,087	\$ 20,757	\$ 690,844
Special Purpose Funds							
Equipment Reserve Fund	250,694	-	74,074	111,184	213,584	79,500	293,084
Library Fund	2,781	-	60,511	63,212	80	-	80
Employee Benefit Fund	122,003	-	296,347	397,402	20,948	341	21,289
Special Parks & Recreation Fund	23,802	-	4,551	3,000	25,353	-	25,353
Special Highway Fund	107,268	-	276,514	245,291	138,491	1,722	140,213
Fire Equipment Capital Outlay Fund	222,406	-	50,773	-	273,179	-	273,179
Industrial Development Fund	15,458	-	12,095	18,397	9,156	-	9,156
Bond & Interest Fund							
Bond & Interest Fund	206,740	-	292,567	264,944	234,363	-	234,363
Capital Projects Funds							
Airport Grant Fund	(354,616)	27,070	364,947	37,401	-	-	-
FEMA Grant Fund	-	-	144,698	144,698	-	-	-
Trust Fund							
Endowment Fund	9,943	-	23	-	9,966	-	9,966
Business Funds							
Water & Sewer Utility Fund	1,124,112	1,381	1,473,308	1,109,322	1,489,479	37,629	1,527,108
Meter Deposits Fund	-	-	6,770	6,770	-	20,470	20,470
Solid Waste Fund	186,827	-	359,782	372,926	173,683	43,510	217,193
Partially Self-Funded Health Insurance Fund	84,786	-	280,362	244,626	120,522	-	120,522
Related Municipal Entity							
Public Building Commission							
Pool Bond & Interest Fund	-	-	289,902	215,012	74,890	-	74,890
Pool Capital Project Fund	(8,573)	2,302,321	879,533	3,013,556	159,725	347,809	507,534
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 2,167,053</u>	<u>\$ 2,409,579</u>	<u>\$ 6,762,677</u>	<u>\$ 7,725,803</u>	<u>\$ 3,613,506</u>	<u>\$ 551,738</u>	<u>\$ 4,165,244</u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 1
Page 2 of 2

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2012

Composition of Cash	
Cash on Hand	\$ 400
Checking Accounts	424,467
NOW Account	321,210
Money Market Account	1,016,486
Certificates of Deposit	<u>2,406,000</u>
Total Cash	4,168,563
Agency Funds Per Schedule 3	<u>(3,319)</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 4,165,244</u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

NOTES TO THE FINANCIAL STATEMENT
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

The City of Phillipsburg, Kansas, is a municipal corporation governed by an elected mayor and an elected six member council. The regulatory financial statement presents the City of Phillipsburg (the municipal financial reporting entity) and one of its related municipal entities. The following related municipal entity is included in the City's reporting entity because it was established to benefit the City and/or its constituents:

Public Building Commission. The City of Phillipsburg Public Building Commission Board operates the Public Building Commission for the purpose of providing additional and alternative methods for financing certain public buildings. The City levies taxes for the Public Building Commission. Bond issuances must be approved by the City. Complete financial records for the Public Building Commission may be reviewed at the City offices.

(b) Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year ended December 31, 2012:

General Fund - The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debts) that are intended for specified purposes.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services. (i.e. enterprise funds and internal service funds etc.).

Trust Fund - funds used to report assets held in trust for the benefit of the municipal financial reporting entity. (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Fund - funds used to report assets held by the municipal reporting entity in a purely custodial capacity. (i.e. payroll clearing fund, county treasurer tax collection accounts, etc.).

(c) Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City 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 City to use the regulatory basis of accounting.

(d) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds, and Business 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 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 the year ended December 31, 2012.

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 regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City 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, trust funds, and the following:

Special Purpose Funds:
Equipment Reserve Fund
Business Funds:
Meter Deposits Fund
Partially Self-Funded Health Insurance Fund

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

No statutory violations were noted for the year ended December 31, 2012.

3. 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 the designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$4,168,163 and the bank balance was \$4,196,221. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance \$1,057,928 was covered by federal depository insurance, and \$3,138,293 was collateralized with securities held by the pledging financial institutions' agents 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 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.

4. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Operating Fund	Equipment Reserve Fund	K.S.A. 12-1,117	\$ 16,075
General Operating Fund	Special Highway Fund	K.S.A. 12-1,119	160,000
Employee Benefit Fund	Partially Self-Funded Health Insurance Fund	K.S.A. 12-2615	253,631
Special Highway Fund	Equipment Reserve Fund	K.S.A. 68-141g	13,000
Water & Sewer Utility Fund	Equipment Reserve Fund	K.S.A. 12-825d	27,700
Solid Waste Fund	Equipment Reserve Fund	K.S.A. 12-825d	17,299

5. DEFINED BENEFIT PENSION PLAN

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rate. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

(a) Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

(b) Other Employee Benefits

Vacation

All employees of the City, except temporary and part-time employees, accumulate vacation leave at a rate of ten days per year after their first year of employment. The rate of accumulation increases to fifteen days per year after seven years of employment, and twenty days per year after eighteen years of employment. An employee can only carry over to the next year, one-half of their annual amount of vacation leave. Employees are paid for all accumulated vacation leave, at their current wage rate, upon termination of employment.

Sick leave

All employees of the City, except temporary and part-time employees, accumulate sick leave at a rate of twelve days per year. They may accumulate unlimited sick leave days. Upon termination of employment, no sick leave is paid to the employee.

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance for these potential risks.

During the year ended December 31, 2012, the City did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

The City of Phillipsburg, Kansas pays an annual premium to Corporate Plan Management for its health insurance coverage. The agreement to participate provides that the Corporate Plan Management will be partially self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$25,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by Corporate Plan Management.

8. CAPITAL PROJECTS

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

	Project Authorization	Cash Disbursements and Accounts Payable to Date
Airport Grant	\$429,873	\$429,873
FEMA Grant	\$252,530	\$252,530
Swimming Pool	\$3,263,157	\$3,263,157

9. OPERATING LEASE

The City entered into a lease agreement, dated September 1, 2011 with the Public Building Commission, a related municipal entity of the City, to lease the swimming pool recreational facility. The agreement states that the City will, during the term of the lease, keep and maintain the swimming pool facility and all parts in good condition and repair. The lease agreement provides for semi-annual lease payments. The City has imposed a 1% city-wide retailer's sales tax to cover these payments.

Future minimum rental commitments are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 224,165
2014	221,765
2015	224,365
2016	221,865
2017	224,365
2018-2022	1,119,400
2023-2027	1,112,112
2028-2031	<u>819,689</u>
Total Future Minimum Lease Payments	<u>\$ 4,167,726</u>

10. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2012, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Beginning Balance 1/1/2012</u>	<u>Additions</u>	<u>Reductions/Payments</u>	<u>Ending Balance 12/31/2012</u>	<u>Interest/Service Fees Paid</u>
General Obligation Bond Series 2011 General Obligation	1.75%	09/01/11	\$ 245,000	2021	\$ 245,000	\$ -	\$ 20,000	\$ 225,000	\$ 5,587
KDHE Loans									
KS Water Pollution Control Loan	3.08%	04/11/01	2,855,519	2022	1,709,418	-	132,757	1,576,661	51,635
KS Water Supply Loan	3.66%	01/17/05	920,980	2026	614,186	-	32,783	581,403	22,182
Total KDHE Loans					2,323,604	-	165,540	2,158,064	73,817
Public Building Commission Series 2011 Revenue Bond	2.00%	09/01/11	3,070,000	2031	3,070,000	-	100,000	2,970,000	115,012
Total Contractual Indebtedness					\$ 5,638,604	\$ -	\$ 285,540	\$ 5,353,064	\$ 194,416

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

<u>Year</u>	<u>General Obligation Bond</u>		<u>KDHE Loans</u>		<u>Revenue Bond (Public Building Commission)</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 20,000	\$ 5,237	\$ 170,870	\$ 68,486	\$ 120,000	\$ 104,165	\$ 310,870	\$ 177,888
2014	20,000	4,888	176,374	62,983	120,000	101,765	316,374	169,636
2015	25,000	4,537	182,056	57,301	125,000	99,365	332,056	161,203
2016	25,000	4,038	187,922	51,434	125,000	96,865	337,922	152,337
2017	25,000	3,538	193,979	45,378	130,000	94,365	348,979	143,281
2018-2022	110,000	7,995	1,067,831	128,954	705,000	414,400	1,882,831	551,349
2023-2027	-	-	179,032	13,343	835,000	227,113	1,014,032	240,456
2028-2031	-	-	-	-	810,000	84,410	810,000	84,410
	\$ 225,000	\$ 30,233	\$ 2,158,064	\$ 427,879	\$ 2,970,000	\$ 1,222,448	\$ 5,353,064	\$ 1,680,560

CITY OF PHILLIPSBURG, KANSAS
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 1

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund					
General Operating Fund	\$ 2,351,229	\$ -	\$ 2,351,229	\$ 1,478,062	\$ (873,167)
Special Purpose Funds					
Library Fund	63,969	-	63,969	63,212	(757)
Employee Benefit Fund	555,000	-	555,000	397,402	(157,598)
Special Parks & Recreation Fund	92,806	-	92,806	3,000	(89,806)
Special Highway Fund	930,520	-	930,520	245,291	(685,229)
Fire Equipment Capital Outlay Fund	241,029	-	241,029	-	(241,029)
Industrial Development Fund	34,759	-	34,759	18,397	(16,362)
Bond & Interest Funds					
Bond & Interest Fund	413,193	-	413,193	264,944	(148,249)
Business Funds					
Water & Sewer Utility Fund	2,415,301	-	2,415,301	1,109,322	(1,305,979)
Solid Waste Fund	550,611	-	550,611	372,926	(177,685)

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-1
Page 1 of 4

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

GENERAL OPERATING FUND

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	\$ 343,716	\$ 342,324	\$ 1,392
Delinquent Tax	4,835	5,000	(165)
Motor Vehicle Tax	67,524	78,834	(11,310)
Intangibles Tax	42,893	35,795	7,098
Recreational Vehicle Tax	1,257	1,536	(279)
Excise Tax	75	159	(84)
16/20M Vehicle Tax	994	1,004	(10)
Special Assessment for Cleanup	242	-	242
Local Alcoholic Liquor Tax	4,551	5,208	(657)
Interest on Idle Funds	13,684	31,000	(17,316)
Franchise Tax	155,291	165,000	(9,709)
Animal Tags	1,216	1,500	(284)
Federal Grant	27,959	-	27,959
State Grant	3,728	-	3,728
Fines	27,895	33,000	(5,105)
Reimbursements	5,622	10,000	(4,378)
Rural Fire Contracts	2,870	17,000	(14,130)
Campground Fees	4,985	4,200	785
Local Retailer's Sales Tax	700,536	660,000	40,536
Licenses & Permits	4,053	6,800	(2,747)
Other Cash Receipts	100,669	25,000	75,669
Nonfederal Grants & Gifts	135,050	160,000	(24,950)
Building Rents	14,028	7,000	7,028
Swimming Pool & Concessions	14,657	13,000	1,657
Cemetery Lots & Care	6,630	7,300	(670)
Airport Rents & Grains	8,664	10,000	(1,336)
Airport Aviation Gas & Oil	20,423	25,000	(4,577)
Airport Courtesy Car	104	100	4
Airport Sales Tax Collected	1,797	3,000	(1,203)
Zoning Applications	300	-	300
Transportation Passes	4,774	3,500	1,274
Northwest Kansas Transit	25,875	32,000	(6,125)
Sale of Equipment	362	-	362
State Aid Reimbursement	148,661	-	148,661
Total Receipts	1,895,920	\$ 1,684,260	\$ 211,660
EXPENDITURES			
General Government			
Personal Services	66,294	\$ 75,000	\$ (8,706)
Contractual Services	81,262	210,000	(128,738)
Commodities	5,393	15,000	(9,607)
Capital Outlay	168	185,877	(185,709)
Total General Government	14 153,117	485,877	(332,760)

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-1
Page 2 of 4

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

GENERAL OPERATING FUND (Cont.)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Cont.)			
Community Building			
Personal Services	\$ 33,160	\$ 40,000	\$ (6,840)
Contractual Serices	10,094	20,000	(9,906)
Commodities	15,397	7,000	8,397
Capital Outlay	<u>25,171</u>	<u>75,000</u>	<u>(49,829)</u>
Total Community Building	<u>83,822</u>	<u>142,000</u>	<u>(58,178)</u>
Municipal Court & Police Department			
Personal Services	20,800	30,000	(9,200)
Contractual Services	273,127	290,000	(16,873)
Commodities	342	2,000	(1,658)
Capital Outlay	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Total Municipal Court & Police Department	<u>294,269</u>	<u>327,000</u>	<u>(32,731)</u>
City Fire Department			
Contractual Services	7,656	15,000	(7,344)
Commodities	8,271	15,000	(6,729)
Capital Outlay	<u>1,750</u>	<u>30,000</u>	<u>(28,250)</u>
Total City Fire Department	<u>17,677</u>	<u>60,000</u>	<u>(42,323)</u>
Rural Fire Department			
Contractual Services	4,782	5,000	(218)
Commodities	11,627	10,000	1,627
Capital Outlay	<u>500</u>	<u>15,000</u>	<u>(14,500)</u>
Total Rural Fire Department	<u>16,909</u>	<u>30,000</u>	<u>(13,091)</u>
Park Department			
Personal Services	14,453	25,000	(10,547)
Contractual Services	9,212	10,000	(788)
Commodities	7,033	9,500	(2,467)
Capital Outlay	<u>326</u>	<u>20,000</u>	<u>(19,674)</u>
Total Park Department	<u>31,024</u>	<u>64,500</u>	<u>(33,476)</u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-1
Page 3 of 4

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Recreation Department			
Contractual Services	\$ 3,997	\$ 5,800	\$ (1,803)
Commodities	715	1,000	(285)
Capital Outlay	-	5,000	(5,000)
Total Recreation Department	4,712	11,800	(7,088)
Swimming Pool			
Personal Services	57,219	110,000	(52,781)
Contractual Services	325,663	282,849	42,814
Commodities	16,016	68,000	(51,984)
Capital Outlay	5,880	46,651	(40,771)
Total Swimming Pool	404,778	507,500	(102,722)
Cemetery			
Personal Services	17,184	25,000	(7,816)
Contractual Services	12,535	12,000	535
Commodities	4,348	5,000	(652)
Capital Outlay	11,390	25,000	(13,610)
Total Cemetery	45,457	67,000	(21,543)
Street Lighting			
Contractual Services	47,378	60,000	(12,622)
Airport			
Personal Services	5,662	10,000	(4,338)
Contractual Services	32,196	40,000	(7,804)
Commodities	33,706	40,000	(6,294)
Capital Outlay	33,234	80,521	(47,287)
Total Airport	104,798	170,521	(65,723)
Planning Department			
Contractual Services	941	5,000	(4,059)
Transportation Department			
Personal Services	23,981	30,000	(6,019)
Contractual Services	2,631	6,500	(3,869)
Commodities	9,779	10,000	(221)
Capital Outlay	-	10,000	(10,000)
Total Transportation Department	36,391	56,500	(20,109)

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-1
Page 4 of 4

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Library Support			
Contractual	\$ 24,761	\$ 38,000	\$ (13,239)
Beautification			
Contractual Services	1,897	11,000	(9,103)
Commodities	2,136	3,500	(1,364)
Capital Outlay	6,586	-	6,586
Total Beautification	10,619	14,500	(3,881)
Shade Tree			
Contractual Services	6,090	12,000	(5,910)
Armory			
Contractual Services	7,462	15,000	(7,538)
Commodities	2,081	10,000	(7,919)
Total Armory	9,543	25,000	(15,457)
Water Projects			
Contractual	-	67,956	(67,956)
ADA Concrete			
Commodities	9,701	30,000	(20,299)
Outgoing Transfers			
Equipment Reserve Fund	16,075	16,075	-
Special Highway Fund	160,000	160,000	-
Total Outgoing Transfers	176,075	176,075	-
Total Expenditures	1,478,062	\$ 2,351,229	\$ (873,167)
Receipts Over (Under) Expenditures	417,858		
UNENCUMBERED CASH, January 1, 2012	173,422		
Prior Year Cancelled Encumbrances	78,807		
UNENCUMBERED CASH, December 31, 2012	\$ 670,087		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-2

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

EQUIPMENT RESERVE FUND

	<u>Actual</u>
RECEIPTS	
Incoming Transfers	
General Operating Fund	\$ 16,075
Special Highway Fund	13,000
Water & Sewer Utility Fund	27,700
Solid Waste Fund	<u>17,299</u>
Total Receipts	<u>74,074</u>
EXPENDITURES	
Capital Outlay	<u>111,184</u>
Receipts Over (Under) Expenditures	(37,110)
UNENCUMBERED CASH, January 1, 2012	<u>250,694</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 213,584</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-3

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

LIBRARY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 49,260	\$ 50,210	\$ (950)
Delinquent Tax	824	1,050	(226)
Motor Vehicle Tax	10,072	11,747	(1,675)
Recreational Vehicle Tax	187	229	(42)
Excise Tax	11	23	(12)
16/20M Vehicle Tax	157	150	7
Total Receipts	60,511	\$ 63,409	\$ (2,898)
EXPENDITURES			
Library Insurance	1,212	\$ 1,100	\$ 112
Appropriation to Library Board	62,000	62,869	(869)
Total Expenditures	63,212	\$ 63,969	\$ (757)
Receipts Over (Under) Expenditures	(2,701)		
UNENCUMBERED CASH, January 1, 2012	2,781		
UNENCUMBERED CASH, December 31, 2012	\$ 80		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-4

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

EMPLOYEE BENEFIT FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 68,548	\$ 67,872	\$ 676
Delinquent Tax	1,335	100	1,235
Motor Vehicle Tax	14,016	16,347	(2,331)
Recreational Vehicle Tax	260	318	(58)
Excise Tax	16	33	(17)
16/20M Vehicle Tax	219	208	11
Reimbursements	970	-	970
Employee/Employer Contributions	210,983	300,000	(89,017)
Total Receipts	296,347	\$ 384,878	\$ (88,531)
EXPENDITURES			
Social Security & Medicare	58,314	\$ 80,000	\$ (21,686)
Retirement	59,952	80,000	(20,048)
Workman's Compensation	24,713	35,000	(10,287)
Unemployment Insurance	792	2,000	(1,208)
Outgoing Transfer			
Partially Self-Funded Health Insurance Fund	253,631	358,000	(104,369)
Total Expenditures	397,402	\$ 555,000	\$ (157,598)
Receipts Over (Under) Expenditures	(101,055)		
UNENCUMBERED CASH, January 1, 2012	122,003		
UNENCUMBERED CASH, December 31, 2012	\$ 20,948		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-5

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

SPECIAL PARKS & RECREATION FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Local Alcoholic Liquor Tax	\$ 4,551	\$ 5,209	\$ (658)
Nonfederal Grant	-	35,000	(35,000)
Other Cash Receipts	-	1,000	(1,000)
Total Receipts	4,551	\$ 41,209	\$ (36,658)
EXPENDITURES			
Personal Services	-	\$ 2,500	\$ (2,500)
Contractual Services	3,000	12,000	(9,000)
Commodities	-	2,000	(2,000)
Capital Outlay	-	76,306	(76,306)
Total Expenditures	3,000	\$ 92,806	\$ (89,806)
Receipts Over (Under) Expenditures	1,551		
UNENCUMBERED CASH, January 1, 2012	23,802		
UNENCUMBERED CASH, December 31, 2012	\$ 25,353		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-6

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

SPECIAL HIGHWAY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Highway Connecting Links	\$ 14,884	\$ 21,000	\$ (6,116)
Special Highway Tax	66,354	64,320	2,034
Other Cash Receipts	13,751	2,000	11,751
State Reimbursement	21,515	400,000	(378,485)
Sales Tax Collected	10	-	10
Incoming Transfer			
General Operating Fund	160,000	160,000	-
Total Receipts	276,514	\$ 647,320	\$ (370,806)
EXPENDITURES			
Personal Services	97,404	\$ 90,000	\$ 7,404
Contractual Services	11,039	90,000	(78,961)
Commodities	122,777	150,000	(27,223)
Capital Outlay	1,071	587,520	(586,449)
Outgoing Transfer			
Equipment Reserve Fund	13,000	13,000	-
Total Expenditures	245,291	\$ 930,520	\$ (685,229)
Receipts Over (Under) Expenditures	31,223		
UNENCUMBERED CASH, January 1, 2012	107,268		
UNENCUMBERED CASH, December 31, 2012	\$ 138,491		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-7

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

FIRE EQUIPMENT CAPITAL OUTLAY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 19,702	\$ 19,184	\$ 518
Delinquent Tax	329	100	229
Motor Vehicle Tax	4,028	4,699	(671)
Recreational Vehicle Tax	75	92	(17)
Excise Tax	5	10	(5)
16/20M Vehicle Tax	63	60	3
Other	10,921	-	10,921
Nonfederal Grants & Gifts	15,650	-	15,650
	50,773	\$ 24,145	\$ 26,628
EXPENDITURES			
Capital Outlay	-	\$ 241,029	\$ (241,029)
Receipts Over (Under) Expenditures	50,773		
UNENCUMBERED CASH, January 1, 2012	222,406		
UNENCUMBERED CASH, December 31, 2012	\$ 273,179		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-8

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

INDUSTRIAL DEVELOPMENT FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 9,846	\$ 10,042	\$ (196)
Delinquent Tax	164	100	64
Motor Vehicle Tax	2,013	2,349	(336)
Recreational Vehicle Tax	38	46	(8)
Excise Tax	2	5	(3)
16/20M Vehicle Tax	32	30	2
Total Receipts	12,095	\$ 12,572	\$ (477)
EXPENDITURES			
Contractual Services	18,397	\$ 26,759	\$ (8,362)
Activity Support	-	8,000	(8,000)
Total Expenditures	18,397	\$ 34,759	\$ (16,362)
Receipts Over (Under) Expenditures	(6,302)		
UNENCUMBERED CASH, January 1, 2012	15,458		
UNENCUMBERED CASH, December 31, 2012	\$ 9,156		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-9

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

BOND & INTEREST FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad Valorem Tax	\$ 9,807	\$ 9,200	\$ 607
Delinquent Tax	744	2,400	(1,656)
Motor Vehicle Tax	2,785	3,201	(416)
Recreational Vehicle Tax	51	62	(11)
Excise Tax	3	6	(3)
16/20M Vehicle Tax	76	41	35
Local Retailer's Sales Tax	279,101	220,000	59,101
 Total Receipts	 292,567	 \$ 234,910	 \$ 57,657
 EXPENDITURES			
Commission & Postage	-	\$ 3,000	\$ (3,000)
Reserve for Cash	-	145,000	(145,000)
Sewer Loan Principal	132,757	132,757	-
Sewer Loan Interest	47,444	47,444	-
Sewer Loan Service Fee	4,191	4,192	(1)
Water Loan Principal	32,783	32,782	1
Water Loan Interest	20,061	20,061	-
Water Loan Service Fee	2,121	2,121	-
Klink Loan Principal	20,000	20,000	-
Klink Loan Interest	5,587	5,836	(249)
 Total Expenditures	 264,944	 \$ 413,193	 \$ (148,249)
 Receipts Over (Under) Expenditures	 27,623		
 UNENCUMBERED CASH, January 1, 2012	 206,740		
 UNENCUMBERED CASH, December 31, 2012	 \$ 234,363		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-10

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

AIRPORT GRANT FUND

	<u>Actual</u>
RECEIPTS	
Federal Grant	<u>\$ 364,947</u>
EXPENDITURES	
Contractual Services	<u>37,401</u>
Receipts Over (Under) Expenditures	327,546
UNENCUMBERED CASH, January 1, 2012	(354,616)
Prior Year Cancelled Encumbrances	<u>27,070</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ -</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-11

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

FEMA GRANT FUND

	<u>Actual</u>
RECEIPTS	
Federal Grant	<u>\$ 144,698</u>
EXPENDITURES	
Contractual	<u>144,698</u>
Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, January 1, 2012	<u>-</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ -</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-12

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

ENDOWMENT FUND

	<u>Actual</u>
RECEIPTS	
Interest on Idle Funds	<u>\$ 23</u>
EXPENDITURES	
Supplies	<u>-</u>
Receipts Over (Under) Expenditures	23
UNENCUMBERED CASH, January 1, 2012	<u>9,943</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 9,966</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-13
Page 1 of 2

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

WATER & SEWER UTILITY FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Water Department			
Water Sales	\$ 1,193,921	\$ 1,000,000	\$ 193,921
Penalties	21,669	12,000	9,669
Sales Tax Collected	31,366	25,000	6,366
Other Cash Receipts	113	3,500	(3,387)
Coin Machine Water Sales	1,175	1,700	(525)
Water Protection Fee	11,879	15,000	(3,121)
Sale of Equipment	121	1,500	(1,379)
Return Check Charge	262	1,000	(738)
New Service	987	4,000	(3,013)
Connects/Disconnects	2,667	4,000	(1,333)
Total Water Department	1,264,160	1,067,700	196,460
Sewer Department			
Sale of Equipment	60	-	60
Sewer Charges	206,282	210,000	(3,718)
Sewer Machine & Building Rental	-	5,000	(5,000)
Other Cash Receipts	-	100	(100)
Connects/Disconnects	50	100	(50)
Sewer Dump Station Fee	2,756	3,900	(1,144)
Total Sewer Department	209,148	219,100	(9,952)
Total Receipts	1,473,308	\$ 1,286,800	\$ 186,508
EXPENDITURES			
Water Department			
Production			
Personal Services	32,119	\$ 70,000	\$ (37,881)
Contractual Services	175,785	250,000	(74,215)
Commodities	38,354	60,000	(21,646)
Capital Outlay	300	435,657	(435,357)
Total Production	246,558	815,657	(569,099)
Transmission & Distribution			
Personal Services	191,990	220,000	(28,010)
Contractual Services	117,359	150,000	(32,641)
Commodities	155,092	170,000	(14,908)
Capital Outlay	7,280	189,400	(182,120)
Total Transmission & Distribution	471,721	729,400	(257,679)

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-13
Page 2 of 2

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012**

WATER & SEWER UTILITY FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Water Department			
Water Commercial & General			
Personal Services	\$ 63,246	\$ 100,000	\$ (36,754)
Contractual Services	54,389	70,000	(15,611)
Commodities	2,603	5,000	(2,397)
Capital Outlay	1,055	114,582	(113,527)
Total Water Commercial & General	121,293	289,582	(168,289)
Total Water Department	839,572	1,834,639	(995,067)
Sewer Department			
Sewer Commercial & General			
Personal Services	51,087	70,000	(18,913)
Contractual Services	113,328	190,000	(76,672)
Commodities	29,155	60,000	(30,845)
Capital Outlay	1,272	187,025	(185,753)
Total Sewer Commercial & General	194,842	507,025	(312,183)
Other Expenditures			
Sales Tax	28,960	25,000	3,960
State Water Fee	9,418	11,000	(1,582)
Kansas Clean Drinking Water Fee	8,830	11,387	(2,557)
Other	-	50	(50)
Outgoing Transfer			
Equipment Reserve Fund	27,700	26,200	1,500
Total Other Expenditures	74,908	73,637	1,271
Total Expenditures	1,109,322	\$ 2,415,301	\$ (1,305,979)
Receipts Over (Under) Expenditures	363,986		
UNENCUMBERED CASH, January 1, 2012	1,124,112		
Prior Year Cancelled Encumbrances	1,381		
UNENCUMBERED CASH, December 31, 2012	\$ 1,489,479		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-14

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

METER DEPOSITS FUND

	<u>Actual</u>
RECEIPTS	
Meter Deposits	<u>\$ 6,770</u>
EXPENDITURES	
Deposit Refunds	<u>6,770</u>
Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, January 1, 2012	<u>-</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ -</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-15

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2012

SOLID WASTE FUND

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Fees Collected	\$ 351,530	\$ 360,000	\$ (8,470)
Sales Tax Collected	60	250	(190)
Sale of Dumpsters	-	3,600	(3,600)
Equipment Rental	800	600	200
Other Cash Receipts	-	200	(200)
Yard Waste Receipts	6,705	7,500	(795)
Sale of Equipment	687	-	687
Total Receipts	359,782	\$ 372,150	\$ (12,368)
EXPENDITURES			
Personal Services	122,332	\$ 145,000	\$ (22,668)
Contractual Services	172,097	190,000	(17,903)
Commodities	24,245	42,000	(17,755)
Capital Outlay	36,953	166,011	(129,058)
Outgoing Transfer			
Equipment Reserve Fund	17,299	7,600	9,699
Total Expenditures	372,926	\$ 550,611	\$ (177,685)
Receipts Over (Under) Expenditures	(13,144)		
UNENCUMBERED CASH, January 1, 2012	186,827		
UNENCUMBERED CASH, December 31, 2012	<u>\$ 173,683</u>		

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 2-16

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

PARTIALLY SELF-FUNDED HEALTH INSURANCE FUND

	<u>Actual</u>
RECEIPTS	
Insurance Reimbursement	\$ 17,876
Employee/Employer Premium Deposit	8,654
Interest on Idle Funds	201
Incoming Transfer	
Employee Benefit Fund	<u>253,631</u>
Total Receipts	<u>280,362</u>
EXPENDITURES	
Contractual Services	<u>244,626</u>
Receipts Over (Under) Expenditures	35,736
UNENCUMBERED CASH, January 1, 2012	<u>84,786</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 120,522</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS
For the Year Ended December 31, 2012

AGENCY FUNDS

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Municipal Court Bonds	\$ 2,000	\$ 3,871	\$ 5,271	\$ 600
Employee Flex Benefits	<u>2,540</u>	<u>40,918</u>	<u>40,739</u>	<u>2,719</u>
Total	<u>\$ 4,540</u>	<u>\$ 44,789</u>	<u>\$ 46,010</u>	<u>\$ 3,319</u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 4-1

RELATED MUNICIPAL ENTITY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

PUBLIC BUILDING COMMISSION
POOL BOND & INTEREST FUND

	<u>Actual</u>
RECEIPTS	
Lease Income	\$ 289,733
Interest Income	<u>169</u>
Total Receipts	<u>289,902</u>
EXPENDITURES	
Principal Payment	100,000
Interest Expense	<u>115,012</u>
Total Expenditures	<u>215,012</u>
Receipts Over (Under) Expenditures	74,890
UNENCUMBERED CASH, January 1, 2012	<u>-</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 74,890</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 4-2

RELATED MUNICIPAL ENTITY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2012

PUBLIC BUILDING COMMISSION
POOL CAPITAL PROJECTS FUND

	<u>Actual</u>
RECEIPTS	
Liquidated Construction Damages	\$ 741,287
Insurance Reimbursements	1,246
Grants	<u>137,000</u>
Total Receipts	<u>879,533</u>
EXPENDITURES	
Contract Labor	3,007,917
Engineering	1,739
Audit Fees	<u>3,900</u>
Total Expenditures	<u>3,013,556</u>
Receipts Over (Under) Expenditures	(2,134,023)
UNENCUMBERED CASH, January 1, 2012	(8,573)
Prior Year Cancelled Encumbrances	<u>2,302,321</u>
UNENCUMBERED CASH, December 31, 2012	<u><u>\$ 159,725</u></u>

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 5

WATER AND SEWER UTILITY ALLOCATION
For the Year Ended December 31, 2012

SUMMARY FROM
WATER & SEWER UTILITY FUND

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECEIPTS	\$ 1,264,160	\$ 209,148	\$ 1,473,308
EXPENDITURES	900,631	208,691	1,109,322
Receipts Over (Under) Expenditures	363,529	457	363,986
UNENCUMBERED CASH, January 31, 2012	438,088	686,024	1,124,112
Prior Year Cancelled Encumbrances	<u>1,381</u>	<u>-</u>	<u>1,381</u>
UNENCUMBERED CASH, December 31, 2012	<u>\$ 802,998</u>	<u>\$ 686,481</u>	<u>\$ 1,489,479</u>

CITY OF PHILLIPSBURG, KANSAS
SINGLE AUDIT SECTION
FOR THE YEAR ENDED DECEMBER 31, 2012



MAPES & MILLER LLP

CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D. MAPES, CPA, CHTD
DENIS W. MILLER, CPA, PA
THOMAS B. CARPENTER, CPA, PA
DON E. TILTON, CPA, PA
BRIAN S. THOMPSON, CPA, PA
REBECCA A. LIX, CPA, PA
STEPHANIE M. HEIER, CPA, PA

418 E HOLME
NORTON, KS 67654
(785)877-5833

P.O. BOX 266
711 3RD STREET
PHILLIPSBURG, KS 67661
(785)543-6561

P.O. BOX 508
503 MAIN STREET
STOCKTON, KS 67669
(785)425-6764

306 N POMEROY
HILL CITY, KS 67642
(785)421-2163

PO BOX 412
QUINTER, KS 67752
(785)754-2111

117 N MAIN ST
WAKEENEY, KS 67672
(785)743-5513

INDEPENDENT AUDITOR'S 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*

Honorable Mayor and City Council
City of Phillipsburg, Kansas 67661

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the applicable audit requirements of the Kansas Municipal Audit and Accounting Guide, the financial statement of the City of Phillipsburg, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Phillipsburg, Kansas' basic financial statement and have issued our report thereon dated August 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Phillipsburg, Kansas' internal control over financial reporting (internal control) to determine the 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 Phillipsburg, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Phillipsburg, Kansas' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies

Mayor of City Council
City of Phillipsburg
Page 2
August 5, 2013

in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2012-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Phillipsburg, Kansas' 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 determination of financial statement amounts. 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 no disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Phillipsburg, Kansas' Response to Findings

City of Phillipsburg, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Phillipsburg, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Respectfully submitted,

Mapes & Miller LLP

Certified Public Accountants

August 5, 2013
Phillipsburg, Kansas



MAPES & MILLER LLP

CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D. MAPES, CPA, CHTD
DENIS W. MILLER, CPA, PA
THOMAS B. CARPENTER, CPA, PA
DON E. TILTON, CPA, PA
BRIAN S. THOMPSON, CPA, PA
REBECCA A. LIX, CPA, PA
STEPHANIE M. HEIER, CPA, PA

418 E HOLME
NORTON, KS 67654
(785)877-5833

P.O. BOX 266
711 3RD STREET
PHILLIPSBURG, KS 67661
(785)543-6561

P.O. BOX 508
503 MAIN STREET
STOCKTON, KS 67669
(785)425-6764

306 N POMEROY
HILL CITY, KS 67642
(785)421-2163

PO BOX 412
QUINTER, KS 67752
(785)754-2111

117 N MAIN ST
WAKEENEY, KS 67672
(785)743-5513

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Phillipsburg, Kansas 67661

Report on Compliance for Each Major Federal Program

We have audited the City of Phillipsburg, Kansas' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Phillipsburg, Kansas' major federal programs for the year ended December 31, 2012. The City of Phillipsburg, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Phillipsburg, Kansas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the applicable audit requirements of the Kansas Municipal Audit and Accounting Guide. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Phillipsburg, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Phillipsburg, Kansas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Phillipsburg, Kansas complied, in all material respects, with the types

of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City of Phillipsburg, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Phillipsburg, Kansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Phillipsburg, Kansas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular-A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Mapes & Miller LLP

Certified Public Accountants

August 5, 2013
Phillipsburg, Kansas

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Transportation Airport Improvement Program	20.106	3-20-0068-09-2011 3-20-0068-10-2012	\$ 323,799 <u>41,148</u>
Total U.S. Department of Transportation			<u>364,947</u>
U.S. Department of Homeland Security Passed Through the Kansas Adjutant General Disaster Grants - Public Assistance	97.036	FEMA-1932-DR-KS PW518	<u>189,397</u>
Total U.S. Department of Homeland Security			<u>189,397</u>
Total Federal Awards			<u><u>\$ 554,344</u></u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Awards includes the federal grant activity of the City of Phillipsburg, Kansas and is presented on the cash basis of accounting. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

In accordance with the statutory basis of accounting described in Note 1 to the financial statements.

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? __Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes __None reported
- Noncompliance material to financial statements noted? __Yes No

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? __Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? __Yes None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

__Yes No

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

__Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION 2 – FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

2012-1 Segregation of duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Recommendations: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Response: We concur with the recommendation. However, the size of the entity does not make it practical to have sufficient number of employees to achieve the optimum level of internal control.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Transportation

Airport Improvement Program – CFDA 20.106. No findings or questioned costs for the year ended December 31, 2012.

SECTION 4 – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Not applicable.

**CITY OF PHILLIPSBURG, KANSAS
UNAUDITED ADDITIONAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012**

**CITY OF PHILLIPSBURG
Phillipsburg, Kansas**

Exhibit 1

**UNAUDITED ADDITIONAL INFORMATION
December 31, 2012**

Phillipsburg is a municipal corporation incorporated in 1872 and a city of the second class organized and existing under and pursuant to the Constitution and Laws of the State of Kansas. The City has a Mayor/Council form of government consisting of a Mayor and a six-member City Council who are elected by ward to four-year terms of office. The Mayor and Council set policy covering municipal governmental and administrative services and operations.

THE CITY

The City of Phillipsburg, Kansas (the "City") is situated in the northwest region of the State of Kansas. The City is approximately 240 miles northwest of Wichita and 150 miles northwest of Salina. Phillipsburg is the County seat of Phillips County.

EDUCATIONAL FACILITIES

Phillipsburg is the site of the offices of Unified School District No. 325 which provides a comprehensive curriculum for approximately 628 students in kindergarten through grade twelve.

Post secondary education is provided to the area by Fort Hays State University, as well as the North Central Area Vocational and Technical School in Beloit. Colby Community College also provides post secondary education through outreach programs.

ECONOMIC AND DEMOGRAPHIC INFORMATION

LOCATION (City of Phillipsburg)

Distance in miles from:	Chicago:	754	Denver:	338
	Los Angeles:	1,356	New York:	1,527
	Kansas City:	325	Dallas:	610
	Minneapolis:	647	St. Louis:	581

POPULATION	Current Estimated	2010	2000	1990	1980	1970
City of Phillipsburg:	2,520	2,581	2,668	2,828	3,229	3,241
Phillips County:	5,519	5,642	6,001	6,590	7,406	7,888

PUBLIC SAFETY

The City of Phillipsburg contracts with Phillips County for law enforcement.

The City of Phillipsburg provides fire protection through a volunteer fire department.

UNAUDITED

UTILITIES

Electric service is provided to the area by Prairie Land Electric, with the electric utility an interconnected utility.

Natural gas is provided to the area by Midwest Energy, Inc.

The City of Phillipsburg owns and operates municipal water and waste water utilities. The City also owns and operates the refuse collection service.

EMPLOYMENT HISTORY - Phillips County

	<u>Year</u>	<u>Average Unemployment Rate</u>	
	2012	4.2%	
	2011	4.9%	
	2010	5.1%	
	2009	6.2%	
	2008	4.0%	
	2007	3.0%	
	2006	3.3%	
	2005	3.7%	
	2004	3.9%	
	2003	2.3%	

	<u>Civilian Work force</u>	<u>Total Employed</u>	<u>Unemployed</u>
2012	3,128	2,996	132
2011	3,185	3,029	156
2010	3,103	2,946	157
2009	3,166	2,969	197
2008	3,145	3,018	127
2007	3,182	3,088	94
2006	3,111	3,008	103
2005	3,155	3,039	116
2004	3,214	3,090	124
2003	3,229	3,154	75

Kansas Department of Commerce, Labor Market Info. Service (785-296-5000)
www.dol.ks.gov

MAJOR EMPLOYERS - Phillipsburg Area

Some of the larger employers in the area include:

<u>Firm</u>	<u>Products/Service</u>
Tamko Asphalt Products	Roofing Products
Phillips County Hospital	Health Care
Unified School District #325	Education
Phillips Co. Retirement Center	Long Term Care Facility
First National Bank	Banking
Kyle Railroad	Transportation
Prairie Horizon Agri-Energy LLC	Ethanol & Distillers Grain
Groendyke Transport Inc.	Transportation

UNAUDITED

CLIMATE

Average daily temperature:

January:	27 degrees
April:	54 degrees
July:	80 degrees
October:	57 degrees

Average annual precipitation: 25 inches
 Average annual snowfall: 23 inches

BANK DEPOSITS - Phillipsburg - December 31

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	195,923,461	2008	233,130,344
2004	200,540,121	2009	229,561,739
2005	196,496,523	2010	245,076,602
2006	208,589,637	2011	297,256,081
2007	224,886,062	2012	286,758,309

Source: Local banks - First National Bank, Farmers National Bank, & Farmers State Bank

GROSS RETAIL SALES - Phillips County

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	126,056,000	2008	131,936,647
2004	133,500,000	2009	125,906,065
2005	141,624,077	2010	122,903,973
2006	173,762,580	2011	175,612,706
2007	155,847,499	2012	151,371,873

PHILLIPSBURG CITY SALES TAX COLLECTED BY STATE OF KANSAS

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	340,194	2008	395,726
2004	357,141	2009	391,732
2005	359,404	2010	386,466
2006	392,703	2011	435,662
2007	398,182	2012	853,802

TAXABLE RETAIL SALES - Phillipsburg City

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	31,234,100	2008	37,891,849
2004	32,309,604	2009	34,479,349
2005	32,614,792	2010	36,656,731
2006	39,270,300	2011	43,566,227
2007	36,748,660	2012	40,690,111

TAXABLE RETAIL SALES - Phillips County

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	41,691,400	2008	53,419,415
2004	43,295,113	2009	49,485,668
2005	43,667,470	2010	52,079,343
2006	50,145,600	2011	60,623,600
2007	51,399,849	2012	59,716,108

Source: Kansas Department of Revenue, Steve Brunken (785-291-3580)

UNAUDITED

TRANSPORTATION

The Kyle Railroad Co. serves the area. Highways serving the area include Interstate 70 and Interstate 80, located 62 miles to the south and 65 miles to the north respectively, and Kansas Highway 36 and Kansas Highway 183.

Air transportation is provided to the area through the Phillipsburg Municipal Airport which has a 4,500 foot asphalt runway. The airport is lighted and has private aircraft storage available.

Parcel service is provided by Federal Express, Pony Express, United Parcel Service, and the United States Post Office.

COMMUNITY SERVICES

The City of Phillipsburg is serviced by three banks and one credit union. Medical facilities are readily available through the twenty-nine bed nonprofit Phillips County Hospital. There is one medical doctor, three certified physician assistants, three dentists and one optometrist providing medical services to the City as well as visiting specialists.

There are fourteen religious institutions located in Phillipsburg.

Located in or near the City are public parks, a golf course, tennis courts and swimming pools. Kirwin Federal Wildlife Refuge is only fifteen miles from the City and provides fishing, hunting, and wildlife watching.

Phillipsburg has two motels with a total of seventy-four rooms.

Phillipsburg has two weekly newspapers, the Phillips County Review and the Advocate of Phillips County. Area residents receive a high quality cable system and high speed internet access. KKAN-KQMA serves the area with AM/FM radio.

TAX STRUCTURE

The total sales tax rate (city, county, state) effective October 1, 2011 was 8.8%.

The property tax rate for various governmental entities is as follows:

PROPERTY TAX MILL LEVY (Per \$1,000 Assessed Valuation)

Levy Year	Budget Year	City of Phillipburg	Phillips County	USD #325	Other	State	Total
2012	2013	51.151	115.701	48.769	1.340	1.500	218.461
2011	2012	50.820	114.814	48.823	1.453	1.500	217.410
2010	2011	49.857	100.712	48.194	1.513	1.500	201.776
2009	2010	49.618	89.437	48.518	1.655	1.500	190.728
2008	2009	49.176	81.842	49.334	1.352	1.500	183.204
2007	2008	50.645	78.597	50.464	1.398	1.500	182.604
2006	2007	51.951	76.384	50.433	1.736	1.500	182.004

UNAUDITED

ASSESSED VALUATION HISTORY

Year	Assessed Valuation of Taxable Tangible Property	Tangible Valuation of Motor Vehicles	Equalized Assessed Valuation of Taxable Tangible Property
2012	\$ 10,005,718	\$ 2,728,947	\$ 12,734,665
2011	\$ 10,045,331	\$ 2,690,621	\$ 12,735,952
2010	\$ 9,929,583	\$ 2,839,157	\$ 12,768,740
2009	\$ 9,905,875		
2008	\$ 10,110,232		
2007	\$ 9,894,743		
2006	\$ 9,527,436		

CITY'S AUTHORITY TO INCUR DEBT

Equalized Assessed Valuation of Tangible Valuation For Computation of Bonded Debt Limitations	\$ 12,734,665
Legal limitation of Bonded Debt	\$ 3,820,400
Outstanding general obligation debt as of December 31, 2011	\$ 225,000
Exempt Debt	\$ -
Net Debt against Statutory Debt limit capacity	\$ 225,000
Additional debt capacity	\$ 3,595,400
Direct debt per capita	\$ 89
Overlapping Indebtedness	\$ -
Direct and overlapping debt	\$ 225,000
Direct and overlapping debt per capita	\$ 89
Direct debt as a percentage of Equalized Assessed Valuation	1.77%
Direct and overlapping debt as a percentage of Equalized Assessed Valuation	1.77%
Statutory direct debt as a percentage of Equalized Assessed Valuation	1.77%

UNAUDITED

OVERLAPPING INDEBTEDNESS

The following table sets forth overlapping indebtedness as of December 31, 2011, and the percent attributable (on the basis of assessed valuation) to the City.

<u>Taxing Jurisdiction</u>	<u>2012 Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to the City</u>	<u>Amount Applicable to the City</u>
Phillips County	\$ 51,279,660	\$ -	19.51%	\$ -
U.S.D. #325	\$ 28,068,669	\$ -	35.79%	\$ -

**Outstanding General Obligation Debt
(As of December 31, 2012)**

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>	<u>Amount Included In Debt Limitation</u>
KLINK G.O. Bonds	2011	\$ 245,000	\$ 225,000	\$ 225,000

**Temporary Notes Outstanding
(As of December 31, 2012)**

None are outstanding as of December 31, 2012.

**Revenue Bonds Outstanding
(As of December 31, 2012)**

None are outstanding as of December 31, 2012.

**Outstanding Public Building Commission Revenue Bonds
(As of December 31, 2012)**

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
PBC Revenue Bonds	2011	\$ 3,070,000	\$ 2,970,000

**Loans Outstanding
(As of December 31, 2012)**

<u>Description of Loan</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
KDHE Sewer Loan	2001	\$ 2,855,519	\$ 1,576,661
KDHE Water Loan	2005	\$ 1,115,125	\$ 581,403

**Capital Lease Obligations
(As of December 31, 2012)**

None are outstanding as of December 31, 2012.

UNAUDITED