

**NEW ISSUE
BANK QUALIFIED**

**NOT RATED
BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds is: (a) excluded from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The interest on the Bonds is exempt from income taxation by the State of Kansas. The Bonds are "qualified tax-exempt obligations" within the meaning of Code § 265(b)(3). See "TAX MATTERS – Opinion of Bond Counsel" herein.

**\$245,000
CITY OF PHILLIPSBURG, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2011**

DATED: September 1, 2011

DUE: September 1, as shown herein

The General Obligation Bonds, Series 2011 (the "Bonds") will be issued by the City of Phillipsburg, Kansas (the "Issuer" or the "City"), as fully registered bonds without coupons, and, when issued will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000 or any integral multiple thereof (or such amount added to \$5,000 or an integral multiple thereof) (the "Authorized Denomination") and shall be numbered in such manner as the Bond Registrar shall determine. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the aforesaid, and shall not mean Beneficial Owners (as herein defined) of the Bonds. The principal of and premium, if any, on the Bonds shall be payable lawful money of the United States of America at the office of the Treasurer of the State of Kansas, Topeka, Kansas (the "Paying Agent" and "Bond Registrar"), upon presentation and surrender of the Bonds for payment and cancellation. Principal on the Bonds will be payable annually on September 1, commencing September 1, 2012. The interest on the Bonds shall be payable semiannually on March 1 and September 1, commencing on March 1, 2012, in lawful money of the United States of America, by check or draft of the Paying Agent mailed to the registered owners thereof at the address appearing on the registration books maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar as of the close of business on the fifteenth (15th) day (whether or not a business day) of the month next preceding each applicable Interest Payment Date (the "Record Dates"). So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The Bonds are issued pursuant to the Constitution and statutes of the State of Kansas and constitute a valid and legally binding general obligation of the Issuer, and as such are payable both as to principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due.

MATURITY SCHEDULE
(See inside cover page)

The Bonds maturing on September 1, 2020 and thereafter will be subject to redemption prior to maturity, at the option of the Issuer, on September 1, 2019, or thereafter as described herein (see "Description of the Bonds - Redemption of the Bonds" herein).

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. Certain other legal matters will be passed upon by Scott Sage, Esq., Phillipsburg, Kansas, City Attorney. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about September 1, 2011.

COMMERCE BANK, N.A.

This Official Statement is dated August 1, 2011.

\$245,000
CITY OF PHILLIPSBURG, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2011

MATURITY SCHEDULE

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u> <u>Base: 718617</u>
09/01/2012	\$20,000	1.75%	1.00%	EB 5
09/01/2013	20,000	1.75%	1.00%	EC 3
09/01/2014	20,000	1.75%	1.25%	ED 1
09/01/2015	25,000	2.00%	1.60%	EE 9
09/01/2016	25,000	2.00%	1.90%	EF 6
09/01/2017	25,000	2.15%	2.15%	EG 4
09/01/2018	25,000	2.40%	2.40%	EH 2
09/01/2019	25,000	2.70%	2.70%	EJ 8
09/01/2020	30,000	2.85%	2.85%	EK 5
09/01/2021	30,000	2.90%	2.90%	EL 3

⁽¹⁾ CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Owners of the Bonds. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

THIS OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE ISSUER FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

\$245,000
CITY OF PHILLIPSBURG, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2011

MAYOR

Fred E. Robinson

CITY COUNCIL

Linda Flipse
Marilyn Goracke
Rod Innes
Michael James
Shane Kinter
Bret Miles

CITY CLERK

Brenda L. Chance

CITY TREASURER

Kelly Vanderplas

CITY ATTORNEY

Scott Sage, Esq.
Phillipsburg, Kansas

BOND COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

PAYING AGENT

State Treasurer
Topeka, KS

FINANCIAL ADVISOR

Ranson Financial Consultants L.L.C.
Wichita, Kansas

UNDERWRITER

Commerce Bank, N.A.
Kansas City, Missouri

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City of Phillipsburg (the "City") or by Ranson Financial Consultants, L.L.C. (the "Financial Advisor") to give any information or to make any representations pertaining to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor. The information set forth herein concerning the Issuer has been furnished by the Issuer and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter.

Neither the delivery of this Official Statement, nor any sale made after any such delivery, shall under any circumstances create any implication that there has been no change in the affairs of the City since the date of this Official Statement. The summaries of various statutes or documents considered herein are intended as summaries only and are qualified in their entirety by reference to the originals thereof, copies of which are available from the Underwriter or the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities offered hereby, by any person in any state in which it is unlawful for such to make such offer, solicitation or sale.

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FINANCIAL OVERVIEW

Equalized Assessed Tangible Valuation (1) (2) (See Page 12).....	\$12,768,740
Outstanding General Obligation Bonded Indebtedness (3) (See Page 15)	\$245,000
Estimated Population	2,367
Per Capita General Obligation Bonded Indebtedness	\$104
Ratio of General Obligation Bonded Indebtedness to Equalized Assessed Valuation	1.92%
Direct and Overlapping Debt (See Page 15).....	\$245,000
Per Capita Direct and Overlapping Debt	\$104
Ratio of Direct and Overlapping Debt to Equalized Assessed Valuation.....	1.92%
Ratio of Statutory Direct Debt to Equalized Assessed Valuation	1.92%

- (1) Includes real estate, personal property, state assessed utilities and motor vehicle valuation.
- (2) Source: City Clerk.
- (3) Includes this issue.

This Financial Overview contains only a brief description of the financial condition of the City. It is not intended to be a summary of all material information with respect to the Bonds. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

\$245,000
CITY OF PHILLIPSBURG, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2011

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement is to set forth certain information concerning the issuance and sale by the City of Phillipsburg, Kansas (the "Issuer" or the "City") of \$245,000 aggregate principal amount of its General Obligation Bonds, Series 2011 (the "Bonds"), dated September 1, 2011. The Issuer is a city of the second class, organized and existing under and pursuant to the Constitution and laws of the State of Kansas.

The Bonds will be issued pursuant to an ordinance and resolution adopted by the Governing Body of Issuer (jointly the "Resolution") and pursuant to the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and statutes of the State of Kansas.

The Appendices are an integral part of this Official Statement and should be read in their entirety.

Except for the information expressly attributed to other sources, all information has been provided by the Issuer. The presentation of information herein, including tables of receipts of various taxes, is intended to show historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. No representation is made that the past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Ranson Financial Consultants, L.L.C., Wichita, Kansas, Financial Advisor, has assisted in the preparation of the Official Statement, but has not verified all of the factual information contained herein, nor has it conducted an independent investigation of the affairs of the City for the purposes of passing upon the accuracy or completeness of this Official Statement. Bond Counsel has not assisted in the preparation nor reviewed this Official Statement, except to the extent described under the section captioned "DESCRIPTION OF THE BONDS," "LEGAL MATTERS," and "APPENDIX B – SUMMARY OF FINANCING DOCUMENTS" and accordingly express no opinion as to the accuracy or sufficiency of any other information contained herein.

The Securities and Exchange Commission (the "SEC") has promulgated amendments to Rule 15c2-12 (the "Rule"), requiring continuous secondary market disclosure. The Issuer is relying on a provision of the Rule that exempts issues of less than \$1,000,000 aggregate principal amount from the requirements of the Rule and therefore has **not** covenanted to provide continuous secondary market disclosure. However, the Issuer intends to supply its most recent financial statements to the Underwriter, and to any Bondowner upon written request and reimbursement to the Issuer of the costs of the photocopying and mailing. For a discussion of the impact of the absence of continuous disclosure on the secondary market for the Bonds, see the section captioned "RISK FACTORS AND INVESTMENT CONSIDERATIONS" herein.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in "APPENDIX B – SUMMARY OF FINANCING DOCUMENTS – THE BOND RESOLUTION – Definitions."

AUTHORIZATION AND PURPOSE

The Bonds are being issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Kansas, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.* and K.S.A. 12-685 *et seq.*, as amended and supplemented from time to time (the "Act") and an ordinance passed by the governing body of the Issuer and a resolution adopted by the governing body of the Issuer (jointly the "Bond Resolution") for the purpose of paying the cost of certain main trafficway street improvements (the "Improvements"). The Bonds shall be general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due. All improvements are to be located within the City (see the section captioned "THE PROJECT" herein). A portion of the proceeds of the sale of the Bonds will also be used to pay the costs of issuance on the Bonds.

DESCRIPTION OF THE BONDS

General

The Bonds are issuable as fully registered book-entry only bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof, (or such amount added to \$5,000 or an integral multiple thereof) (the "Authorized Denomination") and shall be numbered in such manner as the Bond Registrar shall determine. The Bonds shall be dated as of September 1, 2011 and shall mature on September 1 (the "Principal Payment Date") in the years and in the principal amounts, subject to redemption and payment, prior to their Stated Maturities, and shall bear interest at the respective rates per annum, set forth on the inside cover page hereof.

The principal of, and premium if any, on the Bonds shall be payable in lawful money of the United States of America at the principal office of the Treasurer of the State of Kansas, Topeka, Kansas, as Paying Agent (the "Paying Agent") upon presentation of the Bonds for payment and cancellation. The interest on the Bonds shall be payable in lawful money of the United States of America by check or draft of the Paying Agent, by mailing to the registered owner thereof at the address appearing on the registration books maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

Interest on the Bonds shall be payable semiannually on March 1 and September 1 (the "Interest Payment Dates"), commencing March 1, 2012 to the respective owners thereof appearing on the books maintained by the Bond Registrar on the fifteenth (15th) day of the month next preceding each Interest Payment Date (the "Record Dates"). The Bonds shall bear interest from the Interest Payment Date immediately preceding the effective registration dates unless such effective registration date shall be as of an Interest Payment Date, in which case the Bonds shall bear interest from such Interest Payment Date or unless the effective registration date shall be prior to the first Interest Payment Date, in which case the Bonds bear interest from September 1, 2011. The effective date of registration shall be the date of authentication thereof by the Bond Registrar.

The Issuer shall cause books for the registration and for the transfer of the Bonds to be kept by the office of the Treasurer of the State of Kansas, Topeka, Kansas, as Bond Registrar (the "Bond Registrar"). The principal of, premium, if any, of any fully registered Bond shall be payable only to or upon the order of the registered owner or his legal representative upon presentation and surrender thereof. Interest on any fully registered Bond will be paid by check or draft of the Bond Registrar mailed to the registered owner thereof.

Designation of Paying Agent and Bond Registrar

The Issuer will at all times maintain a paying agent and bond registrar meeting the qualifications set forth in the Resolution. The Issuer reserves the right to appoint a successor paying agent or bond registrar. No registration or removal of the paying agent or bond registrar shall become effective until a successor has been appointed and has accepted the duties of paying agent or bond registrar. Every paying agent or bond registrar appointed by the Issuer shall at all times meet the requirements of Kansas law.

The Treasurer of the State of Kansas, Topeka, Kansas has been designated by the Issuer as paying agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds.

Security for the Bonds

The Bonds constitute general obligations of the Issuer and are payable both as to principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due.

Method and Place of Payment of the Bonds

The principal of, or Redemption Price, and interest on the Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Bond shall be paid at Maturity to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the principal office of the Paying Agent. Notwithstanding the foregoing, any Defaulted Interest with respect to any Bond shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be

not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the Issuer of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See "THE BONDS – Book-Entry Bonds; Securities Depository."

Payments Due on Saturdays, Sundays and Holidays

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Book-Entry Bonds: Securities Depository

The Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Bonds to the Participants until and unless the Bond Registrar authenticates and delivers Replacement Bonds to the Beneficial Owners as described in the following paragraphs.

The issuer may decide, subject to the requirements of the Operational Arrangements of DTC (or a successor Securities Depository), and the following provisions of this section to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository):

(a) If the Issuer determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond Registrar shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the Issuer, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act

of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

Registration, Transfer and Exchange of Bonds

As long as any of the Bonds remain Outstanding, each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. The Issuer shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The Issuer and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

Mutilated, Lost, Stolen or Destroyed Bonds

If (a) any mutilated Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Issuer and the Bond Registrar such security or indemnity as may be required by each of them, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond, the Issuer may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

Nonpresentment of Bonds

If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Redemption of the Bonds

Optional Redemption

At the option of the Issuer, Bonds or portions thereof maturing on September 1, 2020 and thereafter may be called for redemption and payment prior to their Stated Maturity on September 1, 2019, and thereafter as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

Selection of Bonds to be Redeemed

Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine, Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

Notice and Effect of Call for Redemption.

Unless waived by any Owner of Bonds to be redeemed, if the Issuer shall call any Bonds for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Bonds to the Bond Registrar and the Purchaser. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Bonds, the Bond Registrar shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

In addition to the foregoing notice, the Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

THE DEPOSITORY TRUST COMPANY

General. The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by The Depository Trust Company ("DTC"), New York, New York.

The following information concerning DTC and DTC's book-entry system has been obtained from DTC. The Issuer takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Bonds, and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, Redemption Price and Interest. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities

held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed, registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described in the Bond Resolution.

THE PROJECT

The proceeds of the Bonds will be used to provide permanent financing for the costs of main trafficway street improvements. A portion of the costs of the Improvements has been financed by the Issuer's General Obligation Temporary Notes, Series 2010, in the amount of \$77,000 (the "Refunded Notes"), which will be retired from the proceeds of the Bonds.

INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS WHICH MUST BE RECOGNIZED.

Taxation of Interest on the Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Code, and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Bonds includable in gross income for federal income tax purposes.

The Issuer has covenanted in the Resolution and in other documents and certificates to be delivered in connection with the issuance of the Bonds to comply with the provisions of the Code, including those which require the Issuer to take or omit to take certain actions after the issuance of the Bonds. Because the existence and continuation of the excludability of the interest on the Bonds depends upon events occurring after the date of issuance of the Bonds, the opinion of Bond Counsel described under "TAX MATTERS -- Opinion of Bond Counsel" assumes the compliance by the Issuer with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Bonds in the event of noncompliance with such provisions. The failure of the Issuer to comply with the provisions described above may cause the interest on the Bonds to become includable in gross income as of the date of issuance.

Market for the Bonds

Lack of Rating. The Bonds are **not** rated and no application has been made for a rating.

Secondary Market. There is no established secondary market for the Bonds, and there is no assurance that a secondary market will develop for the purchase and sale of the Bonds. The absence of continuing disclosure of financial or other information pertaining to the Issuer may impair the development of a secondary market for the Bonds and could impair the ability of an owner to sell Bonds in the secondary market. Prices of municipal bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit market. From time to time it may be necessary to suspend indefinitely secondary market trading in selected issues of municipal bonds as a result of financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the subject Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

Premium on Bonds

Any person who purchases a Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Bonds are subject to redemption at par under the various circumstances described under "THE BONDS - Redemption of Bonds."

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Issuer or the taxing authority of the Issuer. Changes in laws affecting the taxing authority of the Issuer could limit the ability of the Issuer to collect revenue sufficient to pay principal and interest on the Bonds.

Limitations on Remedies Available to Owners of Bonds

The enforceability of the rights and remedies of the owners of Bonds, and the obligations incurred by the Issuer in issuing the Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of Kansas and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

Suitability of Investment

The tax-exempt feature of the Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment and whether or not the Bonds are an appropriate investment.

THE FOREGOING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE BONDS.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE UNDERWRITER.

SOURCES AND USES OF FUNDS

The following table itemizes the sources and uses of funds available for such Improvements, including the proceeds from the sale of the Bonds, exclusive of accrued interest.

Sources of Funds:

<i>Proceeds of the Bonds</i>	<u>\$245,000.00</u>
Total Sources of Funds	\$245,000.00

Use of Funds:

<i>Project Costs</i>	\$149,241.62
<i>Redemption of Outstanding Notes</i>	79,047.45
<i>Cost of Issuance</i>	<u>16,710.93</u>
Total Uses of Funds	\$245,000.00

DEBT SERVICE REQUIREMENT ON THE BONDS

<u>Dates</u> <u>Payment</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>	<u>Semi-Annual</u> <u>Debt Service</u>	<u>Fiscal Year</u> <u>Debt Service</u>
03/01/12			\$3,042.08	\$3,042.08	
09/01/12	\$20,000.00	1.75%	2,793.75	22,793.75	\$25,835.83
03/01/13			2,618.75	2,618.75	
09/01/13	20,000.00	1.75%	2,618.75	22,618.75	25,237.50
03/01/14			2,443.75	2,443.75	
09/01/14	20,000.00	1.75%	2,443.75	22,443.75	24,887.50
03/01/15			2,268.75	2,268.75	
09/01/15	25,000.00	2.00%	2,268.75	27,268.75	29,537.50
03/01/16			2,018.75	2,018.75	
09/01/16	25,000.00	2.00%	2,018.75	27,018.75	29,037.50
03/01/17			1,768.75	1,768.75	
09/01/17	25,000.00	2.15%	1,768.75	26,768.75	28,537.50
03/01/18			1,500.00	1,500.00	
09/01/18	25,000.00	2.40%	1,500.00	26,500.00	28,000.00
03/01/19			1,200.00	1,200.00	
09/01/19	25,000.00	2.70%	1,200.00	26,200.00	27,400.00
03/01/20			862.50	862.50	
09/01/20	30,000.00	2.85%	862.50	30,862.50	31,725.00
03/01/21			435.00	435.00	
09/01/21	30,000.00	2.90%	435.00	30,435.00	30,870.00
TOTALS	\$245,000.00		\$36,068.33	\$281,068.33	\$281,068.33

CITY GOVERNMENT

The City of Phillipsburg, Kansas (the “City”) is a municipal corporation incorporated in 1872. The City has a Mayor/Council form of government. The City Council conducts all legislative functions for the City and establishes general policies which are executed by its staff, which serves at its pleasure.

The principal officials and officers of the City are as follows:

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Fred Robinson	2013
Council Member	Linda Flipse	2015
Council Member	Marilyn Goracke	2013
Council Member	Rod Innes	2013
Council Member	Michael James	2013
Council Member	Shane Kinter	2015
Council Member	Bret Miles	2015
City Clerk	Brenda Chance	Annual Appointment
City Attorney	Scott Sage, Esq.	Annual appointment
City Treasurer	Kelly Vanderplas	2013

FINANCIAL INFORMATION

Accounting, Budgeting and Auditing Procedures

The City follows a basis of accounting for all tax supported funds of the City, including the General Fund, that shows compliance with the State’s cash basis and budget laws. The City waives GAAP accounting.

An annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of the City prior to August 1, with a

public hearing required to be held prior to August 15, with the final budget to be adopted prior to August 25 of each year. Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted.

Kansas law prohibits governmental units from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such indebtedness. An exception to this cash-basis operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Mapes and Miller, CPA., Phillipsburg, Kansas. Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audit for the Fiscal Year ended 2010 is attached hereto as **APPENDIX A**.

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* in June 1999 ("Statement 34"), which established new requirements for the annual financial reports of state and local governments. The City has elected not to implement the changes set forth in Statement 34.

The financial information contained in the Appendices to this Official Statement are an integral part of this document and are intended to be read in conjunction herewith

Assessed Valuation and Reappraisal

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties under the direction of state statutes. The Phillips County Appraiser's office determines the assessed valuation that is to be used as a basis for the mill levy on property located in the County.

All property in the State of Kansas has been reevaluated as a result of a bill passed by the 1985 session of the Kansas Legislature requiring county assessors to reassess property for tax purposes, with an effective date of January 1, 1989. In conjunction with the November 1986 general election, Kansas voters approved a proposition to modify the State Constitution with respect to classification of property for ad valorem taxation. For taxable years 1989 through 1992, real and personal property was divided into classes and assessed at different percentages of fair market value. Land devoted to agricultural use is valued on the basis of its agricultural income or productivity and assessed at 30% of the value so obtained; commercial and industrial machinery and equipment is assessed at 20% of its fair market value; residential property and vacant lots is assessed at 12% of fair market value. Farm machinery and equipment, merchants' and manufacturers' inventories, and livestock are exempt from property taxation.

In conjunction with the November 1992 general election, Kansas voters approved a proposition to further modify the State Constitution with respect to classification of property for ad valorem taxation. The modified clarification provisions shall be effective for assessment and taxation of property on and after January 1, 1993 and each year thereafter. Property was divided into two classes real property and personal property. Real property will be divided into seven subclasses; there will be six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family, mobile or manufactured homes, including the real property on which such homes are located assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Section 501 of the Internal Revenue Code, assessed at 12%, (v) public utility real property, except real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purpose and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) other urban and real property not otherwise specifically classified, assessed at 30%.

The tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 20%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%.

All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

The following table shows the total assessed valuation of all the tangible property in the City for the year 2010:

Assessed Tangible Valuation	\$9,929,583
Tangible Valuation of Motor Vehicles	<u>2,839,157</u>
Equalized Assessed Valuation of Taxable Tangible Property	\$12,768,740

Source: County Clerk

Property Tax Levies and Collections

Tax Collections:

Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at a per annum rate established by State law until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before August 1 of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the Sheriff for collection. If not paid on or before October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non-enforced lien expires five years after it is entered.

Motor vehicle taxes are collected periodically throughout the year concurrently with the renewal of motor vehicle tags based upon the value of such vehicles. Such tax receipts are distributed to all taxing subdivisions, including the State of Kansas, in proportion to the number of mills levied within each taxpayer's tax levy unit.

Tax Rates.

The City may levy taxes in accordance with the requirements of its adopted budget. Prior to July 1, 1999, the City tax levies were further restricted by a state aggregate tax lid. The funds of city restricted by the tax lid include the general fund, capital improvement funds and general improvement funds. Levies not affected by the tax lid include debt service payments on bonds, notes and no fund warrants; payments made to a public building commission; expenses related to tort claim liability and employer contributions for employee retirement, health care and benefit programs, expenses incurred for rebates to owners of property in connection with neighborhood revitalization programs, and expenses incurred to interface with the state criminal justice information system by cities administering juvenile delinquency and crime programs. The tax lid has been repealed effective July 1, 1999. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the county appraiser.

Assessed Valuation

<u>Year</u>	<u>Assessed Valuation of Taxable Tangible Property*</u>
2010	\$9,929,583
2009	9,905,875
2008	10,110,232
2007	9,894,743
2006	9,527,436

* Does not include motor vehicles valuation

Source: County Clerk

**Mill Levy
(Per \$1,000 Assessed Valuation)
(2006 to 2011, inclusive)**

<u>Levy Year</u>	<u>Budget Year</u>	<u>City of Phillipsburg</u>	<u>Phillips County</u>	<u>USD No. 325</u>	<u>Other</u>	<u>State</u>	<u>Total</u>
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

Source: County Clerk

**Tax Collection Record
(2006 to 2010, inclusive)**

<u>Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Percentage of Taxes Collected</u>
2010	\$545,163	In Progress	N/A
2009	562,874	\$540,917	96.10%
2008	565,869	550,321	97.25%
2007	567,168	555,404	97.93%
2006	565,433	552,290	97.68%

Source: County Clerk

Employee Retirement Plans

The City participates in the Kansas Public Employees Retirement System (KPERS) established in 1962, as an instrumentality of the State, pursuant to K.S.A. 74-4901 *et seq.*, to provide retirement and related benefits to public employees in Kansas. KPERS is governed by a board of trustees consisting of nine members, including four members appointed by the Governor subject to confirmation by the State Senate, one appointed by the President of the Senate, one appointed by the Speaker of the House of Representatives, two elected by members and retirants of the retirement system, which must be members of such system, and the State Treasurer. Members of the board of trustees serve four-year terms and elect a chairperson annually. The board of trustees appoints an Executive Director to serve as the managing officer of KPERS and employs a staff of approximately 95 people.

As of June 30, 2010, KPERS serves about 277,000 members and 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

- (a) Kansas Public Employees Retirement System;
- (b) Kansas Police and Firemen’s Retirement System; and
- (c) Kansas Retirement System for Judges.

These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for more than 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

(a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, 85% of which comes from the State General Fund. State legislation enacted in 2003 made certain pre-1962 Board employees (which are part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the State/School Group.

(b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate. State legislation enacted in 2003 made certain pre-1962 employees of the University of Kansas Hospital Authority (which are a part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the Local Group.

KPERS is a qualified, governmental, § 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan's qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a "contributory" defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans (more common in the private sector), which are funded solely by employer contributions. The City's employees annually contribute: (a) 4% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), or (b) 6% of their gross salary to the plan if such employees are KPERS Tier 2 members (covered employment on or after July 1, 2009). The City's contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The City's contribution is 6.14% of the employee's gross salary for calendar year 2011.

According to the Valuation Report as of December 31, 2009 (the "Valuation Report") the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability (UAAL) of \$1,315 million at the end of 2009. KPERS' actuaries identified that an employer contribution rate of 9.44% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by 2033, the end of the actuarial period. Because the annual growth in employer contribution rates is limited by Kansas law, the actual contribution rate permitted at the time of calculation was only 7.34%. As a result, members of the Local Group are underfunding their projected actuarial liabilities and the UAAL can be expected to grow over time. KPERS' actuaries project the required employer contribution rate to increase by the maximum, 0.60%, each year until such time as the permitted rate equals the actuarial rate. The authors of the Valuation Report expect this to occur in 2019 based upon the actuarial assumptions made by the authors.

The 2011 Kansas legislature approved a number of changes to KPERS, including:

(a) Establishing a 13-member KPERS Study Commission to evaluate alternative plan designs during 2011 and recommend a plan for the long-term sustainability of KPERS. The commission's report is due to the Kansas Legislature by January 6, 2012. Pursuant to the 2011 legislation, the 2012 Kansas Legislature must vote on the report's recommendations in order for the other parts of the bill, described below, to become effective.

(b) Increasing the statutory maximum employer contribution annual increase from 0.6% per year (status quo) to 0.9% per year in 2014 and to 1.2% per year by 2017.

(c) For future service for existing KPERS members enrolled before July 1, 2009, increasing employee contribution rates and/or reducing retirement benefits, starting in 2014.

(d) For existing KPERS members enrolled on or after July 1, 2009, reducing benefits or eliminating annual cost of living increases on benefits paid during retirement, starting in 2014.

Employee Relations

The City has 19 employees. Employee relations are characterized as good.

AUTHORITY TO INCUR DEBT

Equalized Assessed Valuation of Tangible Valuation	
For Computation of Bonded Debt Limitations	\$12,768,740
Legal limitation of Bonded Debt ¹	\$3,830,622
Outstanding general obligation debt as of September 1, 2011*	\$245,000
Exempt Debt	\$0
Net Debt against Statutory Debt limit capacity	\$245,000
Additional debt capacity	\$3,585,622
Direct debt per capita	\$104
Overlapping Indebtedness	\$0
Direct and overlapping debt	\$245,000
Direct and overlapping debt per capita	\$104
Direct debt as a percentage of Equalized Assessed Valuation	1.92%
Direct & overlapping debt as a percentage of Equalized Assessed Valuation	1.92%
Statutory direct debt as a percentage of Equalized Assessed Valuation.....	1.92%

¹K.S.A. 10-301 *et seq.*

* Includes this issue.

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of September 1, 2011, and the percent attributable (on the basis of assessed valuation) to the City.

<u>Taxing Jurisdiction</u>	2010 Assessed <u>Valuation</u>	Outstanding General Obligation <u>Indebtedness</u>	Percent Applicable <u>To the City</u>	Amount Applicable <u>to the City</u>
Phillips County	\$49,356,500	\$0	20.12%	\$0
U.S.D. No. 325	27,122,740	0	36.61%	<u>0</u>
			Totals	<u>\$0</u>

Source: County Clerk

Outstanding General Obligation Debt (As of September 1, 2011)

<u>Description of Indebtedness</u>	<u>Series</u>	Original <u>Amount</u>	Amount <u>Outstanding</u>	Amount Included <u>In Debt Limitation</u>
GO Bonds*	2011	\$245,000	<u>\$245,000</u>	<u>\$245,000</u>
Totals			<u>\$245,000</u>	<u>\$245,000</u>

* This issue.

Temporary Notes Outstanding (As of September 1, 2011)

<u>Description of Indebtedness</u>	<u>Series</u>	Original <u>Amount</u>	Amount <u>Outstanding</u>	Amount Included <u>In Debt Limitation</u>
Temp Notes*	2010	\$77,000	<u>\$0</u>	<u>\$0</u>
Totals			<u>\$0</u>	<u>\$0</u>

* To be redeemed by the Series 2011 Bonds.

Revenue Obligations Outstanding (As of September 1, 2011)

As of September 1, 2011 none are outstanding.

Loans Outstanding (As of September 1, 2011)

<u>Description of Loan</u>	<u>Series</u>	Original <u>Amount</u>	Amount <u>Outstanding</u>
KDHE Sewer Loan	2001	\$2,855,519	\$1,774,291
KDHE Water Loan	2005	1,115,125	<u>630,136</u>
	Totals		<u>\$2,404,427</u>

Source: City Clerk

REGIONAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

Size and Location

The City of Phillipsburg is located in the northwest region of the State of Kansas and is the county seat of Phillips County, Kansas. The City is located approximately 240 miles northwest of Wichita, the largest population center in Kansas, and 150 miles northwest of Salina, Kansas. The City has a current estimated population of 2,367 persons.

Municipal Services and Utilities

The City owns and operates its own water and sewer systems. Electricity is provided by Midwest Energy. Telephone service is provided by AT&T and Nex-Tech.

The City has approximately 18 volunteer firefighters. The City contracts with Phillips County Sheriff's Department to provide law enforcement.

Transportation Facilities

The City is served by US Highways 138 and 36. Phillipsburg Municipal Airport is located within the City and provides a runway capable of handling private and corporate aircraft.

Educational Institutions and Facilities

Unified School District No. 325 operates one elementary school, one middle school and one high school in the City and surrounding area. The District has a total enrollment of approximately 655 students. Fort Hays State University is located within 65 miles of the city and the University of Nebraska at Kearney is located within 80 miles. Colby Community College is located 101 miles from the City.

Medical and Health Facilities

Phillips County Hospital is located within the City and provides the City with major medical service.

Financial Institutions

There are currently 3 banks located in Phillipsburg.

Labor Force

The following table sets forth labor force figures for Phillips County and the State of Kansas:

PHILLIPS COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2009	3,166	2,969	197	6.2%
2008	3,054	2,928	126	4.1%
2007	3,224	3,131	93	2.9%
2006	3,099	3,003	96	3.1%
2005	3,077	2,963	114	3.7%

STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2009	1,518,924	1,416,942	101,982	6.6%
2008	1,493,751	1,427,860	65,891	4.4%
2007	1,480,252	1,419,695	60,557	4.4%
2006	1,470,192	1,405,922	64,270	4.4%
2005	1,465,098	1,390,298	74,800	5.5%

Source: Kansas Department of Labor

Agriculture

The following table lists the total value of field crops and livestock/poultry produced in Phillips County for the years listed:

<u>Year</u>	<u>Total Value Of Field Crops(\$000)</u>	<u>Total Value Of Livestock/Poultry(\$000)</u>	<u>Total Value Of Cattle/Milk(\$000)</u>	<u>Total(\$000)</u>
2007	\$41,104	\$34,669	N/A	\$75,773
2006	39,680	N/A	\$19,029	58,709
2005	31,997	N/A	17,225	49,222
2004	18,405	N/A	20,238	38,643
2003	25,157	N/A	19,908	45,065

Source: Kansas Statistical Abstract

Retail Sales Tax Collections

The following table lists Phillips County's state sales tax collections for the years indicated:

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2009	\$2,622,740	\$519.64
2008	2,831,229	510.45
2007	2,724,192	498.65
2006	2,657,717	459.76
2005	2,314,376	402.89

Source: Kansas Statistical Abstract

Ten Largest Taxpayers

The following table sets forth the ten largest taxpayers of the City in 2010:

<u>Taxpayer</u>	<u>Taxes Levied</u>
Nex-Tech Inc	\$68,513
Midwest Energy	61,370
First National Bank & Trust	44,043
Rangeland Coop	43,174
Southwestern Bell	42,483
Prairie Land Electric	35,845
Cottonwood Inn	21,526
Farmers National Bank	21,020
Mark V Motel	19,214
Individual	18,563

Source: County Clerk

Population Trends

The following table shows the approximate population of Phillips County in the years indicated:

<u>Year</u>	<u>Phillips County Population</u>
2010	5,642
2009	5,272
2008	5,282
2007	5,315
2006	5,335

Source: Kansas Statistical Abstract

Personal Income Trends

Phillips County personal and per capita income and State of Kansas per capita income are listed for the years indicated, in the following table

<u>Year</u>	<u>Phillips County Personal Income (\$000)</u>	<u>Phillips County Per Capita Income</u>	<u>State Per Capita Income</u>
2008	\$207,956	\$39,371	\$38,886
2007	191,594	36,048	37,414
2006	185,577	34,785	35,764
2005	181,797	33,425	33,136
2004	165,562	29,649	31,922

Source: Kansas Statistical Abstract

NON-LITIGATION CERTIFICATE

At the present time there is no controversy, suit or other proceedings of any kind pending or threatened whereby any question is raised or may be raised questioning or affecting in any way the legal organization of the City or its boundaries or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the Transcript of proceedings leading up to the issuance of the Bonds, or the constitutionality or validity of the indebtedness represented by the Bonds shown to be authorized in said Transcript, or the validity of the bonds or any of the proceedings had in relation to the issuance or sale thereof, or the levying and collection of taxes to pay the principal and interest thereof.

FINANCIAL ADVISOR

Ranson Financial Consultants, L.L.C. serves as financial advisor (the "Financial Advisor") to the City of Phillipsburg, Kansas. The Financial Advisor has participated in the preparation of this Official Statement, but has not verified all of the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. The Financial Advisor's fee is contingent upon the actual issuance and delivery of the Bonds.

UNDERWRITING

On August 1, 2011, the City received three bids for the purchase of the Bonds. The Bonds were awarded by the City to the account of Commerce Bank, N.A., Kansas City, Missouri (the "Underwriter"). The Initial Purchaser submitted the lowest bid for the purchase of the Bonds with a net effective interest rate of 2.4875%.

The Bonds will be offered to the public initially at the prices determined to produce the yield to maturity set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

LEGAL MATTERS

Approval of Bonds

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein. Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned "DESCRIPTION OF THE BONDS," "LEGAL MATTERS," "TAX MATTERS," and "APPENDIX B-SUMMARY OF FINANCING DOCUMENTS." Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds. Certain legal matters have been passed on for the Issuer by Scott Sage, Esq., City Attorney.

TAX MATTERS

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

Opinion of Bond Counsel

In the opinion of Bond Counsel, under the law existing as of the issue date of the Bonds:

Federal Tax Exemption. The interest on the Bonds is excluded from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Bonds are “qualified tax-exempt obligations” for purposes of Code § 265(b)(3), and in the case of certain financial institutions (within the meaning of Code § 265(b)(5)), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

Kansas Tax Exemption. The interest on the Bonds is exempt from income taxation by the State.

No Other Opinions. Bond Counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

Other Tax Consequences

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Code § 171, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner’s basis is reduced, no Federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bond. To the extent the Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Bonds, and to the proceeds paid on the sale of Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

MISCELLANEOUS

The references herein to the Resolution and other documents referred to in this Official Statement are brief summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions, reference is made to such documents.

The agreement of the Issuer with the Owners of the Bonds is fully set forth in the Resolution, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Official Statement involving matters of opinion, estimates, projections or forecasts, whether or not expressly stated as such, they are not to be construed as representations of fact. Copies of the documents mentioned under this caption are on file at the offices of the Financial Advisor and, following delivery of the Bonds, will be on file with the Issuer.

The Appendices made herein attached hereto are an integral part of this Official Statement and must be read together with all of the statements.

AUTHORIZATION OF OFFICIAL STATEMENT

The preparation of this Official Statement and its distribution has been authorized by the governing body of the Issuer as of the date on the cover page hereof. This Official Statement is submitted in connection with the issuance of the Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

CITY OF PHILLIPSBURG, KANSAS

By: _____
Fred Robinson, Mayor

\$245,000
CITY OF PHILLIPSBURG, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2011

APPENDIX A

AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2010

CITY OF PHILLIPSBURG

Phillipsburg, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2010

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

CITY OF PHILLIPSBURG

City Council

December 31, 2010

Fred Robinson, Mayor

**Linda Flipse
Rod Innes
Shane Kinter**

**Breton Miles
Marilyn Goracke
Mike James**

**Brenda Chance
Kelly Vanderplas**

**City Clerk
City Treasurer**

**CITY OF PHILLIPSBURG
Phillipsburg, Kansas**

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QUINTER
WAKEENEY

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the City of Phillipsburg, Kansas, as of and for the year ended December 31, 2010, which collectively comprise the basic financial statements of the City's primary government, as listed in the table of contents. These financial statements are the responsibility of the City of Phillipsburg, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the City of Phillipsburg, Kansas has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

Mayor and City Council
City of Phillipsburg, Kansas
July 5, 2011
Page 2

In our opinion, because of the omission of the component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2010, or the changes in its financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of the City of Phillipsburg, Kansas, as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information identified in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 statements and, accordingly, we express no opinion on the unaudited information.

This report is intended solely for the information and use of the governing body and management of the City of Phillipsburg, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports and other federal and state agencies to whose jurisdiction the City is subject, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City Council, is a matter of public record.

Respectfully submitted,

Mapes & Miller
Certified Public Accountants

July 5, 2011
Phillipsburg, Kansas

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 1

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
For the Year Ended December 31, 2010

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund							
General Operating Fund	\$ 468,404	\$ -	\$ 1,066,417	\$ 1,021,474	\$ 513,347	\$ 36,501	\$ 549,848
Special Revenue Funds							
Equipment Reserve Fund	126,931	-	74,179	2,992	198,118	-	198,118
Library Fund	251	-	64,208	63,899	560	-	560
Employee Benefit Fund	216,128	-	327,962	349,064	195,026	-	195,026
Special Parks & Recreation Fund	19,293	-	10,601	7,751	22,143	-	22,143
Special Highway Fund	134,525	-	310,050	275,260	169,315	13,965	183,280
Fire Equipment Capital Outlay Fund	172,187	-	40,685	-	212,872	-	212,872
Industrial Development Fund	32,846	-	12,835	35,000	10,681	-	10,681
Partially Self-Funded Health Insurance Fund	120,311	-	303,441	324,359	99,393	-	99,393
Hansen Foundation Grant Fund	120,000	-	-	120,000	-	-	-
Debt Service Fund							
Bond & Interest Fund	165,596	-	284,605	263,510	186,691	-	186,691
Permanent Fund							
Endowment Fund	9,874	-	58	-	9,932	-	9,932
Proprietary Type Funds:							
Enterprise Funds							
Water & Sewer Utility Fund	1,092,926	400	1,147,852	1,147,427	1,093,751	19,459	1,113,210
Meter Deposits Fund	100	-	6,230	6,140	190	19,760	19,950
Solid Waste Fund	104,365	-	359,771	313,225	150,911	8,455	159,366
KDHE Water Supply Project Fund	(198,497) *	71,552	126,945	-	-	-	-
Total Primary Government (Excluding Agency Funds)	\$ 2,585,240	\$ 71,952	\$ 4,135,839	\$ 3,930,101	\$ 2,862,930	\$ 98,140	\$ 2,961,070

* See Note 5 (Cash Basis Exception)

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 1
(Cont.)

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
For the Year Ended December 31, 2010

Composition of Cash	
Cash on Hand	\$ 400
Checking Accounts	3,787
NOW Account	229,701
Money Market Account	323,666
Certificates of Deposit	<u>2,406,000</u>
 Total Cash	 2,963,554
 Agency Funds Per Statement 4	 <u>(2,484)</u>
 Total Primary Government (Excluding Agency Funds)	 <u><u>\$ 2,961,070</u></u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 2

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(Budgeted Funds Only)
For the Year Ended December 31, 2010

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:					
General Fund					
General Operating Fund	\$ 1,655,477	\$ -	\$ 1,655,477	\$ 1,021,474	\$ (634,003)
Special Revenue Funds					
Library Fund	63,899	-	63,899	63,899	-
Employee Benefit Fund	557,000	-	557,000	349,064	(207,936)
Special Parks & Recreation Fund	53,814	-	53,814	7,751	(46,063)
Special Highway Fund	913,320	-	913,320	275,260	(638,060)
Fire Equipment Capital Outlay Fund	188,418	-	188,418	-	(188,418)
Industrial Development Fund	70,262	-	70,262	35,000	(35,262)
Debt Service Fund					
Bond & Interest Fund	340,510	-	340,510	263,510	(77,000)
Proprietary Type Funds:					
Enterprise Funds					
Water & Sewer Utility Fund	2,070,029	-	2,070,029	1,147,427	(922,602)
Solid Waste Fund	411,669	-	411,669	313,225	(98,444)

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Tax	\$ 310,864	\$ 309,210	\$ 1,654
Delinquent Tax	3,904	5,000	(1,096)
Motor Vehicle Tax	47,003	42,567	4,436
Intangibles Tax	59,235	57,365	1,870
Recreational Vehicle Tax	898	828	70
Excise Tax	122	131	(9)
16/20M Vehicle Tax	478	525	(47)
Local Alcoholic Liquor Tax	5,349	5,424	(75)
Interest on Idle Funds	29,708	95,000	(65,292)
Franchise Tax	152,572	165,000	(12,428)
Animal Tags	999	1,500	(501)
Fines	21,780	33,000	(11,220)
Reimbursements	5,002	20,000	(14,998)
Rural Fire Contracts	13,347	13,000	347
Campground Fees	4,100	3,800	300
Local Retailer's Sales Tax	223,990	180,000	43,990
Licenses & Permits	5,048	3,700	1,348
Other Cash Receipts	2,317	25,000	(22,683)
Nonfederal Grants & Gifts	77,850	160,000	(82,150)
Federal Grants	5,389	-	5,389
State Grants	718	-	718
Building Rents	5,797	7,000	(1,203)
Swimming Pool & Concessions	11,756	13,000	(1,244)
Cemetery Lots & Care	7,105	7,000	105
Airport Rents & Grains	8,269	10,000	(1,731)
Airport Aviation Gas & Oil	23,467	40,000	(16,533)
Airport Courtesy Car	44	100	(56)
Airport Sales Tax Collected	2,106	3,000	(894)
Airport Jet Fuel	6,070	8,700	(2,630)
Transportation Passes	3,075	3,000	75
Northwest Kansas Transit	27,746	32,000	(4,254)
Sale of Equipment	309	-	309
	<u>1,066,417</u>	<u>\$ 1,244,850</u>	<u>\$ (178,433)</u>
EXPENDITURES			
General Government			
Personal Services	60,892	\$ 70,000	\$ (9,108)
Contractual Services	107,449	210,000	(102,551)
Commodities	2,604	15,000	(12,396)
Capital Outlay	440	88,246	(87,806)
	<u>171,385</u>	<u>383,246</u>	<u>(211,861)</u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Community Building			
Personal Services	\$ 29,984	\$ 35,000	\$ (5,016)
Contractual Serices	9,292	20,000	(10,708)
Commodities	5,559	7,000	(1,441)
Capital Outlay	-	75,000	(75,000)
	44,835	137,000	(92,165)
Municipal Court & Police Department			
Personal Services	20,800	25,000	(4,200)
Contractual Services	274,996	280,000	(5,004)
Commodities	197	2,000	(1,803)
Capital Outlay	-	1,000	(1,000)
	295,993	308,000	(12,007)
City Fire Department			
Contractual Services	6,287	15,000	(8,713)
Commodities	5,924	15,000	(9,076)
Capital Outlay	1,722	26,000	(24,278)
	13,933	56,000	(42,067)
Rural Fire Department			
Contractual Services	2,929	5,000	(2,071)
Commodities	4,967	10,000	(5,033)
Capital Outlay	750	10,000	(9,250)
	8,646	25,000	(16,354)
Park Department			
Personal Services	14,772	20,000	(5,228)
Contractual Services	11,745	10,000	1,745
Commodities	4,735	9,500	(4,765)
Capital Outlay	8,660	17,500	(8,840)
	39,912	57,000	(17,088)

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND (Cont.)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Cont.)			
Recreation Department			
Contractual Services	\$ 3,887	\$ 5,800	\$ (1,913)
Commodities	289	1,000	(711)
Capital Outlay	-	5,000	(5,000)
Total Recreation Department	4,176	11,800	(7,624)
Swimming Pool			
Personal Services	24,252	30,000	(5,748)
Contractual Services	30,983	9,500	21,483
Commodities	9,171	18,000	(8,829)
Capital Outlay	3,253	6,000	(2,747)
Total Swimming Pool	67,659	63,500	4,159
Cemetery			
Personal Services	11,693	20,000	(8,307)
Contractual Services	14,123	12,000	2,123
Commodities	3,627	5,000	(1,373)
Capital Outlay	3,875	21,900	(18,025)
Total Cemetery	33,318	58,900	(25,582)
Street Lighting			
Contractual Services	48,547	55,000	(6,453)
Airport			
Personal Services	3,601	10,000	(6,399)
Contractual Services	12,680	40,000	(27,320)
Commodities	33,719	40,000	(6,281)
Capital Outlay	-	50,000	(50,000)
Total Airport	50,000	140,000	(90,000)
Planning Department			
Contractual Services	59	5,000	(4,941)
Transportation Department			
Personal Services	24,559	30,000	(5,441)
Contractual Services	1,682	6,500	(4,818)
Commodities	4,090	10,000	(5,910)
Capital Outlay	-	4,500	(4,500)
Total Transportation Department	30,331	51,000	(20,669)

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Library Support			
Contractual	\$ 28,601	\$ 38,000	\$ (9,399)
Beautification			
Contractual Services	10,829	3,500	7,329
Commodities	2,857	3,500	(643)
Total Beautification	13,686	7,000	6,686
Shade Tree			
Contractual Services	11,605	5,000	6,605
Armory			
Contractual Services	4,031	-	4,031
Commodities	3,199	-	3,199
Total Armory	7,230	-	7,230
Water Projects			
Contractual	-	67,956	(67,956)
ADA Concrete			
Commodities	10,058	30,000	(19,942)
Outgoing Transfers			
Equipment Reserve Fund	1,500	16,075	(14,575)
Special Highway Fund	140,000	140,000	-
Total Outgoing Transfers	141,500	156,075	(14,575)
Total Expenditures	1,021,474	\$ 1,655,477	\$ (634,003)
Cash Receipts Over (Under) Expenditures	44,943		
UNENCUMBERED CASH, January 1, 2010	468,404		
UNENCUMBERED CASH, December 31, 2010	\$ 513,347		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

EQUIPMENT RESERVE FUND

	<u>Actual</u>
CASH RECEIPTS	
State Grant	\$ 4,000
Incoming Transfers	
General Operating Fund	1,500
Special Highway Fund	26,000
Water & Sewer Utility Fund	27,700
Solid Waste Fund	<u>14,979</u>
Total Cash Receipts	<u>74,179</u>
EXPENDITURES	
Capital Outlay	<u>2,992</u>
Cash Receipts Over (Under) Expenditures	71,187
UNENCUMBERED CASH, January 1, 2010	<u>126,931</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ 198,118</u></u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

LIBRARY FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Ad Valorem Tax	\$ 49,141	\$ 48,149	\$ 992
Delinquent Tax	1,033	1,050	(17)
Motor Vehicle Tax	13,603	12,370	1,233
Recreational Vehicle Tax	260	241	19
Excise Tax	35	38	(3)
16/20M Vehicle Tax	136	153	(17)
	<u>64,208</u>	<u>\$ 62,001</u>	<u>\$ 2,207</u>
EXPENDITURES			
Library Insurance	826	\$ 1,300	\$ (474)
Appropriation to Library Board	<u>63,073</u>	<u>62,599</u>	<u>474</u>
	<u>63,899</u>	<u>\$ 63,899</u>	<u>\$ -</u>
Cash Receipts Over (Under) Expenditures	309		
UNENCUMBERED CASH, January 1, 2010	<u>251</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 560</u>		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

EMPLOYEE BENEFIT FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Ad Valorem Tax	\$ 68,392	\$ 67,789	\$ 603
Delinquent Tax	2,279	100	2,179
Motor Vehicle Tax	32,552	29,632	2,920
Recreational Vehicle Tax	622	577	45
Excise Tax	84	91	(7)
16/20M Vehicle Tax	324	366	(42)
Reimbursements	2,539	-	2,539
Employee/Employer Contributions	221,170	280,000	(58,830)
Total Cash Receipts	327,962	\$ 378,555	\$ (50,593)
EXPENDITURES			
Social Security & Medicare	51,728	\$ 65,000	\$ (13,272)
Retirement	44,949	60,000	(15,051)
Workman's Compensation	23,296	30,000	(6,704)
Unemployment Insurance	704	2,000	(1,296)
Outgoing Transfer			
Partially Self-Funded Health Insurance Fund	228,387	400,000	(171,613)
Total Expenditures	349,064	\$ 557,000	\$ (207,936)
Cash Receipts Over (Under) Expenditures	(21,102)		
UNENCUMBERED CASH, January 1, 2010	216,128		
UNENCUMBERED CASH, December 31, 2010	\$ 195,026		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

SPECIAL PARKS & RECREATION FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Local Alcoholic Liquor Tax	\$ 5,350	\$ 5,424	\$ (74)
Nonfederal Grant	5,251	35,000	(29,749)
Other Cash Receipts	-	1,000	(1,000)
	<u>10,601</u>	<u>\$ 41,424</u>	<u>\$ (30,823)</u>
EXPENDITURES			
Personal Services	-	\$ 2,500	\$ (2,500)
Contractual Services	2,500	3,000	(500)
Commodities	901	2,000	(1,099)
Capital Outlay	4,350	46,314	(41,964)
	<u>7,751</u>	<u>\$ 53,814</u>	<u>\$ (46,063)</u>
Cash Receipts Over (Under) Expenditures	2,850		
UNENCUMBERED CASH, January 1, 2010	<u>19,293</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 22,143</u>		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

SPECIAL HIGHWAY FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Highway Connecting Links	\$ 14,802	\$ 21,000	\$ (6,198)
Special Highway Tax	63,325	68,770	(5,445)
Sale of Equipment	992	-	992
Other Cash Receipts	805	2,000	(1,195)
State Grant	1,536	-	1,536
Federal Grant	11,518	400,000	(388,482)
General Obligation Bond Proceeds	77,000	-	77,000
Sales Tax Collected	72	-	72
Incoming Transfer			
General Operating Fund	140,000	140,000	-
Total Cash Receipts	310,050	\$ 631,770	\$ (321,720)
EXPENDITURES			
Personal Services	70,921	\$ 90,000	\$ (19,079)
Contractual Services	27,410	90,000	(62,590)
Commodities	62,006	150,000	(87,994)
Capital Outlay	88,923	570,320	(481,397)
Outgoing Transfer			
Equipment Reserve Fund	26,000	13,000	13,000
Total Expenditures	275,260	\$ 913,320	\$ (638,060)
Cash Receipts Over (Under) Expenditures	34,790		
UNENCUMBERED CASH, January 1, 2010	134,525		
UNENCUMBERED CASH, December 31, 2010	\$ 169,315		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

FIRE EQUIPMENT CAPITAL OUTLAY FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Ad Valorem Tax	\$ 19,659	\$ 19,160	\$ 499
Delinquent Tax	413	100	313
Motor Vehicle Tax	5,441	4,948	493
Recreational Vehicle Tax	104	96	8
Excise Tax	14	15	(1)
16/20M Vehicle Tax	54	61	(7)
Nonfederal Grants	15,000	-	15,000
	<u>40,685</u>	<u>\$ 24,380</u>	<u>\$ 16,305</u>
Total Cash Receipts			
EXPENDITURES			
Capital Outlay	-	<u>\$ 188,418</u>	<u>\$ (188,418)</u>
Cash Receipts Over (Under) Expenditures	40,685		
UNENCUMBERED CASH, January 1, 2010	<u>172,187</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 212,872</u>		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

INDUSTRIAL DEVELOPMENT FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Ad Valorem Tax	\$ 9,824	\$ 9,630	\$ 194
Delinquent Tax	205	100	105
Motor Vehicle Tax	2,720	2,474	246
Recreational Vehicle Tax	52	48	4
Excise Tax	7	8	(1)
16/20M Vehicle Tax	27	31	(4)
	<u>12,835</u>	<u>\$ 12,291</u>	<u>\$ 544</u>
EXPENDITURES			
Contractual Services	-	\$ 47,262	\$ (47,262)
Activity Support	10,000	23,000	(13,000)
Capital Outlay	25,000	-	25,000
	<u>35,000</u>	<u>\$ 70,262</u>	<u>\$ (35,262)</u>
Cash Receipts Over (Under) Expenditures	(22,165)		
UNENCUMBERED CASH, January 1, 2010	<u>32,846</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 10,681</u>		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

PARTIALLY SELF-FUNDED HEALTH INSURANCE FUND

	<u>Actual</u>
CASH RECEIPTS	
Insurance Reimbursement	\$ 63,211
Employee/Employer Premium Deposit	6,701
Interest on Idle Funds	491
Reimbursements	4,651
Incoming Transfer	
Employee Benefit Fund	<u>228,387</u>
Total Cash Receipts	<u>303,441</u>
EXPENDITURES	
Contractual Services	<u>324,359</u>
Cash Receipts Over (Under) Expenditures	(20,918)
UNENCUMBERED CASH, January 1, 2010	<u>120,311</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ 99,393</u></u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

HANSEN FOUNDATION GRANT FUND

	<u>Actual</u>
CASH RECEIPTS	<u>\$ -</u>
EXPENDITURES	
Capital Outlay	<u>120,000</u>
Cash Receipts Over (Under) Expenditures	(120,000)
UNENCUMBERED CASH, January 1, 2010	<u>120,000</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ -</u></u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

BOND & INTEREST FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Ad Valorem Tax	\$ 23,804	\$ 23,191	\$ 613
Delinquent Tax	2,451	2,000	451
Motor Vehicle Tax	33,280	29,735	3,545
Recreational Vehicle Tax	634	579	55
Excise Tax	88	92	(4)
16/20M Vehicle Tax	358	367	(9)
Local Retailer's Sales Tax	<u>223,990</u>	<u>180,000</u>	<u>43,990</u>
 Total Cash Receipts	 <u>284,605</u>	 <u>\$ 235,964</u>	 <u>\$ 48,641</u>
EXPENDITURES			
Commission & Postage	-	\$ 2,000	\$ (2,000)
Reserve for Cash	-	75,000	(75,000)
Sewer Loan Principal	124,885	124,885	-
Sewer Loan Interest	54,678	59,508	(4,830)
Sewer Loan Service Fee	4,830	-	4,830
Water Loan Principal	58,442	61,011	(2,569)
Water Loan Interest	18,698	18,106	592
Water Loan Service Fee	<u>1,977</u>	<u>-</u>	<u>1,977</u>
 Total Expenditures	 <u>263,510</u>	 <u>\$ 340,510</u>	 <u>\$ (77,000)</u>
 Cash Receipts Over (Under) Expenditures	 21,095		
 UNENCUMBERED CASH, January 1, 2010	 <u>165,596</u>		
 UNENCUMBERED CASH, December 31, 2010	 <u>\$ 186,691</u>		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

ENDOWMENT FUND

	<u>Actual</u>
CASH RECEIPTS	
Interest on Idle Funds	<u>\$ 58</u>
EXPENDITURES	
	<u>-</u>
Cash Receipts Over (Under) Expenditures	58
UNENCUMBERED CASH, January 1, 2010	<u>9,874</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ 9,932</u></u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

WATER & SEWER UTILITY FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Water Department			
Water Sales	\$ 887,519	\$ 855,000	\$ 32,519
Penalties	10,251	12,000	(1,749)
Sales Tax Collected	22,808	20,000	2,808
Other Cash Receipts	568	3,500	(2,932)
Coin Machine Water Sales	249	1,700	(1,451)
Water Protection Fee	10,017	1,000	9,017
Sale of Equipment	-	1,500	(1,500)
Return Check Charge	340	1,000	(660)
New Service	843	4,000	(3,157)
Connects/Disconnects	2,576	3,600	(1,024)
State Grant	330	-	330
Federal Grant	2,475	-	2,475
	937,976	903,300	34,676
Sewer Department			
Sewer Charges	202,656	210,000	(7,344)
Sewer Machine & Building Rental	3,538	1,300	2,238
Other Cash Receipts	-	100	(100)
Connects/Disconnects	30	100	(70)
Sewer Dump Station Fee	1,507	3,900	(2,393)
Sale of Equipment	2,145	-	2,145
	209,876	215,400	(5,524)
Total Cash Receipts	1,147,852	\$ 1,118,700	\$ 29,152
EXPENDITURES			
Water Department			
Production			
Personal Services	45,580	\$ 60,000	\$ (14,420)
Contractual Services	191,260	250,000	(58,740)
Commodities	65,578	60,000	5,578
Capital Outlay	-	321,257	(321,257)
	302,418	691,257	(388,839)
Transmission & Distribution			
Personal Services	176,544	175,000	1,544
Contractual Services	115,433	150,000	(34,567)
Commodities	131,496	170,000	(38,504)
Capital Outlay	26,530	140,000	(113,470)
	450,003	635,000	(184,997)

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

WATER & SEWER UTILITY FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Water Department			
Water Commercial & General			
Personal Services	\$ 69,426	\$ 70,000	\$ (574)
Contractual Services	51,447	70,000	(18,553)
Commodities	1,701	5,000	(3,299)
Capital Outlay	184	65,185	(65,001)
Total Water Commercial & General	122,758	210,185	(87,427)
Total Water Department	875,179	1,536,442	(661,263)
Sewer Department			
Sewer Commercial & General			
Personal Services	55,075	55,000	75
Contractual Services	107,777	190,000	(82,223)
Commodities	39,314	60,000	(20,686)
Capital Outlay	4,946	160,000	(155,054)
Total Sewer Commercial & General	207,112	465,000	(257,888)
Other Expenditures			
Sales Tax	22,486	20,000	2,486
State Water Fee	7,716	11,000	(3,284)
Kansas Clean Drinking Water Fee	7,234	11,387	(4,153)
Outgoing Transfer			
Equipment Reserve Fund	27,700	26,200	1,500
Total Other Expenditures	65,136	68,587	(3,451)
Total Expenditures	1,147,427	\$ 2,070,029	\$ (922,602)
Cash Receipts Over (Under) Expenditures	425		
UNENCUMBERED CASH, January 1, 2010	1,092,926		
Prior Year Cancelled Encumbrances	400		
UNENCUMBERED CASH, December 31, 2010	\$ 1,093,751		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

METER DEPOSITS FUND

	<u>Actual</u>
CASH RECEIPTS	
Meter Deposits	<u>\$ 6,230</u>
EXPENDITURES	
Deposit Refunds	<u>6,140</u>
Cash Receipts Over (Under) Expenditures	90
UNENCUMBERED CASH, January 1, 2010	<u>100</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ 190</u></u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

SOLID WASTE FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Fees Collected	\$ 352,548	\$ 288,000	\$ 64,548
Sales Tax Collected	50	250	(200)
Sale of Dumpsters	-	3,600	(3,600)
Equipment Rental	792	600	192
Other Cash Receipts	-	50	(50)
Yard Waste Receipts	6,381	5,700	681
Total Cash Receipts	359,771	\$ 298,200	\$ 61,571
EXPENDITURES			
Personal Services	101,478	\$ 120,000	\$ (18,522)
Contractual Services	163,463	190,000	(26,537)
Commodities	32,935	40,000	(7,065)
Capital Outlay	370	54,069	(53,699)
Outgoing Transfer			
Equipment Reserve Fund	14,979	7,600	7,379
Total Expenditures	313,225	\$ 411,669	\$ (98,444)
Cash Receipts Over (Under) Expenditures	46,546		
UNENCUMBERED CASH, January 1, 2010	104,365		
UNENCUMBERED CASH, December 31, 2010	\$ 150,911		

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2010

KDHE WATER SUPPLY PROJECT FUND

	<u>Actual</u>
CASH RECEIPTS	
Loan Proceeds	<u>\$ 126,945</u>
EXPENDITURES	<u>-</u>
Cash Receipts Over (Under) Expenditures	126,945
UNENCUMBERED CASH, January 1, 2010	(198,497)
Prior Year Cancelled Encumbrances	<u>71,552</u>
UNENCUMBERED CASH, December 31, 2010	<u><u>\$ -</u></u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Statement 4

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS
For the Year Ended December 31, 2010

AGENCY FUNDS

FUNDS	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Municipal Court Bonds	\$ -	\$ 2,217	\$ 2,217	\$ -
Employee Flex Benefits	<u>2,038</u>	<u>39,417</u>	<u>38,971</u>	<u>2,484</u>
Total	<u><u>\$ 2,038</u></u>	<u><u>\$ 41,634</u></u>	<u><u>\$ 41,188</u></u>	<u><u>\$ 2,484</u></u>

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

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Phillipsburg, Kansas, the primary government, was incorporated in 1872, and operates as a second-class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, water, sewer, sanitation, health and social services, culture and recreation services, planning and zoning, public improvements, and general administrative services.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Housing Authority and Library Board are component units of the City. Financial information for the component units have not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with generally accepted accounting principles.

The governing bodies of the following are appointed by the City:

- 1) **Housing Authority**. The City of Phillipsburg Housing Authority operates the City's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuance must be approved by the City.
- 2) **Library**. The City of Phillipsburg Library Board operates the City's Public Library. Acquisition or disposition of real property by the board must be approved by the City. The City levies taxes for the Library. Bond issuances must be approved by the City.
- 3) **Public Building Commission**. The City of Phillipsburg 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 taxes for the Public Building Commission. Bond issuances must be approved by the City.

The audited financial statements of the Housing Authority and the unaudited financial statements of the Library and Public Building Commission can be obtained from the City Clerk.

FUND ACCOUNTING

The accounts of the City 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 City uses the following fund types:

Governmental Type Funds

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes only.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Permanent Funds - Permanent funds are used to account for financial resources that are legally restricted to the extent that only earnings and not principal may be used.

Proprietary Type Funds

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Type Funds

Agency Funds - Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

BASIS OF ACCOUNTING

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

The 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 statutory basis of accounting.

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

LEAVE POLICIES

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.

The total cost of the accumulated vacation payable accrued as of December 31, 2010 is shown on Note 12, and will be recorded as an expenditure at the time the vacation is utilized as normal personal services expenditures.

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.

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

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice 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, 2010.

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

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

Special Revenue Funds:

Equipment Reserve Fund
Partially Self-Funded Health Insurance
Hansen Foundation Grant Fund

Enterprise Funds:

Meter Deposits Fund
KDHE Water Supply Project 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.

3. PROPERTY TAXES

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due ½ on December 20th and ½ the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the City and therefore are not susceptible to accrual.

It is not practical to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

4. COMPLIANCE WITH KANSAS STATUTES

- A. K.S.A. 10-816 requires checks outstanding for two years or more be cancelled and restored to the fund originally charged. The City had three outstanding checks that were outstanding longer than two years, violating K.S.A. 10-816.
- B. The City is not aware of any other non-compliance with Kansas statutes.

5. CASH BASIS EXCEPTION

- A. Authority is authorized under K.S.A. 74-8905 and the Loan Act to issue revenue bonds for the purpose of providing funds to implement the State's requirements under the Federal Act and to loan the same, together with available funds from the EPA capitalization grants, to Municipalities within the State for the payment of project costs. The City had a negative unencumbered cash balance in the KDHE Water Supply Fund at January 1, 2010, because the City must expend monies before they can receive the loan proceeds. K.S.A. 10-1116 provides an exception from a cash-basis law violation for the issuance of bonds. The City expended monies with the expectation of monies being reimbursed under conditions of the KDHE loan agreement.

6. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2010, the City of Phillipsburg had no investments other than certificates of deposit, which are considered deposits under GASB Statement No. 3. 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%. The City's deposits were adequately secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$2,963,154 and the bank balance was \$2,976,160. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance \$461,055 was covered by federal depository insurance, \$2,515,105 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.

7. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Operating Fund	Equipment Reserve Fund	K.S.A. 12-1,117	\$ 1,500
General Operating Fund	Special Highway Fund	K.S.A. 12-1,119	140,000
Employee Benefit Fund	Partially Self-Funded Health Insurance Fund	K.S.A. 12-2615	228,387
Special Highway Fund	Equipment Reserve Fund	K.S.A. 68-141g	26,000
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	14,979

8. DEFINED BENEFIT PENSION PLAN

Plan description

The City of Phillipsburg contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. 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 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar year 2010, which includes pension contributions and group death disability insurance, was 7.14%. The City of Phillipsburg's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$46,728, \$40,141, and \$32,523, respectively, equal to the required contributions for each year as set forth by the legislature.

9. 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 these financial statements.

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 American Recovery and Reinvestment Act of 2010 (ARRA), as amended, provides for premium reductions for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA. The premium assistance is also available for continuation coverage under certain State laws. "Assistance Eligible Individuals" pay only 35% of their COBRA premiums; the remaining 65% is reimbursed to the coverage provider through a tax credit. The premium reduction applies to periods of health coverage that began on or after February 17, 2010 and lasts for up to fifteen months. As of December 31, 2010, there were two individual participants in the COBRA Plan under the City's partially self-funded insurance plan, the maximum potential cost to the City would be approximately \$24,500.

10. 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 for which the City purchases commercial insurance.

During the year ended December 31, 2010, 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 \$20,000 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.

11. SUBSEQUENT EVENTS

- A. On June 23, 2011, the City passed a resolution authorizing the offering for sale of \$245,000 of City of Phillipsburg, Kansas General Obligation Bonds, Series 2011. The bond proceeds will be used to retire the City's temporary note and to finance a portion of the costs of a KLINK project.
- B. The City of Phillipsburg Public Building Commission passed a resolution on June 23, 2011 authorizing the offering for sale of \$3,070,000 of Revenue Bonds, Series 2011, of the City of Phillipsburg, Kansas Public Building Commission. The bond proceeds will be used by the Public Building Commission to construct, furnish, and equip a swimming pool recreational facility in the City. The Public Building Commission also passed a resolution to enter into a lease agreement with the City of Phillipsburg for the facility. Beginning October 2011, the City will impose a one percent City-wide general purpose retailers' sales tax. The sales tax collected will be used to make lease payments to the Public Building Commission for the facility.

12. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning Balance 1/1/2010	Additions	Reductions/Payments	Net Change	Ending Balance 12/31/2010	Interest/Service Fees Paid
Temporary Note										
Series 2010 General Obligation	1.75%	02/24/10	\$ 77,000	2012	\$ -	\$ 77,000	\$ -	\$ -	\$ 77,000	\$ -
Total Temporary Notes			77,000		-	77,000	-	-	77,000	-
KDHE Loans										
KS Water Pollution Control Loan										
KS Water Pollution Control Loan	3.08%	04/17/01	2,855,519	2022	1,963,064	-	124,885	-	1,838,179	59,508
KS Water Supply Loan										
KS Water Supply Loan	3.66%	01/17/05	920,980	2026	577,296	126,945	58,442	-	645,799	20,675
Total KDHE Loans			3,776,499		2,540,360	126,945	183,327	-	2,483,978	80,183
Total Contractual Indebtedness			3,853,499		2,540,360	203,945	183,327	-	2,560,978	80,183
Compensated Absences Accumulated Vacation										
Compensated Absences Accumulated Vacation	N/A	N/A	N/A	N/A	29,641	-	-	(1,641)	28,000	-
Total Long-Term Debt			\$ 3,853,499		\$ 2,570,001	\$ 203,945	\$ 183,327	\$ (1,641)	\$ 2,588,978	\$ 80,183

N/A = Not Applicable

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

Year	Temporary Note		KDHE Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ -	\$ -	\$ 160,374	\$ 78,983	\$ 160,374	\$ 78,983
2012	77,000	2,695	165,539	73,818	242,539	76,513
2013	-	-	170,871	68,486	170,871	68,486
2014	-	-	176,374	62,982	176,374	62,982
2015	-	-	182,056	57,301	182,056	57,301
2016-2020	-	-	1,002,168	194,617	1,002,168	194,617
2021-2025	-	-	599,608	43,999	599,608	43,999
2026-2030	-	-	26,988	494	26,988	494
	\$ 77,000	\$ 2,695	\$ 2,483,978	\$ 580,680	\$ 2,560,978	\$ 583,375

CITY OF PHILLIPSBURG
Phillipsburg, Kansas

Schedule 1

WATER AND SEWER UTILITY ALLOCATION
For the Year Ended December 31, 2010

SUMMARY FROM STATEMENT 3
WATER & SEWER UTILITY FUND

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH RECEIPTS	\$ 937,976	\$ 209,876	\$ 1,147,852
EXPENDITURES	938,815	208,612	1,147,427
Cash Receipts Over (Under) Expenditures	(839)	1,264	425
UNENCUMBERED CASH, January 1, 2010	368,063	724,863	1,092,926
Prior Year Cancelled Encumbrances	<u>400</u>	<u>-</u>	<u>400</u>
UNENCUMBERED CASH, December 31, 2010	<u>\$ 367,624</u>	<u>\$ 726,127</u>	<u>\$ 1,093,751</u>

UNAUDITED ADDITIONAL INFORMATION

**CITY OF PHILLIPSBURG
Phillipsburg, Kansas**

Exhibit 1

**UNAUDITED ADDITIONAL INFORMATION
December 31, 2010**

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	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1960</u>
City of Phillipsburg:	2,581	2,668	2,828	3,229	3,241	3,233
Phillips County:	5,642	6,001	6,590	7,406	7,888	8,709

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>						
	2010	5.1%						
	2009	6.2%						
	2008	4.0%						
	2007	3.0%						
	2006	3.3%						
	2005	3.7%						
	2004	3.9%						
	2003	2.3%						
	2002	2.0%						
	2001	2.0%						
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Civilian work force	3,103	3,166	3,145	3,182	3,111	3,155	3,214	3,229
Total employed	2,946	2,969	3,018	3,088	3,008	3,039	3,090	3,154
Unemployed	157	197	127	94	103	116	124	75

Kansas Department of Commerce, Labor Market Info. Service (785-296-2918)

www.dol.ks.gov

MAJOR EMPLOYERS - Phillipsburg Area

Some of the larger employers in the area include:

<u>Firm</u>	<u>Employment</u>	<u>Products/Service</u>
Tamko Asphalt Products	117	Roofing Products
Phillips County Hospital	117	Health Care
Unified School District #325	98	Education
Phillips Co. Retirement Center	85	Long Term Care Facility
First National Bank	46	Banking
Kyle Railroad	29	Transportation
Prairie Horizon Agri-Energy LLC	33	Ethanol & Distillers Grain
Groendyke Transport Inc.	20	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>
2001	199,829,549	2006	208,589,637
2002	190,744,425	2007	224,886,062
2003	195,923,461	2008	233,130,344
2004	200,540,121	2009	229,561,739
2005	196,496,523	2010	245,076,602

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>
2001	94,637,335	2006	173,762,580
2002	105,351,595	2007	155,847,499
2003	126,056,000	2008	131,936,647
2004	133,500,000	2009	125,906,065
2005	141,624,077	2010	122,903,973

PHILLIPSBURG CITY SALES TAX COLLECTED BY STATE OF KANSAS

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2001	232,344	2006	392,703
2002	353,484	2007	398,182
2003	340,194	2008	395,726
2004	357,141	2009	391,732
2005	359,404	2010	386,466

TAXABLE RETAIL SALES - Phillipsburg City

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2001	35,128,900	2006	39,270,300
2002	29,092,059	2007	36,748,660
2003	31,234,100	2008	37,891,849
2004	32,309,604	2009	34,479,349
2005	32,614,792	2010	36,656,731

TAXABLE RETAIL SALES - Phillips County

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2001	38,240,061	2006	50,145,600
2002	39,300,608	2007	51,399,849
2003	41,691,400	2008	53,419,415
2004	43,295,113	2009	49,485,668
2005	43,667,470	2010	52,079,343

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

UNAUDITED

TRANSPORTATION

The Kyle Railroad Co. serves the area with headquarters in Phillipsburg. 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, one certified physician assistant, 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 Reservoir is only fifteen miles from the City and provides swimming and water skiing, camping, boating and fishing.

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) was 5.4% until June 30, 2001. Beginning July 1, 2001, the rate was 5.9%, on July 1, 2003 the rate became 6.3%, and on January 1, 2006 the rate became 6.8%.

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
City:	49.857	49.618	49.176	50.645	51.951	52.057	50.986	50.526	47.074
County:	100.712	89.437	81.842	78.597	76.384	79.950	76.973	77.644	75.960
School:	48.194	48.518	49.334	50.464	50.433	44.453	51.672	51.870	52.365
Other:	1.500	3.155	2.852	2.898	3.236	3.229	1.500	1.500	1.500
Total:	200.263	190.728	183.204	182.604	182.004	179.689	181.131	181.540	176.899

UNAUDITED

PROPERTY TAX MILL LEVY RATES - Phillipsburg City

<u>Year</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1993	15.186	34.560	49.746
1994	15.584	34.498	50.082
1995	15.278	34.568	49.846
1996	15.581	32.988	48.569
1997	15.040	34.859	49.899
1998	14.712	34.083	48.795
1999	15.626	32.767	48.393
2000	13.616	34.422	48.038
2001	12.885	35.268	48.153
2002	12.905	35.117	48.022
2003	12.753	34.321	47.074
2004	25.452	25.074	50.526
2005	20.692	30.294	50.986
2006	21.224	30.833	52.057
2007	19.950	32.001	51.951
2008	17.578	33.067	50.645
2009	17.197	31.979	49.176
2010	32.022	17.596	49.618
2011	33.544	16.313	49.857

ASSESSED VALUATION HISTORY

<u>Year</u>	<u>City</u>	<u>County</u>	<u>USD #325</u>
1993	7,626,737	39,321,038	20,936,568
1994	7,527,934	38,906,110	20,700,875
1995	7,627,098	36,594,235	20,644,399
1996	7,884,228	37,591,865	21,347,966
1997	8,206,990	38,535,864	21,774,465
1998	9,092,173	40,285,287	23,070,981
1999	8,977,166	38,440,628	22,180,119
2000	8,874,208	37,655,135	21,813,414
2001	9,164,869	41,486,441	23,484,335
2002	9,074,248	43,455,337	23,936,205
2003	9,132,611	43,461,124	24,261,377
2004	8,782,823	43,881,125	23,670,829
2005	8,930,248	45,081,652	24,397,179
2006	9,089,689	47,865,995	25,443,420
2007	9,533,217	50,888,752	26,847,220
2008	9,905,658	49,807,534	26,905,393
2009	10,125,853	50,216,069	27,412,270
2010	9,912,547	46,227,125	26,302,984
2011	9,936,890	49,386,984	27,142,635

UNAUDITED

\$245,000
CITY OF PHILLIPSBURG, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2011

APPENDIX B
SUMMARY OF FINANCING DOCUMENTS

APPENDIX B

SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions contained in the Bond Resolution authorizing the issuance of the Bonds. This summary does not purport to be complete and is qualified by reference to the entirety of the foregoing documents.

THE BOND RESOLUTION

DEFINITIONS

In addition to words and terms defined elsewhere in this Official Statement, the following words and terms as used herein shall have the meanings hereinafter set forth. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

“Act” means the Constitution and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, K.S.A. 12-685 *et seq.*, as amended and supplemented.

“Authorized Denomination” means \$5,000 or any integral multiples thereof.

“Beneficial Owner” of the Bonds includes any Owner of the Bonds and any other Person who, directly or indirectly has the investment power with respect to such Bonds.

“Bond and Interest Fund” means the Bond and Interest Fund of the Issuer for its general obligation bonds.

“Bond Counsel” means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Issuer.

“Bond Payment Date” means any date on which principal of or interest on any Bond is payable.

“Bond Register” means the books for the registration, transfer and exchange of Bonds kept at the office of the Bond Registrar.

“Bond Registrar” means the State Treasurer, Topeka, Kansas, and its successors and assigns.

“Bond Resolution” means collectively, the Ordinance passed by the governing body of the Issuer and the resolution adopted by the governing body of the Issuer authorizing the issuance of the Bonds, as amended from time to time.

“Bonds” means the General Obligation Bonds, Series 2011, authorized and issued by the Issuer pursuant to the Bond Resolution.

“Business Day” means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

“Cede & Co.” means Cede & Co., as nominee of DTC and any successor nominee of DTC with respect to the Bonds.

“City” means the City of Phillipsburg, Kansas.

“Clerk” means the duly appointed and/or elected Clerk or, in the Clerk's absence, the duly appointed Deputy Clerk or Acting Clerk of the Issuer.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder of the United States Department of the Treasury.

“Consulting Engineer” means an independent engineer or engineering firm, or architect or architectural firm, having a favorable reputation for skill and experience in the construction, financing and operation of public facilities, at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Consulting Engineer by the Bond Resolution.

“Costs of Issuance” means all costs of issuing the Bonds, including but not limited to all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving ratings on the Bonds, and any premiums or expenses incurred in obtaining municipal bond insurance on the Bonds.

“Costs of Issuance Account” means the account by that name created by the Bond Resolution.

“Dated Date” means September 1, 2011.

“Debt Service Account” means the account by that name (within the Bond and Interest Fund) created by the Bond Resolution.

“Debt Service Requirements” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on the Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State and having full trust powers.

“Defaulted Interest” means interest on any Bond which is payable but not paid on any Interest Payment Date.

“Defeasance Obligations” means any of the following obligations:

(a) United States Government Obligations that are not subject to redemption in advance of their maturity dates;
or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) the obligations are rated in the highest rating category by Moody's (presently “Aaa”) or Standard & Poor's (presently “AAA”).

“Derivative” means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

“DTC” means The Depository Trust Company, New York, New York.

“Event of Default” means each of the following occurrences or events:

(a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise; or

(b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or

(c) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding.

“Federal Tax Certificate” means the Issuer's Federal Tax Certificate for the Bonds, dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

“Financeable Costs” means the amount of expenditure for an Improvement which has been duly authorized by action of the governing body of the Issuer to be financed by general obligation bonds, less: (a) the amount of any temporary notes or general obligation bonds of the Issuer which are currently Outstanding and available to pay such Financeable Costs; and (b) any amount of Financeable Costs which has been previously paid by the Issuer or by any eligible source of funds unless such amounts are entitled to be reimbursed to the Issuer under State or federal law.

“Fiscal Year” means the twelve month period ending on December 31.

“Funds and Accounts” means funds and accounts created by or referred to in the Bond Resolution.

“Improvement Fund” means the fund by that name created in the Bond Resolution.

“Improvements” means the improvements referred to in the preamble to the Ordinance and any Substitute Improvements.

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Bond which shall be March 1 and September 1 of each year, commencing March 1, 2012.

“Issue Date” means the date when the Issuer delivers the Bonds to the Purchaser in exchange for the Purchase Price.

“Issuer” means the City and any successors or assigns.

“Maturity” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein and in the Bond Resolution provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

“Mayor” means the duly elected and acting Mayor, or in the Mayor's absence, the duly appointed and/or elected Vice Mayor or Acting Mayor of the Issuer.

“Moody's” means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody's” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

“Official Statement” means the Issuer's Official Statement, dated August 1, 2011, relating to the Bonds.

“Outstanding” means, when used with reference to the Bonds, as of a particular date of determination, all Bonds theretofore, authenticated and delivered, except the following Bonds:

- (a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Bond Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered hereunder.

“Owner” when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the Bond Resolution, and the Owner of the Bonds, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Bonds.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Paying Agent” means the State Treasurer, Topeka, Kansas, and any successors and assigns.

“Permitted Investments” shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the county or counties in which the Issuer is located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; or (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f), all as may be further restricted or modified by amendments to applicable State law.

“Person” means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

“Purchaser” means the financial institution or investment banking firm that is original purchaser of the Bonds.

“Rating Agency” means any company, agency or entity that provides financial ratings for the Bonds.

“Record Dates” for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

“Redemption Date” when used with respect to any Bond to be redeemed means the date fixed for the redemption of such Bond pursuant to the terms of the Bond Resolution.

“Redemption Price” when used with respect to any Bond to be redeemed means the price at which such Bond is to be redeemed pursuant to the terms of the Bond Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

“Refunded Notes” means the Series 2010 Notes.

“Refunded Notes Paying Agent” means the paying agent for the Refunded Notes as designated in the Refunded Notes Resolution, and any successor or successors at the time acting as paying agent of the Refunded Notes.

“Refunded Notes Redemption Date” means September 1, 2011.

“Refunded Notes Resolution” means the resolution which authorized the Refunded Notes.

“Replacement Bonds” means Bonds issued to the Beneficial Owners of the Bonds in accordance with the Bond Resolution.

“Securities Depository” means, initially, DTC, and its successors and assigns.

“**Series 2010 Notes**” means the Issuer’s General Obligation Temporary Notes, Series 2010, dated February 24, 2010, in the original aggregate principal amount of \$77,000.

“**Special Record Date**” means the date fixed by the Paying Agent for the payment of Defaulted Interest.

“**Standard & Poor's**” means Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

“**State**” means the state of Kansas.

“**State Treasurer**” means the duly elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

“**Stated Maturity**” when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and the Bond Resolution as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

“**Substitute Improvements**” means the substitute or additional improvements of the Issuer described in the Bond Resolution.

“**Treasurer**” means the duly appointed and/or elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Issuer.

“**United States Government Obligations**” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

**ESTABLISHMENT OF FUNDS AND ACCOUNTS;
DEPOSIT AND APPLICATION OF BOND PROCEEDS AND OTHER MONEYS**

Creation of Funds and Accounts. Simultaneously with the issuance of the Bonds, there shall be created within the Treasury of the Issuer the following Funds and Accounts:

- (a) Improvement Fund;
- (b) Debt Service Account; and
- (c) Costs of Issuance Account.

The above Funds and Accounts shall be administered in accordance with the provisions of the Bond Resolution so long as the Bonds are Outstanding.

Deposit of Bond Proceeds and Other Moneys. The net proceeds received from the sale of the Bonds and certain other funds shall be deposited simultaneously with the delivery of the Bonds as follows:

- (a) All accrued interest and premium, if any, received from the sale of the Bonds shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (c) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited in the Improvement Fund.

Application of Moneys in the Improvement Fund. Moneys in the Improvement Fund shall be used for the sole purpose of paying the costs of the Improvements and retiring the Refunded Notes. Withdrawals from the Improvement Fund shall be made only when authorized by the governing body of the Issuer. Each authorization for costs of the Improvements

shall be supported by a certificate executed by the Clerk (or designate) stating that such payment is being made for a purpose within the scope of the Bond Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Authorizations for withdrawals for other authorized purposes shall be supported by a certificate executed by the Clerk (or designate) stating that such payment is being made for a purpose within the scope of the Bond Resolution. Moneys in the Improvement Fund to redeem and retire the Refunded Notes shall be paid and transferred to the Refunded Notes Paying Agent, with irrevocable instructions to apply such amount to the payment of the Refunded Notes on the Refunded Notes Redemption Date. The Clerk is authorized and instructed to provide appropriate notice of redemption in accordance with the Refunded Notes Resolution authorizing the issuance of such Refunded Notes. Upon redemption of the Refunded Notes and completion of the Improvements, any surplus remaining in the Improvement Fund shall be deposited in the Debt Service Account.

Substitution of Improvements; Reallocation of Proceeds. The Issuer may elect for any reason to substitute or add other public improvements to be financed with proceeds of the Bonds provided the following conditions are met: (a) the Substitute Improvement and the issuance of general obligation bonds to pay the cost of the Substitute Improvement has been duly authorized by the governing body of the Issuer in accordance with the laws of the State; (b) a resolution authorizing the use of the proceeds of the Bonds to pay the Financeable Costs of the Substitute Improvement has been duly adopted by the governing body of the Issuer pursuant to this Section, (c) the Attorney General of the State has approved the amendment made by such resolution to the transcript of proceedings for the Bonds to include the Substitute Improvements; and (d) the use of the proceeds of the Bonds to pay the Financeable Cost of the Substitute Improvement will not adversely affect the tax status of the Bonds under State or federal law.

The Issuer may reallocate expenditure of Bond proceeds among all Improvements financed by the Bonds; provided the following conditions are met: (a) the reallocation is approved by the governing body of the Issuer; (b) the reallocation shall not cause the proceeds of the Bonds allocated to any Improvement to exceed the Financeable Costs of the Improvement; and (c) the reallocation will not adversely affect the tax status of the Bonds under State or federal law.

Application of Moneys in the Debt Service Account. All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on the Bonds as and when the same become due and the usual and customary fees and expenses of the Bond Registrar and Paying Agent. The Treasurer is authorized and directed to withdraw from the Debt Service Account sums sufficient to pay both principal or Redemption Price of and interest on the Bonds and the fees and expenses of the Bond Registrar and Paying Agent as and when the same become due, and to forward such sums to the Paying Agent in a manner which ensures that the Paying Agent will receive immediately available funds in such amounts on or before the Business Day immediately preceding the dates when such principal, interest and fees of the Paying Agent will become due. If, through the lapse of time or otherwise, the Owners of Bonds are no longer entitled to enforce payment of the Bonds or the interest thereon, the Paying Agent shall return said funds to the Issuer. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Bond Resolution and shall be held in trust by the Paying Agent for the benefit of the Owners of the Bonds entitled to payment from such moneys. Any moneys or investments remaining in the Debt Service Account after the retirement of the indebtedness for which the Bonds were issued shall be transferred and paid into the Bond and Interest Fund.

Payments Due on Saturdays, Sundays and Holidays. In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Application of Moneys in the Costs of Issuance Account. Moneys in the Costs of Issuance Account shall be used by the Issuer to pay the Costs of Issuance. Any funds remaining in the Costs of Issuance Account, after payment of all Costs of Issuance, but not later than the later of 30 days prior to the first Stated Maturity of principal or one year after the date of issuance of the Bonds, shall be transferred to the Improvement Fund until completion of the Improvements and thereafter to the Debt Service Account.

DEPOSIT AND INVESTMENT OF MONEYS

Deposits. Moneys in each of the Funds and Accounts shall be deposited in a bank, savings and loan association or savings bank which are members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law, and which meet certain guidelines of State law. All such deposits shall be held in cash or invested in Permitted Investments or shall be adequately secured as provided by the laws of the State.

Investments. Moneys held in any Fund or Account may be invested in accordance with the Bond Resolution and the Federal Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account; provided that, during the period of construction of the Improvements, earnings on the investment of such funds shall be credited to the Debt Service Account.

DEFAULT AND REMEDIES

Remedies. The provisions of the Bond Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Bonds. If an Event of Default occurs and shall be continuing, the Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the Issuer and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Issuer, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

Limitation on Rights of Owners. The covenants and agreements of the Issuer contained in the Bond Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, all of which Bonds of any series shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the Funds and Accounts pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Resolution. No one or more Owners secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for in the Bond Resolution, or to enforce any right, except in the manner provided in the Bond Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

Remedies Cumulative. No remedy conferred upon the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon.

DEFEASANCE

When any or all of the Bonds, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and all other rights granted thereby shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company located in the State and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds or the interest payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal or Redemption Price of said Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments. If the amount to be so deposited is based on the Redemption Price of any Bonds, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Bonds, and (b) either notice of such redemption has been given, or the Issuer has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Bond Registrar to give such notice of redemption.

MISCELLANEOUS PROVISIONS

Annual Audit. Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements of the Issuer for the preceding Fiscal Year by an Independent Accountant. Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Clerk, and a duplicate copy of the audit shall be mailed to the Purchaser of the Bonds. Such audits shall at all times during the usual business hours be open to the examination and inspection by any Owner of any of the Bonds, or by anyone acting for or on behalf of such user or Owner.

Levy and Collection of Annual Tax. The governing body of the Issuer shall annually make provision for the payment of Debt Service Requirements on the Bonds as the same become due by levying and collecting the necessary taxes upon all of the taxable tangible property within the Issuer in the manner provided by law. The taxes referred to above shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer shall thereafter be deposited in the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent. If at any time said taxes are not collected in time to pay the principal of or interest on the Bonds when due, the Treasurer is hereby authorized and directed to pay said principal or interest out of the general funds of the Issuer and to reimburse said general funds for money so expended when said taxes are collected.

Amendments. The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall: (a) extend the maturity of any payment of principal or interest due upon any Bond; (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Bond; (c) permit preference or priority of any Bond over any other Bond; or (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

Any provision of the Bonds or of the Bond Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Issuer at any time in any legal respect with the written consent of the Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to more precisely identify the Improvements, to reallocate proceeds of the Bonds among Improvements, to provide for Substitute Improvements, to conform the Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

Notices, Consents and Other Instruments by Owners. Any notice, request, complaint, demand or other communication required or desired to be given or filed under the Bond Resolution shall be in writing, and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent. The Issuer, the Paying Agent and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent. All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

Electronic Transactions. The issuance of the Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

Severability. If any section or other part of the Bond Resolution, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of the Bond Resolution.

Governing Law. The Bonds and the Bond Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.