

**NEW ISSUE
BANK QUALIFIED**

**RATING: S&P's "A"
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 (including any original issue discount properly allocable to an owner thereof) 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.

**\$3,070,000
CITY OF PHILLIPSBURG, KANSAS
PUBLIC BUILDING COMMISSION
REVENUE BONDS
SERIES 2011**

DATED: September 1, 2011

DUE: October 1, as shown herein

The Series 2011 Bonds (the "Bonds") will be issued by the City of Phillipsburg, Kansas Public Building Commission (the "Issuer"), as fully registered bonds without coupons, and when issued, will be registered in the name 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 only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Bonds. Principal will be payable annually on October 1, beginning on October 1, 2012, and semiannual interest will be payable on April 1 and October 1, beginning on April 1, 2012. Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the office of Treasurer of the State of Kansas, Bond Registrar and Paying Agent (the "Bond Registrar" and "Paying Agent"). Interest will be payable by check or draft of the Paying Agent mailed to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date. 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 payable solely and only from the net earnings and revenue received by the Issuer from the Project described herein, including rental payments received under the provisions of a Lease, as amended and supplemented, between the Issuer and the City of Phillipsburg, Kansas (the "Tenant" or the "City") and the Bonds are secured by a pledge of the Pledged Property established by the Resolution of the Issuer authorizing the Bonds, which "Pledged Property" is comprised primarily, but not completely, of such rental payments (see "THE BONDS-Security").

MATURITY SCHEDULE

(See inside cover)

The Bonds are subject to redemption prior to maturity. The Bonds maturing October 1, 2021 and thereafter are subject to optional redemption beginning October 1, 2020 or thereafter in whole at any time, or in part as determined by the Issuer on any interest payment date at a price equal to 100% of the principal amount plus accrued interest to the redemption date (see "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 this entire Official Statement to obtain information essential to the making of an informed-investment decision and should give particular attention to matters referred to by the Issuer under the caption "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued, subject to prior sale, to withdrawal or to modification of the offer without notice and to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, as Bond Counsel, and other conditions. 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 DTC on or about September 6, 2011.

**STIFEL
NICOLAUS**

This Official Statement is dated August 4, 2011.

\$3,070,000
CITY OF PHILLIPSBURG, KANSAS
PUBLIC BUILDING COMMISSION
REVENUE BONDS
SERIES 2011

MATURITY SCHEDULE

SERIAL BONDS

Stated Maturity <u>October 1</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	CUSIP <u>Base: 718620</u>
2012	\$100,000	2.000%	0.750%	AA 5
2013	120,000	2.000%	1.000%	AB 3
2014	120,000	2.000%	1.200%	AC 1
2015	125,000	2.000%	1.400%	AD 9
2016	125,000	2.000%	1.800%	AE 7
2017	130,000	2.500%	2.200%	AF 4
2018	135,000	2.750%	2.500%	AG 2
2019	135,000	3.000%	2.800%	AH 0
2020	140,000	3.250%	3.000%	AJ 6
2021	145,000	3.500%	3.150%	AK 3
2022	150,000	3.750%	3.350%	AL 1
2023	150,000	4.000%	3.550%	AM 9
2024	160,000	4.000%	3.650%	AN 7
2025	170,000	3.625%	3.750%	AP 2
2029	200,000	4.000%	4.050%	AT 4
2030	205,000	4.000%	4.125%	AU 1
2031	215,000	4.100%	4.200%	AV 9

TERM BONDS

Stated Maturity <u>October 1</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Yield or <u>Price</u>	CUSIP <u>Base: 718620</u>
2028	\$545,000	4.500%	3.900%	AS 6

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representation must not constitute an offer sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth therein 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. The information and expression of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT 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.

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.

\$3,070,000
CITY OF PHILLIPSBURG, KANSAS
PUBLIC BUILDING COMMISSION
REVENUE BONDS
SERIES 2011

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PUBLIC BUILDING COMMISSION

Fred E. Robinson, Chairperson
Linda Flipse, Secretary/Treasurer
Marilyn Goracke, Member
Rod Innes, Member
Mike James, Member
Shane Kinter, Member
Bret Miles, Member

CITY COUNCIL

Fred E. Robinson, Mayor
Linda Flipse, Member
Marilyn Goracke, Member
Rod Innes, Member
Mike James, Member
Shane Kinter, Member
Bret Miles, Member

CITY CLERK

Brenda L. Chance

ISSUER'S COUNSEL

Scott Sage, Esq.

BOND COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

FINANCIAL ADVISOR

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

UNDERWRITER

Stifel, Nicolaus & Co.
Wichita, Kansas

\$3,070,000
CITY OF PHILLIPSBURG, KANSAS
PUBLIC BUILDING COMMISSION
REVENUE BONDS
SERIES 2011

INTRODUCTION

General Matters

This Official Statement, including the cover page and appendices hereof, is provided to furnish in connection with the sale by the City of Phillipsburg, Kansas Public Building Commission (the "Issuer"), of its Revenue Bonds, Series 2011, dated September 1, 2011 in the aggregate principal amount of \$3,070,000 (the "Bonds"), which Bonds are being issued pursuant to a resolution of the Issuer authorizing the issuance of said Bonds (the "Resolution"). The Bonds are being issued for the purpose of financing a new public swimming pool project to serve the City.

Pursuant to a Lease dated as of September 1, 2011 (the "Lease"), between the Issuer and the City of Phillipsburg, Kansas, as Tenant (the "Tenant" or the "City"), a municipal corporation and city of the second class of the State of Kansas, the Project (as herein defined) will be constructed, equipped, and leased to the City. The Bonds are payable solely from the net earnings and revenue received by the Issuer from the Project, including rentals payable under the Lease, and not from any other fund or source of the Issuer. The Pledged Property, as defined by the Resolution, which is comprised primarily of such rental payments, is pledged to the payment of the Bonds. Rental payments under the Lease are intended to be sufficient when added to other funds available for such purpose to pay when due the principal of, premium if any, and interest on the Bonds.

Included herein are brief descriptions of the Tenant, the Project, anticipated sources and uses of funds, the Bonds, and the Lease. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease and the Resolution are qualified in their entirety by reference to such documents, copies of which may be examined at the office of Stifel, Nicolaus & Co., Wichita, Kansas (the "Original Purchaser" or the "Underwriter"), or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Bonds are qualified in their entirety by the definitive forms thereof and the information with respect thereto included in the Lease and the Resolution.

The Issuer

The Issuer is the City of Phillipsburg, Kansas Public Building Commission, a municipal corporation organized in November 2010 by the City of Phillipsburg, Kansas (the "City"), pursuant to the City's Charter Ordinance No. 10, and K.S.A. 12-1757 *et seq.*, as amended. The Issuer's principal function and responsibility is acquiring land, and constructing, reconstructing, equipping and furnishing a building or buildings thereon for lease to governmental entities. The Issuer has authority to issue the Bonds under the Act (as herein defined).

The Issuer's governing body consists of seven members, which are set forth in Appendix A hereto..

Authority

The Bonds are issued under the authority of K.S.A. 12-1757 *et seq.*, Charter Ordinance No. 10 of the City (with K.S.A. 12-1757 *et seq.* referred to jointly herein as the "Act"), K.S.A. 10-1201 *et seq.* and Resolution No. PBC11-04 of the Issuer. The Bonds are payable solely from the net earnings and revenues derived from the Project, including the rents received from the City under the Lease, and do not in any respect represent or constitute a debt or pledge of the faith and credit of the City or the Issuer.

The City

The City of Phillipsburg, Kansas, is a municipal corporation and city of the second class organized and existing under the laws of the State of Kansas. A description of the City is contained in *Appendix A* hereof.

THE BONDS

General

The Bonds will be issued as fully registered Bonds in the denomination of \$5,000 each or integral multiples thereof. The Bonds will be dated September 1, 2011 and will mature, subject to prior redemption, as hereinafter described, and will bear interest from their dated date at the rates per annum shown on the inside cover page. The principal of and interest on the Bonds will be payable at such place and as is shown on the cover page.

Bonds will be transferable at the office of the Bond Registrar and Paying Agent upon payment, by the Bondowner, of any charge made by the Bond Registrar as reimbursement for any tax, fee or other governmental charge and for all other costs and

expenses incurred by the Issuer or the Bond Registrar in connection with such transfer. The City has agreed to pay as Additional Rent under the Lease all costs incurred in connection with the issuance, transfer, exchange, registration, redemption or payment of the Bonds except (a) the reasonable fees and expenses in connection with the replacement of a Bond or Bonds mutilated, stolen, lost or destroyed (b) any tax or other governmental charge imposed in relation to the transfer exchange, registration, redemption or payment of the Bonds. No transfer of a Bond is required to be made by the Bond Registrar on or subsequent to the Record Date and prior to the succeeding Payment Date or during the 15 days immediately preceding selection of Bonds for such redemption or after such Bonds or any portion thereof has been selected for redemption.

Security

The Bonds are special limited obligations of the Issuer payable as to both principal and interest solely from the net earnings and revenue received by the Issuer from the Project, including rental payments to be paid by the City to the Issuer under the Lease. The Bonds are secured by a pledge and assignment of the Pledged Property, as defined by the Resolution, which is comprised primarily, but not completely, of such rental payments. The terms of the Lease and the schedule of lease payments are designed to produce moneys sufficient to pay the principal of the Bonds and interest thereon when due. The City may also elect to purchase the Issuer's interest in the Project by payment of the purchase option price set forth in the Lease.

The Bonds are not an indebtedness of the City under any constitutional or statutory restriction or limitation.

The Lease is an unconditional and absolute obligation of the City and the City is obligated to make payments under the Lease to the Paying Agent in amounts sufficient to pay principal and interest on the Bonds. The payments made by the City to the Issuer are exempt under the Act from the limitations imposed by the Kansas Cash Basis and Budget Laws. The obligation of the City to make payments under the Lease is not subject to annual appropriation or termination during the Lease term.

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."

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.

Redemption Prior to Maturity

The Bonds will be subject to redemption prior to their respective maturities as hereinafter described and as provided in the Resolution. The manner in which notice of redemption shall be given, and selection of the Bonds to be redeemed shall be made, is summarized under "THE RESOLUTION-Redemption of Bonds" in *Appendix C*.

The Bonds shall be subject to redemption as follows:

Optional Redemption. The Bonds maturing on October 1, 2021 and thereafter are also subject to redemption and payment prior to maturity by the Issuer upon instructions from the City, on and after October 1, 2020, in whole at any time or in part on any Interest Payment Date in inverse order of maturity and by lot within a single maturity, at par plus interest accrued to the date of redemption.

Selection of Bonds to be Redeemed

Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the outstanding Bonds are to be redeemed and paid prior to maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine, with Bonds of less than a full maturity to be selected by the Bond Registrar in \$5,000 units of face value in such equitable manner as it may determine.

Notice of Redemption

Unless waived by the Owners of the Bonds to be redeemed, if the Issuer calls any Bonds for redemption prior to the maturity date thereof, at the request of the City, the Issuer shall cause the Bond Registrar to give written notice of its intention to call and pay said Bonds on a specified date, the same being described by maturity, said notice to be mailed by first class mail addressed to the Owners of said Bonds, and the Original Purchaser of the Bonds, each of said notices to be mailed not less than 30 days prior to the date fixed for redemption. The Issuer will also give such additional notice as may be required by Kansas law or regulations of the Securities and Exchange Commission in effect as of the date of such notice.

Prior to the date fixed for redemption, funds shall be placed with the Paying Agent which are sufficient to pay the Bonds called for redemption and accrued interest thereon to the redemption date and the redemption premium, if any. Upon the happening of the above conditions, and notice having been given as provided in the Resolution, the Bonds or the portions of the principal amount of

Bonds thus called for redemption, shall cease to bear interest on the specified redemption date and shall not be deemed to be outstanding under the provisions of the Resolution.

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.

Exchange, Transfer and Registration of Bonds

The Bonds are transferable only upon the books of the Bond Registrar upon presentation and surrender of the Bonds, together with instructions for transfer. Bonds may be exchanged for other Bonds of any denomination authorized by the Bond Resolution in the same aggregate principal amount, series, and maturity, upon presentation to the Bond Registrar, subject to the terms, conditions and limitations and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

FOR MORE DISCUSSION OF THE BONDS AND THE RESOLUTION SEE "APPENDIX C - - SUMMARY OF PRINCIPAL FINANCING DOCUMENTS."

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 Project consists of the new swimming pool project on a certain site in the City. The proposed swimming pool project includes a swimming pool, a large dual-flume waterslide, a wading pool with water attractions, a masonry bath house and mechanical building, pool deck equipment and a parking lot.

SCHEDULE OF DEBT SERVICE REQUIREMENTS

The debt service requirements for the Bonds as of the date of issuance are set forth below.

Payment Dates	Principal Amount	Interest Rate	Interest	Semi- Annual Debt Service	Annual Debt Service
04/01/2012			\$ 61,929.58	\$ 61,929.58	
10/01/2012	\$ 100,000	2.000%	53,082.50	153,082.50	\$ 215,012.08
04/01/2013			52,082.50	52,082.50	
10/01/2013	120,000	2.000%	52,082.50	172,082.50	224,165.00
04/01/2014			50,882.50	50,882.50	
10/01/2014	120,000	2.000%	50,882.50	170,882.50	221,765.00
04/01/2015			49,682.50	49,682.50	
10/01/2015	125,000	2.000%	49,682.50	174,682.50	224,365.00
04/01/2016			48,432.50	48,432.50	
10/01/2016	125,000	2.000%	48,432.50	173,432.50	221,865.00
04/01/2017			47,182.50	47,182.50	
10/01/2017	130,000	2.500%	47,182.50	177,182.50	224,365.00
04/01/2018			45,557.50	45,557.50	
10/01/2018	135,000	2.750%	45,557.50	180,557.50	226,115.00
04/01/2019			43,701.25	43,701.25	
10/01/2019	135,000	3.000%	43,701.25	178,701.25	222,402.50
04/01/2020			41,676.25	41,676.25	
10/01/2020	140,000	3.250%	41,676.25	181,676.25	223,352.50
04/01/2021			39,401.25	39,401.25	
10/01/2021	145,000	3.500%	39,401.25	184,401.25	223,802.50
04/01/2022			36,863.75	36,863.75	
10/01/2022	150,000	3.750%	36,863.75	186,863.75	223,727.50
04/01/2023			34,051.25	34,051.25	
10/01/2023	150,000	4.000%	34,051.25	184,051.25	218,102.50
04/01/2024			31,051.25	31,051.25	
10/01/2024	160,000	4.000%	31,051.25	191,051.25	222,102.50
04/01/2025			27,851.25	27,851.25	
10/01/2025	170,000	3.625%	27,851.25	197,851.25	225,702.50
04/01/2026			24,770.00	24,770.00	
10/01/2026	175,000	4.500%	24,770.00	199,770.00	224,540.00
04/01/2027			20,832.50	20,832.50	
10/01/2027	180,000	4.500%	20,832.50	200,832.50	221,665.00
04/01/2028			16,782.50	16,782.50	
10/01/2028	190,000	4.500%	16,782.50	206,782.50	223,565.00
04/01/2029			12,507.50	12,507.50	
10/01/2029	200,000	4.000%	12,507.50	212,507.50	225,015.00
04/01/2030			8,507.50	8,507.50	
10/01/2030	205,000	4.000%	8,507.50	213,507.50	222,015.00
04/01/2031			4,407.50	4,407.50	
10/01/2031	<u>215,000</u>	4.100%	<u>4,407.50</u>	219,407.50	<u>223,815.00</u>
Totals	\$3,070,000		\$1,387,459.58	\$4,457,459.58	\$4,457,459.58

SOURCES AND USES OF FUNDS

(exclusive of accrued interest)

Sources of Funds	
Principal Amount of Bonds	\$3,070,000.00
Reoffering Premium	<u>52,899.60</u>
Total Sources of Funds	\$3,124,374.11
Uses of Funds	
Project Fund	\$3,054,347.61
Costs of Issuance	54,523.00
Underwriter's Discount	<u>15,503.50</u>
Total Uses of Funds	\$3,124,374.11

RISK FACTORS AND 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. THE FOLLOWING 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.

Special Obligations

The Bonds are special limited obligations of the Issuer. Neither the Bonds nor the interest thereon constitute a general obligation or indebtedness of, nor is the payment thereof guaranteed by the Issuer or any governmental subdivision, agency or instrumentality.

Debt Service Source

The Bonds are payable solely from the net earnings and revenue received from the Project, including rent payments payable by the City under the Lease. The Bonds are secured by a pledge of the Pledged Property established by the Resolution, which is comprised primarily, but not completely, of such rental payments. Under the Act, the City is authorized to enter into long term leases with the Issuer for use of facilities such as the Project. The obligation of the City to make rental payments under the Lease is not subject to annual appropriation and is exempt from the application of the Kansas cash basis and budget laws.

Any taxes levied by the City to make rental payments under the Lease are not subject to any statutory tax levy limitation of the City. However, it is possible that a tax levy limitation could be imposed and such limitation could limit the taxes levied by the City to make rental payments under the Lease, thereby adversely impacting the City's ability to make such rental payments, and correspondingly affecting the Issuer's ability to make payments on the Bonds.

Taxation of Interest on the Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Bonds is excluded 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 provision 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 and the City have covenanted in the Lease 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 City 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" assumes compliance by the Issuer and the City with the provisions of the Code mentioned 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 event of noncompliance with such provisions. The failure of the Issuer or the City 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.

Limitation on Remedies

The enforceability of the rights and remedies of the owners of Bonds, and the obligations incurred by the Issuer in issuing the Bonds and the City in entering into the Lease, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or affecting the enforcement of creditor's rights generally, now in effect; usual equity principals 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 State 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 federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of the right to bankruptcy and otherwise, and consequently, may involve risks of delay, limitation or modification of their rights.

Liquidation of Security in Event of Default

The Project consists of real property and the improvements located thereon. In the event of a forced liquidation or other reletting or disposition of the Project, there is no assurance this will produce funds sufficient to pay the principal of the Bonds and the interest accrued thereon.

Abandonment of Project

The Issuer has certain remedies under the Lease if an event of default (as defined in the Lease) occurs and continues, including the ability to take possession of the Project and relet it, with the proceeds of such reletting being available to pay principal and interest on the Bonds. The Lease gives the Issuer the option, under such circumstances not to re-enter or take possession of the Project thereby abandoning a part of the security for the Bonds. In the event that the Project should become contaminated by the presence of Hazardous Substances (as defined in the Lease), and the City is the subject of a remedial action under an Environmental Law (as defined in the Lease). As a result of such contamination, the Issuer would have the discretion to abandon the Project, and probably would abandon it if its market value is substantially impaired by the presence of the contamination or if re-entering or taking possession of the Project would probably expose the Issuer or the owners of Bonds to liability for costs of remedial action under an Environmental law.

Secondary Market for the Bonds

Bond Rating. The Bonds have been assigned the financial rating set forth in the section hereof entitled "BOND RATING." There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

There is no established secondary market for the Bonds, and there is no assurance a secondary market will develop for the purchase and sale of the Bonds. Although the City and the Issuer will provide a Continuing Disclosure undertaking as described herein, the absence of continuing disclosure of financial or other information pertaining to the City may impair the development of a secondary market for the Bonds and could impair the ability of an owner to sell the Bonds in the secondary market. It is the present practice of the Underwriter, however, to make a secondary market as dealers in issues of municipal bonds which the Underwriter distributes. The Underwriter intends to continue this practice with respect to the Bonds, but is not obligated to do so. Prices of municipal bonds traded by the Underwriter in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the governmental entities operating the facility subject to bonded indebtedness. From time to time it may be necessary for the Underwriter to suspend indefinitely secondary market trading in selected issues of municipal bonds as a result of the financial condition or market position of the Underwriter, prevailing market conditions, lack of adequate current financial information about the Issuer or the City, or a material adverse change in the operations of the Issuer or the City, whether or not subject bonds are in default as to principal and interest payments, and other factors which in the opinion of the Underwriter may give rise to uncertainty concerning prudent secondary market practices.

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 City or the taxing authority of the Issuer or the City. The changes in laws affecting the taxing authority of the City could limit the ability of the Issuer to collect revenues sufficient to pay principal and interest on the Bonds.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. Furthermore, the tax exempt feature of 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. Prospective investors 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.

EXEMPTION FROM REGISTRATION

The offering, sale and delivery of the Bonds, including the obligations of the City under the Lease, are being made under the assumption by the Underwriter that they do not require registration of the Bonds under the Securities Act of 1933, as amended, and the offering, sale and delivery of the Bonds do not require registration or qualification of the Resolution and the Lease under the Trust Indenture Act of 1939, as amended. No opinion is expressed with respect to the necessity of registering the Bonds under the "blue sky" or securities laws of any state.

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the "SEC") has enacted amendments to its Rule 15c-12 (the "Rule"), adopted pursuant to the Securities Exchange Act of 1934, requiring continuous secondary market disclosure for certain issues of municipal securities. Pursuant to the Lease, the City has agreed to file certain financial information and operating data of the City. In the Resolution, the Issuer has covenanted to provide annually said financial information, operating data and other information necessary to comply with the Rule. The covenant is for the benefit of and is enforceable by the beneficial owners of the Bonds. For more detailed information with respect to the Issuer's Continuing Disclosure Undertaking, see "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS."

BOND RATING

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., has assigned an independent rating of "A" to the Series 2011 Bonds. Any further explanation of the significance of such rating may be obtained only from the rating agency. The rating does not constitute a recommendation by the rating agency to buy, sell or hold any notes or bonds, including the Series 2011 Bonds. There is no assurance that any rating when assigned to the Series 2011 Bonds will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of the rating when assigned to the Series 2011 Bonds may have an adverse affect on the market price of the Series 2011 Bonds.

UNDERWRITER

The Bonds have been sold by the Issuer to Stifel, Nicolaus & Co., Wichita, Kansas (the "Underwriter") at the purchase price of 100% of the principal amount of the Bonds plus a reoffering premium of \$52,899.60, less an underwriter's discount of \$15,503.50 plus accrued interest to the date of closing. The Underwriter has agreed, subject to certain conditions contained in the Bond Purchase Agreement, to purchase the Series 2011 Bonds.

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.

FINANCIAL ADVISOR

Ranson Financial Consultants, L.L.C. serves as financial advisor (the "Financial Advisor") to the Issuer. 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 Issuer 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.

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 Issuer and the City or their boundaries or the right or title of any of their officers to their respective offices, or the legality of any official act shown to have been done in the Transcript of Proceedings leading 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 in relation to the issuance of sale thereof.

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. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer and its certified public accountants, as referred to, and 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 "THE BONDS," "LEGAL MATTERS," "TAX MATTERS," and APPENDIX C - "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS."

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 (including any original issue discount properly allocable to an owner thereof) 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 Discount. For Federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Code § 1288, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals: (a) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods; multiplied by (b) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period); minus (c) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for Federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

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.

CONCLUDING STATEMENT

The references to and summaries or descriptions of provisions of the Bonds, the Bond Resolution and the Lease and all references to other materials not stated to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Copies of the Lease and the Bond Resolution may be obtained from the Underwriter or, after delivery of the Bonds, from the Issuer. Neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create an implication that there has been any change in the business affairs or financial condition of the Issuer or the City since the date hereof.

ELIGIBILITY TO SECURE THE DEPOSIT OF PUBLIC FUNDS

Pursuant to K.S.A. 80-2532, banks are allowed to hold the Bonds, as security for the deposit of public funds. Pursuant to K.S.A. 91402, banks are allowed to hold revenue bonds of any municipality or quasimunicipal corporation of the State of Kansas, as security for the deposit of public funds, if approved by the State Bank Commissioner. An application will be submitted to the State Bank Commissioner requesting that the Bonds be approved as security for deposit of public funds. No assurance can be given that the State Bank Commissioner will grant such application approval.

AUTHORIZATION OF OFFICIAL STATEMENT

The preparation of this Official Statement and its distribution has been authorized by the Issuer and the City. This Official Statement has been duly approved by the governing body of the Issuer and the City and "deemed final" in accordance with the Securities and Exchange Commission Rule 15c-12 as of the date of the cover hereof.

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City and the Issuer, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Bonds and the Resolution do not purport to be complete and are qualified in their entirety by reference thereto.

Neither the City, nor the Issuer nor any of their officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the City or Issuer or the City's or Issuer's ability to make any payment required of it; and further, neither the City, the Issuer nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the Issuer by the Resolution.

City of Phillipsburg, Kansas
Public Building Commission

By _____
Fred Robinson, Chairperson

APPENDIX A

INFORMATION CONCERNING THE ISSUER AND THE CITY

GENERAL - - ISSUER

CITY OF PHILLIPSBURG, KANSAS PUBLIC BUILDING COMMISSION

The City of Phillipsburg, Kansas Public Building Commission is a municipal corporation duly created in accordance with Charter No. 10 of the City adopted on November 15, 2010 (the "Ordinance") and existing under the laws of the State, including particularly the Act, as amended. The Issuer is organized and operated under the Act for the benefit of the City and its residents. The Issuer's principal responsibilities and functions are to purchase and construct land and buildings for lease to governmental entities and to issue Revenue Bonds to finance these functions. The Issuer is authorized under the Act and its By-laws to:

(1) exercise all powers and authority set forth in the Act including, but not limited to the authority to acquire real estate interests for purposes of constructing, reconstructing, equipping and furnishing, or purchase or otherwise acquire, a building or buildings or other facilities of a revenue producing character, including a building or buildings or facilities to be maintained and operated for (i) a county courthouse, (ii) housing and accommodation of county offices or other county business, including, without limitation, law enforcement and detention facilities, (iii) housing and accommodation of City offices or other City business, and administrative offices for school districts, (vi) recreational and community facilities, (vii) housing, accommodations and parking facilities for offices of state and federal agencies or (viii) such other purposes as are commonly carried on in connection with such county, City, school district, state or federal facilities;

(2) rent all or any part of the buildings or facilities owned by the Issuer to the City or other agencies and entities as authorized by the Act;

(3) To acquire fee simple title to real estate, including easements and reversionary interest in streets, alleys and other public places and personal property required for its purposes, by purchase, gift, devise or other lawful means, and to take title in the corporate name of the Issuer.

(4) To issue Revenue Bonds in the manner provided by the Act for the purpose of paying the cost or a portion of the cost of acquiring real estate and constructing, equipping and furnishing buildings thereon, to pledge the net revenues from the facilities to secure such Revenue Bonds, and to make covenants with respect to the maintenance, operations, repair and insuring of improvements thereon;

(5) To repair, maintain and operate such buildings and facilities owned by the Issuer;

(6) To adopt a seal;

(7) To pledge such buildings and facilities owned by the issuer to the payment of bonds; and

(8) To do all things necessary and incidental to the exercise of the powers granted to it under the Act and its By-laws.

The Issuer is governed by a seven member body, with each member being a member of the City Council and the Mayor. The terms of office are co-terms with that of the City Council and Mayor terms. The names and titles of the Public Building Commission members are as follows:

<u>NAME</u>	<u>TITLE</u>
Fred Robinson	Chairperson
Linda Flipse	Secretary/Treasurer
Marilyn Goracke	Commission Member
Rod Innes	Commission Member
Michael James	Commission Member
Shane Kinter	Commission Member
Bret Miles	Commission Member

GENERAL - - CITY

CITY GOVERNMENT

The City is a municipal corporation and a city of the second class. 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.

Applicable Kansas statutes require that budgets be legally adopted for all funds (including debt service and enterprise funds) unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual basis 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 statutes provide that the budget if the succeeding calendar year must be prepared on or before September 1 and published on or before August 5 of each year. A public hearing is required to be held on or before September 15, with the final budget being adopted on or before August 25 of each year. Original appropriations may be modified by supplemental appropriation and transfers among budget categories. The County must approve all significant changes.

Kansas law prohibits counties and other governmental units from creating indebtedness unless there is money on hand in the proper fund and encumbered by previous commitments with which to pay the indebtedness. The execution of a contract, or the issuing of a purchase order, automatically encumbers the money in the fund for the payment of the amount represented by the commitment. It makes no difference that the amount may not have to be paid until more moneys are in the fund until the following year. An exception to this cash basis law is the issuance of debt, in the form of bonds, notes, or warrants pursuant to statutory authority, referendum or by the State Board of Tax Appeals. In the event debt is issued, funds need not be on hand for future payments.

Assessed Valuation

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.

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 will be 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 purposes 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%.

Tangible personal property (Class 2) subclass 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 2006 Kansas Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

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*
(2006-2010, inclusive)

<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

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.

CITY’S 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%

¹ K.S.A. 10-301 *et seq.*

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.

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

Source: County Clerk

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

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

* To be issued on September 1, 2011.

**Temporary Notes Outstanding
(As of September 1, 2011)**

None are outstanding as of September 1, 2011

**Revenue Bonds Outstanding
(As of September 1, 2011)**

None are outstanding as of September 1, 2011

PBC Revenue Bonds Outstanding
(As of September 1, 2011)**

Issue	Year	Original Amount	Amount Outstanding
PBC Revenue Bonds*	2011	\$3,070,000	<u>\$3,070,000</u>
Totals			\$3,070,000

* This issue.

**With respect to the Public Building Commission bonds, the Public Building Commission and the City have entered into the Lease, obligating the City to make rental payments sufficient to meet principal and interest requirements on such bonds. The City's obligations under the Lease is not subject to annual appropriation by the City and is exempt from the provision of the Kansas cash basis, budget and tax lid laws.

**Loans Outstanding
(As of September 1, 2011)**

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

Source: City Clerk

**Capital Lease Obligations
(As of September 1, 2011)**

None are outstanding as of September 1, 2011

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

Local Option Sales Tax

In 2001 the voters of the City approved a one-cent sales tax on retail sales within the City limits. The following table provides the amount of such local sales tax collected and received by the City during the years indicated.

<u>Year</u>	<u>Total Amount of Receipts Collected</u>
2006	\$392,703
2007	398,182
2008	395,726
2009	391,732
2010	387,906

Source: Kansas Department of Revenue

On April 5, 2011, City voters approved an additional one cent sales tax on retail sales within City limits, the proceeds of which will be used for the Project, including making Rental Payments under the Lease, and to pay the costs of operating and maintaining that swimming pool and to finance general operating and capital improvement expenses of the City.

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>
2009	5,272
2008	5,282
2007	5,315
2006	5,335
2005	5,439

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

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APPENDIX B

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
(FOR THE FISCAL YEAR ENDED 12/31/10)**

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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MAPES & MILLER

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OTHER OFFICES:
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>\$ 2,961,070</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
	1,066,417	\$ 1,244,850	\$ (178,433)
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)
	171,385	383,246	(211,861)

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.)			
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)
Total Community Building	<u>44,835</u>	<u>137,000</u>	<u>(92,165)</u>
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)
Total Municipal Court & Police Department	<u>295,993</u>	<u>308,000</u>	<u>(12,007)</u>
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)
Total City Fire Department	<u>13,933</u>	<u>56,000</u>	<u>(42,067)</u>
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)
Total Rural Fire Department	<u>8,646</u>	<u>25,000</u>	<u>(16,354)</u>
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)
Total Park Department	<u>39,912</u>	<u>57,000</u>	<u>(17,088)</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.)

	<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

	Actual	Budget	Variance Over (Under)
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)
	64,208	\$ 62,001	\$ 2,207
EXPENDITURES			
Library Insurance	826	\$ 1,300	\$ (474)
Appropriation to Library Board	63,073	62,599	474
	63,899	\$ 63,899	\$ -
Cash Receipts Over (Under) Expenditures	309		
UNENCUMBERED CASH, January 1, 2010	251		
UNENCUMBERED CASH, December 31, 2010	\$ 560		

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

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
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)
	<u>327,962</u>	<u>\$ 378,555</u>	<u>\$ (50,593)</u>
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)
	<u>349,064</u>	<u>\$ 557,000</u>	<u>\$ (207,936)</u>
Cash Receipts Over (Under) Expenditures	(21,102)		
UNENCUMBERED CASH, January 1, 2010	<u>216,128</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 195,026</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 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

	Actual	Budget	Variance Over (Under)
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>
EXPENDITURES			
Capital Outlay	-	\$ 188,418	\$ (188,418)
	<u>40,685</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)
	12,835	\$ 12,291	\$ 544
EXPENDITURES			
Contractual Services	-	\$ 47,262	\$ (47,262)
Activity Support	10,000	23,000	(13,000)
Capital Outlay	25,000	-	25,000
	35,000	\$ 70,262	\$ (35,262)
Cash Receipts Over (Under) Expenditures	(22,165)		
UNENCUMBERED CASH, January 1, 2010	32,846		
UNENCUMBERED CASH, December 31, 2010	\$ 10,681		

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

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Municipal Court Bonds	\$ -	\$ 2,217	\$ 2,217	\$ -
Employee Flex Benefits	2,038	39,417	38,971	2,484
Total	<u>\$ 2,038</u>	<u>\$ 41,634</u>	<u>\$ 41,188</u>	<u>\$ 2,484</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	3.08%	04/17/01	2,855,519	2022	1,963,064	-	124,885	-	1,838,179	59,508
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	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

APPENDIX C

SUMMARY OF PRINCIPAL FINANCING DOCUMENTS

APPENDIX B

SUMMARY OF PRINCIPAL FINANCING DOCUMENTS

The following, in addition to the information provided elsewhere herein, summarizes certain provisions of the Base Lease, Lease, the Bond Resolution and the Continuing Disclosure Instructions, to which reference is made for the detailed provisions thereof.

DEFINITIONS

Definitions of Words and Terms. In addition to the words and terms defined elsewhere in this Preliminary Official Statement, in the Base Lease, Lease, the Bond Resolution and the Continuing Disclosure Instructions, the following words and terms shall have the following meanings, unless some other meaning is plainly intended:

"Act" means K.S.A. 12-1757 *et seq.* and Charter Ordinance No. 10 of the City of Phillipsburg, Kansas.

"Additional Bonds" means any Bonds issued in addition to the Series 2011 Bonds pursuant to the Bond Resolution.

"Additional Rent" means all Impositions, all amounts required to be rebated to the United States pursuant to the Bond Resolution, all other payments of whatever nature payable or to become payable pursuant to the Bond Resolution or which Tenant has agreed to pay or assume under the provisions of the Base Lease or Lease and any and all expenses (including reasonable attorney's fees) incurred by Issuer in connection with the issuance of the Bonds or the administration or enforcement of any rights under the Lease or the Bond Resolution.

"Additional Term" shall mean any additional term of this Lease commencing on the last day of the Basic Term and terminating not later than the payment of the principal of, redemption premium, if any, and interest on all Outstanding Bonds has been made.

"Base Lease" means the Base Lease dated as September 1, 2011 between the City of Phillipsburg, Kansas, as lessor, and the PBC, as lessee, as from time to time amended and supplemented in accordance with the provisions thereof.

"Authorized Tenant Representative" means the City Clerk of the City of Phillipsburg, Kansas, or such other person as is designated to act on behalf of the Tenant as evidenced by a written certificate furnished to the Issuer, containing the specimen signature of such person. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized Tenant Representative.

"Basic Rent" means the semi-annual amount, when added to Basic Rent Credits, will be sufficient to pay, on any Bond Payment Date, all principal of, redemption premium, if any, and interest on the Bonds which is due and payable on such Bond Payment Date.

"Basic Rent Credits" means all funds on deposit in the Debt Service Account and available for the payment of principal of, redemption premium, if any, and interest on the Bonds on any Bond Payment Date.

"Basic Rent Payment Date" means three days prior to April 1, 2012, and three days preceding any Bond Payment Date thereafter until the principal of, redemption premium, if any, and interest on the Bonds have been fully paid or provision made for their payment in accordance with the provisions of the Bond Resolution.

"Basic Term" with respect to the Lease means that term commencing as of the date of the Lease and ending on October 1, 2031, subject to prior termination as specified in the Lease, but terminating in any event when all of the principal of, redemption premium, if any, and interest on all Outstanding Bonds shall have been paid in full or provision made for their payment in accordance with the provisions of the Bond Resolution and the City has exercised its option to purchase the Project.

"Bond Counsel" means the firm of Gilmore & Bell, P.C., Wichita, Kansas, 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 Issuer and Tenant.

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

"Bond Purchase Agreement" means the Bond Purchase Agreement for the Series 2011 Bonds between the Issuer and the Original Purchaser.

"Bond Resolution" means jointly, the Resolution of the Issuer authorizing the issuance of the Series 2011 Bonds, as amended and supplemented, and any Supplemental Bond Resolutions adopted in accordance with the provisions of the Bond Resolution.

"Bonds" mean the Series 2011 Bonds and any Additional Bonds.

"Business Day" means a day other than a Saturday, Sunday or holiday 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.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601, *et seq.*

"Certificate of Completion" means a written certificate signed by the Authorized Tenant Representative stating that: (a) the Project has been completed in accordance with the plans and specifications prepared or approved by Issuer or Tenant, as the case may be; (b) the Project has been completed in a good and workmanlike manner; (c) no mechanic's or materialmen's liens have been filed, nor is there any basis for the filing of such liens, with respect to the Project; (d) the Improvements are located upon the Land; and (e) if required by applicable building codes, that an appropriate certificate of occupancy has been issued with respect to the Project.

"Change of Circumstances" means the occurrence of any of the following events:

(1) title to, or the temporary use of, all or any substantial part of the Project shall be condemned by any authority exercising the power of eminent domain;

(2) title to such portion of the Project is found to be deficient or nonexistent to the extent that the Project is untenable or the efficient utilization of the Project by the Tenant is substantially impaired;

(3) substantially all of the Project is damaged or destroyed by fire or other casualty; or

(4) as a result of (i) changes in the constitution of the State; or (ii) any legislative or administrative action by the State or any political subdivision thereof, or by the United States; or (iii) any action instituted in any court, the Lease shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way by reason of such changes of circumstances, unreasonable burdens or excessive liabilities are imposed upon Issuer or Tenant.

"Code" means the Internal Revenue Code of 1986, as amended, together with the regulations promulgated thereunder by the United States Department of the Treasury.

"Costs of Issuance" means all costs of issuing the Bonds, including 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 "City of Phillipsburg, Kansas Public Building Commission Cost of Issuance Account for Revenue Bonds, Series 2011" created pursuant to the Bond Resolution.

"Debt Service Account" means the "City of Phillipsburg, Kansas Public Building Commission Debt Service Account for Revenue Bonds, Series 2011" created pursuant to 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.

"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.

"Environmental Laws" means CERCLA, SARA, and any other federal, state or local environmental statute, regulation or ordinance presently in effect or coming into effect during the term of the Lease.

"Event of Bankruptcy" means an event whereby the Tenant shall: (a) admit in writing its inability to pay its debts as they become due; or (b) file a petition in bankruptcy or for reorganization or for the adoption of an arrangement under the Bankruptcy Code as now or in the future amended, or file a pleading asking for such relief; or (c) make an assignment for the benefit of creditors; or (d) consent to the appointment of a trustee or receiver for all or a major portion of its property; or (e) be finally adjudicated as bankrupt or insolvent under any federal or state law; or (f) suffer the entry of a final and nonappealable court order under any federal or state law appointing a receiver or trustee for all or a major part of its property or ordering the winding-up or liquidation of its affairs, or approving a petition filed against it under the Bankruptcy Code, which order, if the Tenant has not consented thereto, shall not be vacated, denied, set aside or stayed within 60 days after the day of entry; or (g) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property, and such writ or warrant of attachment or any similar process is not contested, stayed, or is not released within 60 days after the final entry, or levy or after any contest is finally adjudicated or any stay is vacated or set aside.

"Event of Default" with respect to the Lease means any one of the following events:

(a) Failure of Tenant to make any payment of Basic Rent at the time and in the amounts required; or

(b) Failure of Tenant to make any payment of Additional Rent at the times and in the amounts required, or failure to observe or perform any other covenant, agreement, obligation or provision of this Lease on the Tenant's part to be observed or performed, and the same is not remedied within thirty (30) days after the Issuer has given the Tenant written notice specifying such failure (or such longer period as shall be reasonably required to correct such default; provided that (i) Tenant has commenced such correction within said 30-day period, and (ii) Tenant diligently prosecutes such correction to completion); or

(c) An Event of Bankruptcy; or

(d) Abandonment of the Project by Tenant.

"Event of Default" with respect to the Bond Resolution means any one of the following events:

(a) Default in the due and punctual payment of the principal of, premium, if any, and interest on the Bonds whether at the stated maturity or accelerated maturity thereof, or at the redemption date thereof;

(b) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer under the Bond Resolution or the Bonds, and the continuance thereof for a period of 30 days after written notice thereof shall have been given to the Issuer by the City, or to the Issuer and the City by the Owners owning not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the City within such period and diligently pursued until the default is corrected; or

(c) Default as defined in the Lease shall have occurred.

"Federal Tax Certificate" means the Federal Tax Certificate of the Issuer and Tenant, dated as of the date of issuance of the Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

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

"Impositions" means all taxes and assessments, general and special, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or payable for or in respect of the Project or any part thereof, or any improvements at any time thereon or Tenant's interest therein, including any new lawful taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen.

"Improvements" means and includes the improvements to the Land acquired, constructed or installed with the proceeds of the Series 2011 Bonds, together with any Project Additions.

"Interest Payment Date(s)" means the Stated Maturity of an installment of interest on any Bond, which for the Series 2011 Bonds shall be April 1 and October 1 of each year, commencing April 1, 2012.

"Issuer" means the City of Phillipsburg, Kansas Public Building Commission, its successors and assigns.

"Land" means the real property (or interests therein), including all improvements and structures currently existing thereon, described in the Lease.

"Lease" means the Lease dated as of the date of the Series 2011 Bonds between the Issuer and the Tenant, as from time to time amended and supplemented in accordance with the provisions thereof and of the Bond Resolution.

"Moody's" means Moody's Investor's Service, Inc., New York, New York.

"Original Purchaser" means Stifel, Nicolaus & Co., Inc., Wichita, Kansas.

"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 *Section 601* of the Bond Resolution; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Bond Resolution.

"Owner" when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

"Paying Agent" means the Treasurer of the State of Kansas, Topeka, Kansas, and any successors and assigns.

"PBC" means the City of Phillipsburg, Kansas Public Building Commission.

"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.

"Pledged Property" means (a) all right, title and interest, of the Issuer in the Land, in, to and under the Lease, all Basic Rent or Additional Rent derived by the Issuer pursuant to the Lease, subject to the provisions of the Base Lease and Lease; provided that the pledge and assignment hereby made shall not impair or diminish the obligations of the Issuer under the provisions of the Lease; and (b) all moneys and Permitted Investments from time to time held under the terms of the Bond Resolution (excluding funds held in or accruing to the Rebate Fund), including, without limitation, Bond proceeds and income from the temporary investment thereof, proceeds from insurance and condemnation awards, any and all real or personal property of every kind and nature from time to time hereafter, by delivery or by right of any kind, pledged, assigned or transferred as and for additional security for the Bonds by the Issuer.

"Principal Payment Date" shall mean with respect to the Series 2011 Bonds, the 1st day of October, commencing October 1, 2012, until such time as the aggregate principal amount of the Series 2011 Bonds has been paid or provisions is made for the payment thereof, whether at Stated Maturity or Redemption date.

"Project" means the Land together with the Improvements.

"Project Additions" means any additions to the Project acquired, constructed or installed from proceeds of any series of Additional Bonds authorized and issued pursuant to the Resolution. It also includes any alterations or additions made to the Project to the extent provided in the Lease.

"Project Costs" means those costs incurred in connection with the Project, including:

(a) all costs and expenses necessary or incident to the acquisition of the Land and such of the Improvements as are acquired, constructed or in progress at the date of such acquisition.

(b) fees and expenses of architects, appraisers, surveyors and engineers for estimates, surveys, soil borings and soil tests and other preliminary investigations and items necessary to the commencement of construction, preparation of plans, drawings and specifications and supervision of construction, as well as for the performance of all other duties of architects, appraisers, surveyors and engineers in relation to the construction, furnishing and equipping of the Improvements or the issuance of the Series 2011 Bonds.

(c) all costs and expenses of every nature incurred in constructing, acquiring or installing the remaining portion of the Improvements.

(d) payment of interest actually incurred on any interim financing obtained from a lender unrelated to the Tenant for performance of work on the Improvements prior to the issuance of the Series 2011 Bonds.

(e) the cost of any title insurance policies and the cost of any insurance and performance and payment bonds required by of the Lease.

(f) interest accruing on the Series 2011 Bonds during the period of construction of the Improvements.

(g) Costs of Issuance.

"Project Fund" means the "City of Phillipsburg, Kansas Public Building Commission Project Fund for Revenue Bonds, Series 2011" created pursuant to the Bond Resolution.

"Rebate Fund" means the "City of Phillipsburg, Kansas Public Building Commission Rebate Fund for Revenue Bonds, Series 2011" created pursuant to the Bond Resolution.

"Rental Payments" means the aggregate of the Basic Rent and Additional Rent payments provided for pursuant to the Lease.

"SARA" means the Superfund Amendments and Reauthorization Act of 1986, as now in effect and as hereafter amended.

"SEC Rule" means Rule 15c2-12 promulgated by Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

"Series 2011 Bonds" means the City of Phillipsburg, Kansas Public Building Commission Revenue Bonds, Series 2011, dated September 1, 2011 in the aggregate principal amount of \$3,070,000.

"Standard & Poor's" means Standard & Poor's Rating Group, a Division of McGraw-Hill, Inc., New York, New York.

"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.

"Tenant" means the City, its successors and assigns.

"Term" means, collectively, the Basic Term and any Additional Term of the Lease.

"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 Bond 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.

THE BASE LEASE

Lease of Land

The City owns the Land, and agrees to lease the Land to the PBC pursuant to the Base Lease. The PBC agrees to, simultaneously with the delivery of the Base Lease, enter into the Lease with the City (as more fully described below) and to surrender and deliver the Project to the City upon the termination of the Base Lease.

Assignments and Subleases

The PBC may assign its rights under this Base Lease without the consent of the City (i) in connection with any assignment of its rights under the Lease, (ii) if the Lease is terminated for any reason or (iii) if an "Event of Default" as defined in the Lease has occurred. If an Event of Default under the Lease occurs, the PBC shall have the right to possession of the Land for the remainder of

the term of the Base Lease and shall have the right to sublease the Project or sell its interest in the Project and the Base Lease upon whatever terms and conditions it deems prudent and in the interest of the Owners of the Bonds.

The City may assign its rights and obligations under the Base Lease and may sublet the Project on the conditions set forth in the Lease and the Act.

Taxes and Assessments

The City covenants and agrees to pay any and all assessments of any kind or character and all taxes levied or assessed upon the Project.

Title and Consideration

Title to the Land shall remain in the City at all times. The leasing of the Project to the City under the Lease shall be deemed the City's entire consideration for the Base Lease.

Amendments, Changes and Modifications

The Base Lease may not be effectively amended, changed, modified, altered or supplemented except with the written consent of both the PBC and the City. Any waiver of any provision of the Base Lease or any right or remedy hereunder must be affirmatively and expressly made in writing and shall not be implied from inaction, course of dealing or otherwise.

THE LEASE

Lease of Project; Issuance of the Bonds; Payment of Rent

The Issuer agrees to lease the Project to the City pursuant to the Lease and to issue the Series 2011 Bonds to provide funds for the payment of Project Costs. The City, pursuant to the Lease, agrees to make semi-annual payments of Basic Rent on the Basic Rent Payment Dates. The City has agreed also, and from time to time as required, to pay Additional Rent.

Deposit and Application of Proceeds from the Sale of the Bonds

The proceeds of the Series 2011 Bonds will be deposited in accordance with the Bond Resolution.

Application of Funds in the Project Fund

The moneys in the Project Fund will be disbursed for the payment of Project Costs upon a proper system of voucher certificates submitted by the City.

Completion of Improvements

Issuer covenants and agrees to proceed diligently to complete the Project on or before the Completion Date. Upon completion of the Project, Issuer shall cause the Authorized Tenant Representative to deliver a Certificate of Completion. In the event funds remain on hand in the Project Fund on the date the Certificate of Completion is furnished or on the Completion Date, whichever shall first occur, such remaining funds shall be transferred to the Principal and Interest Payment Account on the Completion Date and shall be applied in accordance with the provisions of the Bond Resolution. If the Project Fund is insufficient to pay fully all Project Costs and to complete fully the Improvements lien-free, the Tenant covenants to pay the full amount of any such deficiency and the Tenant shall hold Issuer harmless from any obligation to pay such deficiency.

Assignment of the Lease by the Tenant

The Tenant may not assign its interest in the Lease without the prior written consent of the Issuer. Any such assignment must be to a governmental entity authorized to be a tenant in accordance with the Act. In the event of assignment, the Tenant shall remain fully liable, except to the extent provided thereunder. If, in connection with an assignment by the Tenant of its interests in the Lease, (i) the Issuer and the Owners of ninety percent (90%) in aggregate principal amount of the Outstanding Bonds shall file with the Issuer their prior written consent to such assignment, and (ii) the proposed assignee shall expressly assume and agree to perform all of the obligations of the Tenant under the Lease, then the Tenant shall be fully released from all obligations accruing under the Lease after the date of such assignment.

Sublease by the Tenant

The Tenant may not otherwise sublease the Project without the prior written consent of the Issuer, which consent the Issuer shall not unreasonably withhold. The Tenant may sublease portions of the Project for use by entities permitted to be tenants under the Act in the normal course of its business without the Issuer's prior consent or approval. In the event of any such sublease, Tenant shall remain fully liable for the performance of its duties and obligations under the Lease, and no sublease and no dealings or transactions between the Issuer and any subtenant shall relieve the Tenant of any of its duties and obligations under the Lease.

Special Covenants

The Tenant agrees that it will not take or permit any action to be taken which will cause the Series 2011 Bonds to be "private activity bonds" within the meaning of Section 141(b) of the Code other than qualified 501 (c)(3) bonds or to cause the interest on the Series 2011 Bonds to become subject to federal income taxation pursuant to the provisions of the Code.

Environmental Matters

Tenant acknowledges that it is responsible for maintaining the Project in compliance with all Environmental Laws. In the event that Tenant does not expeditiously proceed with any compliance required by any local, state or federal authority under the applicable Environmental Law, the Issuer, immediately after notice to Tenant, may elect (but may not be required) to undertake such compliance. Any moneys expended by Issuer in efforts to comply with any applicable Environmental Law (including the cost of hiring consultants, undertaking sampling and testing, performing any cleanup necessary or useful in the compliance process and attorneys' fees) shall be due and payable as Additional Rent hereunder with interest thereon at the average rate of interest per annum on the Series 2011 Bonds, plus two (2) percentage points, from the date such cost is incurred.

To the extent permitted by law, the Tenant covenants to indemnify Issuer and the Owners and defend and hold them harmless from and against all loss, cost, damage and expense (including, without limitation, attorneys' fees and costs associated incurred in the investigation, defense and settlement of claims) that they may incur, directly or indirectly, as a result of or in connection with the assertion against them or any of them of any claim relating to the presence, escape or removal of any hazardous substance or other material regulated by any applicable Environmental Law, or compliance with any applicable Environmental Law, whether before, during or after the term of the Lease, including claims relating to personal injury or damage to property.

Maintenance and Repair

The Tenant covenants that it will keep and maintain the Project in good condition and repair and free from filth, nuisance or conditions unreasonably increasing the danger of fire, at Tenant's expense.

Remedies on Default

Whenever any Event of Default shall have happened and be continuing, the Issuer may take any one or more of the following remedial actions:

(a) By written notice to the Tenant upon acceleration of maturity of the Bonds as provided in the Bond Resolution, the Issuer may declare the aggregate amount of all unpaid Rental Payments then or thereafter required to be paid under the Lease to be immediately due and payable as liquidated damages from the Tenant, whereupon the same shall become immediately due and payable by the Tenant; or

(b) Give the Tenant written notice of its intention to terminate the Lease on a date specified therein, which date shall not be earlier than ten (10) days after such notice is given and, if all Events of Default have not then been cured on the date so specified, the Tenant's rights to possession of the Project shall cease, and the Lease shall thereupon be terminated, and the Issuer may reenter and take possession of the Project; or

(c) Without terminating the term of the Lease, re-enter the Project or take possession thereof, where practical to do so, pursuant to legal proceedings or pursuant to any notice provided for by law, and having elected to re-enter or take possession of the Project without terminating the term of the Lease, Issuer, if it deems it practical and economical, shall use reasonable diligence to relet the Project, or parts thereof, subject to the Base Lease and for such term or terms and at such rental and upon such other terms and conditions as issuer may deem advisable, with the right to make alterations and repairs to the Project, and no such re-entry or taking of possession of the Project by Issuer shall be construed as an election on Issuer's part to terminate the Lease and no such re-entry or taking of possession by Issuer shall relieve Tenant of its obligation to pay

Rental Payments, at the time or times provided herein, or of any of its other obligations under the Lease, all of which shall survive such re-entry or taking of possession, and Tenant shall continue to pay the Rental Payments provided for in the Lease until the end of the Term, whether or not the Project shall have been relet, less the net proceeds, if any, of any reletting of the Project after deducting all of Issuer's expenses incurred in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, legal expenses, expenses of employees, alteration costs and expenses of preparation of the Project for reletting.

Net proceeds of any reletting shall be deposited in the Debt Service Account. Having elected to reenter or take possession of the Project pursuant to subsection (c) hereunder, Issuer may (subject, however, to any restrictions against termination of the Lease in the Bond Resolution or in the Base Lease), by notice to Tenant given at any time thereafter while Tenant is in default in the payment of any Rental Payments or in the performance of any other obligation under the Lease, elect to terminate the Lease in accordance with subsection (b) hereunder and thereafter proceed to sell the County's interest in the Project, subject to the Base Lease. If, in accordance with any of the foregoing provisions of this article, Issuer shall have the right to elect to re-enter and take possession of the Project, Issuer may enter and Tenant shall deliver to the Issuer the Project or cause such delivery of the Project to be made to the Issuer and thereafter the Issuer may remove the property and effects of both or either without being guilty or in any manner of trespass and without prejudice to any remedies for arrears of any Rental Payments or preceding breach of covenant

Issuer shall pursue and exercise any available remedy at law or in equity by suit, action, mandamus or other proceeding, or exercise such one or more of the rights and powers conferred by this article as the Issuer may require, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds, including sale of the Project after termination as provided in subsection (a) of the Lease.

All rights of action under the Lease or under any of the Bonds may be enforced by the Issuer without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Issuer shall be brought in its name as Issuer without necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of all the Owners of the Outstanding Bonds.

The Issuer hereby directs the Paying Agent to notify the Owners of any Event of Default of which it has actual notice.

Survival of Obligations

The Tenant covenants and agrees that until the Bonds and the interest thereon and redemption premium, if any, are paid in full or provision made for the payment thereof, Tenant's obligations under the Lease shall survive the cancellation and termination of the Lease for any cause and that Tenant shall continue to make rental and other payments and perform all other obligations provided for in the Lease, all at the time or times provided in the Lease.

No Remedy Exclusive

No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver thereof.

Performance of the Tenant's Obligations by the Issuer

If the Tenant fails to keep or perform any of its obligations as provided under the Lease, the Issuer may (but shall not be obligated to do so) upon the continuance of such failure on the Tenant's part for ninety (90) days after notice of such failure is given the Tenant by the Issuer, make any such payment or perform any such obligation, and all sums so paid by the Issuer and all necessary or incidental costs and expenses incurred by the Issuer in performing such obligations shall be paid to the Issuer on demand, and if not paid within ten (10) days of demand, the Issuer shall have the same rights and remedies provided in the Lease in the case of an Event of Default.

Taxes and Assessments

The Tenant shall pay any and all Impositions levied or assessed upon the Project.

Options to Purchase the Project

Subject to the provisions of the Lease, the Tenant shall have the option to purchase the Project at any time during the term of the Lease or any Additional Term thereof. The Tenant must exercise its option by giving the Issuer written notice of the Tenant's election to exercise its option and specifying the date, time and place of closing, which shall neither be earlier than thirty (30) days nor later than one hundred eighty (180) days after the notice is given.

If notice of election to purchase is given, the Issuer covenants and agrees to sell and convey the Project to the Tenant free and clear of all liens and encumbrances except (a) those to which the title was subject on the date of the Base Lease, or to which title became subject with the Tenant's written consent, or which resulted from failure of the Tenant to perform any of its covenants or obligations under the Lease, (b) taxes and assessments, if any, and (c) the rights of any party having condemned or who is attempting to condemn title to, or the use for a limited period of, all or any part of the Project, for the full amount which is required to provide the Issuer with funds or securities sufficient to pay at maturity or to redeem and pay in full (A) the principal of all of the Outstanding Bonds, (B) all interest due thereon to date of maturity or redemption, whichever first occurs, and (C) all costs, expenses and premiums incident to the redemption and payment of said Bonds in full, plus \$100.00.

Closing of Purchase

On the closing date the Issuer will deliver to the Tenant its quitclaim deed or other instrument or instruments of conveyance conveying the Project to the Tenant free and clear of all liens and encumbrances except as set forth in the preceding section above. However, the Issuer is not required to deliver its instrument of conveyance to the Tenant until after all duties and obligations of the Tenant under the Lease to the date of such delivery have been fully performed and satisfied. Upon the delivery to the Tenant of the Issuer's instrument or instruments of conveyance and payment of the purchase price by the Tenant, the Lease shall, *ipso facto*, terminate.

Insurance

The Tenant shall be required to maintain in full force and effect general accident and public liability insurance, fire and extended coverage casualty insurance, and such other insurance policies as are reasonably related to the Project as provided in the Lease.

Amendments, Changes and Modifications of the Lease

The Lease may be amended, changed or modified in the following manner:

(a) With respect to any amendment, change or modification which reduces the required rental payments, or any amendment which reduces the percentage of Owners whose consent is required for any such amendment, change or modification, by an agreement in writing executed by the Issuer and the Tenant and consented to in writing by the Owners of one hundred percent (100%) of the aggregate principal amount of the Bonds then Outstanding; and

(b) With respect to any amendment, change or modification which will materially adversely affect the security or rights of the Owners, by an agreement in writing executed by the Issuer and the Tenant and consented to in writing by the Owners of sixty-six and two-thirds percent (66-2/3%) of the aggregate principal amount of the Bonds then Outstanding;

(c) With respect to all other amendments, changes, or modifications, by an agreement in writing executed by the Issuer and the Tenant.

THE BOND RESOLUTION

Creation of Funds and Accounts

There are created and ordered to be established within the Treasury of the Issuer the following funds and accounts:

- (a) Project Fund;
- (b) Debt Service Account;
- (c) Rebate Fund; and

(d) Costs of Issuance Account.

The Funds and Accounts established in the Bond Resolution shall be administered in accordance with the provisions of the Bond Resolution so long as the Series 2011 Bonds are Outstanding.

Application of Bond Proceeds

The proceeds from the sale of the Series 2011 Bonds will be received by the Issuer simultaneously with the original delivery of the Series 2011 Bonds, and the Issuer will deposit the accrued interest and premium, if any, in the Debt Service Account. An amount necessary to pay the Cost of Issuance will be deposited in the Cost of Issuance Account, and the balance of the proceeds of the Series 2011 Bonds will be deposited in the Project Fund.

Application of Moneys in the Project Fund.

Moneys in the Project Fund shall be used by the Issuer solely for the purpose of (a) paying the Project Costs for which the Bonds have been authorized, as hereinbefore provided, in accordance with the plans and specifications therefor prepared by the City's architects and engineers, including any alterations in or amendments to said plans and specifications deemed advisable by the City's architects and engineers and approved by the Issuer and (b) making any transfers required by *Section 405* of the Resolution.

Withdrawals from the Project Fund shall be made only when authorized by the governing body of the City. Each authorization for Project Costs shall be supported by a certificate executed by the City's Mayor 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, and that such payment is not in excess of the reasonable value thereof.

Upon completion of the purpose for which the Bonds have been issued, any surplus remaining in the Project Fund shall be transferred to and deposited in the Debt Service Account

Debt Service Account

Moneys paid into the Debt Service Account will include all Rental Payments, excess amounts in the Project Fund upon completion of the Improvements and interest and other income from investment of the Debt Service Account.

Moneys in the Debt Service Account will be expended solely for the payment of principal of, premium, if any, and interest on the Series 2011 Bonds, except that any balance remaining after the Series 2011 Bonds have been paid in full, or provision made for payment in accordance with the Bond Resolution, will be paid to City. Payment of fees and expenses of the Paying Agent and Bond Registrar shall be subordinate to payments of principal and interest to the Owners of the Series 2011 Bonds.

Application of Moneys in the Rebate Fund.

(a) There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Federal Tax Certificate), for payment to the United States of America, and neither the Issuer nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and the Federal Tax Certificate.

(b) The Issuer shall periodically determine the rebatable arbitrage, if any, under Section 148(1) of the Code in accordance with the Federal Tax Certificate, and the Issuer shall, from funds received from the City, make payments to the United States of America at the times and in the amounts determined under the Federal Tax Certificate. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be transferred and paid to the City.

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 Principal Payment Date or one year after the date of issuance of the Bonds, shall be transferred to the Project Fund until completion of the Improvements and thereafter to the Debt Service Account.

Investment of Moneys in Funds

Moneys held in the Funds and Accounts established in the Bond Resolution shall be separately invested and reinvested in Permitted Investments which mature or are subject to redemption by the owner prior to the date such funds will be needed; provided, however, that such moneys shall not be invested in such manner as will violate the provisions of the Bond Resolution. Any such Permitted Investments shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Permitted Investments shall be credited to and accumulated in such fund, and any loss resulting from such Permitted Investments shall be charged to such fund. In determining the balance in any fund or account, investments in such fund or account shall be valued at their fair market value. No investments shall be made which would violate the provisions of Section 148 of the Code. The Issuer shall comply with the Federal Tax Certificate and shall pay any rebate amounts due therefor.

Additional Bonds

Additional Bonds may be issued under and equally and ratably secured by the Bond Resolution on a parity with the Series 2011 Bonds and any other Bonds Outstanding at any time and from time to time, upon compliance with the conditions hereinafter provided, for any of the following purposes:

- (a) To provide funds to pay the cost of completing the Improvements, the total of such costs to be evidenced by a certificate signed by an authorized representative of the City.
- (b) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof.
- (c) To provide funds to pay all or any part of the costs of acquisition, purchase or construction of such Project Additions, including improvements, extensions, alterations, expansions or modifications of the Project or any part thereof as the City may deem necessary or desirable and as will not impair the nature of the Project as a swimming pool and recreational facility within the meaning and purposes of the Act.
- (d) To provide funds for refunding all or any part of the Bonds then Outstanding of any series, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

Before any such Additional Bonds shall be issued, the Original Purchaser shall be given written notice thereof, except that no such notice will be required with respect to Additional Bonds issued for refunding purposes, and the Issuer shall adopt a supplemental resolution (1) authorizing the issuance of such Additional Bonds, fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Bonds are being issued or describing the Bonds to be refunded; and (2) requiring the Issuer to enter into a supplemental lease with the City to provide for rental payments at least sufficient to pay the principal of, premium, if any, and interest on the Bonds then Outstanding (including the Additional Bonds to be issued) as the same become due, and for such other matters as are appropriate because of the issuance of the Additional Bonds proposed to be issued which, in the judgment of the Issuer, is not to the prejudice of the Issuer or the Owners of Bonds previously issued.

Except as provided in the Bond Resolution, the Issuer will not otherwise issue any Additional Bonds on a parity with the Series 2011 Bonds, but the Issuer may issue other obligations specifically subordinate and junior to the Bonds with the express written consent of the City.

Notice of Default

If an Event of Default shall have occurred and be continuing, the Issuer shall promptly notify the Owners of such default.

Remedies

The provisions of the Bond Resolution, including the covenants and agreements therein 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 25% 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 notice in writing delivered to the Issuer and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable;

(b) 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;

(c) 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

(d) 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 Pledged Property and 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 herein, or to enforce any right hereunder, except in the manner herein provided, 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.

Right of Owners to Direct Proceedings

The Owners owning 25% in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Issuer, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution, or for the appointment of a receiver or any other proceedings under the Bond Resolution; provided that such direction shall not be otherwise than in accordance with the provisions of law and the Bond Resolution.

Remedies Cumulative

No remedy conferred by the Bond Resolution upon or reserved to the Issuer or to the Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative. No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein. No waiver of any Event of Default under the Bond Resolution shall extend to or shall affect any subsequent Event of Default thereunder or shall impair any rights or remedies consequent thereon.

Waivers of Events of Default

Any Event of Default under the Bond Resolution and its consequences may be waived and shall be waived upon the written request of the Owners of at least 25% in aggregate principal amount of all Bonds then Outstanding. In case of any such waiver or rescission, or in case any proceedings taken on account of any such default shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Issuer, the City and the Owners shall be restored to their former positions, rights and obligations under the Bond Resolution.

Supplemental Resolutions Not Requiring Consent of Owners

The Issuer may from time to time, without the consent of or notice to any of the Owners, enter into such supplemental resolutions as shall be consistent with the terms and provisions of the Bond Resolution, for any one or more of the following purposes:

(a) To cure any ambiguity, formal defect or omission in the Bond Resolution or to make any other change not prejudicial to the Owners;

(b) To grant to or confer any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners;

- (c) To more precisely identify the Improvements or to substitute or add additional property thereto;
- (d) To subject to the Bond Resolution additional revenues, properties or collateral;
- (e) To issue Additional Bonds as described herein under the caption "THE BOND RESOLUTION--Additional Bonds;" and
- (f) To conform the provisions of the Bond Resolution to the provisions of the Code as the same now exists or may be hereafter amended.

Supplemental Resolutions Requiring Consent of Owners

The Owners owning not less than 66-2/3% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer of such other supplemental resolutions as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution or in any supplemental resolution; provided, however, that nothing in the Bond Resolution shall permit (a) an extension of the maturity of the principal of or the interest on any Bond, (b) a reduction in the principal amount of any Bond or the rate of interest thereon, (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of Bonds the Owners owning which are required for consent to any such supplemental resolution.

The Issuer shall cause notice of the proposed supplemental resolution to be mailed to each Owner by the Bond Registrar.

Any provision of the Bond Resolution or the Bonds may be amended with the written consent of the Owners owning 100% in aggregate principal amount then Outstanding.

No supplemental resolution which affects any rights of the City shall become effective unless and until the City shall have consented in writing to the execution and delivery of such supplemental resolution.

Defeasance

When any or all of the Bonds or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and the pledge of the Pledged Property and all other rights granted in the Bond Resolution shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds 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 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; provided, however, that if any such Bonds are to be redeemed prior to their Stated Maturity, (1) the Issuer has elected to redeem such Bonds, and (2) 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 in compliance with the Bond Resolution.

Payments Due on Non-Business Days

Payments may be made on the next succeeding Business Day that the Bond Registrar and Paying Agent is open for business if such payment is due on a Saturday, Sunday, legal holiday or day on which the Paying Agent is authorized by law to close, and no interest shall accrue for the period after the stated due date.

THE CONTINUING DISCLOSURE INSTRUCTIONS

The Continuing Disclosure Instructions are executed and delivered by the Tenant and Issuer in connection with the issuance of the Series 2011 Bonds, in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. The Tenant and the Issuer are the only "obligated persons" with responsibility for continuing disclosure with respect to the Series 2011 Bonds.

DEFINITIONS

In addition to the definitions set forth in this **Appendix C** unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report filed by the Tenant pursuant to the Disclosure Instructions.

“**Designated Agent**” means Gilmore & Bell, P.C. or one or more other entities designated in writing by the Tenant to serve as a designated agent of the Tenant for purposes of these Disclosure Instructions.

“**Dissemination Agent**” means any entity designated in writing by the Tenant to serve as dissemination agent pursuant to these Disclosure Instructions and which has filed with the Tenant a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“**Financial Information**” means the financial information of the Tenant described under the heading “**PROVISION OF ANNUAL REPORTS – Financial Information.**”

“**Material Events**” means any of the events listed under the heading “**REPORTING OF MATERIAL EVENTS.**”

“**MSRB**” means the Municipal Securities Rulemaking Board.

“**Operating Data**” means the operating data of the Tenant described under the heading “**PROVISION OF ANNUAL REPORTS – Operating Data.**”

“**Participating Underwriter**” means any of the original underwriters of the Series 2011 Bonds required to comply with the SEC Rule in connection with offering of the Series 2011 Bonds.

“**Repository**” means the MSRB, via EMMA.

“**SEC**” means the Securities and Exchange Commission of the United States.

PROVISION OF ANNUAL REPORTS

The Tenant shall, or shall cause the Dissemination Agent to, not later than 240 days after the end of the Tenant's Fiscal Year, commencing with the Fiscal Year ended in 2011, file with the Repository the Tenant's Financial Information and Operating Data (collectively, the “Annual Report”), as follows:

Financial Information. The audited financial statements of the Tenant for such prior Fiscal Year, prepared in accordance with generally accepted auditing standards, in substantially the format contained in **Appendix B** to the Official Statement. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain summary unaudited financial information and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available. The accounting basis and the method of preparation of the financial statements of the Tenant are contained in **Appendix B** to the Official Statement. The method of preparation and basis of accounting of the Financial Information may not be changed to a basis less comprehensive than contained in the Official Statement, unless the Tenant provides notice of such change in the same manner as for a Material Event.

Operating Data. Updates as of the end of the Fiscal Year of substantially all of the tabular information and data contained in those sections of **Appendix A** to the Official Statement entitled “Financial Information—Assessed Valuation,” “Financial Information—Property Tax Levies and Collections” and “City’s Authority to Incur Debt” and all information contained in those sections of **Appendix A** to the Official Statement that is customarily prepared by the Issuer and is publicly available

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Tenant is an “obligated person” (as defined by the SEC Rule), which have been filed with each of the Repository, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB via EMMA. The Tenant shall clearly identify each such other document so included by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audit report and accompanying financial statements may be submitted

separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Tenant's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event

If no Dissemination Agent has been appointed, the Tenant file the Annual Report; or if the Annual Report is not filed within the time period specified, the Tenant shall send a notice to the Repository of the failure to timely file the Annual Report within 10 Business Days after the date the Annual Report is required to be filed as set forth herein.

REPORTING OF MATERIAL EVENTS

The Tenant or the Issuer shall give, or cause the Dissemination Agent, if any, to give, to the Repository within 10 Business Days after the occurrence of any of the following events with respect to the Bonds, notice of the following events:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions ; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Owners, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional Paying Agent or the change of name of the Paying Agent, if material.

Notwithstanding the foregoing, notice of Material Events described in (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Bond Resolution.

DISSEMINATION AGENT

General. The Tenant may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Instructions, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Annual Reports. If a Dissemination Agent shall be appointed, not later than 15 Business Days prior to the date specified for providing the Annual Report to the Repository, the Tenant shall provide the Annual Report to the Dissemination Agent or the Repository. The Dissemination Agent shall file a report with the Tenant certifying that the Annual Report has been filed pursuant to the Disclosure Instructions, stating the date it was filed, or that the Tenant has certified to the Dissemination Agent that the Tenant has filed the Annual Report with the Repository. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Tenant that it has filed an Annual Report to the Repository, by the date required in **Section 2(a)**, the Dissemination Agent shall send a notice to the Repository.

Material Event Notices.

- (1) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer of the Tenant or his or her designee, or such other person as the Tenant shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Tenant promptly notify the Dissemination Agent in writing whether or not to report the event.

(2) The Tenant will promptly respond in writing to any such request. Whenever the Tenant or Issuer obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent or otherwise, the Tenant shall promptly determine if such event constitutes a Material Event and shall promptly notify the Dissemination Agent in writing. If the Tenant has determined that knowledge of an event listed in (2), (7), (10) or (13) of the definition of a Material Event is not material, the Tenant shall notify the Dissemination Agent in writing not to report the occurrence.

(3) If the Dissemination Agent has been given written instructions by the Tenant to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with the Repository within 10 Business Days after the occurrence, with copies to the Tenant. Notwithstanding the foregoing, notice of Material Events described in paragraphs (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Bond Resolution.

Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Instructions. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Tenant.

Other Designated Agents. The Tenant may, from time to time, appoint or designate a Designated Agent to submit Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Instructions. The Tenant hereby appoints the Dissemination Agent and the Designated Agent(s) solely for the purpose of submitting Issuer-approved Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Instructions. The Tenant may revoke this designation at any time upon written notice to the Designated Agent.

MISCELLANEOUS PROVISIONS

Termination of Reporting Obligation. The Tenant's or Issuer's, or both, obligations under the Disclosure Instructions shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2011 Bonds. If the Tenant's or Issuer's, or both, obligations are assumed in full by some other entity as permitted in the Bond Resolution, such person shall be responsible for compliance with under the Disclosure Instructions in the same manner as if it were the Tenant or Issuer, or both, and the Tenant or Issuer, or both, shall have no further responsibility. If such termination or substitution occurs prior to the final maturity of the Series 2011 Bonds, the Tenant shall give notice of such termination or substitution in the same manner as for a Material Event

Amendment; Waiver. The Tenant and Issuer and the Dissemination Agent, if any, may amend the Disclosure Instructions (and the Dissemination Agent shall not unreasonably refuse to execute any amendment so requested by the Tenant or the Issuer) and any provision of the Disclosure Instructions may be waived, provided that: (a) Bond Counsel or other counsel experienced in federal securities law matters provides the Tenant and the Dissemination Agent, if any, with its opinion that the undertaking of the Tenant or Issuer or both, as so amended or after giving effect to such waiver, is in compliance with the SEC Rule and all current amendments thereto and interpretations thereof that are applicable to the Disclosure Instructions; (b) if the amendment or waiver relates to the Annual Report or a Material Event, such amendment or waiver may only be made in connection with a change in circumstances that arises from a change in law or legal requirements, or change in the identity, nature or status of an obligated person with respect to the Series 2011 Bonds, or the type of business conducted; and (c) the amendment or waiver is either (1) approved by the Owners of the Series 2011 Bonds in the same manner as provided in the Bond Resolution with consent of the Owners, or (2) does not in the opinion of Bond Counsel materially impair the interests of the Owners or Beneficial Owners of the Series 2011 Bonds.

If there is an amendment or waiver, the Tenant shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of Financial Information or Operating Data being presented by the Tenant. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event, and (b) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing shall be deemed to prevent the Tenant from disseminating any other information, using the means of dissemination set forth in the Disclosure Instructions or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by the Disclosure Instructions. If the Tenant chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by the Disclosure Instructions, the Issuer shall have no obligation under the Disclosure Instructions to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Noncompliance. In the event of a failure of the Tenant, the Issuer or the Dissemination Agent, if any, to comply with any provision of the Disclosure Instructions, the Participating Underwriter or any Beneficial Owner of the Series 2011 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Tenant, the Issuer or the Dissemination Agent, if any, as the case may be, to comply with its obligations under the Disclosure Instructions. Noncompliance with the provisions of the Disclosure Instructions shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under the Disclosure Instructions in the event of any failure of the Tenant, the Issuer or the Dissemination Agent, if any, to comply with the Disclosure Instructions shall be an action to compel performance.

Electronic Transactions. Actions taken under the Disclosure Instructions and the arrangements described therein may be conducted and related documents may be stored by electronic means.

Beneficiaries. The Disclosure Instructions shall inure solely to the benefit of the Tenant, the Issuer, the Dissemination Agent, if any, the Participating Underwriter and Beneficial Owners from time to time of the Series 2011 Bonds, and shall create no rights in any other person or entity.

Governing Law. The Disclosure Instructions shall be governed by and construed in accordance with the laws of the State.

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