

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

CITY OF PITTSBURG, KANSAS

For the Fiscal Year Ended

December 31, 2004

Prepared by:

DEPARTMENT OF FINANCE AND ADMINISTRATION

City of Pittsburg, Kansas

CITY OF PITTSBURG, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2004

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	I
List of Principal Officials	VI
City Organization Chart	VII
Certificate of Achievement for Excellence in Financial Reporting	VIII
FINANCIAL SECTION:	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in fund Balances – – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – – Budget and Actual – General Fund	19 - 23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26 - 27
Notes to Basic Financial Statements	28 - 62

CITY OF PITTSBURG, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2004

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Other Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	63 - 64
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	65 - 66
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Special Parks and Recreation Fund	67
Special Alcohol and Drug Fund	68
Street and Highway Fund	69
Debt Service Fund	70
Balance Sheet – Discretely Presented Component Unit	71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Discretely Present Component Unit	72
Capital Assets used in the Operation of Governmental Funds:	
Schedule by Source	73
Schedule by Function and Activity	74
Schedule of Changes by Function and Activity	75
STATISTICAL SECTION (UNAUDITED):	
Government-Wide Expenses by Function	76
Government-Wide Revenues	77
General Governmental Expenditures by Function	78 - 79
General Governmental Revenues by Source	80
General Governmental Tax Revenues by Source	81
Sales Tax Receipts	82
Property Tax Levies and Collections	83
Assessed and Estimated Actual Value of Taxable Property	84
Property Tax Rates - Direct and Overlapping Governments Represented by Mills and Fractions of Mills per \$ 1,000 Assessed Valuation	85
Special Assessment Billings and Collections	86
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	87

CITY OF PITTSBURG, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2004

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
STATISTICAL SECTION (UNAUDITED):	
Computation of Legal Debt Margin	88
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds	89
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	90
Revenue Bond Coverage - Water/Wastewater Utility Fund	91
Construction, Bank Deposits, and Property Value	92
Demographic Statistics	93
Principal Taxpayers	94
Major Employers	95
Miscellaneous Statistics	96
SINGLE AUDIT SECTION:	
Schedule of Expenditures of Federal Awards	97
Notes to Schedule of Expenditures of Federal Awards	98
Schedule of Findings and Questioned Costs	99
Summary Schedule of Prior Audit Findings	100
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	101
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	102 - 103

INTRODUCTORY SECTION



201 West 4th Street • PO Box 688 • Pittsburg, Kansas 66762-0688
Tel: 620-231-4100 • Fax: 620-231-7327
Internet Address: www.pittks.org

February 25, 2005

Honorable Mayor, City Commission and Citizens of Pittsburg:

This is the Comprehensive Annual Financial Report (CAFR) of the City of Pittsburg (the City) for the fiscal year ended December 31, 2004. The report was prepared by the City's Department of Finance and Administration. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the management of the City. We believe the report, as presented, is accurate in all material respects. We also believe it is presented in a manner designed to set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. Finally, we believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

REPORT FORMAT

The CAFR is presented in four main sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes a description of the City, including services provided and an explanation about the City's accounting system and budgetary controls, as well as a brief discussion about the City's economic condition and outlook. This section also includes an organizational chart and CAFR award. The Financial Section includes the independent auditors' report, management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements and individual and combining statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multiyear comparative basis. The Single Audit Section includes the schedules of expenditures of federal awards and findings and questioned costs, independent accountant's reports on compliance and internal control over financial reporting and compliance and internal control over compliance with requirements applicable to major federal award programs.

Accounting principles generally accepted in the United of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

Pittsburg is a city of the First Class and is the largest city in southeast Kansas, population 19,243, and is located approximately 5 miles west of the Missouri border and 40 miles north of the Oklahoma border. The City was incorporated in 1880. The City adopted the commission-manager form of government in 1949. The City's current incorporated area is 12.63 square miles. The City Commission sets the annual property tax levy for the City.

The City provides its citizens with various municipal services commonly associated with municipalities. These include police and fire protection, water and wastewater utility services, construction and maintenance of streets and highways, municipal airport, and parks and recreational activities.

The activities of the Pittsburg Public Library are presented as a component unit of the City. The City Commission has appointive authority of the Library Board and its annual operating budget is also subject to the approval of the City Commission. The City's Department of Finance and Administration maintains the accounting records of the Library.

ECONOMIC ANALYSIS AND FORECAST

The City's official population has remained steady and with future annexation, population growth is expected. The 2004 retail sales tax receipts increased approximately 9 percent and property tax collections also increased by approximately 9 percent. Assessed valuation increased by approximately 5 percent continuing an upward trend.

2004 Highlights

- Construction and completion of Walgreens, a national drug store chain. The store opened for business in November 2004.
- A tax increment financing (TIF) and Transportation Development District (TDD) project began in the City's northern retail district. This project consists of land acquisition, site excavation and infrastructure construction. The major focus is for bringing national hardware chain Home Depot to Pittsburg. A new strip mall will also be constructed. Home Depot is scheduled to open in spring 2005.
- A downtown revitalization plan was implemented. This is for a City-funded \$200,000 matching grant program for façade improvements to core downtown businesses.
- Champion Flooring, a new business, constructed a new facility located in the Northeast Industrial Park.

For the Future

- Several existing companies are looking at building expansion or new buildings in 2005.
- A nearby community college will start a dental hygienist program in Pittsburg beginning in the fall of 2005.

Because the City's financial well being is so dependent upon the economy, a continuing focus is being put on economic development. The City has a recognized public/private partnership with several local entities including Pittsburg State University, the Pittsburg Area Chamber of Commerce, the Economic Development Advisory Committee, and the Pittsburg Industrial Development Corporation (PIDC).

MAJOR INITIATIVES FOR THE YEAR

- The City implemented a new storm water utility which took effect January 1, 2004.
- Construction and improvements began for a comprehensive development of a central downtown area. This is a Kansas Community Development Block Grant which includes local matching funding. The project is for a shelter and pavilion in Immigrant Park, rehabilitation of existing buildings for office space, a child care center, apartments for families and various infrastructure improvements.
- The City implemented its own local TV channel on Pittsburg's cable network. Besides current weather information, the channel broadcasts events, activities and news of the City's various departments.
- The City implemented its new website in 2004. The website offers a wealth of information about the City. The City also offers on-line payment capabilities for customer utility bills. The website address is www.pittks.org.

ACCOUNTING SYSTEM

The City is a combination of several distinctly different accounting entities, each having a separate set of accounts and operating independently of each other. Each accounting entity is accounted for in a separate "fund". A fund is defined as a fiscal accounting entity with self-balancing accounts recording financial resources, together with all related liabilities and residual equities and balances, and the changes therein.

BUDGETARY CONTROLS

Management of the City is responsible for establishing and maintaining an internal control structure to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of General, Special Revenue, Debt Service, and Enterprise Funds are included in the annual budget appropriations. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is by department within an individual fund. Any change in level of appropriation beyond the departmental level requires action by the City

Commission. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

CAPITAL PROJECTS

The East 23rd Street overpass project was completed and opened to the public in late 2004. Major projects that are on-going or scheduled for the future are the Airport Runway 3-21 project, 4th and Rouse intersection, 23rd Street widening from Broadway to Michigan, Eastport paving and Eastport sanitary sewer.

CASH MANAGEMENT

The City maintains a Treasurer's account for its pooled cash and marketable securities. This mechanism allows the City to invest greater amounts of money at more favorable interest rates. The City generally invests in certificates of deposits with local financial institutions.

RISK MANAGEMENT

The risk management plan of the City involves an annual review of the City's insurance coverage and exposures with an outside third party contracted by the City to provide such risk management services. The City annually conducts a Health and Wellness Fair to promote good health throughout the city employee population and their families.

The City's health insurance program is a self-insured plan. The City has contracted with Blue Cross and Blue Shield of Kansas to provide claims administration services. The City also purchases stop loss coverage to limit the City's maximum exposure.

INDEPENDENT AUDIT

Kansas Statutes Annotated 75-1122 require an annual audit of the books of account, financial records and transactions of all departments of the City by independent certified public accountants. The accounting firm of Berberich Trahan & Co., P.A., was selected by the City Commission to audit the records of the City for the year ended December 31, 2004. In addition to meeting the requirements of OMB Circular A-133, the auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports that relate specifically to the single audit requirements are included in the single audit section.

SINGLE AUDIT

As a recipient of federal and state awards, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluations by management and the independent auditor.

As a part of a single audit concept described above, tests are made by the independent auditor to determine the adequacy of the internal control structure, including the portion related to federal award programs, and to determine that the City has complied with applicable laws and regulations. The results of the single audit for the fiscal year ended December 31, 2004, disclosed no material violations of applicable laws and regulations.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements.

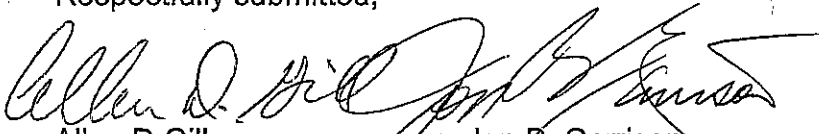
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

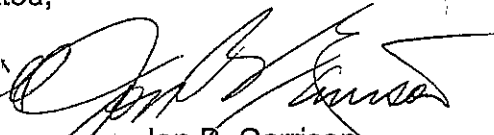
The preparation of the CAFR was truly a team effort and was made possible by the dedicated efforts of the entire staff of the Department of Finance and Administration. Each member of the staff has our sincere appreciation for the contributions they have made in the preparation of this report and to the City as a whole.

In closing, without the continued support of the members of the City Commission, preparation of this report would not have been possible. We look forward to the challenges and opportunities of the future.

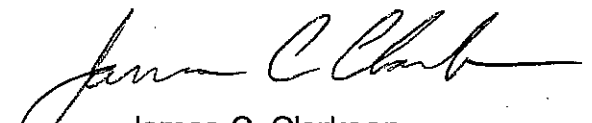
Respectfully submitted,



Allen D. Gill
City Manager



Jon B. Garrison
Director of Finance & Administration

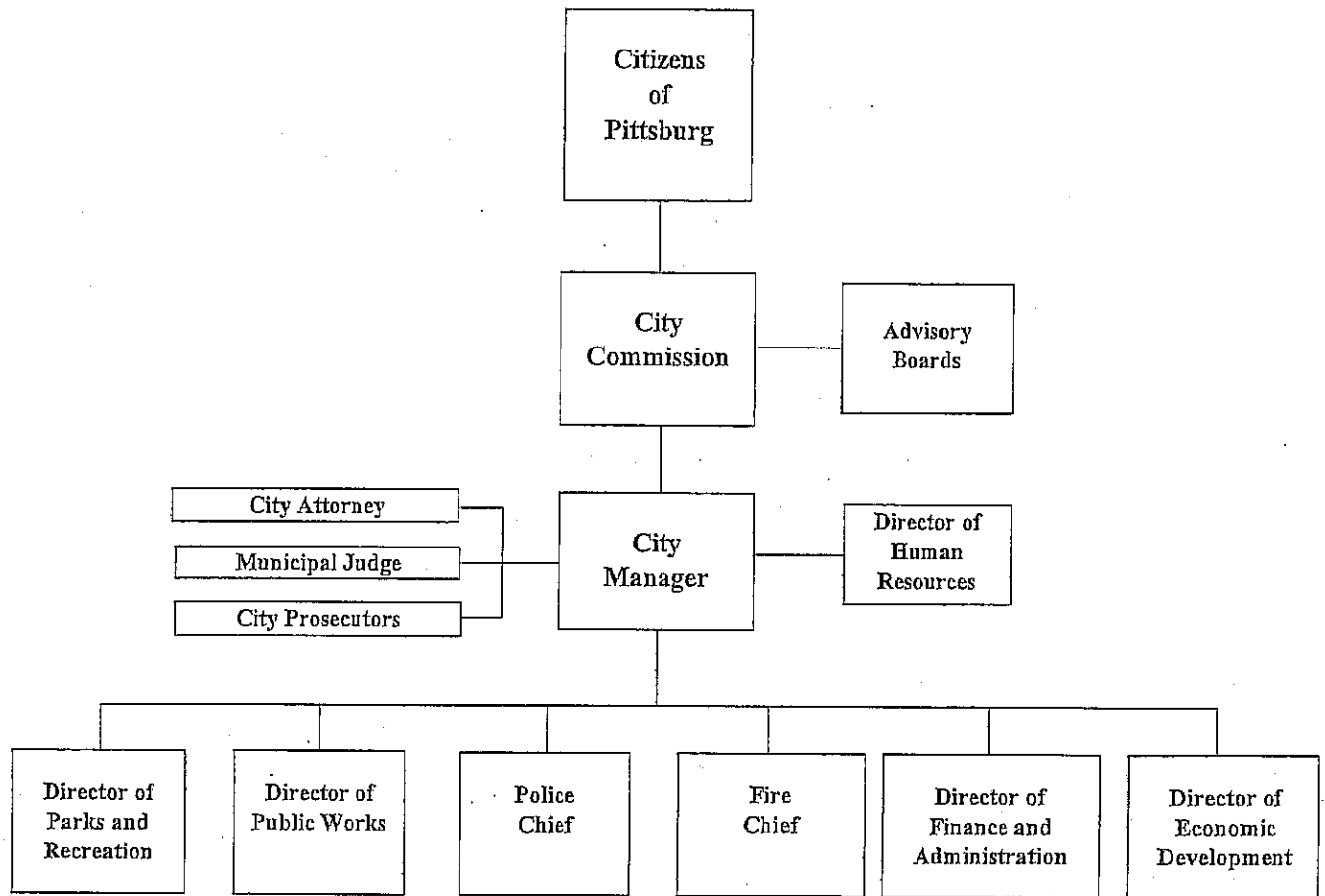


James C. Clarkson
Assistant Director of Finance

CITY OF PITTSBURG, KANSAS
LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2004

<u>TITLE</u>	<u>NAME</u>
ELECTED:	
Mayor	Ralph McGeorge
President of the Board	Garry Lassman
Commissioner	Marty Beezley
Commissioner	David Nance
Commissioner	Bill Rushton
APPOINTED:	
City Manager	Allen D. Gill
City Attorney	Menghini, Menghini & Mazurek
City Clerk	Tammy Nagel
Director of Finance and Administration	Jon B. Garrison
Director of Public Works	William A. Beasley
Director of Parks and Recreation	John D. Van Gorden
Fire Chief	Don Elmer
Chief of Police	Mendy Hulvey
Director of Economic Development	Jerry Lindberg
Director of Human Resources	David Zacharias

CITY ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pittsburg,
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

FINANCIAL SECTION



Berberich Trahan & Co., P.A.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, City Manager
and City Commissioners
City of Pittsburg, Kansas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pittsburg, Kansas (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pittsburg, Kansas, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



McGLADREY NETWORK

An Independently Owned Member
Worldwide Services Through RSM International

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements and schedules, capital assets schedules, statistical tables, and single audit compliance schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules, capital assets schedules, and single audit compliance schedules, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Berberich Trahan & Co., P.A.

February 25, 2005

Management's Discussion and Analysis

As management of the City of Pittsburgh (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-V of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- 2004 Sales Tax and Property Tax revenues increased compared to 2003.
- The City implemented a Tax Increment Financing (TIF) and Transportation Development District (TDD) in the northern retail district.
- The City's assessed valuation has shown continued moderate growth.
- The City continues to maintain a positive bond rating and a progressive capital improvement program.

The Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, sanitation and health, culture and recreation, industrial promotion and social welfare. The business-type activities of the City include water, wastewater and stormwater utilities.

The government-wide financial statements not only include the City itself (known as the primary government), but also a legally separate Library for which the City is financially accountable. Financial information presented for this component unit is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 9 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, revolving loan fund, Section 8 programs and the debt service fund, all of which are considered to be major funds. Data from the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-23 of this report.

The City maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Wastewater operations and the Stormwater operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and wastewater operation, which is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-62 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to basic financial statements. Combining and individual funds statements can be found on pages 63-72 of this report.

Financial Analysis of Government-wide Statements

Net Assets

City of Pittsburgh's Net Assets						
	2003	2004	2003	2004	2003	2004
	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary
	Activities	Activities	Activities	Activities	Government	Government
Current and other assets	\$ 14,596,366	\$ 15,953,062	\$ 2,905,545	\$ 3,268,804	\$ 17,501,911	\$ 19,221,866
Capital assets	<u>25,518,038</u>	<u>23,239,257</u>	<u>29,324,685</u>	<u>30,507,894</u>	<u>54,842,723</u>	<u>53,747,151</u>
Total assets	<u>40,114,404</u>	<u>39,192,319</u>	<u>32,230,230</u>	<u>33,776,698</u>	<u>72,344,634</u>	<u>72,969,017</u>
Long-term liabilities outstanding	7,115,503	6,089,240	6,916,823	6,343,064	14,032,326	12,432,304
Other liabilities	<u>5,182,870</u>	<u>11,818,571</u>	<u>248,676</u>	<u>277,587</u>	<u>5,431,546</u>	<u>12,096,158</u>
Total liabilities	<u>12,298,373</u>	<u>17,907,811</u>	<u>7,165,499</u>	<u>6,620,651</u>	<u>19,463,872</u>	<u>24,528,462</u>
Net assets:						
Invested in capital assets, net of related debt	18,816,210	16,756,655	22,521,787	24,239,750	41,337,997	40,996,405
Restricted for:						
Debt Service	656,625	535,846			656,625	535,846
Other purposes	6,472,551	7,140,109			6,472,551	7,140,109
Unrestricted	<u>1,870,645</u>	<u>(3,148,102)</u>	<u>2,542,944</u>	<u>2,916,297</u>	<u>4,413,589</u>	<u>(231,805)</u>
Total net assets	<u>\$ 27,816,031</u>	<u>\$ 21,284,508</u>	<u>\$ 25,064,731</u>	<u>\$ 27,156,047</u>	<u>\$ 52,880,762</u>	<u>\$ 48,440,555</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$48,440,555 at the close of the 2004 fiscal year.

By far the largest portion of the City's net assets (84%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding.

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion (16%) of the City's net assets represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities

The table below shows the condensed revenues, expenses and the changes in net assets.

City of Pittsburg's Changes in Net Assets

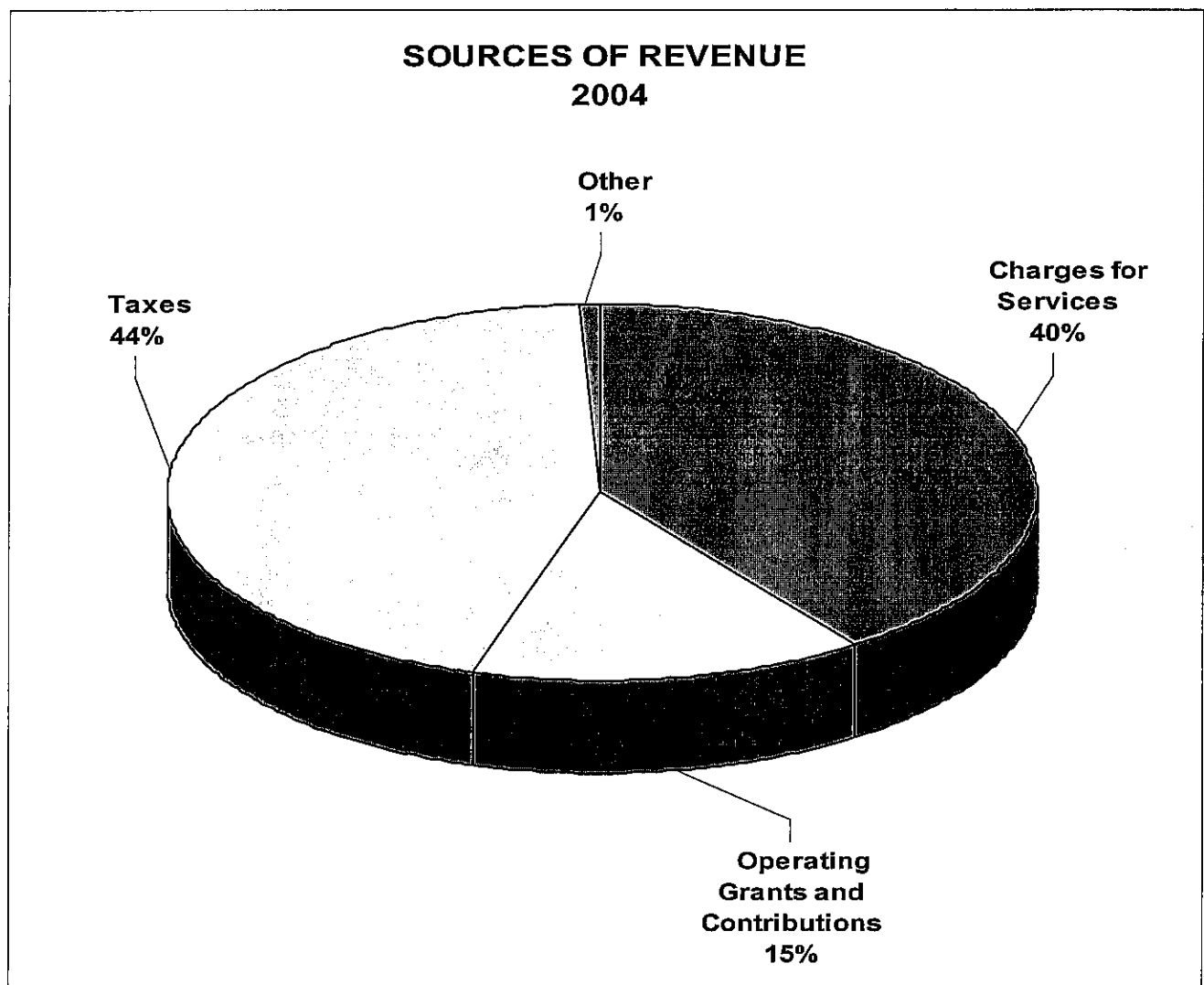
	Governmental Activities 2003	Governmental Activities 2004	Business-Type Activities 2003	Business-Type Activities 2004	Total Primary Government 2003	Total Primary Government 2004
Revenues						
Program revenues:						
Charges for services	\$ 2,202,343	\$ 2,302,189	\$ 5,555,225	\$ 5,906,127	\$ 7,757,568	\$ 8,208,316
Operating grants and contributions	2,627,149	2,980,926	-	-	2,627,149	2,980,926
Capital grants and contributions	138,341	22,130	-	-	138,341	22,130
General revenues						
Taxes	8,435,565	9,114,608	-	-	8,435,565	9,114,608
Other	<u>220,274</u>	<u>151,793</u>	<u>15,921</u>	<u>20,072</u>	<u>236,195</u>	<u>171,865</u>
Total revenues	\$13,623,672	\$14,571,646	\$ 5,571,146	\$ 5,926,199	\$ 19,194,818	\$ 20,497,845
Expenses						
General government	1,009,561	1,179,618	-	-	1,009,561	1,179,618
Public safety	4,919,470	5,389,150	-	-	4,919,470	5,389,150
Public works	2,438,803	2,640,595	-	-	2,438,803	2,640,595
Sanitation and Health	124,782	138,940	-	-	124,782	138,940
Culture and Recreation	1,811,890	2,025,622	-	-	1,811,890	2,025,622
Industrial Promotion	986,716	469,424	-	-	986,716	469,424
Economic Development	-	5,724,575	-	-	-	5,724,575
Social Welfare	1,483,446	2,027,295	-	-	1,483,446	2,027,295
Interest and Fiscal Fees	257,151	306,216	-	-	257,151	306,216
Water/Wastewater Utility	-	-	4,861,635	4,912,302	4,861,635	4,912,302
Stormwater Utility	-	-	-	124,315	-	124,315
Total expenses	<u>13,031,819</u>	<u>19,901,435</u>	<u>4,861,635</u>	<u>5,036,617</u>	<u>17,893,454</u>	<u>24,938,052</u>
Increase in net assets before transfers	\$ 591,853	\$ (5,329,789)	\$ 709,511	\$ 889,582	\$ 1,301,364	\$ (4,440,207)
Transfers	<u>115,489</u>	<u>(1,201,734)</u>	<u>(115,489)</u>	<u>1,201,734</u>	<u>-</u>	<u>-</u>
Increase in net assets	707,342	(6,531,523)	594,022	2,091,316	1,301,364	(4,440,207)
Net assets, beginning	<u>27,108,689</u>	<u>27,816,031</u>	<u>24,470,709</u>	<u>25,064,731</u>	<u>51,579,398</u>	<u>52,880,762</u>
Net assets, ending	<u>\$27,816,031</u>	<u>\$21,284,508</u>	<u>\$ 25,064,731</u>	<u>\$ 27,156,047</u>	<u>\$ 52,880,762</u>	<u>\$ 48,440,555</u>

This section will provide a brief discussion and analysis of the City's revenue sources and costs for services.

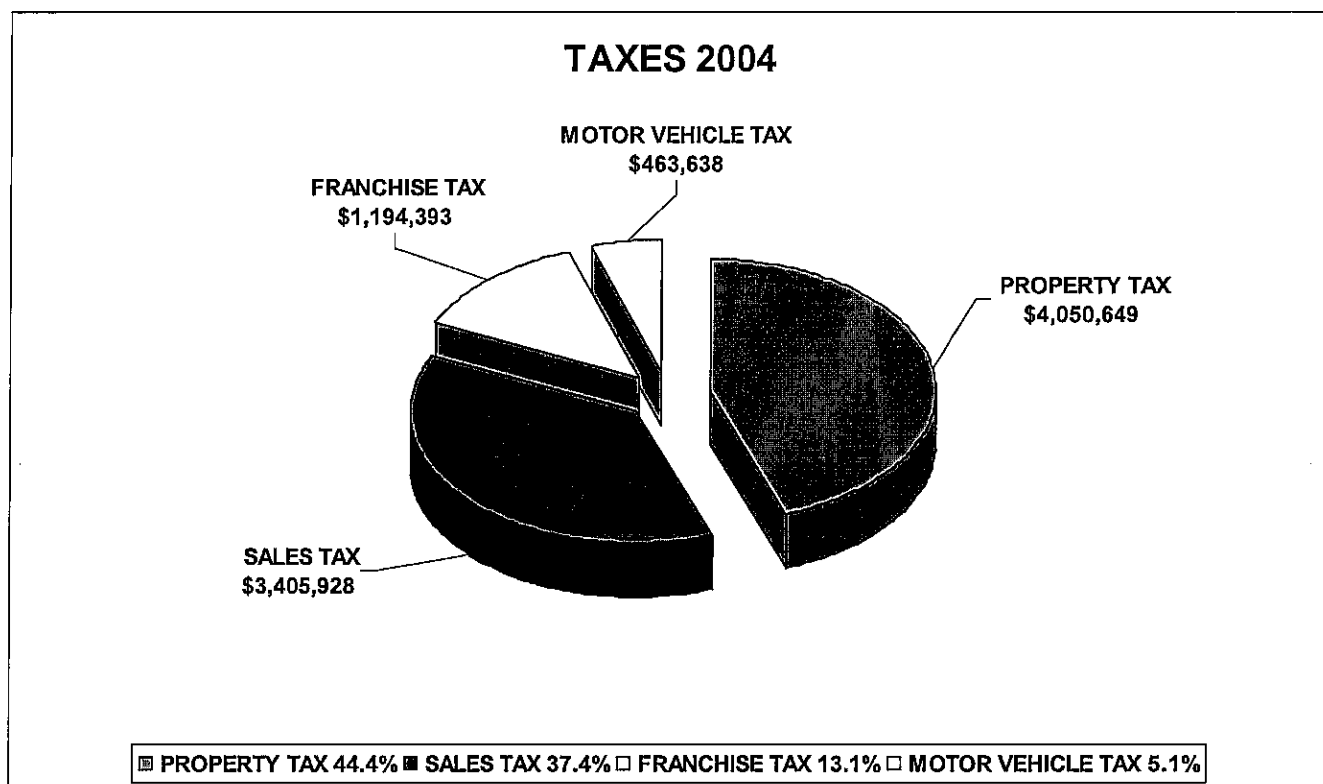
Governmental activities comprised 71% of the total revenues generated by the City and 80% of the City's expenditures. The decrease in governmental net assets can mainly be attributed to the City's economic development expenditures (\$5,724,575).

The business-type activities, while comprising the smaller percentages of revenues and expenditures of the City, showed a gain of \$889,582 in net assets, before transfers. The increase in business-type net assets is from growth in its customer base, rate adjustments, conservative spending and the addition of the stormwater utility.

The following pie chart shows the composition of the 2004 primary government revenues.



The components of the City's taxes are property tax, sales tax, franchise tax and motor vehicle tax. As can be seen by the chart below, property taxes comprised almost one half of the tax revenues.



The table below reflects the changes in the City's mill levy for the past two fiscal periods.

City of Pittsburg's Mill Levy Rates

	<u>2002 Levy to support 2003 Budget</u>	<u>2003 Levy To support 2004 Budget</u>	<u>Increase/ (Decrease) over prior year</u>	<u>% Change</u>
General Fund	\$ 27.125	\$ 29.132	\$ 2.007	7.4%
Debt Service Fund	10.053	8.984	(1.069)	-10.6%
Component Unit	<u>5.027</u>	<u>5.019</u>	<u>(.008)</u>	-.2%
Total Mill Levy	<u>\$ 42.205</u>	<u>\$ 43.135</u>	<u>\$.930</u>	2.2%

The increase in the City's mill rate can be attributed to the General Fund's need for additional funding.

The table below reflects the changes in the City's assessed valuation for the past two fiscal periods.

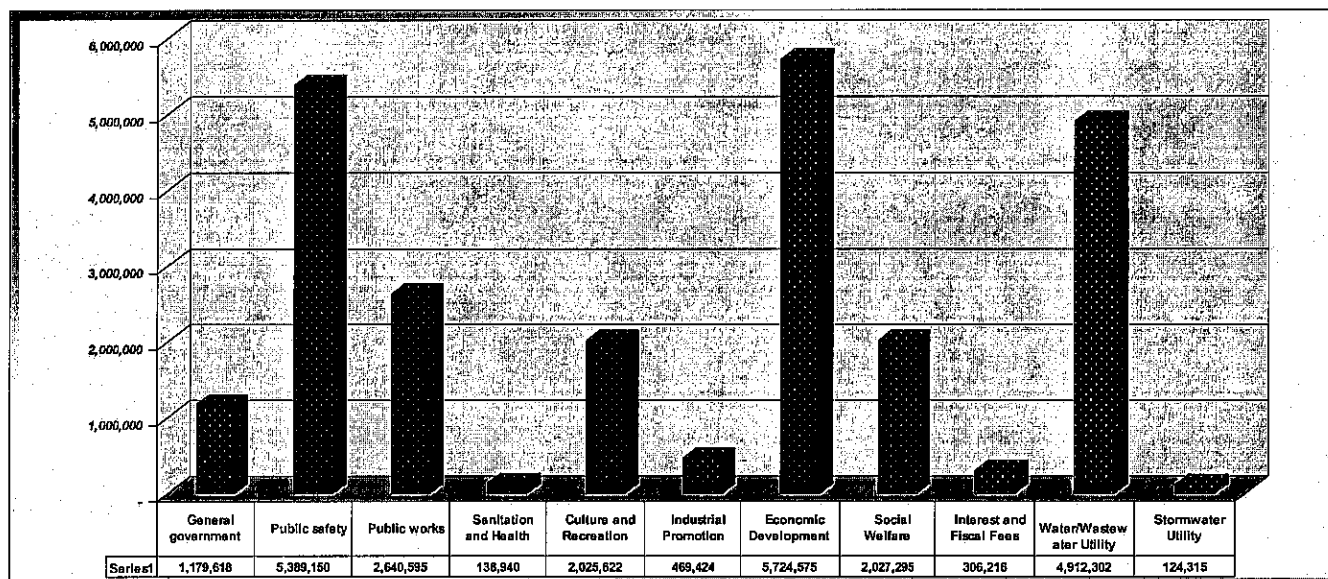
City of Pittsburgh's Assessed Valuation

	2002 Valuation To support <u>2003 Budget</u>	2003 Valuation To support <u>2004 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
Real Property	\$ 78,179,601	\$ 82,498,159	\$ 4,318,558	5.5%
Personal Property	16,725,716	17,837,170	1,111,454	6.6%
State Assessed	<u>6,463,398</u>	<u>6,424,205</u>	<u>(39,193)</u>	-6.0%
Total	<u>\$101,368,715</u>	<u>\$106,759,534</u>	<u>\$ 5,390,819</u>	5.3%

The change in assessed valuation reflects continued strong growth in both real and personal property. This has helped the City maintain a fairly stable mill rate.

The following bar graph shows the composition of the 2004 primary government expenditures.

Net Cost of City Services 2004



The total cost of services of the City's primary government for 2004 was \$24,938,052. This represents an increase of \$7,044,598 over 2003. Approximately 82% of this increase was for economic development. The portion of these services covered by the City's taxpayers was only \$9,114,608. As can be seen from the above bar graph, the City's public safety, water/wastewater utility and economic development activities are the dominant expenditure categories. These three activities account for 64 percent of the total cost of City services for 2004.

Analysis of the Fund Financial Statements

Governmental Funds

The City's governmental fund balances decreased by a total of \$5,155,921 from the prior year, with only two of the City's four major funds experiencing an increase in fund balance as a result of 2004 operations. Of the four major funds, the largest increase in fund balance is in the revolving loan fund which gained \$773,029 followed by the general fund with a gain of \$365,493. The section 8 fund decreased by a marginal \$9,744 and the capital projects fund decreased significantly by \$6,162,742 with economic development expense accounting for 98.5% of this decrease.

The other governmental funds show a combined decrease of \$121,957 from the prior year. The street and highway fund accounted for \$119,202 of this decrease.

Proprietary Funds

The water/wastewater utility fund and stormwater utility fund had an increase of \$210,992 in cash and cash equivalents for 2004. This represents an increase of 9.4% from fiscal year 2003 and was due to the establishment of the stormwater utility in 2004.

General Fund Budgetary Highlights

The legally adopted budget for the General Fund was not amended by the City Commission during 2004. Departments within the City are allowed to transfer budget between line items within a department as long as they don't exceed the legally adopted budget for that department.

The following revenue and expenditure categories experienced significant differences between the final budget amount and the actual amount. The explanation of the difference is also included.

CATEGORY	EXPLANATION
Taxes	Property tax collections, along with electric, phone and cable franchise tax collections were under budget. Sales tax collections were over budget with significant growth.
Group Hospitalization	Actual expenditures were approximately 52% of budgeted expenditures.
Atkinson Airport	Expenditures exceeded adopted budget due to the fact the airport had increased aviation fuel sales which meant increased commodities expense.
Industrial Promotion	Expenditures exceeded adopted budget due to the nature of this department. Industrial promotion expense can arise after the budget has been adopted.

Capital Asset and Debt Administration

Capital Assets

The total amount invested in capital assets for the primary government at December 31, 2004 was \$53,747,151, net of accumulated depreciation. Capital assets decreased by 1.99% from the 2003 total. The bulk of the governmental activities construction in progress is for an airport runway project which totaled \$91,432 at December 31, 2004. The business type activity reported no construction in progress at the end of 2004.

The following table categorizes the City's capital asset balances by type of asset.

City of Pittsburgh's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities	
	2003	2004	2003	2004
Land	\$ 1,338,214	\$ 1,338,214	\$ 436,690	\$ 436,690
Buildings and improvements	9,788,250	9,420,349	14,032,041	13,647,137
Machinery and equipment	2,106,999	1,734,783	249,703	638,985
Infrastructure	9,583,546	10,651,969	14,606,251	15,785,082
Construction in progress	<u>2,701,029</u>	<u>93,942</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 25,518,038</u>	<u>\$ 23,239,257</u>	<u>\$ 29,324,685</u>	<u>\$ 30,507,894</u>

For additional information on capital assets, please refer to the notes to the basic financial statements.

Debt Administration

The City finances capital projects in a variety of ways: general obligation bonds/notes, revenue bonds, intergovernmental grants and internal funding. The most significant of these is general obligation bonds based on the full faith and credit of the City. The City maintains a Moody's rating of "A3".

The table below reflects the changes in the City's outstanding debt for the past two fiscal periods.

City of Pittsburgh's Outstanding Debt General Obligation Bonds and Other Debt

	Governmental Activities		Business-Type Activities	
	2003	2004	2003	2004
General Obligation Bonds	\$ 6,755,000	\$ 5,775,000	\$ 3,210,000	\$ 2,640,000
Kansas Partnership Loan	<u>69,491</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,824,491</u>	<u>\$ 5,775,000</u>	<u>\$ 3,210,000</u>	<u>\$ 2,640,000</u>

The outstanding general obligation bonds at December 31, 2004, totaled \$8,415,000 of which \$5,775,000 is considered net direct tax supported debt. This balance represents a 15.38% decrease from the 2003 balance. There were no new general obligation bonds issued in fiscal year 2004. The Kansas Partnership Loan is an economic development loan and was paid off in 2004.

Business-type activity bonded debt decreased by 17.76% from 2003. There were no new business-type activity bonds issued in fiscal year 2004.

Kansas State Statutes limit the amount of general obligation bonds a City can issue to 30% of the equalized tangible valuation. The current limitation for the City is \$37,617,070, significantly higher than the general obligation bond outstanding debt.

For additional information on outstanding debt, please refer to the notes to the basic financial statements.

Requests for Information

This financial report is intended to give the reader a general overview of the City's finances. Questions about information contained in this report or requests for additional information should be directed to the Director of Finance and Administration or the Assistant Director of Finance, 201 W. 4th Street, Pittsburg, KS 66762.

**BASIC
FINANCIAL STATEMENTS**

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Public Library
Assets:				
Cash and cash equivalents	\$ 8,249,195	\$ 2,253,947	\$10,503,142	\$ 75,578
Restricted cash	-	195,407	195,407	-
Receivables, net of allowance for uncollectibles:				
Taxes	4,034,328	-	4,034,328	597,956
Accounts	330,336	604,333	934,669	-
Intergovernmental	1,463,314	-	1,463,314	-
Other	-	7,257	7,257	-
Leases receivable	788,870	-	788,870	-
Loans receivable	203,267	-	203,267	-
Deferred charges	47,264	55,668	102,932	-
Inventories	80,535	141,490	222,025	-
Prepaid items	21,558	4,874	26,432	924
Internal balances	(5,828)	5,828	-	-
Assets held for sale	740,223	-	740,223	-
Capital assets, net of accumulated depreciation:				
Land	1,338,214	436,690	1,774,904	215,415
Construction in progress	93,942	-	93,942	-
Buildings and improvements	9,420,349	13,647,137	23,067,486	2,865,095
Machinery and equipment	1,734,783	638,985	2,373,768	-
Infrastructure	10,651,969	15,785,082	26,437,051	-
Total assets	<u>39,192,319</u>	<u>33,776,698</u>	<u>72,969,017</u>	<u>3,754,968</u>
Liabilities:				
Accrued expenses and other current liabilities	422,541	4,207	426,748	-
Bond anticipation notes payable	7,065,000	-	7,065,000	-
Accrued interest payable	115,368	77,973	193,341	-
Deferred revenue	4,215,662	-	4,215,662	597,956
Liabilities payable from restricted cash	-	195,407	195,407	-
Noncurrent liabilities:				
Due within one year	971,581	622,717	1,594,298	-
Due in more than one year	5,117,659	5,720,347	10,838,006	1,333
Total liabilities	<u>17,907,811</u>	<u>6,620,651</u>	<u>24,528,462</u>	<u>599,289</u>
Net assets:				
Invested in capital assets, net of related debt	16,756,655	24,239,750	40,996,405	3,080,510
Restricted for:				
Debt service	535,846	-	535,846	-
Other purposes	7,140,109	-	7,140,109	-
Unrestricted	(3,148,102)	2,916,297	(231,805)	75,169
Total net assets	<u>\$21,284,508</u>	<u>\$27,156,047</u>	<u>\$48,440,555</u>	<u>\$ 3,155,679</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Unit
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,179,618	\$ 979,982	\$ 58,145	\$ -	\$ (141,491)	\$ -	\$ -
Public safety - police	2,742,941	-	60,065	-	(2,682,876)	-	(2,682,876)
Public safety - fire	2,106,552	-	-	22,130	(2,084,422)	-	(2,084,422)
Public safety - other	539,657	1,768	-	-	(537,889)	-	(537,889)
Public works	2,640,595	464,049	736,632	-	(1,439,914)	-	(1,439,914)
Sanitation and health	138,940	28,625	61,542	-	(48,773)	-	(48,773)
Culture and recreation	2,025,622	447,274	228,495	-	(1,349,853)	-	(1,349,853)
Industrial promotion	469,424	373,723	-	-	(95,701)	-	(95,701)
Economic development	5,724,575	6,757	-	-	(5,717,818)	-	(5,717,818)
Social welfare	2,027,295	11	1,836,047	-	(191,237)	-	(191,237)
Interest on long-term debt	306,216	-	-	-	(306,216)	-	(306,216)
Total governmental activities	19,901,435	2,302,189	2,980,926	22,130	(14,596,190)	-	(14,596,190)
Business-type activities:							
Water/wastewater	4,912,302	5,293,009	-	-	-	380,707	380,707
Stormwater	124,315	613,118	-	-	-	488,803	488,803
Total business-type activities	5,036,617	5,906,127	-	-	-	869,510	869,510
Total primary government	\$ 24,938,052	\$ 8,208,316	\$ 2,980,926	\$ 22,130	(14,596,190)	869,510	(13,726,680)
Component unit:							
Public library	\$ 747,054	\$ 12,584	\$ 69,455	\$ -	-	-	(665,015)
General revenues:							
Property taxes					4,514,287	-	4,514,287
Sales taxes					3,405,928	-	3,405,928
Franchise taxes					1,194,393	-	1,194,393
Unrestricted investment earnings					151,793	20,072	171,865
Transfers					(1,201,734)	1,201,734	-
Total general revenues and transfers					8,064,667	1,221,806	9,286,473
Change in net assets					(6,531,523)	2,091,316	(4,440,207)
Net assets, beginning					27,816,031	25,064,731	52,880,762
Net assets, ending					\$ 21,284,508	\$ 27,156,047	\$ 48,440,555
							\$ 3,155,679

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2004

	General	Revolving Loans	Section 8	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,523,759	\$ 4,602,635	\$ -	\$ 448,600	\$ 674,201	\$ 8,249,195
Receivables (net of allowance for uncollectibles):						
Taxes	3,889,329	144,999	-	-	-	4,034,328
Accounts	43,353	286,983	-	-	-	330,336
Intergovernmental	1,770	-	67,642	-	1,393,902	1,463,314
Due from other funds	-	74,787	-	-	-	74,787
Leases receivable	-	788,870	-	-	-	788,870
Loans receivable	-	203,267	-	-	-	203,267
Advances to other funds	-	173,845	-	-	-	173,845
Inventories	43,266	-	-	-	37,269	80,535
Prepaid items	19,295	-	-	-	2,263	21,558
Assets held for sale	-	740,223	-	-	-	740,223
Total assets	\$ 6,520,772	\$ 7,015,609	\$ 67,642	\$ 448,600	\$ 2,107,635	\$ 16,160,258
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ 27	\$ -	\$ -	\$ -	\$ 143,103	\$ 143,130
Accrued payroll liabilities	121,062	-	-	-	-	121,062
Accrued self-insurance claims	100,000	-	-	-	-	100,000
Other	58,349	-	-	-	-	58,349
Due to other funds	-	-	74,787	-	5,828	80,615
Deferred revenue	3,224,779	658,720	-	-	1,036,369	4,919,868
Bond anticipation notes payable	400,000	-	-	6,665,000	-	7,065,000
Advances from other funds	-	-	-	-	173,845	173,845
Total liabilities	3,904,217	658,720	74,787	6,665,000	1,359,145	12,661,869
Fund balances:						
Reserved for:						
Inventories	43,266	-	-	-	37,269	80,535
Prepaid items	19,295	-	-	-	2,263	21,558
Advances	-	173,845	-	-	-	173,845
Revolving loan program	-	6,183,044	-	-	-	6,183,044
Debt service	-	-	-	-	605,728	605,728
Insurance claims	950,000	-	-	-	-	950,000
Unreserved, reported in:						
General fund	1,603,994	-	-	-	-	1,603,994
Special revenue funds	-	-	(7,145)	-	103,230	96,085
Capital projects funds	-	-	-	(6,216,400)	-	(6,216,400)
Total fund balances	2,616,555	6,356,889	(7,145)	(6,216,400)	748,490	3,498,389
Total liabilities and fund balances	\$ 6,520,772	\$ 7,015,609	\$ 67,642	\$ 448,600	\$ 2,107,635	\$ 16,160,258

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

December 31, 2004

Total fund balance in Governmental Fund Balance Sheet	\$ 3,498,389
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,239,257
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	704,206
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,157,344)</u>
Net assets of governmental activities	<u>\$ 21,284,508</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended December 31, 2004

	General	Revolving Loans	Section 8	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	\$ 3,428,288	\$ -	\$ -	\$ -	\$ 1,085,999	\$ 4,514,287
Sales	2,648,057	757,871	-	-	-	3,405,928
Franchise	1,194,393	-	-	-	-	1,194,393
Licenses and permits	113,690	-	-	-	-	113,690
Intergovernmental	118,210	-	1,455,550	22,130	1,208,611	2,804,501
Charges for services	1,369,142	-	-	-	-	1,369,142
Fines and fees	345,862	-	-	-	-	345,862
Special assessments	-	-	-	-	70,509	70,509
Investment earnings	66,688	75,634	-	1,807	7,664	151,793
Lease income	-	314,676	-	-	-	314,676
Miscellaneous	54,051	59,048	11	37,257	176,061	326,428
Total revenues	<u>9,338,381</u>	<u>1,207,229</u>	<u>1,455,561</u>	<u>61,194</u>	<u>2,548,844</u>	<u>14,611,209</u>
Expenditures:						
Current:						
General government	1,057,511	-	-	-	-	1,057,511
Public safety - police	2,505,294	-	-	-	-	2,505,294
Public safety - fire	1,914,127	-	-	8,269	-	1,922,396
Public safety - other	510,274	-	-	-	-	510,274
Public works	581,273	-	-	20,000	1,203,620	1,804,893
Sanitation and health	76,788	-	-	-	38,264	115,052
Culture and recreation	1,650,630	-	-	-	-	1,650,630
Industrial promotion	260,276	173,915	-	-	-	434,191
Social welfare	-	-	1,465,305	-	419,298	1,884,603
Debt service:						
Principal	-	-	-	-	1,049,491	1,049,491
Interest	-	-	-	-	222,695	222,695
Capital outlay	393,654	-	-	6,195,667	200,607	6,789,928
Total expenditures	<u>8,949,827</u>	<u>173,915</u>	<u>1,465,305</u>	<u>6,223,936</u>	<u>3,133,975</u>	<u>19,946,958</u>
Excess (deficiency) of revenues over (under) expenditures	<u>388,554</u>	<u>1,033,314</u>	<u>(9,744)</u>	<u>(6,162,742)</u>	<u>(585,131)</u>	<u>(5,335,749)</u>
Other financing sources (uses):						
Transfers in	458,239	-	-	-	596,858	1,055,097
Transfers out	(481,300)	(260,285)	-	-	(133,684)	(875,269)
Total other financing sources (uses)	<u>(23,061)</u>	<u>(260,285)</u>	<u>-</u>	<u>-</u>	<u>463,174</u>	<u>179,828</u>
Net change in fund balances	<u>365,493</u>	<u>773,029</u>	<u>(9,744)</u>	<u>(6,162,742)</u>	<u>(121,957)</u>	<u>(5,155,921)</u>
Fund balances, beginning, as previously stated	2,251,062	6,242,580	2,599	(53,658)	870,447	9,313,030
Prior period adjustment	-	(658,720)	-	-	-	(658,720)
Fund balances, beginning as restated	<u>2,251,062</u>	<u>5,583,860</u>	<u>2,599</u>	<u>(53,658)</u>	<u>870,447</u>	<u>8,654,310</u>
Fund balances, ending	<u>\$ 2,616,555</u>	<u>\$ 6,356,889</u>	<u>\$ (7,145)</u>	<u>\$ (6,216,400)</u>	<u>\$ 748,490</u>	<u>\$ 3,498,389</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ (5,155,921)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(876,818)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.	(20,401)
Capital asset transfers are not recorded in the governmental funds because there has been no flow of current financial resources.	(1,381,562)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(39,563)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,049,491
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(106,749)</u>
Change in net assets of governmental activities	<u><u>\$ (6,531,523)</u></u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 7,599,730	\$ 7,945,118	\$ 345,388
Intergovernmental	66,295	116,440	50,145
Licenses and permits	125,000	113,690	(11,310)
Charges for services	2,378,091	2,392,028	13,937
Fines and fees	306,500	345,862	39,362
Investment income	60,000	66,688	6,688
Miscellaneous	31,788	54,051	22,263
Total revenues	10,567,404	11,033,877	466,473
Expenditures:			
General government:			
General administration:			
Personnel services	172,218	175,234	(3,016)
Contractual services	125,921	148,996	(23,075)
Commodities	12,750	19,791	(7,041)
Total general administration expenditures	310,889	344,021	(33,132)
Group hospitalization:			
Claims paid	1,765,798	916,326	849,472
Human resources:			
Personnel services	124,714	125,073	(359)
Contractual services	11,428	14,419	(2,991)
Commodities	4,500	3,666	834
Total human resources expenditures	140,642	143,158	(2,516)
Information systems:			
Personnel services	179,934	184,392	(4,458)
Contractual services	47,251	69,732	(22,481)
Commodities services	40,000	38,367	1,633
Capital outlay	34,915	36,418	(1,503)
Total information systems expenditures	\$ 302,100	\$ 328,909	\$ (26,809)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(Continued)

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Municipal court:			
Personnel services	\$ 148,658	\$ 171,567	\$ (22,909)
Contractual services	25,275	22,467	2,808
Commodities	2,850	3,112	(262)
Capital outlay	-	3,613	(3,613)
Total municipal court expenditures	176,783	200,759	(23,976)
Total general government expenditures	2,696,212	1,933,173	763,039
Public safety:			
Police department:			
Personnel services	2,116,815	2,097,333	19,482
Contractual services	262,145	262,838	(693)
Commodities	136,600	136,214	386
Capital outlay	60,000	98,443	(38,443)
Total police department expenditures	2,575,560	2,594,828	(19,268)
Fire department:			
Personnel services	1,781,734	1,751,288	30,446
Contractual services	98,701	84,838	13,863
Commodities	69,000	73,683	(4,683)
Capital outlay	27,000	11,565	15,435
Total fire department expenditures	1,976,435	1,921,374	55,061
Public safety - other:			
Codes enforcement:			
Personnel services	247,968	251,910	(3,942)
Contractual services	119,514	74,476	45,038
Commodities	18,300	15,912	2,388
Total codes enforcement expenditures	\$ 385,782	\$ 342,298	\$ 43,484

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(Continued)

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Animal control:			
Personnel services	\$ 31,724	\$ 30,317	\$ 1,407
Contractual services	15,084	17,868	(2,784)
Commodities	6,300	14,825	(8,525)
Capital outlay	25,000	22,789	2,211
Total animal control expenditures	78,108	85,799	(7,691)
Electronics department:			
Personnel services	65,072	49,502	15,570
Contractual service	13,874	12,568	1,306
Commodities	60,800	32,867	27,933
Capital outlay	20,000	17,227	2,773
Total electronics department expenditures	159,746	112,164	47,582
Total public safety - other	623,636	540,261	83,375
Total public safety expenditures	5,175,631	5,056,463	119,168
Public works:			
Engineering department:			
Personnel services	99,865	98,680	1,185
Contractual services	40,918	13,727	27,191
Commodities	13,200	9,929	3,271
Total engineering department expenditures	153,983	122,336	31,647
Atkinson Airport:			
Personnel services	157,039	157,315	(276)
Contractual services	46,395	47,932	(1,537)
Commodities	187,060	264,536	(77,476)
Total Atkinson Airport expenditures	390,494	469,783	(79,289)
Total public works expenditures	\$ 544,477	\$ 592,119	\$ (47,642)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(Continued)

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Sanitation and health:			
Mt. Olive Cemetery:			
Personnel services	\$ 63,154	\$ 59,874	\$ 3,280
Contractual services	6,799	8,741	(1,942)
Commodities	9,750	8,168	1,582
Total sanitation and health expenditures	79,703	76,783	2,920
Culture and recreation:			
Parks and recreation department:			
Personnel services	458,725	470,604	(11,879)
Contractual services	135,556	117,162	18,394
Commodities	144,300	164,181	(19,881)
Capital outlay	105,000	104,144	856
Total parks and recreation department expenditures	843,581	856,091	(12,510)
Aquatic center:			
Personnel services	99,881	74,664	25,217
Contractual services	20,208	17,585	2,623
Commodities	43,000	36,258	6,742
Total aquatic center expenditures	163,089	128,507	34,582
Four Oaks Complex:			
Personnel services	232,328	226,177	6,151
Contractual services	38,746	35,497	3,249
Commodities	115,500	127,506	(12,006)
Capital outlay	40,000	41,300	(1,300)
Total Four Oaks Complex expenditures	\$ 426,574	\$ 430,480	\$ (3,906)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(Continued)

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Memorial Auditorium and Convention Center:			
Personnel services	\$ 204,779	\$ 214,570	\$ (9,791)
Contractual services	89,433	102,202	(12,769)
Commodities	43,500	58,612	(15,112)
Capital outlay	93,487	18,153	75,334
Total Memorial Auditorium and Convention Center	431,199	393,537	37,662
Total culture and recreation expenditures	1,864,443	1,808,615	55,828
Industrial promotion:			
Economic development:			
Personnel services	114,874	118,140	(3,266)
Contractual services	76,636	100,036	(23,400)
Commodities	5,000	5,338	(338)
Capital outlay	25,000	36,771	(11,771)
Total industrial promotion expenditures	221,510	260,285	(38,775)
Operating reserve	476,585	175,885	300,700
Total expenditures	11,058,561	9,903,323	1,155,238
Excess (deficiency) of revenues over (under) expenditures	(491,157)	1,130,554	1,621,711
Other financing sources (uses):			
Transfers in	429,289	458,239	28,950
Transfers out	(1,162,966)	(1,219,739)	(56,773)
Total other financing sources and uses	(733,677)	(761,500)	(27,823)
Net change in fund balances	(1,224,834)	369,054	1,593,888
Fund balance, beginning	1,224,834	1,710,049	485,215
Fund balance, ending	\$ -	\$ 2,079,103	\$ 2,079,103

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

	Water/Wastewater	Stormwater	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,846,181	\$ 407,766	\$ 2,253,947
Restricted cash - customer deposits	195,407	-	195,407
Accounts receivable (net of allowance for uncollectibles)	582,933	21,400	604,333
Other receivable	7,257	-	7,257
Due from other funds	-	5,828	5,828
Inventories	141,490	-	141,490
Prepaid items	4,669	205	4,874
Total current assets	<u>2,777,937</u>	<u>435,199</u>	<u>3,213,136</u>
Noncurrent assets:			
Deferred charges	55,668	-	55,668
Capital assets:			
Land	436,690	-	436,690
Buildings and improvements	19,231,648	-	19,231,648
Machinery and equipment	2,605,116	63,313	2,668,429
Infrastructure	21,768,932	1,474,904	23,243,836
Less accumulated depreciation	(14,972,187)	(100,522)	(15,072,709)
Total capital assets, net of accumulated depreciation	<u>29,070,199</u>	<u>1,437,695</u>	<u>30,507,894</u>
Total noncurrent assets	<u>29,125,867</u>	<u>1,437,695</u>	<u>30,563,562</u>
Total assets	<u>31,903,804</u>	<u>1,872,894</u>	<u>33,776,698</u>
Liabilities:			
Current liabilities:			
Accrued expenses	4,207	-	4,207
Accrued interest payable	77,973	-	77,973
Accrued compensated absences	4,365	153	4,518
Customer deposits payable	195,407	-	195,407
General obligation bonds - current	475,000	-	475,000
Construction loan payable - current	143,199	-	143,199
Total current liabilities	<u>900,151</u>	<u>153</u>	<u>900,304</u>
Noncurrent liabilities:			
Accrued compensated absences	68,026	2,376	70,402
General obligation bonds payable (net of unamortized discounts)	2,165,000	-	2,165,000
Construction loan payable	3,484,945	-	3,484,945
Total noncurrent liabilities	<u>5,717,971</u>	<u>2,376</u>	<u>5,720,347</u>
Total liabilities	<u>6,618,122</u>	<u>2,529</u>	<u>6,620,651</u>
Net assets:			
Invested in capital assets, net of related debt	22,802,055	1,437,695	24,239,750
Unrestricted	2,483,627	432,670	2,916,297
Total net assets	<u>\$ 25,285,682</u>	<u>\$ 1,870,365</u>	<u>\$ 27,156,047</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended December 31, 2004

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 2,789,403	\$ -	\$ 2,789,403
Wastewater charges	2,302,395	-	2,302,395
Stormwater charges	-	606,356	606,356
Other charges	201,211	6,762	207,973
Total operating revenues	<u>5,293,009</u>	<u>613,118</u>	<u>5,906,127</u>
Operating expenses:			
Costs of sales and services	1,822,102	32,731	1,854,833
Administration	1,924,712	59,674	1,984,386
Depreciation	877,423	31,910	909,333
Total operating expenses	<u>4,624,237</u>	<u>124,315</u>	<u>4,748,552</u>
Operating income	<u>668,772</u>	<u>488,803</u>	<u>1,157,575</u>
Nonoperating revenues (expenses):			
Interest revenue	20,072	-	20,072
Interest expense	(288,065)	-	(288,065)
Total nonoperating revenues (expenses)	<u>(267,993)</u>	<u>-</u>	<u>(267,993)</u>
Income before contributions and transfers	400,779	488,803	889,582
Capital contributions	-	1,381,562	1,381,562
Transfers out	<u>(179,828)</u>	<u>-</u>	<u>(179,828)</u>
Change in net assets	220,951	1,870,365	2,091,316
Total net assets, beginning	<u>25,064,731</u>	<u>-</u>	<u>25,064,731</u>
Total net assets, ending	<u>\$ 25,285,682</u>	<u>\$ 1,870,365</u>	<u>\$ 27,156,047</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2004

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 5,287,279	\$ 591,718	\$ 5,878,997
Payments to suppliers	(1,777,736)	(32,936)	(1,810,672)
Payments to employees	(1,966,246)	(57,145)	(2,023,391)
Net cash provided by operating activities	<u>1,543,297</u>	<u>501,637</u>	<u>2,044,934</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(179,828)	-	(179,828)
Advances from other funds	(165,321)		(165,321)
Due from other funds	-	(5,828)	(5,828)
Interest paid on deposits	(2,285)	-	(2,285)
Interest paid on residential incentives	(5,499)	-	(5,499)
Net cash used in noncapital financing activities	<u>(352,933)</u>	<u>(5,828)</u>	<u>(358,761)</u>
Cash flows from capital and related financing activities:			
Proceeds from capitalization grant/construction loan payable	185,131	-	185,131
Payments on capitalization grant/construction loan payable	(149,885)	-	(149,885)
Acquisition and construction of capital assets	(250,800)	(24,730)	(275,530)
Purchases of capital assets	(372,137)	(63,313)	(435,450)
Principal paid on capital debt	(570,000)	-	(570,000)
Interest paid on capital debt	(249,519)	-	(249,519)
Net cash used in capital and related financing activities	<u>(1,407,210)</u>	<u>(88,043)</u>	<u>(1,495,253)</u>
Cash flows from investing activities:			
Interest received	<u>20,072</u>	<u>-</u>	<u>20,072</u>
Net increase (decrease) in cash and cash equivalents	(196,774)	407,766	210,992
Cash and cash equivalents and restricted cash, beginning of year	<u>2,238,362</u>	<u>-</u>	<u>2,238,362</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 2,041,588</u>	<u>\$ 407,766</u>	<u>\$ 2,449,354</u>

Non-cash capital financing activities:

Contributions of capital assets of \$ 1,381,562 were acquired in the stormwater fund from other governmental funds.

(Continued)

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2004

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 668,772	\$ 488,803	\$ 1,157,575
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	877,423	31,910	909,333
Amortization of deferred charges	6,185	-	6,185
Changes in assets and liabilities:			
Receivables, net	328	(21,400)	(21,072)
Inventories	34,290	-	34,290
Prepaid items	(316)	(205)	(521)
Accrued expenses	4,207	-	4,207
Accrued compensated absences	(41,534)	2,529	(39,005)
Customer deposits	(6,058)	-	(6,058)
Net cash provided by operating activities	<u>\$ 1,543,297</u>	<u>\$ 501,637</u>	<u>\$ 2,044,934</u>
Cash consists of:			
Cash and cash equivalents	\$ 1,846,181	\$ 407,766	\$ 2,253,947
Restricted cash	195,407	-	195,407
	<u>\$ 2,041,588</u>	<u>\$ 407,766</u>	<u>\$ 2,449,354</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Pittsburg, Kansas (the City) is a municipal corporation governed by an elected five-member commission. The accompanying basic financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Unit. The Public Library (the Library) is operated by a Library Board which is appointed by the City Commission. The City levies and collects a special library tax to subsidize the Library's operations. The Library's operating budget is subject to the approval of the City Commission. The City must approve acquisition or disposition of real property by the Library, but the Library owns the capital assets. Bond issuances must also be approved by the City. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes for which a 60-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, cemetery, parks, recreation, and administration.

The revolving loans fund accounts for revolving loan proceeds involving various revenue sources including local sales tax proceeds utilized for industrial development purposes, revolving funds from rental rehabilitation grants, and revolving funds received from industrial development grants.

The Section 8 programs fund accounts for federal grants received under the Department of Housing and Urban Development (HUD) Section 8 programs.

The capital projects fund accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

The water/wastewater fund accounts for the operation and maintenance activities of the City's water and wastewater collection and treatment systems.

The stormwater fund accounts for the operation and maintenance activities of the City's stormwater facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/wastewater fund and the stormwater fund are charges to customers for sales and services. Operating expenses for the water/wastewater fund and the stormwater fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF PITTSBURG, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Pooled Cash and Investments

Cash and cash equivalents of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. These pooled investments consist of operating accounts and nonnegotiable certificates of deposit that are recorded at cost because they are not affected by market rate changes. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investments earnings are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2004, interest earnings allocated to the various funds were \$ 156,164.

Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2004, cash equivalents consisted of certificates of deposit included in pooled cash described above.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records an allowance equal to 10% of the trade accounts receivable.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the City had no unearned revenue. Deferred revenue is reported as follows:

General fund property taxes receivable	\$ 3,224,779
Revolving loans fund long-term portion of capital leases receivable	658,720
Debt service fund property taxes receivable	996,806
Debt service fund special assessments receivable	<u>39,563</u>
	<u>\$ 4,919,868</u>

Property Taxes

The City's property taxes are levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by Crawford County. The assessed value at upon which the 2004 levy was based was approximately \$ 106,760,000.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The 2004 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$ 29.132
Debt Service Fund	8.984
Component unit:	
Public Library	<u>5.019</u>
	<u>\$ 43.135</u>

Property taxes levied for 1997-2004 which remain uncollected are recorded as receivables, net of estimated uncollectibles.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The State of Kansas requires the City to maintain customer utility deposits separate from City assets. Interest earned is credited back to customers as required by State statutes.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives.

Buildings and improvements	20 - 50 years
Office equipment	3 - 10 years
Machinery and equipment	3 - 10 years
Water and sewer treatment plants	50 years
Water and sewer mains	50 years
Infrastructure	15 - 100 years

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

City policies permit full-time employees who have one full year of service to accumulate two weeks per year of vacation leave up to a maximum of four weeks; those with ten years of service may accumulate three weeks per year up to a maximum of six weeks; and those with twenty years of service may accumulate four weeks per year up to a maximum of eight weeks. Vacation leave which is unused and vested to the employee is payable upon termination. City policies also permit full-time employees, other than those in public safety, emergency operations or seasonal division, who are eligible for overtime pay or compensatory time to accumulate up to 200 hours (280 for public safety employees). All vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary financial statements. In the governmental fund financial statements, a liability is accrued when it is expected to be liquidated with expendable available financial resources.

Full-time employees may accumulate sick leave at a rate of one day per month up to 150 days or 1,200 hours. Sick leave which is unused does not vest and is payable only when the employee is off work due to illness and is forfeited upon termination. Therefore, there is no accrued liability for sick leave included in the financial statements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Concentrations of Credit Risk

Loans are extended, on a fully secured basis, to local industries under the revolving economic development loan program. Credit is extended to citizens for special assessments levied by the City for capital improvements. These special assessments are secured by liens on the related properties. Unsecured credit is extended to customers for water and sewer fees and charges for services.

Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Period Adjustment

Beginning fund balance was restated in the revolving loans fund to reflect deferred revenue for the long-term portion of the capital leases receivable in which the City is lessor. The effect of this restatement on the beginning fund balance was a decrease of \$ 658,720, while deferred revenue increased \$ 658,720. There were no effects on current revenue or expenditures as a result of the adjustment in the fund.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2004, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, was issued in March 2003. This statement is an amendment of GASB Statement No. 3, and modified or eliminates disclosures related to custodial credit risk. Statement 3 disclosures generally referred to as category 1 and 2 deposits and investments are eliminated. Custodial credit risk disclosures are modified to limit required disclosures to deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the financial institution's trust department or agent but not in the government's name; investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2004.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, was issued in November 2003 and it will apply to financial statements of the City for fiscal year 2005. Statement No. 42 establishes guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2004.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in April 2004. The objective of this statement is to establish uniform financial reporting standards for other postemployment benefit plans (OPEB plans). The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. This statement provides standards for measurement, recognition, and display of the assets, liabilities, and, where applicable, net assets and changes in net assets of such funds and for related disclosures. The provisions of this statement are effective for periods beginning after December 15, 2005.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, was issued in May 2004. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, guiding the preparation of the statistical section. Statement No. 44 establishes the objectives of the statistical section and the five categories of information it contains – financial trends information, revenue capacity information, debt capacity information, demographic and economic information, as well as operating information. The provisions of this statement are effective for periods beginning after June 15, 2005.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued in June 2004. This statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The term “other postemployment benefits” refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. The provisions of this statement are effective for periods beginning after December 15, 2006.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, was issued in December, 2004. The objective of this statement is to enhance the usefulness and comparability of net asset information reported by state and local governments by clarifying the meaning of the phrase *legally enforceable* as it applies to restrictions imposed on net asset use by enabling legislation and by specifying the accounting and financial reporting requirements for those restricted net assets. This statement amends GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, paragraph 34. The requirements of this statement are effective for periods beginning after June 15, 2005.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 6,157,344 difference are as follows:

Bonds payable	\$ (5,775,000)
Deferred amount on refunding	47,264
Accrued interest payable	(115,368)
Compensated absences	<u>(314,240)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (6,157,344)</u></u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 876,818 difference are as follows:

Capital outlay	\$ 953,862
Depreciation expense	<u>(1,830,680)</u>
Net adjustment to decrease net change in fund balances -total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (876,818)</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ 1,049,491 difference are as follows:

Principal repayments:	
General obligation debt	<u>\$ 1,049,491</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$ 106,749 difference are as follows:

Compensated absences	\$ (23,228)
Accrued interest	(77,613)
Amortization of issuance costs	<u>(5,908)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (106,749)</u>

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. Budgets were not prepared for the state and federal assistance funds, the capital projects fund and the revolving loans fund. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The Statutes provide for the following sequence and timetable in adoption of budgets:

- a. Preparation of proposed budget for the succeeding calendar year on or before August 1 of each year.
- b. Publication of proposed budget on or before August 5 of each year.
- c. A minimum of ten days' notice of public hearing, published in a local newspaper, on or before August 15 of each year.
- d. Public hearing on or before August 15 of each year.
- e. Adoption of final budget on or before August 25 of each year.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. City policy further limits the level of budgetary changes not requiring City Commission approval to the department level within an individual fund. Any change in level of appropriation beyond the departmental level in an individual fund requires action by the City Commission. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. There were no budget amendments during 2004.

Deficit Fund Balance

The capital projects fund has a deficit fund balance of \$ 6,216,400 due to the recording of temporary notes payable as a fund liability. The Section 8 fund and the community development block grants fund have deficit fund balances of \$ 7,145 and \$ 5,828, respectively, due to payment timing differences with the grantor.

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the street and highway fund by \$ 752. These overexpenditures were funded by greater than anticipated revenues in the fund.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4 - Budgetary Basis of Accounting

The General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is presented in accordance with the budget basis to provide meaningful comparison of actual results with the budget. The following reconciliation is presented to provide a correlation between the different bases of accounting for reporting in accordance with GAAP and for reporting on the budget basis. The major differences between the budget basis and the GAAP basis are that, for the budget basis statements, certain assets are recorded as capital outlay expense rather than being capitalized, revenues are recognized when received and expenses are recognized when paid.

	<u>General Fund</u>
Excess of revenue over expenditures, GAAP basis	\$ 388,554
Add:	
Capital outlay	76,741
Sales tax transfer to revolving fund	738,439
Change in inventories	712
Deduct:	
Change in taxes receivable	(64,059)
Grants receivable	(1,770)
Change in prepaid items	<u>(8,063)</u>
Excess of revenue over expenditures, budgetary basis	<u>\$ 1,130,554</u>

Budget and Actual Statements were not prepared for the revolving loans fund, the Section 8 programs fund or the capital projects fund because those funds do not have legally adopted budgets.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5 - Deposits and Investments

Kansas State statutes authorize the City, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. Statutes also require that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. The City's investment policy authorizes the purchases of U.S. Treasury securities, certificates of deposit, and temporary notes.

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is included in cash and cash equivalents on the balance sheet. At year end, the City's carrying amount of deposits, including certificates of deposit, was \$ 10,698,549 and the bank balance was \$ 11,016,260. Of the bank balance, \$ 300,000 was covered by federal depository insurance and the remaining \$ 10,716,260 was collateralized with securities held by the City's agent in the City's name.

The carrying amount of deposits for the Library, a discretely presented component unit, was \$ 75,578 and the bank balance was \$ 78,868. All of the bank balance was covered by federal depository insurance.

The deposits and petty cash and change funds are shown in the basic financial statements as follows:

	Carrying Amount		
	City	Component Unit - Public Library	Total
Cash and cash equivalents	\$ 10,503,142	\$ 75,578	\$ 10,578,720
Restricted cash and cash equivalents	195,407	-	195,407
	\$ 10,698,549	\$ 75,578	\$ 10,774,127

The City held no investments at December 31, 2004.

CITY OF PITTSBURG, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Loans Receivable

Loans receivable, aggregating approximately \$ 203,000 at December 31, 2004, consist of economic development and rental rehabilitation low interest loans funded through the U.S. Department of Housing and Urban Development's Community Development Block Grant and Rental Rehabilitation Programs and the City's Revolving Loan Fund.

7 - Leases

The City has lease agreements as lessor on City property for economic development purposes. These lease agreements qualify as capital leases and have therefore been recorded at the present value of their future minimum lease payments as of the inception date. At December 31, 2004 the lease receivable balance was \$ 788,870.

Future minimum lease payments to be received are as follows:

2005	\$ 130,150
2006	130,150
2007	130,150
2008	130,150
2009	130,150
2010 - 2014	<u>276,654</u>
Total minimum lease payments	927,404
Less: amounts representing interest	<u>(138,534)</u>
Present value of minimum lease payments	<u>\$ 788,870</u>

CITY OF PITTSBURG, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Leases (Continued)

Noncancellable operating revenue leases for City land and buildings expire in 2007 and 2016. The leases contain renewal options for periods ranging from five to ten years and require the lessees to pay all executory costs (property taxes, maintenance and insurance). For the year ended December 31, 2004 rental income related to these leases was \$ 125,027. Future minimum lease income is as follows:

2005	\$ 130,640
2006	130,640
2007	65,840
2008	33,440
2009	33,440
2010 - 2014	42,148
2015 - 2016	<u>3,447</u>
	<u>\$ 439,595</u>

The asset cost of the buildings the City leases is \$ 1,330,000, with accumulated depreciation of \$ 147,000, resulting in net carrying value of \$ 1,183,000 at December 31, 2004.

The City was the lessor for a capital lease agreement with a company that went bankrupt. The City retained the asset, which has an estimated fair market value of approximately \$ 740,000, and intends to sell it in 2005. The asset is reported in assets held for sale in the statement of net assets.

CITY OF PITTSBURG, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,338,214	\$ -	\$ -	\$ 1,338,214
Construction in progress	2,701,029	177,615	(2,784,702)	93,942
Total capital assets not being depreciated	4,039,243	177,615	(2,784,702)	1,432,156
Capital assets being depreciated:				
Buildings and improvements	17,697,369	168,261	-	17,865,630
Machinery and equipment	6,138,626	384,415	(197,943)	6,325,098
Infrastructure	16,992,125	3,008,272	(1,450,174)	18,550,223
Total capital assets being depreciated	40,828,120	3,560,948	(1,648,117)	42,740,951
Less accumulated depreciation for:				
Buildings and improvements	(7,909,119)	(536,162)	-	(8,445,281)
Machinery and equipment	(4,031,627)	(736,231)	177,543	(4,590,315)
Infrastructure	(7,408,579)	(558,287)	68,612	(7,898,254)
Total accumulated depreciation	(19,349,325)	(1,830,680)	246,155	(20,933,850)
Total capital assets being depreciated, net	21,478,795	1,730,268	(1,401,962)	21,807,101
Governmental activities capital assets, net	\$ 25,518,038	\$ 1,907,883	\$(4,186,664)	\$ 23,239,257

CITY OF PITTSBURG, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 436,690	\$ -	\$ -	\$ 436,690
Construction in progress	-	185,132	(185,132)	-
Total capital assets not being depreciated	436,690	185,132	(185,132)	436,690
Capital assets being depreciated:				
Buildings and improvements	19,215,403	16,245	-	19,231,648
Machinery and equipment	2,225,893	442,536	-	2,668,429
Infrastructure	21,541,463	1,702,373	-	23,243,836
Total capital assets being depreciated	42,982,759	2,161,154	-	45,143,913
Less accumulated depreciation for:				
Buildings and improvements	(5,183,362)	(401,149)	-	(5,584,511)
Machinery and equipment	(1,976,190)	(53,254)	-	(2,029,444)
Infrastructure	(6,935,212)	(523,542)	-	(7,458,754)
Total accumulated depreciation	(14,094,764)	(977,945)	-	(15,072,709)
Total capital assets being depreciated, net	28,887,995	1,183,209	-	30,071,204
Business-type activities capital assets, net	\$ 29,324,685	\$ 1,368,341	\$ (185,132)	\$ 30,507,894

CITY OF PITTSBURG, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 107,313
Public safety - police	232,517
Public safety - fire	195,421
Public safety - other	19,884
Public works	873,995
Sanitation and health	23,880
Culture and recreation	341,670
Industrial promotion	<u>36,000</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,830,680</u></u>
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Business-type activities:

Water and sewer	\$ 877,423
Stormwater	<u>31,910</u>
	<u><u>\$ 909,333</u></u>

CITY OF PITTSBURG, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Capital Assets (Continued)

Capital asset activity for the Public Library component unit for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 215,415	\$ -	\$ -	\$ 215,415
Total capital assets not being depreciated	215,415	-	-	215,415
Capital assets being depreciated:				
Buildings and improvements	3,323,518	-	-	3,323,518
Machinery and equipment	53,279	-	-	53,279
Total capital assets being depreciated	3,376,797	-	-	3,376,797
Less accumulated depreciation for:				
Buildings and improvements	(385,186)	(73,237)	-	(458,423)
Machinery and equipment	(52,554)	(725)	-	(53,279)
Total accumulated depreciation	(437,740)	(73,962)	-	(511,702)
Total capital assets being depreciated, net	2,939,057	(73,962)	-	2,865,095
Public Library capital assets, net	\$ 3,154,472	\$ (73,962)	\$ -	\$ 3,080,510

9 - Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-800-228-0366.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% 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 rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute from January through June 2004 was 3.22% and from July through December 2004 was 3.82%. The City employer contributions to KPERS for the years ending December 31, 2004, 2003, and 2002 were \$ 151,245, \$ 119,640, and \$ 110,794, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2004 is 13.16%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2004, 2003, and 2002 were \$ 368,822, \$ 279,375, and \$ 286,386, respectively, equal to the statutory required contributions for each year.

10 - Risk Management

The City is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in claims from prior years.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10 - Risk Management (Continued)

Group Hospitalization

The City maintains a partially self-funded health insurance plan covering substantially all full-time employees. A monthly premium is paid to an insurance company for stop-loss coverage and includes an amount for administrative costs. The maximum liability of the City for each individual covered is \$ 50,000 per plan year. Any claims paid in excess of this amount will be reimbursed to the City by the insurance company at the end of the plan year. The transactions of the health insurance plan are accounted for in the Group Hospitalization department in the General Fund and are subsequently allocated to various departments and/or funds. The rates are based on past historical costs for individual and family coverage and expected future claims. The claims liability of \$ 100,000 reported at December 31, 2004 is based on the requirements of Governmental Accounting Standard Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statement and the amount of the loss can be reasonably estimated.

At December 31, 2004, the City had approximately \$ 950,000 reserved in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Claims payable, beginning of year	\$ 100,000	\$ 150,000
Incurred claims and change in estimate	684,040	721,402
Claim payments	<u>(684,040)</u>	<u>(771,402)</u>
Claims payable, end of year	<u>\$ 100,000</u>	<u>\$ 100,000</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Risk Management (Continued)

Post-Retirement Health Insurance Benefits

The City provides post-retirement participation in the group health insurance program for employees who retire, are under age 65 and are not eligible for the federal Medicare health insurance program. To be eligible the retiree must be receiving a retirement or disability benefit under the KPERs or KP&F retirement plan as described in Note 9 and have worked for the City for at least 10 years. Health insurance premiums are paid solely by the retired employee on a pay-as-you-go basis. As of December 31, 2004, 11 retired employees were participating in the program. The amount of expense incurred by the plan for benefits paid to retirees during the year ended December 31, 2004 is not reasonably determinable.

11 - Capital Projects

The City is currently working on paving projects and performing various improvements. These projects are being funded primarily with federal grant monies and by the issuance of bonds.

Following is a summary of costs to December 31, 2004 for capital projects compared to the amount authorized:

	Costs to Date	Amount Authorized
General government:		
Aquatic Center	\$ 168,261	\$ 168,261
Park improvements	2,511	10,000
Economic development projects	6,079,441	6,775,597
Airport runway	91,432	100,000
Paving projects	2,616,440	2,525,000
	<u>\$ 8,958,085</u>	<u>\$ 9,578,858</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds payable at December 31, 2004 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2004	Outstanding December 31, 2004
General Obligation Bonds:					
Governmental activities:					
Series 1999-A	3.95-5.50%	\$ 3,220,000	2008	\$ 325,000	\$ 1,440,000
Series 2001-B	3.10-4.30%	2,675,000	2011	245,000	1,980,000
Series 2003-A	1.50-3.30%	3,025,000	2013	410,000	2,355,000
				980,000	5,775,000
Business-type activities:					
Series 2001-A	3.50-5.50%	4,715,000	2013	570,000	2,640,000
				<u>\$ 1,550,000</u>	<u>\$ 8,415,000</u>

Call provisions at the option of the City included in the above bonds are as follows:

Series 1999-A: Callable September 1, 2005 at par plus accrued interest
 Series 2001-B: Callable September 1, 2008 at par plus accrued interest
 Series 2003-A: Callable September 1, 2010 at 101% of par plus accrued interest
 Series 2001-A: Callable September 1, 2011 at par plus accrued interest

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The installment ranges for the general obligation bonds are the following:

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 1999-A	\$ 340,000	\$ 380,000
Series 2001-B	250,000	320,000
Series 2003-A	160,000	355,000
Business-type activities:		
Series 2001-A	225,000	475,000

Kansas Partnership Loan

The Kansas Partnership loan payable at December 31, 2004 is as follows:

	Interest Rates	Original Balance	Final Maturity Date	Principal Payments During 2004	Outstanding December 31, 2004
Kansas Partnership Loan	4.50%	\$ 770,921	2004	\$ 69,491	\$ -

Construction Loan Payable

In connection with the Clean Water Capitalization Grant, a construction loan payable in the amount of \$ 3,628,144 has been recorded. The loan is being amortized over 20 years, including interest at 3.16%. Payments are due semiannually.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Amortization of Long-Term Debt

The future annual requirement for general obligation bonds outstanding as of December 31, 2004 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2005	\$ 940,000	\$ 192,861	\$ 475,000	\$ 120,257
2006	970,000	164,671	355,000	101,970
2007	915,000	134,953	225,000	87,770
2008	945,000	103,870	230,000	78,770
2009	585,000	70,155	240,000	69,225
2010 - 2014	1,420,000	96,760	1,115,000	139,275
	<u>\$ 5,775,000</u>	<u>\$ 763,270</u>	<u>\$ 2,640,000</u>	<u>\$ 597,267</u>

The future annual requirements for the construction loan payable as of December 31, 2004 are as follows:

	Principal	Interest and Service Fee	Total
2005	\$ 143,199	\$ 114,572	\$ 257,771
2006	147,760	110,011	257,771
2007	152,466	105,305	257,771
2008	157,322	100,449	257,771
2009	162,332	95,439	257,771
2010-2014	892,589	396,267	1,288,856
2015-2019	1,044,080	244,776	1,288,856
2020-2024	928,397	69,611	998,007
	<u>\$ 3,628,144</u>	<u>\$ 1,236,430</u>	<u>\$ 4,864,574</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 6,755,000	\$ -	\$ (980,000)	\$ 5,775,000	\$ 940,000
Kansas Partnership Loan	69,491	-	(69,491)	-	-
Compensated absences	291,012	53,030	(29,802)	314,240	31,581
Governmental activity long-term liabilities	<u>\$ 7,115,503</u>	<u>\$ 53,030</u>	<u>\$ (1,079,293)</u>	<u>\$ 6,089,240</u>	<u>\$ 971,581</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 3,210,000	\$ -	\$ (570,000)	\$ 2,640,000	\$ 475,000
Construction loan payable	3,592,898	185,131	(149,885)	3,628,144	143,199
Compensated absences	113,925	-	(39,005)	74,920	4,518
Business-type activity long-term liabilities	<u>\$ 6,916,823</u>	<u>\$ 185,131</u>	<u>\$ (758,890)</u>	<u>\$ 6,343,064</u>	<u>\$ 622,717</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

Legal Debt Margin

The City is subject to Kansas statutes which limit the amount of net bonded debt (exclusive of revenue and sanitary sewer improvement bonds) the City may have outstanding to 30% of the current assessed valuation of property. At December 31, 2004, the assessed valuation including motor vehicles was \$ 125,390,234. The statutory limit was \$ 37,617,070 which, after reduction for outstanding eligible general obligation bonds totaling \$ 8,415,000 less \$ 605,728 available in the debt service fund, leaves a legal debt margin of \$ 29,807,798.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2004, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 2,879,000.

13 - Bond Anticipation Notes Payable

At December 31, 2004 the City had the following bond anticipation notes outstanding:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond anticipation notes	<u>\$ 600,000</u>	<u>\$ 6,465,000</u>	<u>\$ -</u>	<u>\$ 7,065,000</u>

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
2003A	\$ 600,000	1.40%	9/1/2005
2004A	4,000,000	1.00%	4/1/2005
2004B	2,465,000	1.60%	7/15/2005
	<u>\$ 7,065,000</u>		

Of these notes, \$ 6,165,000 was expended on a tax increment financing economic development project. The remaining \$ 900,000 was expended on city improvements.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

14 - Interfund Transactions

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 69,904
Revolving loan fund	260,285
Water/wastewater fund	<u>128,050</u>
Total transfers to general fund	<u>\$ 458,239</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 481,300
Water/wastewater fund	51,778
Nonmajor governmental funds	<u>63,780</u>
	<u>\$ 596,858</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A capital asset transfer of \$ 1,450,174 with accumulated depreciation of \$ 68,612 occurred from the governmental activities to the business-type activities and is reported at net within transfers on the statement of activities.

Advances to and advances from other funds are reported in the financial statements as follows:

Advances from revolving loan fund to:	
Nonmajor governmental funds	<u>\$ 173,845</u>

Advances to and from other funds result from a residential incentive program the City implemented in order to promote residential development. The City pays 50% of developer charges from the Street and Highway fund and records a receivable in the Revolving Loan fund. The charges are paid back over a ten year period.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Interfund Transactions (Continued)

Due to and due from other funds are reported in the financial statements as follows:

Amounts owed from nonmajor funds to:

Stormwater fund	\$ 5,828
-----------------	----------

Amounts owed from Section 8 programs fund to:

Revolving loan fund	\$ 74,787
---------------------	-----------

The outstanding balances between funds were created to eliminate negative cash balances in the payable funds due to the timing of reimbursements from grantors.

15 - Fund Balance Reserves

The governmental fund financial statements include a number of reserves that are maintained for specific purposes. The nature and purposes of the significant reserves are:

Reserved for Inventories

Represents inventory balances that are not available for spending.

Reserved for Prepaid Items

Represents prepaid asset balances that are not available for spending.

Reserved for Advances

Represents the asset – advance to other funds because the balance is not available for spending (see Note 14).

Reserved for Revolving Loan Program

An account to segregate monies that are reserved for current and future economic development revolving loans.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Net Asset Reserves (Continued)

Reserved for Debt Service

An account to segregate monies that are reserved to meet debt service requirements.

Reserved for Insurance Claims

An account to segregate monies that are reserved for health claims (see Note 10).

16 - Contingencies

The City is involved in various lawsuits incurred through normal operations. It is the opinion of the City's management that the outcome of this litigation will not result in a material loss to the City in excess of applicable insurance coverage.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

SPECIAL PARKS AND RECREATION - to account for park and recreation programs and activities. Financing is through the State of Kansas's 10% tax on the sale of liquor. One-third of the liquor tax proceeds are returned to the cities in which the tax is collected to be used to finance park and recreation programs and activities.

SPECIAL ALCOHOL AND DRUG - to account for alcohol and drug rehabilitation programs. Financing is through the State of Kansas's 10% tax on the sale of liquor. One-third of the liquor tax proceeds are returned to the cities in which the tax is collected to be used to finance alcohol and drug rehabilitation programs.

STREET AND HIGHWAY - to account for the construction, reconstruction, alteration, repair and maintenance of the streets and highways of the City and for payment of bonds and interest associated with street and highway projects. Financing is through motor vehicle tax receipts distributed to cities from the State of Kansas and from operating transfers from the City's General Fund.

COMMUNITY DEVELOPMENT BLOCK GRANTS - to account for federal grants under the Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program.

Debt Service Fund

DEBT SERVICE FUND - to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CITY OF PITTSBURG, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

December 31, 2004

	<u>Special Parks and Recreation</u>	<u>Special Alcohol and Drug</u>
Assets:		
Cash and cash equivalents	\$ -	\$ 33,818
Intergovernmental receivable	-	-
Inventories	-	-
Prepaid items	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ -</u>	<u>\$ 33,818</u>
Liabilities:		
Accounts payable	\$ -	\$ -
Deferred revenue	-	-
Due to other funds	-	-
Advances to other funds	-	-
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>
Fund balances:		
Reserve for inventories	-	-
Reserve for prepaid items	-	-
Reserved for debt service	-	-
Unreserved, undesignated (deficit)	-	33,818
	<u> </u>	<u> </u>
Total fund balances	<u>-</u>	<u>33,818</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 33,818</u>

Special Revenue					Total Nonmajor Governmental Funds
Street and Highway	Community Development Block Grants	Total	Debt Service		
\$ 34,655	\$ -	\$ 68,473	\$ 605,728	\$ 674,201	
214,430	143,103	357,533	1,036,369	1,393,902	
37,269	-	37,269	-	37,269	
2,263	-	2,263	-	2,263	
<u>\$ 288,617</u>	<u>\$ 143,103</u>	<u>\$ 465,538</u>	<u>\$ 1,642,097</u>	<u>\$ 2,107,635</u>	
\$ -	\$ 143,103	\$ 143,103	\$ -	\$ 143,103	
-	-	-	1,036,369	1,036,369	
-	5,828	5,828	-	5,828	
173,845	-	173,845	-	173,845	
<u>173,845</u>	<u>148,931</u>	<u>322,776</u>	<u>1,036,369</u>	<u>1,359,145</u>	
37,269	-	37,269	-	37,269	
2,263	-	2,263	-	2,263	
-	-	-	605,728	605,728	
75,240	(5,828)	103,230	-	103,230	
<u>114,772</u>	<u>(5,828)</u>	<u>142,762</u>	<u>605,728</u>	<u>748,490</u>	
<u>\$ 288,617</u>	<u>\$ 143,103</u>	<u>\$ 465,538</u>	<u>\$ 1,642,097</u>	<u>\$ 2,107,635</u>	

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2004

	Special Parks and Recreation	Special Alcohol and Drug
Revenues:		
Taxes	\$ -	\$ -
Intergovernmental	55,741	55,741
Special assessments	-	-
Investment earnings	-	-
Miscellaneous	-	5,801
Total revenues	55,741	61,542
Expenditures:		
Current:		
Public works	-	-
Sanitation and health	-	38,264
Social welfare	-	-
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay	-	-
Total expenditures	-	38,264
Excess (deficiency) of revenues over (under) expenditures	55,741	23,278
Other financing sources (uses):		
Transfers in:		
General fund	-	-
Special revenue fund	-	-
Enterprise fund	-	-
Transfers out:		
Debt service fund	-	-
General fund	(55,741)	(14,163)
Total other financing sources (uses)	(55,741)	(14,163)
Net change in fund balances	-	9,115
Fund balances, beginning	-	24,703
Fund balances (deficit), ending	\$ -	\$ 33,818

Special Revenue					Total Nonmajor Governmental Funds
Street and Highway	Community Development Block Grants	Total	Debt Service		
\$ -	\$ -	\$ -	\$ 1,085,999	\$ 1,085,999	
716,632	380,497	1,208,611	-	1,208,611	
-	-	-	70,509	70,509	
-	-	-	7,664	7,664	
7,770	162,254	175,825	236	176,061	
724,402	542,751	1,384,436	1,164,408	2,548,844	
1,203,620	-	1,203,620	-	1,203,620	
-	-	38,264	-	38,264	
-	419,298	419,298	-	419,298	
-	-	-	1,049,491	1,049,491	
-	-	-	222,695	222,695	
57,504	143,103	200,607	-	200,607	
1,261,124	562,401	1,861,789	1,272,186	3,133,975	
(536,722)	(19,650)	(477,353)	(107,778)	(585,131)	
481,300	-	481,300	-	481,300	
-	-	-	63,780	63,780	
-	11,382	11,382	40,396	51,778	
(63,780)	-	(63,780)	-	(63,780)	
-	-	(69,904)	-	(69,904)	
417,520	11,382	358,998	104,176	463,174	
(119,202)	(8,268)	(118,355)	(3,602)	(121,957)	
233,974	2,440	261,117	609,330	870,447	
\$ 114,772	\$ (5,828)	\$ 142,762	\$ 605,728	\$ 748,490	

CITY OF PITTSBURG, KANSAS

SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 64,045	\$ 55,741	\$ (8,304)
Other financing sources (uses):			
Transfers out	(64,045)	(55,741)	8,304
Net change in fund balances	-	-	-
Fund balances, beginning	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -

CITY OF PITTSBURG, KANSAS

SPECIAL ALCOHOL AND DRUG FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 64,044	\$ 55,741	\$ (8,303)
Miscellaneous	500	5,801	5,301
Total revenues	64,544	61,542	(3,002)
Expenditures:			
Contractual services	43,696	38,161	5,535
Commodities	5,163	103	5,060
Total expenditures	48,859	38,264	10,595
Excess of revenues over expenditures	15,685	23,278	7,593
Other financing sources (uses):			
Transfers out	(15,685)	(14,163)	1,522
Net change in fund balances	-	9,115	9,115
Fund balances, beginning	-	-	-
Fund balances, ending	\$ -	\$ 9,115	\$ 9,115

CITY OF PITTSBURG, KANSAS

STREET AND HIGHWAY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 685,421	\$ 699,794	\$ 14,373
Miscellaneous	-	7,770	7,770
Total revenues	685,421	707,564	22,143
Expenditures:			
Personnel services	458,143	461,144	(3,001)
Contractual services	363,987	378,814	(14,827)
Commodities	306,317	316,765	(10,448)
Capital outlay	65,000	60,781	4,219
Reserves	50,000	26,695	23,305
Total expenditures	1,243,447	1,244,199	(752)
Excess of revenues over (under) expenditures	(558,026)	(536,635)	21,391
Other financing sources (uses):			
Transfers in	507,000	481,300	(25,700)
Transfers out	(63,780)	(63,780)	-
Total other financing sources (uses)	443,220	417,520	(25,700)
Net change in fund balances	(114,806)	(119,115)	(4,309)
Fund balances, beginning	114,806	233,974	119,168
Fund balances, ending	\$ -	\$ 114,859	\$ 114,859

CITY OF PITTSBURG, KANSAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

Year Ended December 31, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,093,728	\$ 1,085,999	\$ (7,729)
Special assessments	-	70,509	70,509
Investment earnings	-	7,664	7,664
Miscellaneous	-	236	236
Total revenues	1,093,728	1,164,408	70,680
Expenditures:			
Principal	1,019,723	1,019,723	-
Interest	212,267	212,067	200
Operating reserve	492,236	-	492,236
Total expenditures	1,724,226	1,231,790	492,436
Excess of revenues over (under) expenditures	(630,498)	(67,382)	563,116
Other financing sources (uses):			
Transfers in	63,780	63,780	-
Net change in fund balances	(566,718)	(3,602)	563,116
Fund balances, beginning	566,718	609,330	42,612
Fund balances, ending	\$ -	\$ 605,728	\$ 605,728

CITY OF PITTSBURG, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

December 31, 2004

Assets:	
Cash and cash equivalents	\$ 75,578
Taxes receivable	597,956
Prepaid items	<u>924</u>
Total assets	<u><u>\$ 674,458</u></u>
Liabilities and fund balances:	
Liabilities:	
Deferred revenue	\$ 597,956
Fund balances:	
Unreserved	<u>76,502</u>
Total liabilities and fund balances	<u><u>\$ 674,458</u></u>

CITY OF PITTSBURG, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT

Year Ended December 31, 2004

Revenues:	
Taxes	\$ 592,263
Fines and fees	12,584
Investment earnings	2,491
Miscellaneous	<u>69,455</u>
Total revenues	676,793
Expenditures:	
Current:	
Education	<u>671,759</u>
Excess of revenues over expenditures	5,034
Fund balance, beginning	<u>71,468</u>
Fund balance, ending	<u><u>\$ 76,502</u></u>

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF PITTSBURG, KANSAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE

December 31, 2004

Governmental funds capital assets:

Land	\$ 1,338,214
Buildings and improvements	17,865,630
Machinery and equipment	6,325,098
Infrastructure	18,550,223
Construction in progress	<u>93,942</u>
Total governmental funds capital assets	<u>\$ 44,173,107</u>

Investments in governmental funds capital assets by source:

General fund	\$ 20,635,474
Special revenue funds	<u>23,537,633</u>
Total governmental funds capital assets	<u>\$ 44,173,107</u>

CITY OF PITTSBURG, KANSAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

December 31, 2004

	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
General administration	\$ 18,103	\$ 622,801	\$ 192,370	\$ -	\$ -	\$ 833,274
Information systems	-	-	329,768	-	-	329,768
Total general government	18,103	622,801	522,138	-	-	1,163,042
Public safety:						
Police department	-	391,579	423,119	-	-	814,698
Fire department	42,897	1,396,199	1,538,073	-	-	2,977,169
Codes enforcement	-	-	79,527	-	-	79,527
Animal control	-	-	38,969	-	-	38,969
Electronics department	3,676	20,181	389,060	-	-	412,917
Total public safety	46,573	1,807,959	2,468,748	-	-	4,323,280
Public works:						
Engineering department	-	-	54,097	-	-	54,097
Street and highway	-	115,972	1,774,118	18,550,223	-	20,440,313
Atkinson Airport	130,067	5,334,864	221,063	-	91,431	5,777,425
Total public works	130,067	5,450,836	2,049,278	18,550,223	91,431	26,271,835
Sanitation and health:						
Mt. Olive Cemetery	-	36,995	63,519	-	-	100,514
Culture and recreation:						
Parks and recreation department	62,082	1,250,399	570,906	-	2,511	1,885,898
Aquatic center	25,000	2,457,581	14,606	-	-	2,497,187
Four Oaks Complex	22,750	819,445	376,310	-	-	1,218,505
Memorial Auditorium	80,505	3,284,729	250,292	-	-	3,615,526
Total culture and recreation	190,337	7,812,154	1,212,114	-	2,511	9,217,116
Industrial promotion:						
Industrial development	953,134	2,134,885	1,100	-	-	3,089,119
Social welfare:						
Community development	-	-	8,201	-	-	8,201
Total governmental funds capital assets	\$ 1,338,214	\$ 17,865,630	\$ 6,325,098	\$ 18,550,223	\$ 93,942	\$ 44,173,107

CITY OF PITTSBURG, KANSAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

Year Ended December 31, 2004

	Governmental Funds Capital Assets January 1, 2004	Additions	Deductions	Transfers	Governmental Funds Capital Assets December 31, 2004
General government:					
General administration	\$ 2,279,836	\$ 3,612	\$ -	\$ (1,450,174)	\$ 833,274
Information systems	395,858	24,949	(91,039)	-	329,768
Total general government	2,675,694	28,561	(91,039)	(1,450,174)	1,163,042
Public safety:					
Police department	764,549	89,495	(39,346)	-	814,698
Fire department	2,960,191	16,978	-	-	2,977,169
Codes enforcement	79,527	-	-	-	79,527
Animal control	16,180	22,789	-	-	38,969
Electronics department	405,937	6,980	-	-	412,917
Total public safety	4,226,384	136,242	(39,346)	-	4,323,280
Public works:					
Engineering department	54,097	-	-	-	54,097
Street and highway	19,997,579	459,369	(16,635)	-	20,440,313
Atkinson Airport	5,700,684	76,741	-	-	5,777,425
Total public works	25,752,360	536,110	(16,635)	-	26,271,835
Sanitation and health:					
Mt. Olive Cemetery	100,514	-	-	-	100,514
Culture and recreation:					
Parks and recreation department	1,806,993	106,080	(27,175)	-	1,885,898
Aquatic center	2,408,858	88,329	-	-	2,497,187
Four Oaks Complex	1,200,953	41,300	(23,748)	-	1,218,505
Memorial Auditorium	3,598,287	17,239	-	-	3,615,526
Total culture and recreation	9,015,091	252,948	(50,923)	-	9,217,116
Industrial promotion:					
Industrial development	3,089,119	-	-	-	3,089,119
Social welfare:					
Community development	8,201	-	-	-	8,201
Total governmental funds capital assets	\$ 44,867,363	\$ 953,861	\$ (197,943)	\$ (1,450,174)	\$ 44,173,107

STATISTICAL SECTION

CITY OF PITTSBURG, KANSAS

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (1)

Fiscal Year	General Government	Public Safety	Public Works	Sanitation and Health	Culture and Recreation	Industrial Promotion	Economic Development	Social Welfare	Interest On Long-Term Debt	Water/Wastewater/Stormwater Utility	Stormwater (2)	Total
2003	\$ 1,009,561	\$ 4,919,470	\$ 2,438,803	\$ 124,782	\$ 1,811,890	\$ 986,716	\$ -	\$ 1,483,446	\$ 257,151	\$ 4,861,635	\$ -	\$ 17,893,454
2004	1,179,618	5,389,150	2,640,595	138,940	2,025,622	469,424	5,724,575	2,027,295	306,216	4,912,302	124,315	24,938,052

(1) 2003 was the first year for this statistical schedule.

(2) 2004 is the first year of Stormwater Utility.

CITY OF PITTSBURG, KANSAS

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS (1)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Total
2003	\$ 7,757,568	\$ 2,627,149	\$ 138,341	\$ 8,435,565	\$ -	\$ 236,195	\$ 19,194,818
2004	8,208,316	2,980,926	22,130	9,114,608	-	171,865	20,497,845

(1) 2003 was the first year for this statistical schedule.

CITY OF PITTSBURG, KANSAS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ⁽¹⁾

LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Public Works	Sanitation and Health	Culture and Recreation
1995	\$ 776,923	\$ 3,587,895	\$ 1,249,983	\$ 91,656	\$ 713,991
1996	621,961	3,616,753	1,481,499	105,234	725,891
1997	683,178	3,884,902	1,429,110	102,886	830,187
1998	626,840	3,783,279	1,329,089	97,802	768,575
1999	663,729	4,071,806	1,240,068	101,691	746,278
2000	694,427	4,471,183	1,465,891	107,697	835,733
2001 (2)	886,223	5,045,713	2,213,114	115,684	1,751,031
2002	1,442,819	4,866,312	1,792,416	105,220	1,605,646
2003	933,982	4,705,050	1,762,966	118,897	1,544,131
2004	1,057,511	4,929,695	1,784,893	115,052	1,650,630

(1) Includes general fund, special revenue funds, debt service fund and discrete component unit.

(2) Beginning in 2001, information systems, group hospitalization, golf course, auditorium and airport departments were added to the general fund. They were previously accounted for in separate funds.

(3) First year of reporting in statistical section was 2003.

<u>Education</u>	<u>Industrial Promotion</u>	<u>Social Welfare (3)</u>	<u>Capital Outlay</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest & Fees</u>	<u>Total</u>
\$ 257,165	\$ 126,620	\$ -	\$ 4,356	\$ 1,376,557	\$ 370,923	\$ 8,556,069
275,253	86,457	-	168,861	1,383,676	431,329	8,896,914
367,698	472,802	1,224,701	567,572	1,632,685	398,715	11,594,436
457,034	351,784	1,151,963	596,285	1,708,207	304,146	11,175,004
440,858	305,649	1,193,278	1,254,100	1,920,628	256,067	12,194,152
498,082	264,715	1,155,150	2,619,395	778,159	271,465	13,161,897
497,097	278,997	1,210,615	584,998	716,482	278,794	13,578,748
604,273	252,483	1,273,255	1,035,845	963,573	317,012	14,258,854
676,907	943,259	1,483,548	-	876,466	319,338	13,364,544
665,015	434,191	1,884,603	-	1,049,491	222,695	13,793,776

CITY OF PITTSBURG, KANSAS

GENERAL GOVERNMENTAL REVENUES BY SOURCE ⁽¹⁾

LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Inter-Governmental	Licenses and Permits	Charges for Services	Fines and Fees	Investment Income	Lease Income (3)	Special Assessments	Miscellaneous	Total
1995	\$ 7,845,706	\$ 1,007,380	\$ 104,113	\$ 132,886	\$ 148,489	\$315,999	\$ -	\$ 89,281	\$ 286,875	\$ 9,930,729
1996	7,856,908	1,064,137	102,291	179,245	137,831	522,229	-	77,089	267,926	10,207,656
1997	7,949,565	2,300,983	93,627	261,862	183,124	491,118	-	114,555	97,601	11,492,435
1998	8,407,056	2,206,338	92,878	257,858	196,665	450,735	-	106,766	103,587	11,821,883
1999	8,135,857	2,316,370	99,267	236,999	185,967	514,500	-	89,013	180,187	11,758,160
2000	7,934,263	2,712,043	96,608	249,644	237,664	641,679	-	93,695	202,627	12,168,223
2001 (2)	8,503,417	2,584,931	126,784	1,066,136	267,726	545,289	-	104,925	143,138	13,342,346
2002	8,474,371	2,691,596	125,541	1,147,132	315,097	327,760	-	95,561	141,055	13,318,113
2003	8,980,875	2,493,796	119,413	1,413,846	289,401	221,408	138,587	68,580	238,619	13,964,525
2004	9,706,871	2,782,371	113,690	1,369,142	345,862	152,477	314,676	70,509	289,171	15,144,769

(1) Includes general fund, special revenue funds, debt service fund and discrete component unit.

(2) Beginning in 2001, information systems, group hospitalization, golf course, auditorium and airport departments were added to the general fund. They were previously accounted for in separate funds.

(3) First year of reporting in statistical section was 2003.

CITY OF PITTSBURG, KANSAS

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Miscellaneous Tax	Total Taxes
1995	\$ 2,560,570	\$ 608,037	\$ 3,701,467	\$ 971,891	\$ 3,741	\$ 7,845,706
1996	2,583,436	527,495	3,685,983	1,054,771	5,223	7,856,908
1997	2,677,635	475,412	3,720,592	1,072,774	3,152	7,949,565
1998	2,843,617	380,140	4,088,561	1,091,328	3,410	8,407,056
1999	2,937,974	453,111	3,693,212 (2)	1,048,260	3,300	8,135,857
2000	3,314,793	439,051	3,076,278	1,100,010	4,131	7,934,263
2001	3,603,136	549,181	3,030,254	1,320,846	-	8,503,417
2002	3,833,442	386,387	3,053,621	1,200,921	-	8,474,371
2003	4,195,635	484,418	3,113,979	1,186,843	-	8,980,875
2004	4,582,622	523,928	3,405,928	1,194,393	-	9,706,871

(1) Includes general fund, special revenue funds, debt service fund and discrete component unit.

(2) One-half percent City sales tax expired in October 1999.

CITY OF PITTSBURG, KANSAS

SALES TAX RECEIPTS ⁽¹⁾

LAST TEN FISCAL YEARS

Fiscal Year	1.0 % County Sales Tax (2)			0.5 % City Sales Tax (3) 0.5 % City Sales Tax (4)		
	Total Receipts	Percent of Base Year	Annual Increase from Base Year	Total Receipts	Percent of Base Year	Annual Increase from Base Year
1995	\$ 1,365,747	148.03%	48.03%	\$ 2,335,720	288.03%	188.03%
1996	1,347,272	146.02%	46.02%	2,338,711	288.40%	188.40%
1997	1,341,051	145.35%	45.35%	2,379,541	293.44%	193.44%
1998	1,483,343	158.20%	58.20%	2,605,218	318.07%	218.07%
1999	1,472,678	157.06%	57.06%	2,220,534	271.10%	171.10%
2000	1,630,494	162.01%	62.01%	1,445,784	165.18%	65.18%
2001	1,685,781	160.62%	60.62%	1,344,473	149.99%	49.99%
2002	1,721,190	140.94%	40.94%	1,384,917	128.76%	28.76%
2003	1,733,133	129.09%	29.09%	1,380,846	112.29%	12.29%
2004	1,890,186	140.10%	40.10%	1,515,742	112.24%	12.24%

(1) Sales taxes are collected by local merchants and then remitted to the State Department of Revenue; local portion of the tax is then returned to the City of Pittsburg by the State.

(2) One percent County sales tax was instituted in 1983 and may be used for any municipal service.

(3) One half percent City sales tax was instituted in March 1986 and was restricted to use as follows: 25% for operations of Memorial Auditorium, 25% for capital outlay, and 50% for economic development.

(4) An additional one-half percent City sales tax was instituted in October 1994, to pay principal & interest on \$ 5,000,000 General Obligation Bond Issue, Series 1995-A. The tax expired September 30, 1999.

CITY OF PITTSBURG, KANSAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
1995	\$ 2,550,127	\$ 2,444,843	95.87%	\$ 115,727	\$ 2,560,570	100.41%
1996	2,520,104	2,531,658	100.46%	51,778	2,583,436	102.51%
1997	2,614,905	2,584,077	98.82%	59,245	2,643,322	101.09%
1998	2,839,958	2,756,630	97.07%	86,987	2,843,617	100.13%
1999	2,981,857	2,824,718	94.73%	113,256	2,937,974	98.53%
2000	3,302,862	3,210,224	97.20%	104,569	3,314,793	100.36%
2001	3,644,876	3,513,285	96.39%	89,851	3,603,136	98.85%
2002	3,916,632	3,736,265	95.39%	97,177	3,833,442	97.88%
2003	4,278,268	4,074,723	95.24%	120,912	4,195,635	98.07%
2004	4,605,108	4,423,973	96.07%	158,649	4,582,622	99.51%

CITY OF PITTSBURG, KANSAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY ⁽¹⁾

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Valuation				Estimated Actual Value	Ratio of Total Assessed Value to Total Estimated Actual Value
	Real Property	Personal Property	State Assessed	Assessed Valuation		
1995	\$ 49,267,898	\$ 8,590,605	\$ 5,793,863	\$ 63,652,366	\$ 446,203,809	14.27%
1996	53,637,124	8,907,275	6,042,372	68,586,771	417,064,169	16.45%
1997	58,390,904	9,895,323	6,178,544	74,464,771	454,477,660	16.38%
1998	62,034,394	9,688,310	6,583,680	78,306,384	473,993,730	16.52%
1999	64,862,360	10,740,188	6,729,947	82,332,495	495,329,760	16.62%
2000 (2)	70,707,155	13,298,884	6,594,490	90,600,529	534,067,748	16.96%
2001	74,508,117	15,224,631	6,952,589	96,685,337	563,632,305	17.15%
2002	78,179,601	16,725,716	6,463,398	101,368,715	593,003,564	17.09%
2003	82,498,159	17,837,170	6,424,205	106,759,534	626,864,145	17.03%
2004	85,979,504	17,847,179	6,826,214	110,652,897	649,124,481	17.05%

(1) Source: Crawford County Clerk

(2) Superior Industries International which previously had a tax exemption came on the tax rolls in year 2000.

CITY OF PITTSBURG, KANSAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS REPRESENTED BY MILLS AND FRACTION OF MILLS PER \$1,000 ASSESSED VALUATION

LAST TEN FISCAL YEARS

Fiscal Year	City of Pittsburg				Crawford County (1)	Unified School District # 250 (1)	State of Kansas (1)	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Total				
1995	\$ 29.787	\$ 3.978	\$ 7.316	\$ 41.081	\$ 37.530	\$ 50.570	\$ 1.500	\$ 130.681
1996	27.340	3.995	6.790	38.125	36.600	46.361	1.500	122.586
1997	25.704	4.000	8.433	38.137	37.671	39.244	1.500	116.552
1998	25.099	3.994	8.986	38.079	35.780	32.134	1.500	107.493
1999	26.123	3.998	9.995	40.116	34.615	35.392	1.500	111.623
2000	26.198	4.009	10.023	40.230	34.614	36.971	1.500	113.315
2001	26.412	4.000	10.069	40.481	34.746	50.473	1.500	127.200
2002	27.125	5.027	10.053	42.205	34.877	49.422	1.500	128.004
2003	29.132	5.019	8.984	43.135	38.781	48.747	1.500	132.163
2004	29.143	5.404	9.008	43.555	41.885	54.282	1.500	141.222

(1) Source: Crawford County Clerk

CITY OF PITTSBURG, KANSAS
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections (1)</u>	<u>Percentage of Total Collections to Current Assessment Billings</u>
1995	\$ 82,252	\$ 89,281	108.55%
1996	77,124	77,089	99.95%
1997	96,452	114,555 (2)	118.77%
1998	79,008	106,766	135.13%
1999	49,783	89,013	178.80%
2000	59,784	93,695	156.72%
2001	59,784	104,925	175.51%
2002	59,784	95,561	159.84%
2003	39,563	68,580	173.34%
2004	38,886	70,509	181.32%

(1) Includes delinquent collections.

(2) Beginning in 1997, nuisance assessments are included in collections.

CITY OF PITTSBURG, KANSAS

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Assessed Value	Gross Bonded Debt (2) (3)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	17,775	\$63,652,366	\$ 8,631,897 (4)	\$267,007	\$8,364,890	13.1415%	470.60
1996	17,775	68,586,771	7,985,015 (4)	246,786	7,738,229	11.2824%	435.34
1997	17,775	74,464,771	6,352,330 (4)	82,196	6,270,134	8.4203%	352.75
1998	18,354 (5)	78,306,384	4,644,123 (4)	81,442	4,562,681	5.8267%	248.59
1999	18,354	82,332,495	5,943,495	117,920	5,825,575	7.0757%	317.40
2000	19,243	90,609,529	6,920,336	183,875	6,736,461	7.4346%	350.07
2001	19,243	96,685,337	11,455,271	458,189	10,997,082	11.3741%	571.48
2002	19,243	101,368,715	9,925,957	435,571	9,490,386	9.3622%	493.19
2003	19,243	106,759,534	6,554,153	609,330	5,944,823	5.5684%	308.93
2004	19,243	110,652,897	5,534,430	605,728	4,928,702	4.4542%	256.13

(1) Source: U.S. Bureau of Census.

(2) As of December 31 of each year.

(3) Excludes General Obligation Bonded Debt being paid from Water / Wastewater Utility Revenue.

(4) In 1995, the City of Pittsburg sold \$ 5,000,000 in General Obligation Bonds with Sales Tax revenues pledged for repayment. These bonds were paid in full September 1, 1999.

(5) Source: Revised by U.S. Bureau of Census.

CITY OF PITTSBURG, KANSAS
COMPUTATION OF LEGAL DEBT MARGIN
AS OF DECEMBER 31, 2004

Assessed Valuation (1)	<u>\$ 125,390,234</u>
Legal Debt Limit (2)	<u>\$ 37,617,070</u>
General Obligation Bonds	8,415,000
Less Amount Available in Debt Service Fund	<u>605,728</u>
Total Unfunded Debt Applicable to Debt Limit	<u>7,809,272</u>
Debt Margin	<u>\$ 29,807,798</u>

(1) Includes Motor Vehicle Valuation.

(2) Debt Limit is set at 30% of Assessed Valuation.

CITY OF PITTSBURG, KANSAS

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT -
GENERAL OBLIGATION BONDS

December 31, 2004

<u>Jurisdiction</u>	<u>Net Outstanding General Obligation Debt</u>	<u>Percentage Applicable to City of Pittsburg</u>	<u>Amount Applicable to City of Pittsburg</u>
Direct:			
City of Pittsburg	\$ 8,415,000	100%	\$ 8,415,000
Overlapping:			
Crawford County (1)	11,735,000	53.00%	6,219,550
U.S.D. # 249 (2)	909,830	6.90%	62,778
U.S.D. # 250 (3)	<u>21,835,000</u>	84.90%	<u>18,537,915</u>
Total	<u>\$ 42,894,830</u>		<u>\$ 33,235,243</u>

(1) Source: Crawford County Clerk

(2) Source: Unified School District # 249 Board of Education (Frontenac)

(3) Source: Unified School District # 250 Board of Education (Pittsburg)

CITY OF PITTSBURG, KANSAS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1995	\$ 1,376,557	\$ 370,923	\$ 1,747,480	\$ 8,556,069	20.42%
1996	1,383,676	431,329	1,815,005	8,896,914	20.40%
1997	1,632,685	398,715	2,031,400	11,594,436	17.52%
1998	1,708,207	304,146	2,012,353	11,175,004	18.01%
1999	1,920,628	256,067	2,176,695	12,194,152	17.85%
2000	778,159	271,465	1,049,624	13,161,897	7.97%
2001	716,482	278,794	995,276	13,578,748	7.33%
2002	963,573	317,012	1,280,585	14,258,854	8.98%
2003	876,466	319,338	1,195,804	13,364,544	8.95%
2004	1,049,491	222,695	1,272,186	13,793,776	9.22%

(1) Includes general fund, special revenue funds, debt service fund and discrete component unit.

CITY OF PITTSBURG, KANSAS

REVENUE BOND COVERAGE - WATER / WASTEWATER UTILITY FUND

LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements (1)			Coverage
				Principal	Interest	Total	
1995	\$ 4,276,273	\$ 4,170,772	\$ 105,501	\$ 375,000	\$ 396,005	\$ 771,005	0.14
1996	4,276,947	4,286,543	(9,596)	400,000	372,755	772,755	-0.01
1997	4,039,290	4,222,749	(183,459)	425,000	350,655	775,655	-0.24
1998	4,017,980	3,781,660	236,320	445,000	329,405	774,405	0.31
1999	4,330,670	3,976,612	354,058	465,000	306,719	771,719	0.46
2000	4,936,536	4,338,868	597,668	485,000	282,380	767,380	0.78
2001	5,214,676	4,637,257	577,419	415,000	261,496	676,496	0.85
2002	5,531,563	4,796,543	735,020	535,000	181,946	716,946	1.03
2003	5,555,225	4,641,426	913,799	555,000	162,167	717,167	1.27
2004	5,293,009	4,624,237	668,772	570,000	141,632	711,632	0.94

(1) General Obligation Debt being paid from Water / Wastewater Utility revenues.

CITY OF PITTSBURG, KANSAS

CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUE

LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction ⁽¹⁾		Residential Construction ⁽¹⁾		Bank Deposits ⁽²⁾	Assessed Value ⁽³⁾
	Number of Permits	Value	Number of Permits	Value		
1995	59	\$ 5,795,674	292	\$ 6,222,322	\$ 285,429,721	\$ 63,652,366
1996	62	6,253,370	333	8,215,090	412,004,253	68,586,771
1997	50	5,417,045	219	3,151,012	391,777,752	74,464,771
1998	52	7,547,870	327	3,299,103	396,035,273	78,306,384
1999	76	10,938,318	326	4,357,229	443,837,586	82,332,495
2000	57	7,454,600	270	5,951,643	363,375,000	90,600,529
2001	69	24,620,119	270	7,161,330	327,297,000	96,685,337
2002	63	17,127,565	309	10,765,073	361,741,000	101,368,715
2003	62	20,882,231	308	9,085,104	436,056,000	106,759,534
2004	51	9,287,528	334	7,727,980	418,998,000	110,652,897

(1) Source: City of Pittsburg Codes Enforcement Division.

(2) Source: F.D.I.C. Market Report dated June 30, 2004.

(3) Source: Crawford County Clerk.

CITY OF PITTSBURG, KANSAS

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽²⁾	Public School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	Median Age ⁽⁵⁾	
1995	17,775	\$ 17,833	2,906	4.90%	31.8	(5)
1996	17,775	19,055	2,822	4.40%	33.7	(5)
1997	17,775	20,154	2,786	5.10%	36.7	(6)
1998	18,354 (7)	20,918	2,596	4.10%	36.8	(6)
1999	18,354 (7)	22,088	2,661	3.70%	37.1	(6)
2000	19,243	22,088	2,600	4.00%	35.9	(6)
2001	19,243	22,088	2,637	4.40%	28.1	(1)
2002	19,243	21,527	2,562	3.90%	33.8	(1)
2003	19,243	22,332	2,561	4.90%	33.8	(1)
2004	19,243	24,221	2,655	4.10%	28.1	(1)

(1) Source: U.S. Bureau of the Census (excludes Pittsburg State University population).

(2) Source: U.S. Bureau of Economic Analysis (Crawford County, Kansas).

(3) Source: Unified School District # 250 Board of Education.

(4) Source: Kansas Department of Human Resources.

(5) Source: *CACI's Sourcebook of Demographic and Buying Power for Every ZIP Code in the U.S.A.*

(6) Source: Woods and Poole Economics Pamphlet.

(7) Source: Revised by U.S. Bureau of the Census.

CITY OF PITTSBURG, KANSAS

PRINCIPAL TAXPAYERS ⁽¹⁾

DECEMBER 31, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation ⁽²⁾</u>
Superior Industries	Automobile wheel manufacturer	\$ 5,734,566	4.57%
Westar	Utility	5,406,449	4.31%
Premdor	Steel door manufacturer	3,255,003	2.60%
Pitt Plastics	Polyethylene bags manufacturer	3,154,112	2.52%
Southwestern Bell	Utility	2,866,173	2.29%
Kansas Gas Service	Utility	2,237,891	1.78%
Wal-Mart Supercenter	Retail and grocery store	1,929,783	1.54%
Miller's, Inc.	Professional photo finishing	1,793,907	1.43%
A T & T Communications	Utility	1,326,993	1.06%
General Motors Corporation	Machinery and equipment	1,282,822	1.02%
		<u>\$ 28,987,699</u>	<u>23.12%</u>

(1) Source: Crawford County Clerk

(2) Including motor vehicles

CITY OF PITTSBURG, KANSAS

MAJOR EMPLOYERS ⁽¹⁾

DECEMBER 31, 2004

<u>Employer</u>	<u>Product</u>	<u>Estimated Number of Employees</u>
Pittsburg State University	Education	1,443
Superior Industries	Automobile wheel manufacturer	800
Mt. Carmel Medical Center	Health services	710
Pittsburg U.S.D. # 250	Education	435
Masonite	Steel door manufacturer	435
Pitt Plastics	Polyethylene bags manufacturer	400
Miller's, Inc.	Professional photo finishing	397
Wal-Mart Supercenter	Retail and grocery store	380
Pitsco, Inc.	Educational systems	211
City of Pittsburg	Local government	203

(1) Source: Pittsburg Area Chamber of Commerce

CITY OF PITTSBURG, KANSAS

MISCELLANEOUS STATISTICS

DECEMBER 31, 2004

Date of incorporation	1880
Form of government	Commission-Manager
Date of present form of government	1949
Area	12.82 square miles
Miles of streets	145
Number of street lights	2,284
Fire protection:	
Number of stations	3
Number of firefighters and officers	34
Fire insurance rating	3
Police protection:	
Number of stations	1
Number of sworn officers	38
Civilian support staff	12
Recreation and culture:	
Number of public parks	9
Number of public swimming pools	2
Number of public tennis courts	16
Number of public golf courses	1
Number of public civic centers	3
Number of public libraries	1
Employees:	
Classified service	198
Non-classified service	5
Utilities not part of the reporting entity:	
Electricity and natural gas	1
Telephone	1
Cable television	1

SINGLE AUDIT SECTION

CITY OF PITTSBURG, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:		
Section 8 Housing Cluster:		
Section 8 Housing Choice Vouchers	14.871	\$ 1,427,386
Passed through Kansas Department of Commerce and Housing:		
Emergency Shelter Grant	14.231	40,176
Comprehensive Development Grant	14.219	252,178
HOME Investment Partnership Program	14.239	72,302
Total U.S. Department of Housing and Urban Development		1,792,042
Office of National Drug Control Policy:		
Passed through Kansas Bureau of Investigation:		
High Intensity Drug Trafficking Area	7.000	58,295
Federal Emergency Management Agency:		
Public Assistance Grant	83.544	22,130
Environmental Protection Agency:		
Passed through Kansas Department of Health and Environment:		
Clean Water Capitalization Grant	66.458	258,602
Total expenditures of federal awards		\$ 2,131,069

See notes to schedule of expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2004

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Pittsburg, Kansas. The City of Pittsburg reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards passed through other government agencies are included on the schedule.

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting which is described in Note 1 to the City's basic financial statements. The Clean Water Capitalization Grant is reported as expenditures on the schedule of expenditures of federal awards; however, it is presented as a liability on the financial statements.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2004

Summary of independent auditors' results:

Type of report issued:

Financial Statements	Unqualified
Compliance for Major Programs	Unqualified

Internal control over financial reporting:

Material weaknesses identified:	None
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Reportable conditions identified that are not considered to be material weaknesses:	None reported
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Material noncompliance noted:	None
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Federal awards:

Internal control over major programs:

Material weaknesses identified	None
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Reportable conditions identified that are not considered to be material weaknesses	None reported
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Major Programs:	Section 8 Housing Choice Vouchers CFDA No. 14.871
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Findings to be reported:	None noted
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Dollar threshold between Type A and Type B programs:	\$ 300,000
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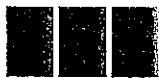
Low-risk auditee:	Yes
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CITY OF PITTSBURG, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2004

None.



Berberich Trahan & Co., P.A.

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor, City Manager and City Commissioners
City of Pittsburg, Kansas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pittsburg, Kansas (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we have reported to management of the City of Pittsburg in a separate letter dated February 25, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

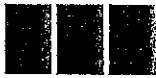
This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

February 25, 2005



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Worldwide Services Through RSM International



Berberich Trahan & Co., P.A.

Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor, City Manager and City Commissioners
City of Pittsburg, Kansas:

Compliance

We have audited the compliance of the City of Pittsburg, Kansas (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Pittsburg, Kansas complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.



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Internal Control Over Compliance

The management of the City of Pittsburg, Kansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

February 25, 2005