

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

CITY OF PITTSBURG, KANSAS

For the Fiscal Year Ended

December 31, 2005

Prepared by:

DEPARTMENT OF FINANCE AND ADMINISTRATION

City of Pittsburg, Kansas

CITY OF PITTSBURG, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2005

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 - 16
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances – – Governmental Funds	18 - 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – – Budget and Actual – General Fund	21 - 25
Statement of Net Assets – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28 - 29
Notes to Basic Financial Statements	30 - 64

CITY OF PITTSBURG, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2005

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Other Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	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, 2005

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
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

March 3, 2006

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, 2005. 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.

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, internal control over financial reporting and on compliance and other matters and compliance with requirements applicable to each major program and internal control over compliance in accordance with Office of Management and Budget (OMB) Circular A-133.

Accounting principles generally accepted in the United States 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 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.

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.

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, 2005 disclosed no material violations of applicable laws and regulations.

Kansas Statute Annotated 75-1122 requires 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, 2005. The independent auditor's report is included in the financial section of this report. The independent auditor's reports that relate specifically to the single audit requirements are included in the single audit section.

PROFILE OF THE CITY OF PITTSBURG

Pittsburg is a city of the First Class and is the largest city in southeast Kansas, with a population of 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 12.82 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, wastewater and stormwater 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.

Budgetary controls

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.

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.

ECONOMIC ANALYSIS AND FORECAST

The City's official population has remained stable and is expected to grow. The 2005 retail sales tax receipts increased 4.34 percent and property tax revenues increased by 3.60 percent. Assessed valuation increased by 6.63 percent continuing an upward trend.

2005 highlights

- A tax increment financing (TIF) project began in the City's northern retail district in 2004. In March of 2005 Home Depot became the TIF area's first retail store to open for business. Goody's, a national retail clothing store, opened in August of 2005. By the end of fiscal year 2005 roughly 70 percent of available space in the TIF district was leased. Approximately 150 new jobs have been created to date.
- The TIF district has spawned new retail development in the northern shopping district of the City on the boundaries surrounding the TIF area. An electrical and plumbing supplier relocated across from the TIF district and three other new retail businesses have opened nearby. Also the existing Wal-mart started a \$1,000,000 remodeling project.

- In 2004 a downtown revitalization plan was adopted and the City set aside \$200,000 for a downtown façade improvement program. During 2005, thirteen businesses took advantage of this program.
- Vinylplex, a plastic pipe manufacturer, purchased 20 acres in the Northeast Industrial Park and started construction of a 30,000 square foot manufacturing facility for expanded pipe production.

For the future

- Pittsburg State University announced a new \$5.7 million Kansas Polymer Research Center to be located in the City's Research and Development Park.
- Names and Numbers will be constructing a 16,000 square foot expansion to their corporate office building located in the City's Research and Development Park.
- The City applied for a federal Department of Transportation grant to pay for preliminary engineering and environmental studies for a new 17 mile four lane bypass.

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

- Construction and improvements continued 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 initiated a Streetscape project for downtown transportation improvements which include replacement of deteriorated sidewalks, refurbishing lighting with new light fixtures, constructing pedestrian safety bulb-outs, landscaping, irrigation, trash receptacles and benches.

Capital projects

Substantially completed projects for the year were the Water Tower and Clarifier improvements, the Composting facility, Eastport water line, Pinnacle Point water line, and Deer Creek water line. Major projects that are ongoing or scheduled for the future are the Airport Runway 3-21 improvements, 4th and Rouse intersection improvements, 23rd Street widening from Broadway to Michigan, Eastport paving and sanitary sewer, Pinnacle Point paving and sanitary sewer, Deer Creek paving and sanitary sewer, and Country view water line, paving and sanitary sewer.

AWARDS AND ACKNOWLEDGEMENTS

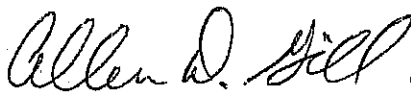
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award, recognizing 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 generally accepted accounting principles (GAAP) and applicable legal requirements.

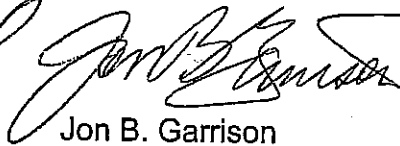
A Certificate of Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

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, credit must also be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Pittsburg's finances. We look forward to the challenges and opportunities of the future.

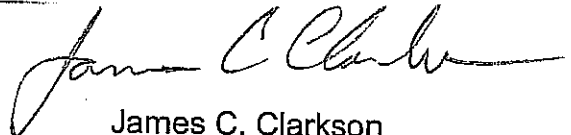
Respectfully submitted,



Allen D. Gill
City Manager



Jon B. Garrison
Director of Finance & Administration

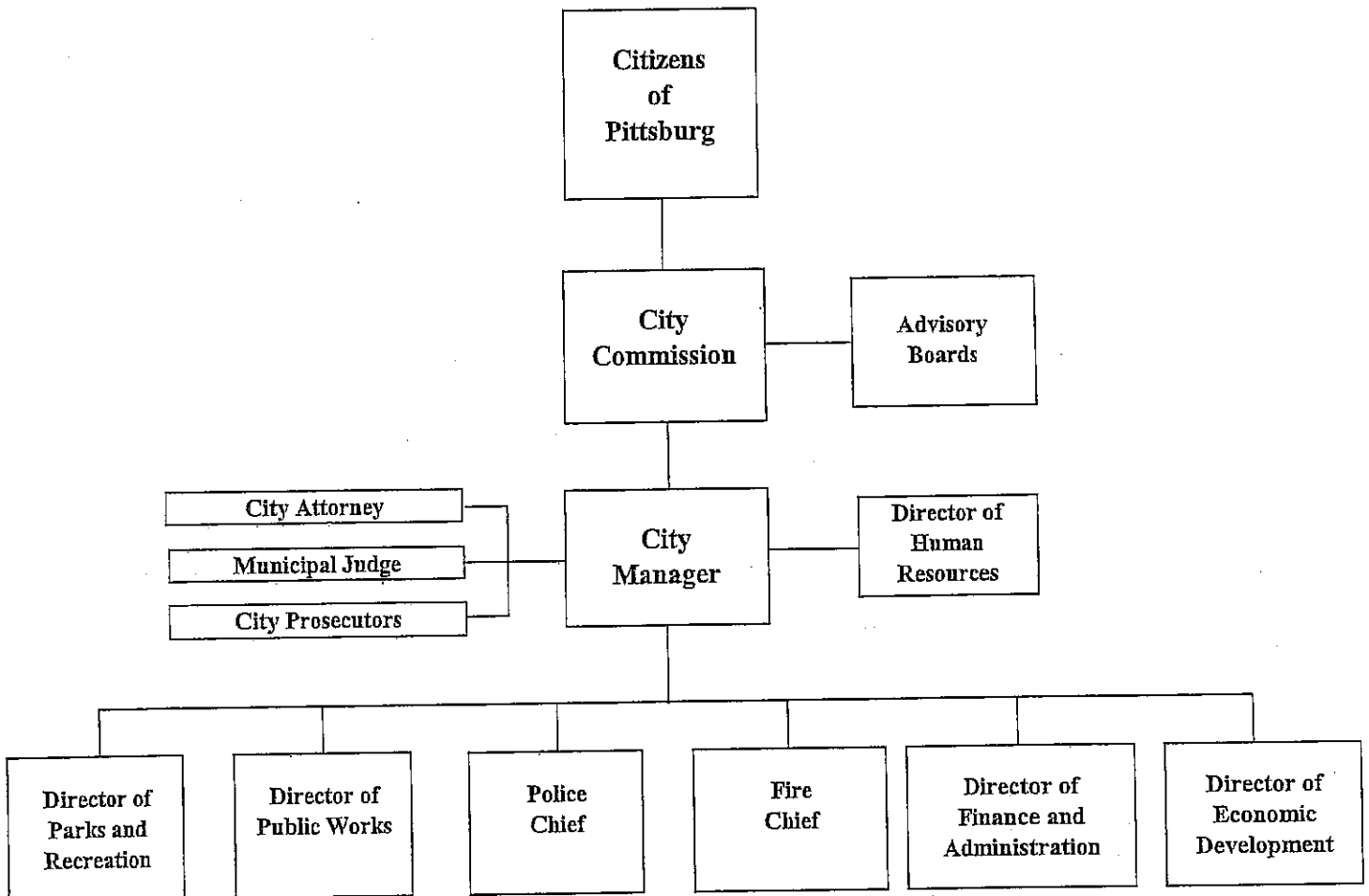


James C. Clarkson
Assistant Director of Finance

CITY OF PITTSBURG, KANSAS
LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2005

<u>TITLE</u>	<u>NAME</u>
ELECTED:	
Mayor	David Nance
President of the Board	Marty Beezley
Commissioner	Ralph McGeorge
Commissioner	Bill Rushton
Commissioner	Mark Werner
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, 2004

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.



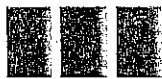
Carla E. Fung

President

Jeffrey R. Emen

Executive Director

FINANCIAL SECTION



Berberich Trahan & Co.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 800 530 5526
Facsimile 785 233 1768
www.cpakansas.com

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, 2005, 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, 2005, 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 March 3, 2006, 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.

RSM McGladrey Network

An Independently Owned Member

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.

March 3, 2006

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, 2005. 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

- 2005 Sales Tax and Property Tax revenues increased compared to 2004.
- The City's assessed valuation has shown continued 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 10 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, capital projects fund 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 15-25 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 26-29 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 30-64 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 65-72 of this report.

Financial Analysis of Government-wide Statements

Net Assets

City of Pittsburgh's Net Assets						
	2004	2005	2004	2005	2004	2005
	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary
	Activities	Activities	Activities	Activities	Government	Government
Current and other assets	\$ 15,953,062	\$ 19,615,469	\$ 3,268,804	\$ 3,732,538	\$ 19,221,866	\$ 23,348,007
Capital assets	<u>23,239,257</u>	<u>24,174,240</u>	<u>30,507,894</u>	<u>30,218,821</u>	<u>53,747,151</u>	<u>54,393,061</u>
Total assets	<u>39,192,319</u>	<u>43,789,709</u>	<u>33,776,698</u>	<u>33,951,359</u>	<u>72,969,017</u>	<u>77,741,068</u>
Long-term liabilities outstanding	6,089,240	12,965,525	6,343,064	5,761,624	12,432,304	18,727,149
Other liabilities	<u>11,818,571</u>	<u>7,411,681</u>	<u>277,587</u>	<u>261,158</u>	<u>12,096,158</u>	<u>7,672,839</u>
Total liabilities	<u>17,907,811</u>	<u>20,377,206</u>	<u>6,620,651</u>	<u>6,022,782</u>	<u>24,528,462</u>	<u>26,399,988</u>
Net assets:						
Invested in capital assets, net of related debt	16,756,655	11,635,596	24,239,750	24,548,293	40,996,405	36,183,889
Restricted for:						
Debt Service	535,846	745,217	-	-	535,846	745,217
Other purposes	7,140,109	8,223,991	-	-	7,140,109	8,223,991
Unrestricted	<u>(3,148,102)</u>	<u>2,807,699</u>	<u>2,916,297</u>	<u>3,380,284</u>	<u>(231,805)</u>	<u>6,187,983</u>
Total net assets	<u>\$ 21,284,508</u>	<u>\$ 23,412,503</u>	<u>\$ 27,156,047</u>	<u>\$ 27,928,577</u>	<u>\$ 48,440,555</u>	<u>\$ 51,341,080</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 \$51,341,080 at the close of the 2005 fiscal year.

By far the largest portion of the City's net assets (70%) 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 (17%) 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 Pittsburgh's Changes in Net Assets

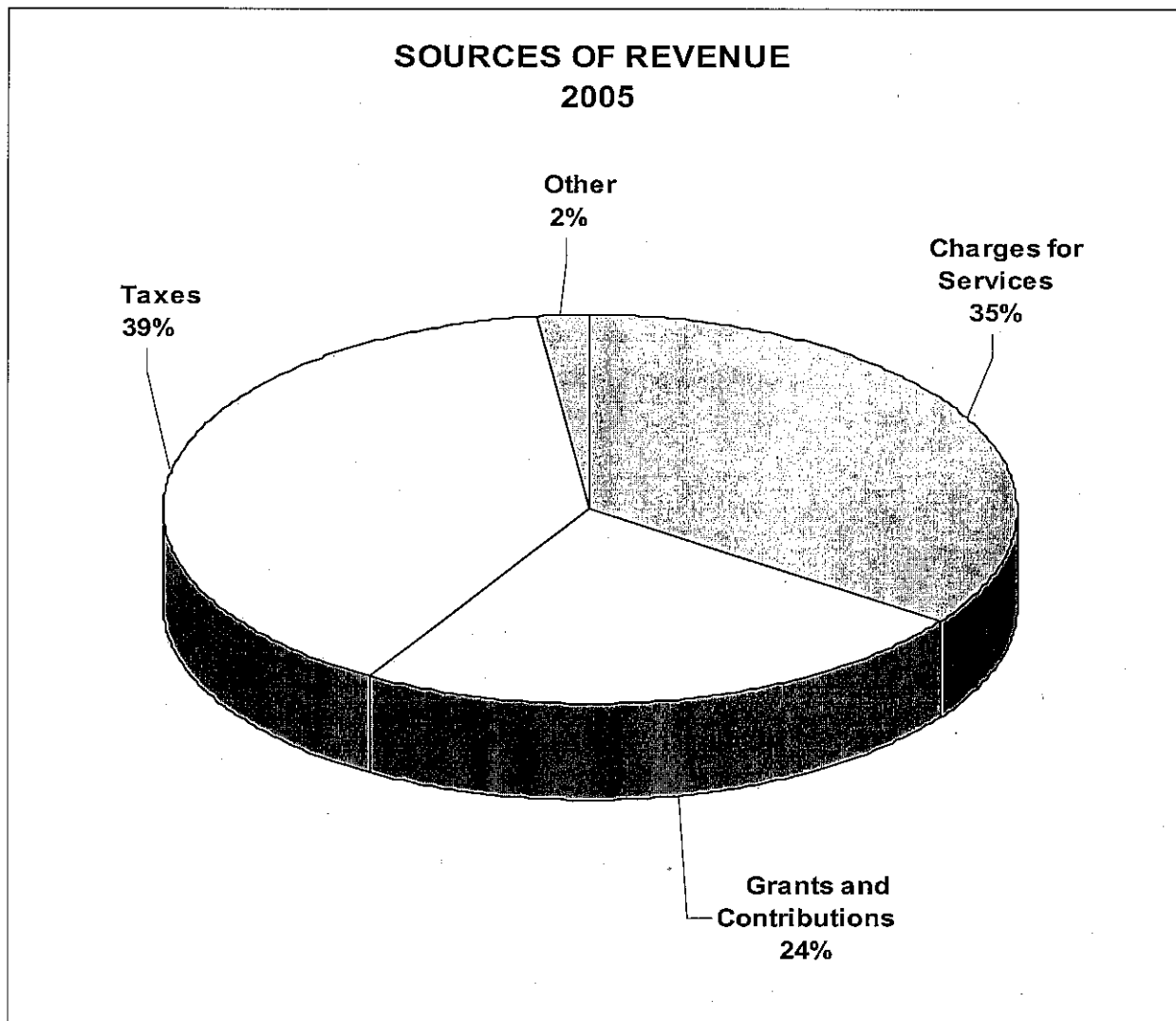
	Governmental Activities 2004	Governmental Activities 2005	Business-Type Activities 2004	Business-Type Activities 2005	Total Primary Government 2004	Total Primary Government 2005
Revenues						
Program revenues:						
Charges for services	\$ 2,302,189	\$ 2,409,410	\$ 5,906,127	\$ 5,998,346	\$ 8,208,316	\$ 8,407,756
Operating grants and contributions	2,980,926	5,003,198	-	-	2,980,926	5,003,198
Capital grants and contributions	22,130	797,210	-	13,500	22,130	810,710
General revenues						
Taxes	9,114,608	9,568,856	-	-	9,114,608	9,568,856
Other	<u>151,793</u>	<u>420,902</u>	<u>20,072</u>	<u>66,237</u>	<u>171,865</u>	<u>487,139</u>
Total revenues	14,571,646	18,199,576	5,926,199	6,078,083	20,497,845	24,277,659
Expenses						
General government	1,179,618	1,657,462	-	-	1,179,618	1,657,462
Public safety	5,389,150	5,866,128	-	-	5,389,150	5,866,128
Public works	2,640,595	2,729,584	-	-	2,640,595	2,729,584
Sanitation and Health	138,940	140,372	-	-	138,940	140,372
Culture and Recreation	2,025,622	2,127,719	-	-	2,025,622	2,127,719
Industrial Promotion	469,424	585,270	-	-	469,424	585,270
Economic Development	5,724,575	81,992	-	-	5,724,575	81,992
Social Welfare	2,027,295	3,021,661	-	-	2,027,295	3,021,661
Interest and Fiscal Fees	306,216	383,323	-	-	306,216	383,323
Water/Wastewater Utility	-	-	4,912,302	4,568,704	4,912,302	4,568,704
Stormwater Utility	-	-	124,315	214,919	124,315	214,919
Total expenses	<u>19,901,435</u>	<u>16,593,511</u>	<u>5,036,617</u>	<u>4,783,623</u>	<u>24,938,052</u>	<u>21,377,134</u>
Change in net assets before transfers	(5,329,789)	1,606,065	889,582	1,294,460	(4,440,207)	2,900,525
Transfers	<u>(1,201,734)</u>	<u>521,930</u>	<u>1,201,734</u>	<u>(521,930)</u>	-	-
Change in net assets	(6,531,523)	2,127,995	2,091,316	772,530	(4,440,207)	2,900,525
Net assets, beginning	<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>
Net assets, ending	<u>\$ 21,284,508</u>	<u>\$ 23,412,503</u>	<u>\$ 27,156,047</u>	<u>\$ 27,928,577</u>	<u>\$ 48,440,555</u>	<u>\$ 51,341,080</u>

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

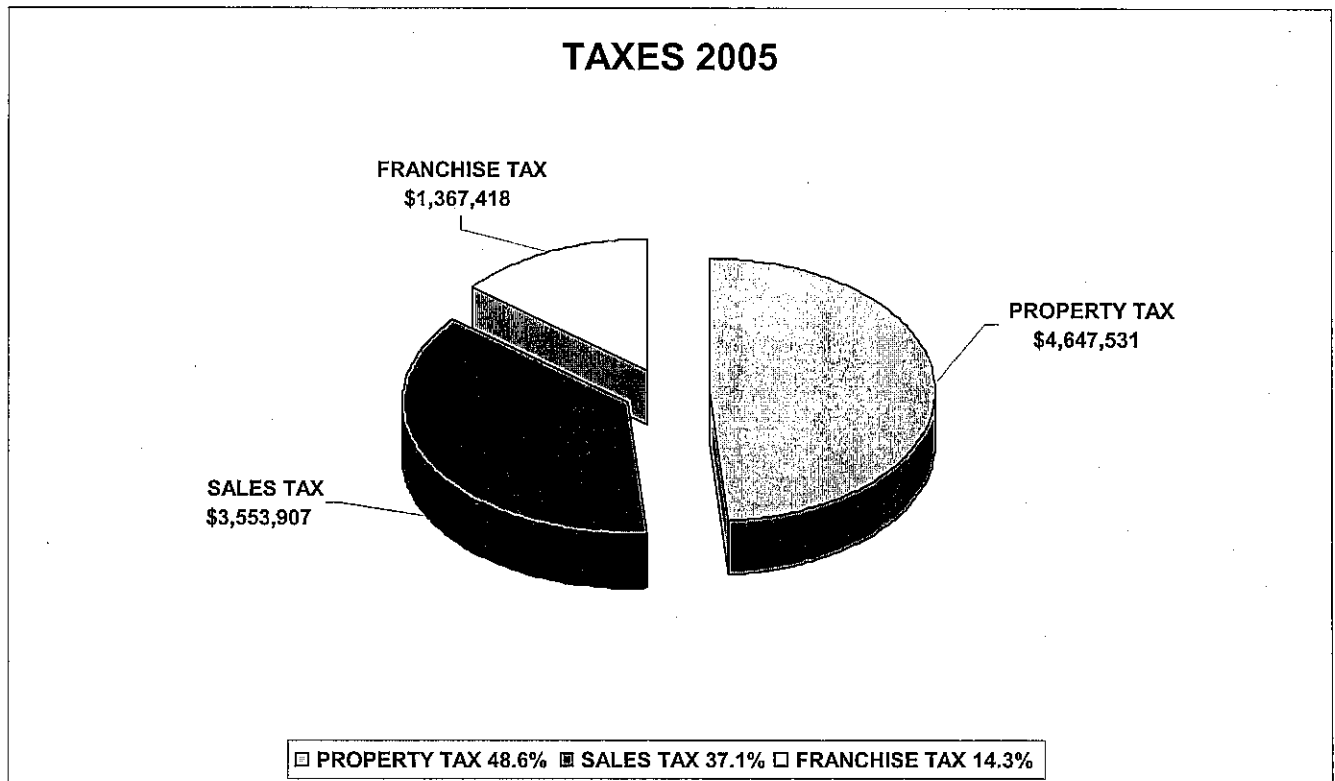
Governmental activities comprised 75% of the total revenues generated by the City and 78% of the City's expenditures. The increase in governmental net assets can mainly be attributed to the City's operating grants and contributions revenue increase of \$2,022,272.

The business-type activities, while comprising the smaller percentages of revenues and expenditures of the City, showed a gain of \$1,294,460 in net assets, before transfers. The business-type net assets recorded an increase of \$772,530 in 2005.

The following pie chart shows the composition of the 2005 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>2003 Levy to support 2004 Budget</u>	<u>2004 Levy To support 2005 Budget</u>	<u>Increase/ (Decrease) over prior year</u>	<u>% Change</u>
General Fund	\$ 29.132	\$ 29.143	\$.011	.04%
Debt Service Fund	8.984	9.008	.024	.27%
Component Unit	5.019	5.404	.385	7.67%
Total Mill Levy	<u>\$ 43.135</u>	<u>\$ 43.555</u>	<u>\$.420</u>	.97%

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

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

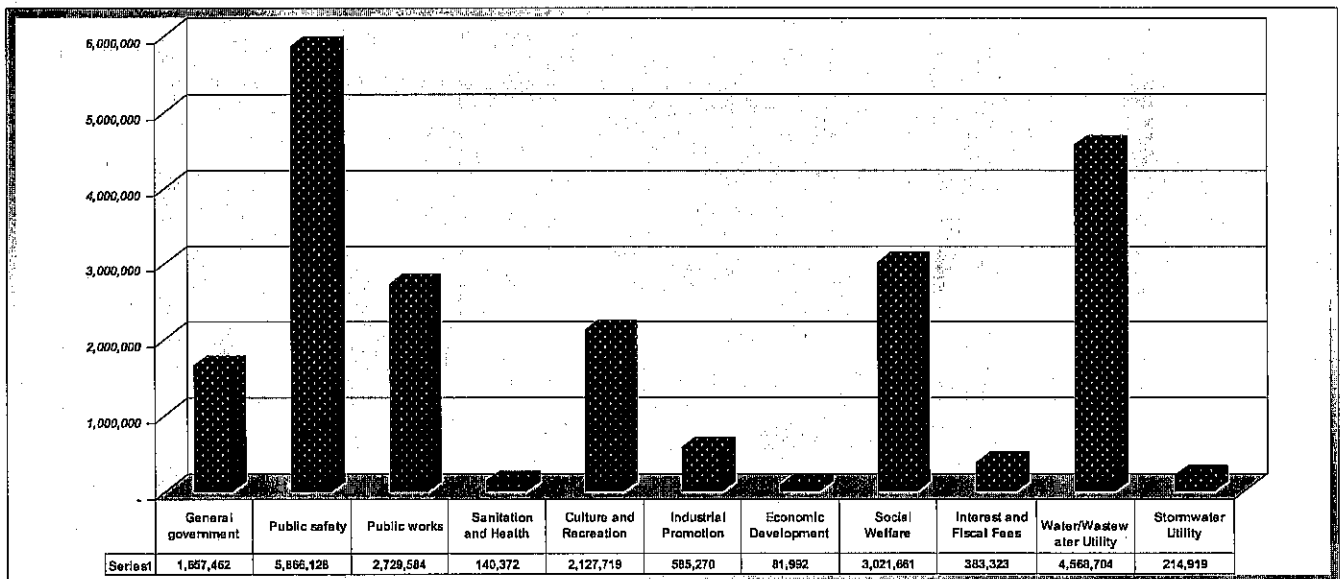
City of Pittsburgh's Assessed Valuation

	2003 Valuation To support <u>2004 Budget</u>	2004 Valuation To support <u>2005 Budget</u>	Increase/ (Decrease) over prior year	% Change
Real Property	\$ 82,498,159	\$ 85,979,504	\$ 3,481,345	4.22%
Personal Property	17,837,170	17,847,179	10,009	0.06%
State Assessed	<u>6,424,205</u>	<u>6,826,214</u>	<u>402,009</u>	6.26%
Total	<u>\$ 106,759,534</u>	<u>\$110,652,897</u>	<u>\$ 3,893,363</u>	3.65%

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 2005 primary government expenditures.

Net Cost of City Services 2005



The total cost of services of the City's primary government for 2005 was \$21,377,134. This represents a decrease of \$3,560,918 compared to 2004. For 2005 all cost of service categories had increased expenditures except for economic development. The overall expenditure decline in 2005 can mainly be attributed to lower economic development spending. The portion of these services covered by the City's taxpayers was only \$9,568,856. As can be seen from the above bar graph, the City's public safety and water/wastewater utility activities are the dominant expenditure categories. These two activities account for 49 percent of the total cost of City services for 2005.

Analysis of the Fund Financial Statements

Governmental Funds

The City's governmental fund balances increased by a total of \$8,333,957 from the prior year, with four of the City's five major funds experiencing an increase in fund balance as a result of 2005 operations. Of the five major funds, the largest increase in fund balance is in the capital projects fund which gained \$6,099,792 followed by the general fund with a gain of \$664,116. The increase in the capital projects fund was primarily due to other financing sources. The revolving loans fund was the only major fund to record a decrease, which was by a marginal \$35,392.

The other governmental funds show a combined increase of \$1,233,359 from the prior year. The PHA/Presbyterian Church Housing fund accounted for \$908,143 of this increase.

Proprietary Funds

The water/wastewater utility fund and stormwater utility fund had an increase of \$492,332 in cash and cash equivalents for 2005. This represents an increase of 133% from fiscal year 2004 and was due to a healthy increase in net cash provided by operating activities.

General Fund Budgetary Highlights

The legally adopted budget for the General Fund was not amended by the City Commission during 2005. 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 were under budget while franchise tax collections and sales tax collections were over budget with significant growth.
Information Systems	This department had several unanticipated computer repairs and upgrades during 2005.
Group Hospitalization	Actual expenditures were approximately 53% of budgeted expenditures.
Atkinson Airport	Expenditures exceeded adopted budget due to the fact that the airport had increased aviation fuel sales and the price of fuel increased significantly in 2005.

Capital Asset and Debt Administration

Capital Assets

The total amount invested in capital assets for the primary government at December 31, 2005 was \$54,393,061, net of accumulated depreciation. The capital assets increased by 1.20% from the 2004 total. The bulk of the governmental activities construction in progress is for an airport runway project which totaled \$886,448 at December 31, 2005. The business type activity construction in progress is for residential incentives infrastructure.

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

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

	Governmental Activities		Business-Type Activities	
	2004	2005	2004	2005
Land	\$ 1,338,214	\$ 1,338,214	\$ 436,690	\$ 436,690
Buildings and improvements	9,420,349	9,506,146	13,647,137	13,255,601
Machinery and equipment	1,734,783	1,667,797	638,985	758,268
Infrastructure	10,651,969	10,054,757	15,785,082	15,567,549
Construction in progress	93,942	1,607,326	-	200,713
Total	<u>\$ 23,239,257</u>	<u>\$ 24,174,240</u>	<u>\$ 30,507,894</u>	<u>\$ 30,218,821</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/loans 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 City's wastewater utility has a loan through the Kansas Department of Health and Environment (KDHE) which is repaid 100% with utility revenues. This KDHE loan was for improvements at the wastewater plant.

The table below reflects the City's outstanding long-term debt for the past two fiscal periods.

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

	Governmental Activities		Business-Type Activities	
	2004	2005	2004	2005
General Obligation Bonds	\$ 5,755,000	\$ 6,295,000	\$ 2,640,000	\$ 2,165,000
KDHE Loan	-	-	3,628,144	3,505,528
Total	<u>\$ 5,775,000</u>	<u>\$ 6,295,000</u>	<u>\$ 6,268,144</u>	<u>\$ 5,670,528</u>

The outstanding general obligation bonds at December 31, 2005, totaled \$8,460,000 of which \$6,295,000 is considered net direct tax supported debt. This balance represents a .53% increase from the 2004 balance. New G.O. debt of \$1,460,000 was issued and \$1,415,000 was retired in 2005.

Business-type activity bonded debt decreased by 17.99% from 2005. There were no new business-type activity bonds issued in fiscal year 2005.

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 \$39,889,902, 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, 2005

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Public Library
Assets:				
Cash and cash equivalents	\$11,931,690	\$ 2,751,211	\$14,682,901	\$ 99,246
Restricted cash	-	190,475	190,475	-
Receivables, net of allowance for uncollectibles:				
Taxes	5,296,307	-	5,296,307	621,537
Accounts	152,114	569,268	721,382	-
Intergovernmental	358,348	-	358,348	-
Other	-	23,696	23,696	-
Leases receivable	684,845	-	684,845	-
Loans receivable	337,639	-	337,639	-
Deferred charges	41,356	49,482	90,838	-
Inventories	50,334	143,147	193,481	-
Prepaid items	22,615	5,259	27,874	978
Assets held for sale	740,221	-	740,221	-
Capital assets, net of accumulated depreciation:				
Land	1,338,214	436,690	1,774,904	215,415
Construction in progress	1,607,326	200,713	1,808,039	-
Buildings and improvements	9,506,146	13,255,601	22,761,747	2,794,244
Machinery and equipment	1,667,797	758,268	2,426,065	-
Infrastructure	10,054,757	15,567,549	25,622,306	-
Total assets	<u>43,789,709</u>	<u>33,951,359</u>	<u>77,741,068</u>	<u>3,731,420</u>
Liabilities:				
Accrued expenses and other current liabilities	529,918	-	529,918	-
Bond anticipation notes payable	2,230,000	-	2,230,000	-
Accrued interest payable	231,209	70,683	301,892	-
Deferred revenue	4,420,554	-	4,420,554	621,537
Liabilities payable from restricted cash	-	190,475	190,475	-
Noncurrent liabilities:				
Due within one year	7,750,525	593,856	8,344,381	9,595
Due in more than one year	5,215,000	5,167,768	10,382,768	-
Total liabilities	<u>20,377,206</u>	<u>6,022,782</u>	<u>26,399,988</u>	<u>631,132</u>
Net assets:				
Invested in capital assets, net of related debt	11,635,596	24,548,293	36,183,889	3,009,659
Restricted for:				
Debt service	745,217	-	745,217	-
Other purposes	8,223,991	-	8,223,991	-
Unrestricted	2,807,699	3,380,284	6,187,983	90,629
Total net assets	<u>\$23,412,503</u>	<u>\$27,928,577</u>	<u>\$51,341,080</u>	<u>\$ 3,100,288</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Unit	
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Primary Government Business-Type Activities		Total
			Grants and Contributions	Grants and Contributions				
Primary government:								
Governmental activities:								
General government	\$ 1,657,462	\$ 1,005,600	\$ 58,017	\$ -	\$ (593,845)	\$ -	\$ (593,845)	\$ -
Public safety - police	2,723,840	-	60,836	-	(2,663,004)	-	(2,663,004)	-
Public safety - fire	2,301,123	-	-	140,620	(2,160,503)	-	(2,160,503)	-
Public safety - other	841,165	2,848	-	-	(838,317)	-	(838,317)	-
Public works	2,729,584	628,343	723,893	656,590	(720,758)	-	(720,758)	-
Sanitation and health	140,372	25,920	58,317	-	(56,135)	-	(56,135)	-
Culture and recreation	2,127,719	531,115	276,306	-	(1,320,298)	-	(1,320,298)	-
Industrial promotion	585,270	215,038	-	-	(370,232)	-	(370,232)	-
Economic development	81,992	-	-	-	(81,992)	-	(81,992)	-
Social welfare	3,021,661	546	3,825,829	-	804,714	-	804,714	-
Interest on long-term debt	383,323	-	-	-	(383,323)	-	(383,323)	-
Total governmental activities	16,593,511	2,409,410	5,003,198	797,210	(8,383,693)	-	(8,383,693)	-
Business-type activities:								
Water/wastewater	4,568,704	5,377,606	-	-	-	808,902	808,902	-
Stormwater	214,919	620,740	-	13,500	-	419,321	419,321	-
Total business-type activities	4,783,623	5,998,346	-	13,500	-	1,228,223	1,228,223	-
Total primary government	\$ 21,377,134	\$ 8,407,756	\$ 5,003,198	\$ 810,710	(8,383,693)	1,228,223	(7,155,470)	-
Component unit:								
Public library	\$ 927,166	\$ 10,150	\$ 201,309	\$ -	-	-	-	(715,707)
General revenues:								
Property taxes					4,647,531	-	4,647,531	652,272
Sales taxes					3,553,907	-	3,553,907	-
Franchise taxes					1,367,418	-	1,367,418	-
Unrestricted investment earnings					420,902	66,237	487,139	8,044
Transfers					521,930	(521,930)	-	-
Total general revenues and transfers					10,511,688	(455,693)	10,055,995	660,316
Change in net assets					2,127,995	772,530	2,900,525	(55,391)
Net assets, beginning					21,284,508	27,156,047	48,440,555	3,155,679
Net assets, ending					\$ 23,412,503	\$ 27,928,577	\$ 51,341,080	\$ 3,100,288

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2005

	General	Revolving Loans
Assets:		
Cash and cash equivalents	\$ 2,797,247	\$ 4,705,749
Receivables (net of allowance for uncollectibles):		
Taxes	3,930,732	139,143
Accounts	36,929	115,185
Intergovernmental	14,961	-
Leases receivable	-	684,845
Loans receivable	-	337,639
Advances to other funds	-	153,410
Inventories	50,334	-
Prepaid items	20,299	-
Assets held for sale	-	740,221
Total assets	<u>\$ 6,850,502</u>	<u>\$ 6,876,192</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ -	\$ -
Accrued payroll liabilities	126,699	-
Accrued self-insurance claims	135,000	-
Other	70,138	-
Deferred revenue	3,237,994	554,695
Bond anticipation notes payable	-	-
Advances from other funds	-	-
Total liabilities	<u>3,569,831</u>	<u>554,695</u>
Fund balances:		
Reserved for:		
Encumbrances	107,668	-
Inventories	50,334	-
Prepaid items	20,299	-
Advances	-	153,410
Revolving loan program	-	6,168,087
Insurance claims	900,000	-
Unreserved, reported in:		
General fund	2,202,370	-
Special revenue funds	-	-
Capital projects fund	-	-
Debt service fund	-	-
Total fund balances	<u>3,280,671</u>	<u>6,321,497</u>
Total liabilities and fund balances	<u>\$ 6,850,502</u>	<u>\$ 6,876,192</u>

See accompanying notes to basic financial statements.

Section 8	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 28,099	\$ 2,113,392	\$ 932,554	\$ 1,354,649	\$ 11,931,690
-	-	1,226,432	-	5,296,307
-	-	-	-	152,114
-	-	-	343,387	358,348
-	-	-	-	684,845
-	-	-	-	337,639
-	-	-	-	153,410
-	-	-	-	50,334
-	-	-	2,316	22,615
-	-	-	-	740,221
<u>\$ 28,099</u>	<u>\$ 2,113,392</u>	<u>\$ 2,158,986</u>	<u>\$ 1,700,352</u>	<u>\$ 19,727,523</u>
\$ 27,260	\$ -	\$ -	\$ 170,821	\$ 198,081
-	-	-	-	126,699
-	-	-	-	135,000
-	-	-	-	70,138
-	-	1,189,160	-	4,981,849
-	2,230,000	-	-	2,230,000
-	-	-	153,410	153,410
<u>27,260</u>	<u>2,230,000</u>	<u>1,189,160</u>	<u>324,231</u>	<u>7,895,177</u>
-	-	-	20,837	128,505
-	-	-	-	50,334
-	-	-	2,316	22,615
-	-	-	-	153,410
-	-	-	-	6,168,087
-	-	-	-	900,000
-	-	-	-	2,202,370
839	-	-	1,352,968	1,353,807
-	(116,608)	-	-	(116,608)
-	-	969,826	-	969,826
<u>839</u>	<u>(116,608)</u>	<u>969,826</u>	<u>1,376,121</u>	<u>11,832,346</u>
<u>\$ 28,099</u>	<u>\$ 2,113,392</u>	<u>\$ 2,158,986</u>	<u>\$ 1,700,352</u>	<u>\$ 19,727,523</u>

CITY OF PITTSBURG, KANSAS

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

December 31, 2005

Total fund balance in Governmental Fund Balance Sheet	\$ 11,832,346
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.	24,174,240
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	561,295
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(13,155,378)</u>
Net assets of governmental activities	<u>\$ 23,412,503</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, 2005

	General	Revolving Loans
Revenues:		
Taxes:		
Property	\$ 3,544,482	\$ -
Sales	2,618,468	768,484
Franchise	1,367,418	-
Licenses and permits	144,040	-
Intergovernmental	775,443	-
Charges for services	1,591,104	-
Fines and fees	323,046	-
Special assessments	-	-
Investment earnings	226,557	160,888
Lease income	-	277,915
Miscellaneous	106,123	41,148
Total revenues	<u>10,696,681</u>	<u>1,248,435</u>
Expenditures:		
Current:		
General government	1,561,875	-
Public safety - police	2,629,829	-
Public safety - fire	2,153,437	-
Public safety - other	814,626	-
Public works	724,006	-
Sanitation and health	96,783	-
Culture and recreation	1,806,666	-
Industrial promotion	234,625	312,407
Economic development	-	-
Social welfare	-	-
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay	1,033,187	614,124
Total expenditures	<u>11,055,034</u>	<u>926,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(358,353)</u>	<u>321,904</u>
Other financing sources (uses):		
Transfers in	1,101,133	-
Transfers out	(553,293)	(357,296)
General obligation bonds issued	474,629	-
Bond anticipation notes issued	-	-
Total other financing sources (uses)	<u>1,022,469</u>	<u>(357,296)</u>
Net change in fund balances	664,116	(35,392)
Fund balances, beginning	<u>2,616,555</u>	<u>6,356,889</u>
Fund balances, ending	<u>\$ 3,280,671</u>	<u>\$ 6,321,497</u>

See accompanying notes to basic financial statements.

Section 8	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,103,049	\$ -	\$ 4,647,531
-	-	166,955	-	3,553,907
-	-	-	-	1,367,418
-	-	-	-	144,040
1,365,479	140,620	-	2,209,534	4,491,076
-	-	-	-	1,591,104
-	-	-	-	323,046
-	-	59,074	-	59,074
-	-	33,457	-	420,902
-	-	-	-	277,915
546	3,600	-	1,315,057	1,466,474
1,366,025	144,220	1,362,535	3,524,591	18,342,487
-	-	-	-	1,561,875
-	-	-	-	2,629,829
-	-	-	-	2,153,437
-	-	-	-	814,626
-	-	-	1,087,328	1,811,334
-	-	-	38,345	135,128
-	-	-	-	1,806,666
-	-	-	-	547,032
-	81,992	-	-	81,992
1,358,041	-	-	1,662,734	3,020,775
-	-	940,000	-	940,000
-	68,713	192,861	-	261,574
-	1,161,935	-	1,425	2,810,671
1,358,041	1,312,640	1,132,861	2,789,832	18,574,939
7,984	(1,168,420)	229,674	734,759	(232,452)
-	28,174	134,424	656,871	1,920,602
-	(30,333)	-	(158,271)	(1,099,193)
-	985,371	-	-	1,460,000
-	6,285,000	-	-	6,285,000
-	7,268,212	134,424	498,600	8,566,409
7,984	6,099,792	364,098	1,233,359	8,333,957
(7,145)	(6,216,400)	605,728	142,762	3,498,389
\$ 839	\$ (116,608)	\$ 969,826	\$ 1,376,121	\$ 11,832,346

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, 2005

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

Net change in fund balances - total governmental funds	\$ 8,333,957
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.	1,234,462
Capital asset transfers are not recorded in the governmental funds because there has been no flow of current financial resources.	(299,479)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(142,911)
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.	(6,805,000)
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.	(193,034)
Change in net assets of governmental activities	<u>\$ 2,127,995</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, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 8,114,725	\$ 8,406,205	\$ 291,480
Intergovernmental	64,597	105,661	41,064
Licenses and permits	125,000	144,040	19,040
Charges for services	2,378,692	2,462,119	83,427
Fines and fees	306,500	323,047	16,547
Investment income	40,000	226,557	186,557
Miscellaneous	31,788	68,925	37,137
Total revenues	11,061,302	11,736,554	675,252
Expenditures:			
General government:			
General administration:			
Personnel services	448,482	444,747	3,735
Contractual services	128,295	136,559	(8,264)
Commodities	12,750	17,610	(4,860)
Total general administration expenditures	589,527	598,916	(9,389)
Group hospitalization:			
Claims paid	2,059,785	1,084,337	975,448
Human resources:			
Personnel services	129,044	128,483	561
Contractual services	44,771	41,746	3,025
Commodities	7,500	5,917	1,583
Total human resources expenditures	181,315	176,146	5,169
Information systems:			
Personnel services	189,809	194,321	(4,512)
Contractual services	57,439	66,592	(9,153)
Commodities services	40,000	57,472	(17,472)
Capital outlay	31,287	37,647	(6,360)
Total information systems expenditures	\$ 318,535	\$ 356,032	\$ (37,497)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Municipal court:			
Personnel services	\$ 197,374	\$ 192,567	\$ 4,807
Contractual services	25,687	25,266	421
Commodities	2,850	2,404	446
Total municipal court expenditures	225,911	220,237	5,674
Total general government expenditures	3,375,073	2,435,668	939,405
Public safety:			
Police department:			
Personnel services	2,250,190	2,169,831	80,359
Contractual services	274,842	338,840	(63,998)
Commodities	140,100	190,186	(50,086)
Capital outlay	113,460	84,660	28,800
Total police department expenditures	2,778,592	2,783,517	(4,925)
Fire department:			
Personnel services	1,861,021	1,953,907	(92,886)
Contractual services	108,135	88,664	19,471
Commodities	109,000	111,157	(2,157)
Capital outlay	12,000	6,406	5,594
Total fire department expenditures	2,090,156	2,160,134	(69,978)
Public safety - other:			
Codes enforcement:			
Personnel services	553,254	558,574	(5,320)
Contractual services	160,588	98,772	61,816
Commodities	19,350	12,114	7,236
Total codes enforcement expenditures	\$ 733,192	\$ 669,460	\$ 63,732

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Animal control:			
Personnel services	\$ 27,579	\$ 25,970	\$ 1,609
Contractual services	15,247	15,657	(410)
Commodities	6,300	6,964	(664)
Total animal control expenditures	49,126	48,591	535
Electronics department:			
Personnel services	62,099	50,006	12,093
Contractual service	14,512	14,551	(39)
Commodities	60,800	32,102	28,698
Capital outlay	20,500	20,443	57
Total electronics department expenditures	157,911	117,102	40,809
Total public safety - other	940,229	835,153	105,076
Total public safety expenditures	5,808,977	5,778,804	30,173
Public works:			
Engineering department:			
Personnel services	103,505	90,886	12,619
Contractual services	14,862	16,470	(1,608)
Commodities	14,400	12,538	1,862
Total engineering department expenditures	132,767	119,894	12,873
Atkinson Airport:			
Personnel services	162,295	140,671	21,624
Contractual services	49,372	62,608	(13,236)
Commodities	188,380	410,603	(222,223)
Capital outlay	10,000	9,637	363
Total Atkinson Airport expenditures	410,047	623,519	(213,472)
Total public works expenditures	\$ 542,814	\$ 743,413	\$ (200,599)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Sanitation and health:			
Mt. Olive Cemetery:			
Personnel services	\$ 64,566	\$ 72,487	\$ (7,921)
Contractual services	7,144	10,973	(3,829)
Commodities	9,750	13,332	(3,582)
Total sanitation and health expenditures	81,460	96,792	(15,332)
Culture and recreation:			
Parks and recreation department:			
Personnel services	483,632	532,179	(48,547)
Contractual services	149,079	115,860	33,219
Commodities	148,800	167,764	(18,964)
Capital outlay	17,000	21,150	(4,150)
Total parks and recreation department expenditures	798,511	836,953	(38,442)
Aquatic center:			
Personnel services	100,236	86,519	13,717
Contractual services	22,660	33,188	(10,528)
Commodities	43,000	48,525	(5,525)
Total aquatic center expenditures	165,896	168,232	(2,336)
Four Oaks Complex:			
Personnel services	237,236	204,292	32,944
Contractual services	46,744	59,488	(12,744)
Commodities	115,500	124,055	(8,555)
Capital outlay	97,000	77,694	19,306
Total Four Oaks Complex expenditures	\$ 496,480	\$ 465,529	\$ 30,951

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Memorial Auditorium and Convention Center:			
Personnel services	\$ 218,761	\$ 225,388	\$ (6,627)
Contractual services	99,491	122,560	(23,069)
Commodities	43,500	89,285	(45,785)
Capital outlay	90,000	14,512	75,488
Operating reserve	74,809	-	74,809
Total Memorial Auditorium and Convention Center	526,561	451,745	74,816
Total culture and recreation expenditures	1,987,448	1,922,459	64,989
Industrial promotion:			
Economic development:			
Personnel services	118,329	112,649	5,680
Contractual services	104,104	87,248	16,856
Commodities	5,000	4,977	23
Capital outlay	25,000	29,761	(4,761)
Total industrial promotion expenditures	252,433	234,635	17,798
Operating reserve	524,853	-	524,853
Total expenditures	12,573,058	11,211,771	1,361,287
Excess (deficiency) of revenues over (under) expenditures	(1,511,756)	524,783	2,036,539
Other financing sources (uses):			
Transfers in	1,008,539	994,133	(14,406)
Transfers out	(1,200,434)	(1,457,317)	(256,883)
Total other financing sources and uses	(191,895)	(463,184)	(271,289)
Net change in fund balances	(1,703,651)	61,599	1,765,250
Fund balance, beginning	1,703,651	2,186,771	483,120
Fund balance, ending	\$ -	\$ 2,248,370	\$ 2,248,370

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

	Major Fund Water/Wastewater	Non-Major Fund Stormwater	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,013,094	\$ 738,117	\$ 2,751,211
Restricted cash - customer deposits	190,475	-	190,475
Accounts receivable (net of allowance for uncollectibles)	547,192	22,076	569,268
Other receivable	23,696	-	23,696
Inventories	143,147	-	143,147
Prepaid items	5,035	224	5,259
Total current assets	<u>2,922,639</u>	<u>760,417</u>	<u>3,683,056</u>
Noncurrent assets:			
Deferred charges	49,482	-	49,482
Capital assets:			
Land	436,690	-	436,690
Buildings and improvements	19,240,848	-	19,240,848
Machinery and equipment	2,753,849	101,984	2,855,833
Construction in progress	200,713	-	200,713
Infrastructure	22,090,571	1,481,429	23,572,000
Less accumulated depreciation	(15,950,447)	(136,816)	(16,087,263)
Total capital assets, net of accumulated depreciation	<u>28,772,224</u>	<u>1,446,597</u>	<u>30,218,821</u>
Total noncurrent assets	<u>28,821,706</u>	<u>1,446,597</u>	<u>30,268,303</u>
Total assets	<u>31,744,345</u>	<u>2,207,014</u>	<u>33,951,359</u>
Liabilities:			
Current liabilities:			
Accrued interest payable	70,683	-	70,683
Accrued compensated absences	88,976	2,120	91,096
Customer deposits payable	190,475	-	190,475
General obligation bonds - current	355,000	-	355,000
Construction loan payable - current	147,760	-	147,760
Total current liabilities	<u>852,894</u>	<u>2,120</u>	<u>855,014</u>
Noncurrent liabilities:			
General obligation bonds payable (net of unamortized discounts)	1,810,000	-	1,810,000
Construction loan payable	3,357,768	-	3,357,768
Total noncurrent liabilities	<u>5,167,768</u>	<u>-</u>	<u>5,167,768</u>
Total liabilities	<u>6,020,662</u>	<u>2,120</u>	<u>6,022,782</u>
Net assets:			
Invested in capital assets, net of related debt	23,101,696	1,446,597	24,548,293
Unrestricted	2,621,987	758,297	3,380,284
Total net assets	<u>\$ 25,723,683</u>	<u>\$ 2,204,894</u>	<u>\$ 27,928,577</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, 2005

	Major Fund Water/Wastewater	Non-Major Fund Stormwater	Total
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 2,842,025	\$ -	\$ 2,842,025
Wastewater charges	2,320,671	-	2,320,671
Stormwater charges	-	614,885	614,885
Other charges	214,910	5,855	220,765
Total operating revenues	<u>5,377,606</u>	<u>620,740</u>	<u>5,998,346</u>
Operating expenses:			
Costs of sales and services	1,814,933	92,020	1,906,953
Administration	1,547,500	86,606	1,634,106
Depreciation	985,208	36,293	1,021,501
Total operating expenses	<u>4,347,641</u>	<u>214,919</u>	<u>4,562,560</u>
Operating income	<u>1,029,965</u>	<u>405,821</u>	<u>1,435,786</u>
Nonoperating revenues (expenses):			
Interest revenue	66,237	-	66,237
Interest expense	(221,063)	-	(221,063)
Capital grant	-	13,500	13,500
Total nonoperating revenues (expenses)	<u>(154,826)</u>	<u>13,500</u>	<u>(141,326)</u>
Income before contributions and transfers	875,139	419,321	1,294,460
Capital contributions	299,479	-	299,479
Transfers out	<u>(736,617)</u>	<u>(84,792)</u>	<u>(821,409)</u>
Change in net assets	438,001	334,529	772,530
Total net assets, beginning	<u>25,285,682</u>	<u>1,870,365</u>	<u>27,156,047</u>
Total net assets, ending	<u>\$ 25,723,683</u>	<u>\$ 2,204,894</u>	<u>\$ 27,928,577</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2005

	Major Fund Water/Wastewater	Non-Major Fund Stormwater	Total
Cash flows from operating activities:			
Receipts from customers	\$ 5,391,976	\$ 620,064	\$ 6,012,040
Payments to suppliers	(1,814,977)	(92,039)	(1,907,016)
Payments to employees	(1,530,915)	(87,015)	(1,617,930)
Net cash provided by operating activities	2,046,084	441,010	2,487,094
Cash flows from noncapital financing activities:			
Transfers to other funds	(696,626)	-	(696,626)
Due from other funds	-	5,828	5,828
Interest paid on deposits	(3,771)	-	(3,771)
Net cash used in noncapital financing activities	(700,397)	5,828	(694,569)
Cash flows from capital and related financing activities:			
Proceeds from capitalization grant/construction loan payable	21,971	-	21,971
Payments on capitalization grant/construction loan payable	(144,587)	-	(144,587)
Proceeds from capital grant	-	13,500	13,500
Acquisition and construction of capital assets	(335,254)	(6,525)	(341,779)
Purchases of capital assets	(52,500)	(38,670)	(91,170)
Transfers to other funds	(39,991)	(84,792)	(124,783)
Principal paid on capital debt	(475,000)	-	(475,000)
Interest paid on capital debt	(224,582)	-	(224,582)
Net cash used in capital and related financing activities	(1,249,943)	(116,487)	(1,366,430)
Cash flows from investing activities:			
Interest received	66,237	-	66,237
Net increase in cash and cash equivalents	161,981	330,351	492,332
Cash and cash equivalents and restricted cash, beginning of year	2,041,588	407,766	2,449,354
Cash and cash equivalents and restricted cash, end of year	\$ 2,203,569	\$ 738,117	\$ 2,941,686

Non-cash capital financing activities:

Contributions of capital assets of \$ 299,479 were acquired in the water/wastewater fund from other governmental funds.

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2005

	Major Fund Water/Wastewater	Non-Major Fund Stormwater	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,029,965	\$ 405,821	\$ 1,435,786
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	985,208	36,293	1,021,501
Amortization of deferred charges	6,186	-	6,186
Changes in assets and liabilities:			
Receivables, net	19,302	(676)	18,626
Inventories	(1,657)	-	(1,657)
Prepaid items	(366)	(19)	(385)
Accrued expenses	(4,207)	-	(4,207)
Accrued compensated absences	16,585	(409)	16,176
Customer deposits	(4,932)	-	(4,932)
Net cash provided by operating activities	<u>\$ 2,046,084</u>	<u>\$ 441,010</u>	<u>\$ 2,487,094</u>
Cash consists of:			
Cash and cash equivalents	\$ 2,013,094	\$ 738,117	\$ 2,751,211
Restricted cash	190,475	-	190,475
	<u>\$ 2,203,569</u>	<u>\$ 738,117</u>	<u>\$ 2,941,686</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

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 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.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental 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 fund:

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

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.

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.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

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, 2005, interest earnings allocated to the various funds were \$ 463,714.

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, 2005, 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."

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.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

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	\$ 3,237,994
Revolving loans fund long-term portion of capital leases receivable	554,695
Debt service fund property taxes receivable	38,886
Debt service fund special assessments receivable	<u>1,150,274</u>
	<u>\$ 4,981,849</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 2005 levy was based was approximately \$ 110,653,000.

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 2005 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$ 29.143
Debt Service Fund	9.008
Component unit:	
Public Library	<u>5.404</u>
	<u>\$ 43.555</u>

Property taxes levied for 1997-2005 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 has matured, for example, as a result of employee resignations and retirements.

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.

Pending Governmental Accounting Standards Board Statements

At December 31, 2005, 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:

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. 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, 2006.

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, 2007.

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. 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.

GASB Statement No. 47, *Accounting for Termination Benefits*, was issued in June 2005. This statement establishes standards of accounting and financial reporting for termination benefits. Termination benefits are benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of a voluntary early termination or as a consequence of the involuntary early termination of services. Termination benefits included early retirement incentives, severance benefits and other termination-related benefits. The requirements of this Statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for financial statements 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 \$ 13,155,378 difference are as follows:

Bonds payable	\$ (6,295,000)
Bond anticipation notes payable	(6,285,000)
Deferred amount on refunding	41,356
Accrued interest payable	(231,209)
Compensated absences	<u>(385,525)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (13,155,378)</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 \$ 1,234,462 difference are as follows:

Capital outlay	\$ 2,806,317
Depreciation expense	<u>(1,571,855)</u>
Net adjustment to increase net change in fund balances -total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 1,234,462</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 \$ 6,805,000 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (1,460,000)
Issuance of bond anticipation notes	(6,285,000)
Principal repayments:	
General obligation bonds	<u>940,000</u>
	<u>\$ (6,805,000)</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 \$ 193,034 difference are as follows:

Compensated absences	\$ (71,285)
Accrued interest	(115,841)
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>\$ (193,034)</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 2005.

Deficit Fund Balance

The capital projects fund has a deficit fund balance of \$ 116,608 due to the recording of temporary notes payable as a fund liability.

Excess of Expenditures Over Appropriations

Expenditures and transfers out exceeded appropriations in the Special Alcohol and Drug Fund by \$ 339.

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>
Deficit of revenue under expenditures, GAAP basis	\$ (358,353)
Add:	
Transfer from capital project	101,227
Sales tax transfers	904,024
Health claims	35,000
Deduct:	
Change in taxes receivable	(28,186)
Change in inventories	(7,067)
Grants receivable	(13,190)
Change in prepaid items	(1,004)
Change in encumbrances	<u>(107,668)</u>
Excess of revenue over expenditures, budgetary basis	<u>\$ 524,783</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 are not required to have legally adopted budgets.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5 - Deposits and Investments

Credit Risk

Kansas statutes authorize the City and the Library, 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. The City's investment policy authorizes the purchases of U.S. Treasury securities, certificates of deposit, and temporary notes. The City and the Library held no investments at December 31, 2005.

Custodial Credit Risk – Deposits

Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Kansas statutes require that deposits be collateralized, and 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 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 December 31, 2005, the City's carrying amount of deposits, including certificates of deposit, was not exposed to custodial credit risk.

The carrying amount of deposits for the Library, a discretely presented component unit, was not exposed to custodial credit risk.

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	\$ 14,682,901	\$ 99,246	\$ 14,782,147
Restricted cash and cash equivalents	190,475	-	190,475
	<u>\$ 14,873,376</u>	<u>\$ 99,246</u>	<u>\$ 14,972,622</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Loans Receivable

Loans receivable, aggregating approximately \$ 338,000 at December 31, 2005, 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, 2005 the lease receivable balance was \$ 684,845.

Future minimum lease payments to be received are as follows:

2006	\$ 130,150
2007	130,150
2008	130,150
2009	130,150
2010	130,150
2011 - 2015	<u>131,849</u>
Total minimum lease payments	782,599
Less: amounts representing interest	<u>(97,754)</u>
Present value of minimum lease payments	<u>\$ 684,845</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, 2015 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, 2005 rental income related to these leases was \$ 120,256. Future minimum lease income is as follows:

2006	\$ 208,804
2007	144,004
2008	111,605
2009	111,605
2010	111,605
2011 - 2015	419,947
2016 - 2020	<u>1,270</u>
	<u>\$ 1,108,840</u>

The asset cost of the buildings the City leases is \$ 1,944,124, with accumulated depreciation of \$ 208,000, resulting in net carrying value of \$ 1,736,124 at December 31, 2005.

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 2006. 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, 2005 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	93,942	1,653,873	(140,489)	1,607,326
Total capital assets not being depreciated	1,432,156	1,653,873	(140,489)	2,945,540
Capital assets being depreciated:				
Buildings and improvements	17,865,630	636,975	-	18,502,605
Machinery and equipment	6,325,098	352,457	(57,082)	6,620,473
Infrastructure	18,550,223	14,022	-	18,564,245
Total capital assets being depreciated	42,740,951	1,003,454	(57,082)	43,687,323
Less accumulated depreciation for:				
Buildings and improvements	(8,445,281)	(551,178)	-	(8,996,459)
Machinery and equipment	(4,590,315)	(409,443)	47,082	(4,952,676)
Infrastructure	(7,898,254)	(611,234)	-	(8,509,488)
Total accumulated depreciation	(20,933,850)	(1,571,855)	47,082	(22,458,623)
Total capital assets being depreciated, net	21,807,101	(568,401)	(10,000)	21,228,700
Governmental activities capital assets, net	\$ 23,239,257	\$ 1,085,472	\$ (150,489)	\$ 24,174,240

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	-	200,713	-	200,713
Total capital assets not being depreciated	436,690	200,713	-	637,403
Capital assets being depreciated:				
Buildings and improvements	19,231,648	9,200	-	19,240,848
Machinery and equipment	2,668,429	194,351	(6,947)	2,855,833
Infrastructure	23,243,836	328,164	-	23,572,000
Total capital assets being depreciated	45,143,913	531,715	(6,947)	45,668,681
Less accumulated depreciation for:				
Buildings and improvements	(5,584,511)	(400,736)	-	(5,985,247)
Machinery and equipment	(2,029,444)	(75,068)	6,947	(2,097,565)
Infrastructure	(7,458,754)	(545,697)	-	(8,004,451)
Total accumulated depreciation	(15,072,709)	(1,021,501)	6,947	(16,087,263)
Total capital assets being depreciated, net	30,071,204	(489,786)	-	29,581,418
Business-type activities capital assets, net	\$ 30,507,894	\$ (289,073)	\$ -	\$ 30,218,821

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	\$ 81,629
Public safety - police	83,139
Public safety - fire	119,467
Public safety - other	17,854
Public works	916,563
Sanitation and health	4,451
Culture and recreation	312,752
Industrial promotion	36,000
	<hr/>

Total depreciation expense - governmental activities	<hr/> <hr/> \$ 1,571,855
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Business-type activities:

Water and sewer	\$ 985,208
Stormwater	36,293
	<hr/>

	<hr/> <hr/> \$ 1,021,501
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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, 2005 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	2,500	-	3,326,018
Machinery and equipment	53,279	-	-	53,279
Total capital assets being depreciated	3,376,797	2,500	-	3,379,297
Less accumulated depreciation for:				
Buildings and improvements	(458,423)	(73,351)	-	(531,774)
Machinery and equipment	(53,279)	-	-	(53,279)
Total accumulated depreciation	(511,702)	(73,351)	-	(585,053)
Total capital assets being depreciated, net	2,865,095	(70,851)	-	2,794,244
Public Library capital assets, net	\$ 3,080,510	\$ (70,851)	\$ -	\$ 3,009,659

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 2005 was 4.01% and from July through December 2005 was 4.21%. The City employer contributions to KPERS for the years ending December 31, 2005, 2004, and 2003 were \$ 180,122, \$ 151,245, and \$ 119,640, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2005 is 15.24%. 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, 2005, 2004, and 2003 were \$ 443,349, \$ 368,822, and \$ 279,375, 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 \$ 135,000 reported at December 31, 2005 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, 2005, the City had approximately \$ 900,000 reserved in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Claims payable, beginning of year	\$ 100,000	\$ 100,000
Incurred claims and change in estimate	931,520	684,040
Claim payments	(896,520)	(684,040)
Claims payable, end of year	<u>\$ 135,000</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, 2005, 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, 2005 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, 2005 for capital projects compared to the amount authorized:

	Costs to Date	Amount Authorized
General government:		
Aquatic Center	\$ 167,893	\$ 167,893
Park improvements	10,000	10,000
Economic development projects	6,420,693	6,775,597
Airport runway	91,432	100,000
Paving projects	3,311,500	4,590,000
	<u>\$ 10,001,518</u>	<u>\$ 11,643,490</u>
Business-type:		
Water/wastewater	<u>\$ 396,299</u>	<u>\$ 640,600</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, 2005 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2005	Outstanding December 31, 2005
General Obligation Bonds:					
Governmental activities:					
Series 1999-A	3.95-5.50%	\$ 3,220,000	2008	\$ 340,000	\$ 1,100,000
Series 2001-B	3.10-4.30%	2,675,000	2011	250,000	1,730,000
Series 2003-A	1.50-3.30%	3,025,000	2013	350,000	2,005,000
Series 2005-A	2.35-3.60%	1,460,000	2015	-	1,460,000
				<u>940,000</u>	<u>6,295,000</u>
Business-type activities:					
Series 2001-A	3.50-5.50%	4,715,000	2013	<u>475,000</u>	<u>2,165,000</u>
				<u>\$ 1,415,000</u>	<u>\$ 8,460,000</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-A: Callable September 1, 2011 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 2005-A: Callable September 1, 2013 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	\$	355,000	\$ 380,000
Series 2001-B		260,000	320,000
Series 2003-A		160,000	355,000
Series 2005-A		110,000	165,000
Business-type activities:			
Series 2001-A		225,000	355,000

The future annual requirement for general obligation bonds outstanding as of December 31, 2005 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2006	\$ 1,080,000	\$ 232,528	\$ 355,000	\$ 101,970
2007	1,050,000	177,605	225,000	87,770
2008	1,080,000	143,012	230,000	78,770
2009	725,000	105,653	240,000	69,225
2010	750,000	82,317	255,000	56,025
2011 - 2015	1,610,000	130,595	860,000	83,250
	<u>\$ 6,295,000</u>	<u>\$ 871,710</u>	<u>\$ 2,165,000</u>	<u>\$ 477,010</u>

Construction Loan Payable

In connection with the Clean Water Capitalization Grant, a construction loan payable with an outstanding amount of \$ 3,505,528 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)

The future annual requirements for the construction loan payable as of December 31, 2005 are as follows:

	Principal	Interest and Service Fee	Total
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	167,503	90,268	257,771
2011-2015	921,017	367,838	1,288,855
2016-2020	1,077,333	211,522	1,288,855
2021-2026	719,795	41,025	760,820
	<u>\$ 3,505,528</u>	<u>\$ 1,121,858</u>	<u>\$ 4,627,385</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, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 5,775,000	\$ 1,460,000	\$ (940,000)	\$ 6,295,000	\$ 1,080,000
Bond anticipation notes	-	6,285,000	-	6,285,000	6,285,000
Compensated absences	314,240	407,542	(336,257)	385,525	385,525
	<u>314,240</u>	<u>407,542</u>	<u>(336,257)</u>	<u>385,525</u>	<u>385,525</u>
Governmental activity long-term liabilities	<u>\$ 6,089,240</u>	<u>\$ 8,152,542</u>	<u>\$ (1,276,257)</u>	<u>\$ 12,965,525</u>	<u>\$ 7,750,525</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 2,640,000	\$ -	\$ (475,000)	\$ 2,165,000	\$ 355,000
Construction loan payable	3,628,144	21,971	(144,587)	3,505,528	147,760
Compensated absences	74,920	107,218	(91,042)	91,096	91,096
	<u>74,920</u>	<u>107,218</u>	<u>(91,042)</u>	<u>91,096</u>	<u>91,096</u>
Business-type activity long-term liabilities	<u>\$ 6,343,064</u>	<u>\$ 129,189</u>	<u>\$ (710,629)</u>	<u>\$ 5,761,624</u>	<u>\$ 593,856</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, 2005, the assessed valuation including motor vehicles was \$ 132,966,341. The statutory limit was \$ 39,889,902 which, after reduction for outstanding eligible general obligation bonds totaling \$ 8,460,000 less \$ 802,871 available in the debt service fund, leaves a legal debt margin of \$ 32,232,773.

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, 2005, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 2,509,000.

13 - Bond Anticipation Notes Payable

During the year, the City issued bond anticipation notes to fund various City improvements.

At December 31, 2005 the City had the following bond anticipation notes outstanding:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond anticipation notes	<u>\$ 7,065,000</u>	<u>\$ 8,515,000</u>	<u>\$ 7,065,000</u>	<u>\$ 8,515,000</u>
<u>Issue</u>		<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
2005A		\$ 6,815,000	2.20%	3/1/2006
2005B		<u>1,700,000</u>	2.60%	7/15/2006
		<u>\$ 8,515,000</u>		

The balance of \$ 8,515,000 includes \$ 2,230,000 reported as fund liabilities and \$ 6,285,000 reported only as general long-term liabilities in the governmental activities column of the statement of net assets because all legal steps have been taken to refinance the bond anticipation notes and the intent is supported by an ability to consummate refinancing the notes on a long-term basis.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Interfund Transactions

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 80,858
Revolving loan fund	341,635
Water/wastewater fund	678,640
	<hr/>
Total transfers to general fund	\$ 1,101,133
	<hr/>
Transfers to capital projects fund from:	
General fund	\$ 23,293
Water/wastewater fund	4,881
	<hr/>
Total transfers to capital projects fund	\$ 28,174
	<hr/>
Transfers to debt service fund from:	
Capital projects fund	\$ 30,333
Water/wastewater fund	39,991
Nonmajor governmental funds	64,100
	<hr/>
Total transfers to debt service fund	\$ 134,424
	<hr/>
Transfers to nonmajor governmental funds from:	
General fund	\$ 530,000
Revolving loan fund	15,661
Water/wastewater fund	13,105
Stormwater	84,792
Nonmajor governmental funds	13,313
	<hr/>
Total transfers to nonmajor governmental funds	\$ 656,871
	<hr/>

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 \$ 299,479 occurred from the governmental activities to the business-type activities and is reported within transfers on the statement of activities.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Interfund Transactions (Continued)

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

Advances from revolving loan fund to:
Nonmajor governmental funds

\$ 153,410

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.

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 Encumbrances

Represents segregated monies that have been appropriated but for which expenditures have not yet been incurred.

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).

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Net Asset Reserves (Continued)

Reserved for Revolving Loan Program

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

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 is 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 is 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.

PHA/PRESBYTERIAN CHURCH HOUSING - to account for funds which must be used to promote the expansion of the supply of low and moderate income housing in the City and in Crawford County, Kansas.

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

CITY OF PITTSBURG, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2005

	Special Revenue					Total Nonmajor Governmental Funds
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/Presbyterian Church Housing	Community Development Block Grants	
Assets:						
Cash and cash equivalents	\$ -	\$ 28,949	\$ 193,041	\$ 908,143	\$ 224,516	\$ 1,354,649
Intergovernmental receivable	-	-	212,369	-	131,018	343,387
Prepaid items	-	-	2,316	-	-	2,316
Total assets	<u>\$ -</u>	<u>\$ 28,949</u>	<u>\$ 407,726</u>	<u>\$ 908,143</u>	<u>\$ 355,534</u>	<u>\$ 1,700,352</u>
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 46,092	\$ -	\$ 124,729	\$ 170,821
Advances to other funds	-	-	153,410	-	-	153,410
Total liabilities	<u>-</u>	<u>-</u>	<u>199,502</u>	<u>-</u>	<u>124,729</u>	<u>324,231</u>
Fund balances:						
Reserved for encumbrances	-	-	20,837	-	-	20,837
Reserved for prepaid items	-	-	2,316	-	-	2,316
Unreserved, undesignated	-	28,949	185,071	908,143	230,805	1,352,968
Total fund balances	<u>-</u>	<u>28,949</u>	<u>208,224</u>	<u>908,143</u>	<u>230,805</u>	<u>1,376,121</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 28,949</u>	<u>\$ 407,726</u>	<u>\$ 908,143</u>	<u>\$ 355,534</u>	<u>\$ 1,700,352</u>

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2005

	Special Revenue					Total Nonmajor Governmental Funds
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/Presbyterian Church Housing	Community Development Block Grants	
Revenues:						
Intergovernmental	\$ 56,017	\$ 56,017	\$ 720,293	\$ -	\$ 1,377,207	\$ 2,209,534
Miscellaneous	-	2,300	9,325	908,143	395,289	1,315,057
Total revenues	56,017	58,317	729,618	908,143	1,772,496	3,524,591
Expenditures:						
Current:						
Public works	-	-	1,087,328	-	-	\$ 1,087,328
Sanitation and health	-	38,345	-	-	-	38,345
Social welfare	-	-	-	-	1,662,734	1,662,734
Capital outlay	-	-	1,425	-	-	1,425
Total expenditures	-	38,345	1,088,753	-	1,662,734	2,789,832
Excess (deficiency) of revenues over (under) expenditures	56,017	19,972	(359,135)	908,143	109,762	734,759
Other financing sources (uses):						
Transfers in:						
General fund	-	-	530,000	-	-	530,000
Special revenue fund	-	-	-	-	28,974	28,974
Enterprise fund	-	-	-	-	97,897	97,897
Transfers out:						
General fund	(56,017)	(24,841)	-	-	-	(80,858)
Special revenue fund	-	-	(13,313)	-	-	(13,313)
Debt service fund	-	-	(64,100)	-	-	(64,100)
Total other financing sources (uses)	(56,017)	(24,841)	452,587	-	126,871	498,600
Net change in fund balances	-	(4,869)	93,452	908,143	236,633	1,233,359
Fund balances, beginning	-	33,818	114,772	-	(5,828)	142,762
Fund balances (deficit), ending	\$ -	\$ 28,949	\$ 208,224	\$ 908,143	\$ 230,805	\$ 1,376,121

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, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 62,347</u>	<u>\$ 56,017</u>	<u>\$ (6,330)</u>
Other financing sources (uses):			
Transfers out	<u>(62,347)</u>	<u>(56,017)</u>	<u>6,330</u>
Net change in fund balances	-	-	-
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 62,347	\$ 56,017	\$ (6,330)
Miscellaneous	500	2,300	1,800
Total revenues	62,847	58,317	(4,530)
Expenditures:			
Contractual services	42,565	38,345	4,220
Commodities	5,163	-	5,163
Total expenditures	47,728	38,345	9,383
Excess of revenues over expenditures	15,119	19,972	4,853
Other financing uses:			
Transfers out	(15,119)	(24,841)	(9,722)
Net change in fund balances	-	(4,869)	(4,869)
Fund balances, beginning	-	33,818	33,818
Fund balances, ending	\$ -	\$ 28,949	\$ 28,949

CITY OF PITTSBURG, KANSAS

STREET AND HIGHWAY FUND

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

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 754,585	\$ 722,355	\$ (32,230)
Miscellaneous	-	9,325	9,325
Total revenues	754,585	731,680	(22,905)
Expenditures:			
Personnel services	485,869	476,929	8,940
Contractual services	372,116	314,774	57,342
Commodities	298,629	288,551	10,078
Capital outlay	50,000	22,262	27,738
Debt service	35,000	27,563	7,437
Total expenditures	1,241,614	1,130,079	111,535
Excess of revenues over (under) expenditures	(487,029)	(398,399)	88,630
Other financing sources (uses):			
Transfers in	481,300	530,000	48,700
Transfers out	(64,100)	(77,413)	(13,313)
Total other financing sources (uses)	417,200	452,587	35,387
Net change in fund balances	(69,829)	54,188	124,017
Fund balances, beginning	69,829	92,760	22,931
Fund balances, ending	\$ -	\$ 146,948	\$ 146,948

CITY OF PITTSBURG, KANSAS

DEBT SERVICE FUND

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

Year Ended December 31, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,120,994	\$ 1,103,049	\$ (17,945)
Special assessments	-	59,074	59,074
Investment earnings	-	33,457	33,457
Total revenues	<u>1,120,994</u>	<u>1,195,580</u>	<u>74,586</u>
Expenditures:			
Principal	909,625	909,625	-
Interest	183,445	183,245	200
Operating reserve	662,915	-	662,915
Total expenditures	<u>1,755,985</u>	<u>1,092,870</u>	<u>663,115</u>
Excess of revenues over (under) expenditures	<u>(634,991)</u>	<u>102,710</u>	<u>737,701</u>
Other financing sources:			
Transfers in	<u>64,100</u>	<u>224,116</u>	<u>160,016</u>
Net change in fund balances	<u>(570,891)</u>	<u>326,826</u>	<u>897,717</u>
Fund balances, beginning	<u>570,891</u>	<u>605,728</u>	<u>34,837</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 932,554</u>	<u>\$ 932,554</u>

CITY OF PITTSBURG, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

December 31, 2005

Assets:

Cash and cash equivalents	\$ 99,246
Taxes receivable	621,537
Prepaid items	<u>978</u>
Total assets	<u>\$ 721,761</u>

Liabilities and fund balances:

Liabilities:

Deferred revenue	\$ 621,537
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Fund balances:

Unreserved	<u>100,224</u>
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Total liabilities and fund balances	<u>\$ 721,761</u>
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CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2005

Revenues:	
Taxes	\$ 652,272
Fines and fees	10,150
Investment earnings	8,044
Miscellaneous	<u>201,309</u>
Total revenues	871,775
Expenditures:	
Current:	
Education	<u>848,053</u>
Excess of revenues over expenditures	23,722
Fund balance, beginning	<u>76,502</u>
Fund balance, ending	<u><u>\$ 100,224</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, 2005

Governmental funds capital assets:

Land	\$ 1,338,214
Buildings and improvements	18,502,605
Machinery and equipment	6,620,473
Infrastructure	18,564,245
Construction in progress	<u>1,607,326</u>

Total governmental funds capital assets	<u>\$ 46,632,863</u>
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Investments in governmental funds capital assets by source:

General fund	\$ 22,402,830
Special revenue funds	<u>24,230,033</u>

Total governmental funds capital assets	<u>\$ 46,632,863</u>
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CITY OF PITTSBURG, KANSAS

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

December 31, 2005

	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	-	-	348,974	-	-	348,974
Total general government	18,103	622,801	541,344	-	-	1,182,248
Public safety:						
Police department	-	391,579	479,137	-	-	870,716
Fire department	42,897	1,396,199	1,648,523	-	43,923	3,131,542
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	2,635,216	-	43,923	4,533,671
Public works:						
Engineering department	-	-	54,097	-	-	54,097
Street and highway	-	115,972	1,775,542	18,564,245	676,954	21,132,713
Atkinson Airport	130,067	5,948,988	230,700	-	886,449	7,196,204
Total public works	130,067	6,064,960	2,060,339	18,564,245	1,563,403	28,383,014
Sanitation and health:						
Mt. Olive Cemetery	-	36,995	63,519	-	-	100,514
Culture and recreation:						
Parks and recreation department	62,082	1,260,399	585,776	-	-	1,908,257
Aquatic center	25,000	2,457,581	26,277	-	-	2,508,858
Four Oaks Complex	22,750	832,296	441,153	-	-	1,296,199
Memorial Auditorium	80,505	3,284,729	257,548	-	-	3,622,782
Total culture and recreation	190,337	7,835,005	1,310,754	-	-	9,336,096
Industrial promotion:						
Economic 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	\$ 18,502,605	\$ 6,620,473	\$ 18,564,245	\$ 1,607,326	\$ 46,632,863

CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2005

	Governmental Funds Capital Assets January 1, 2005	Additions	Deductions	Governmental Funds Capital Assets December 31, 2005
General government:				
General administration	\$ 833,274	\$ -	\$ -	\$ 833,274
Information systems	329,768	37,647	(18,441)	348,974
Total general government	1,163,042	37,647	(18,441)	1,182,248
Public safety:				
Police department	814,698	84,659	(28,641)	870,716
Fire department	2,977,169	154,373	-	3,131,542
Codes enforcement	79,527	-	-	79,527
Animal control	38,969	-	-	38,969
Electronics department	412,917	-	-	412,917
Total public safety	4,323,280	239,032	(28,641)	4,533,671
Public works:				
Engineering department	54,097	-	-	54,097
Street and highway	20,440,313	692,400	-	21,132,713
Atkinson Airport	5,777,425	1,418,779	-	7,196,204
Total public works	26,271,835	2,111,179	-	28,383,014
Sanitation and health:				
Mt. Olive Cemetery	100,514	-	-	100,514
Culture and recreation:				
Parks and recreation department	1,885,898	22,359	-	1,908,257
Aquatic center	2,497,187	11,671	-	2,508,858
Four Oaks Complex	1,218,505	77,694	-	1,296,199
Memorial Auditorium	3,615,526	7,256	-	3,622,782
Total culture and recreation	9,217,116	118,980	-	9,336,096
Industrial promotion:				
Economic development	3,089,119	-	-	3,089,119
Social welfare:				
Community development	8,201	-	-	8,201
Total governmental funds capital assets	\$ 44,173,107	\$ 2,506,838	\$ (47,082)	\$ 46,632,863

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
2005	1,657,462	5,866,128	2,729,584	140,372	2,127,719	585,270	81,992	3,021,661	383,323	4,568,704	214,919	21,377,134

(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	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
2005	8,407,756	5,003,198	810,710	9,568,856	-	487,139	24,277,659

(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
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
2005	1,561,875	5,597,892	1,811,334	135,128	1,806,666

(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.

Education	Industrial Promotion	Social Welfare	Capital Outlay	Debt Service Principal	Debt Service Interest & Fees	Total
\$ 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
671,759	434,191	1,884,603	594,261	1,049,491	222,695	14,394,781
848,053	547,032	3,020,775	1,648,736	940,000	192,861	18,110,352

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
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	358,446	152,477	314,676	70,509	358,626	15,226,808
2005	10,221,128	4,350,456	144,040	1,591,104	323,046	428,946	277,915	59,074	1,462,874	18,858,583

(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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Motor Vehicle Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Miscellaneous Tax</u>	<u>Total Taxes</u>
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
2005	4,747,560	552,243	3,553,907	1,367,418	-	10,221,128

(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) 0.3 % City Sales Tax (5)		
	Total Receipts	Percent of Base Year	Annual Increase from Base Year	Total Receipts	Percent of Base Year	Annual Increase from Base Year
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%
2005	1,849,984	137.31%	37.31%	1,703,924	72.86%	-27.14%

(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 and interest on \$ 5,000,000 General Obligation Bond Issue, Series 1995-A. The tax expired September 30, 1999.

(5) An additional three-tenths percent City sales tax was instituted in January 2005, to pay principal and interest on Transportation Development District.

CITY OF PITTSBURG, KANSAS

PROPERTY TAX LEVIES AND COLLECTIONS ⁽¹⁾

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
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%
2005	4,819,541	4,613,080	95.72%	134,479	4,747,559	98.51%

(1) Includes General Fund, Debt Service Fund and Discrete Component Unit.

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		
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%
2005	92,454,680	18,725,685	6,806,307	117,986,672	724,715,132	16.28%

(1) Source: Crawford County Clerk

(2) Superior Industries International which previously had a tax exemption came on the tax rolls in 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				
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
2005	28.159	5.405	10.003	43.567	41.382	51.061	1.500	137.510

(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>
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%
2005	38,886	59,074	151.92%

(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
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
2005	19,243	117,986,672	5,984,805	935,554	5,049,251	4.2795%	262.39

(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, 2005

Assessed Valuation (1)	<u>\$ 132,996,341</u>
Legal Debt Limit (2)	<u>\$ 39,889,902</u>
General Obligation Bonds	8,460,000
Less Amount Available in Debt Service Fund	<u>802,871</u>
Total Unfunded Debt Applicable to Debt Limit	<u>7,657,129</u>
Debt Margin	<u>\$ 32,232,773</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, 2005

<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	\$ 8,460,000	100%	\$ 8,460,000
Overlapping:			
Crawford County (1)	9,490,000	53.70%	5,096,130
U.S.D. # 249 (2)	5,900,000	8.90%	525,100
U.S.D. # 250 (3)	<u>21,835,000</u>	85.50%	<u>18,668,925</u>
Total	<u>\$ 45,685,000</u>		<u>\$ 32,750,155</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

Fiscal Year	Principal	Interest and Fees	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to Total General Governmental Expenditures
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%
2005	940,000	192,861	1,132,861	17,272,161	6.56%

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

CITY OF PITTSBURG, KANSAS

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	
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
2005	5,377,606	4,347,641	1,029,965	475,000	120,257	595,257	1.73

(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		
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
2005	75	23,191,093	438	13,191,478	434,637,541	117,986,672

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

(2) Source: F.D.I.C. Market Report dated June 30, 2005.

(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⁾	
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)
2005	19,243	23,022	2,400	4.30%	33.8	(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, 2005

Taxpayer	Type of Business	2005 Assessed Valuation	Percentage of Total Assessed Valuation ⁽²⁾
Superior Industries	Automobile wheel manufacturer	\$ 7,088,669	6.01%
Premdor	Steel door manufacturer	2,967,470	2.52%
Pitt Plastics	Polyethylene bags manufacturer	2,891,877	2.45%
Westar	Utility	2,254,493	1.91%
Southwestern Bell	Utility	2,191,007	1.86%
Wal-Mart Supercenter	Retail and grocery store	1,942,359	1.65%
Miller's, Inc.	Professional photo finishing	1,801,332	1.53%
Kansas Gas Service	Utility	1,281,455	1.09%
Home Depot	Retail	1,269,361	1.08%
Greedco of Pittsburg	Retail shopping center	965,800	0.82%
		<u>\$ 24,653,823</u>	<u>20.90%</u>

(1) Source: Crawford County Clerk

(2) Including motor vehicles

CITY OF PITTSBURG, KANSAS

MAJOR EMPLOYERS ⁽¹⁾

DECEMBER 31, 2005

<u>Employer</u>	<u>Product</u>	<u>Estimated Number of Employees</u>
Pittsburg State University	Education	1,700
Mt. Carmel Medical Center	Health services	900
Superior Industries	Automobile wheel manufacturer	800
Pitt Plastics	Polyethylene bags manufacturer	500
Pittsburg U.S.D. #250	Public school K-12	475
Wal-Mart Supercenter	Retail and grocery store	380
Miller's, Inc.	Professional photo finishing	232
City of Pittsburg	City government	204
Pitco, Inc.	Educational systems	200
Masonite	Steel door manufacturer	182

(1) Source: Pittsburg Area Chamber of Commerce

CITY OF PITTSBURG, KANSAS

MISCELLANEOUS STATISTICS

DECEMBER 31, 2005

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	2,096
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	199
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, 2005

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	\$ 1,392,538
Passed through Kansas Department of Commerce and Housing:		
Emergency Shelter Grant	14.231	36,731
Community Development Block Grant	14.228	1,256,222
HOME Investment Partnerships Program	14.239	78,059
Total U.S. Department of Housing and Urban Development		2,763,550
U.S. Department of Transportation:		
Airport Improvement Program	20.106	656,590
Office of National Drug Control Policy:		
Passed through Kansas Bureau of Investigation:		
High Intensity Drug Trafficking Area	7.000	62,606
Department of Homeland Security:		
Public Assistance Grant	97.036	136,846
Environmental Protection Agency:		
Passed through Kansas Department of Health and Environment:		
Clean Water Capitalization Grant	66.458	21,971
Total expenditures of federal awards		\$ 3,641,563

See notes to schedule of expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2005

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's 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, 2005

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:	Community Development Block Grant CFDA No. 14.228 Airport Improvement Program CFDA No. 20.106
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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, 2005

None.



Berberich Trahan & Co.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 800 530 5526
Facsimile 785 233 1768
www.cpakansas.com

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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2006. 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 opinions 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.

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.

March 3, 2006



Berberich Trahan & Co.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 800 530 5526
Facsimile 785 233 1768
www.cpakansas.com

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 programs for the year ended December 31, 2005. The City's major federal programs are 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 programs 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 programs for the year ended December 31, 2005.

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 caused by error or fraud 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.

March 3, 2006