

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

CITY OF PITTSBURG, KANSAS

For the Fiscal Year Ended

December 31, 2006

Prepared by:

DEPARTMENT OF FINANCE AND ADMINISTRATION

City of Pittsburg, Kansas

CITY OF PITTSBURG, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended December 31, 2006

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 - 65

CITY OF PITTSBURG, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2006

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Other Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	67
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Special Parks and Recreation Fund	68
Special Alcohol and Drug Fund	69
Street and Highway Fund	70
Debt Service Fund	71
Balance Sheet – Discretely Presented Component Unit	72
Schedule of Revenues, Expenditures and Changes in Fund Balance - Discretely Present Component Unit	73
Capital Assets used in the Operation of Governmental Funds:	
Schedule by Source	74
Schedule by Function and Activity	75
Schedule of Changes by Function and Activity	76
STATISTICAL SECTION (UNAUDITED):	
Net Assets by Component	77
Changes in Net Assets	78
Fund Balances, Governmental Funds	79
Changes in Fund Balances, Governmental Funds	80
Water Produced and Consumed and Wastewater Treated	81
Annual Tap Sales	82
Number of Water and Sewer Customers by Type	83
Water and Sewer Rates	84
Ten Largest Utility Customers	85
Ratios of Outstanding Debt by Type	86
Ratios of Net General Bonded Debt Outstanding	87
Direct and Overlapping Governmental Activities Debt	88
Legal Debt Margin Information	89

CITY OF PITTSBURG, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2006

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
STATISTICAL SECTION (UNAUDITED):	
Pledged-Revenue Coverage	90
Demographic and Economic Statistics	91
Principal Employers	92
Full-time Employees by Department	93
Operating Indicators by Function/Program	94
Capital Asset Statistics by Function/Program	95
SINGLE AUDIT SECTION:	
Schedule of Expenditures of Federal Awards	96
Notes to Schedule of Expenditures of Federal Awards	97
Schedule of Findings and Questioned Costs	98 - 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 - 102
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	103 - 104

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

June 4, 2007

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, 2006. 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, a 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* and a report on compliance with requirements applicable to each major program and internal control over compliance in accordance with 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, 2006 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, 2006. 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 12.91 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, municipal court, water, wastewater and stormwater utility services, construction and maintenance of streets and highways, municipal airport, municipal auditorium 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, certain 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 steady growth is expected. The 2006 retail sales tax receipts increased 3.99 percent, property tax revenues increased by 5.95 percent and franchise taxes increased by 23.45 percent. Assessed valuation increased by 2.80 percent continuing an upward trend.

2006 highlights

- Eagle Picher Technologies LLC located a battery manufacturing facility in the northeast industrial park. The batteries being produced are for the aerospace and defense industries. They expect to create 50 new jobs to start and eventually employ 90 to 120 employees.
- Stockade Brands Inc. was voluntarily annexed into the City. The company manufactures, distributes and sells animal feed supplements and minerals. They currently employ 25 employees and expect the work force to reach 50 employees in six years.

- Phase I of the downtown façade improvement program was completed and 40 grants were awarded in the amount of \$203,126. This accounted for more than \$689,000 in total improvement costs (City grant plus property owners portion).
- Expansions: Poli-tron Inc. invested in a 20,000 square foot expansion to its warehouse; Names and Numbers invested in a 16,000 square foot expansion to its corporate office; and Meadowbrook Mall Commons invested in a 5,000 square foot expansion to its retail facility.

For the future

- Construction is underway for Pittsburg State University's new \$5.7 million Kansas Polymer Research Center located in the City's Research and Development Park. The facility is expected to be completed during the summer of 2007.
- Construction has begun on a new Pittsburg State University National Guard Armory and student recreation facility. The total estimated cost of construction is \$15 million and it's expected to take 2 years for project completion.
- Phase I downtown façade grant was such a success that the City has initiated Phase II to begin in fiscal year 2007 with another \$200,000 set aside for the program.
- The Besse Hotel was sold to the Garrison Group and will be converted into 49 apartments. The 13 story hotel is a southeast Kansas landmark. Total cost of the renovations is estimated to be approximately \$8 million.

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

Major initiatives for the year

- The City proposed a special sales tax election to fund \$15 million in general obligation bonds for land acquisitions and construction of a new public safety center (to house the police and municipal court operations) and a new fire station #1 facility. The voters approved the special half-cent sales tax for these facilities. The new sales tax takes effect January 1, 2007 and will remain in effect until the \$15 million in general obligation bonds are paid in full at which time the special half-cent sales tax will sunset.
- City staff prepared and adopted a 5-year Capital Improvements Program for the years 2007-2011. This program details the City's capital project needs and funding for this period.

Capital projects

Substantially completed projects for the year were the Airport Runway improvements, Eastport paving and sanitary sewer, Deer Creek paving and sanitary sewer, KLINK South Broadway: Williams to Madison paving, West 2nd paving, and the Two Way Street conversion project.

Major projects that are ongoing or scheduled for the future are the 4th and Rouse intersection improvements, 23rd Street widening from Broadway to Michigan, 4th and Walnut intersection improvements, Pinnacle Point paving and sanitary sewer, Country view paving and sanitary sewer, downtown Streetscape, new public safety center, various storm sewer improvements, Immigrant Park, Miner's Memorial and Europe Park.

AWARDS AND ACKNOWLEDGEMENTS

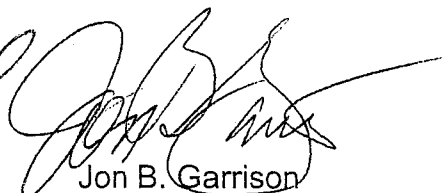
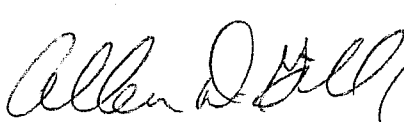
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2005. The Certificate of Achievement is a prestigious national award, recognizing 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.

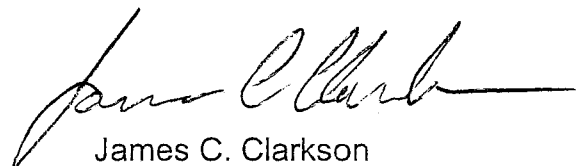
The preparation of the CAFR was truly a team effort and was made possible by the dedicated efforts of the entire staff of the Department of Finance and Administration. Each member of the staff has our sincere appreciation for the contributions they have made in the preparation of this report and to the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

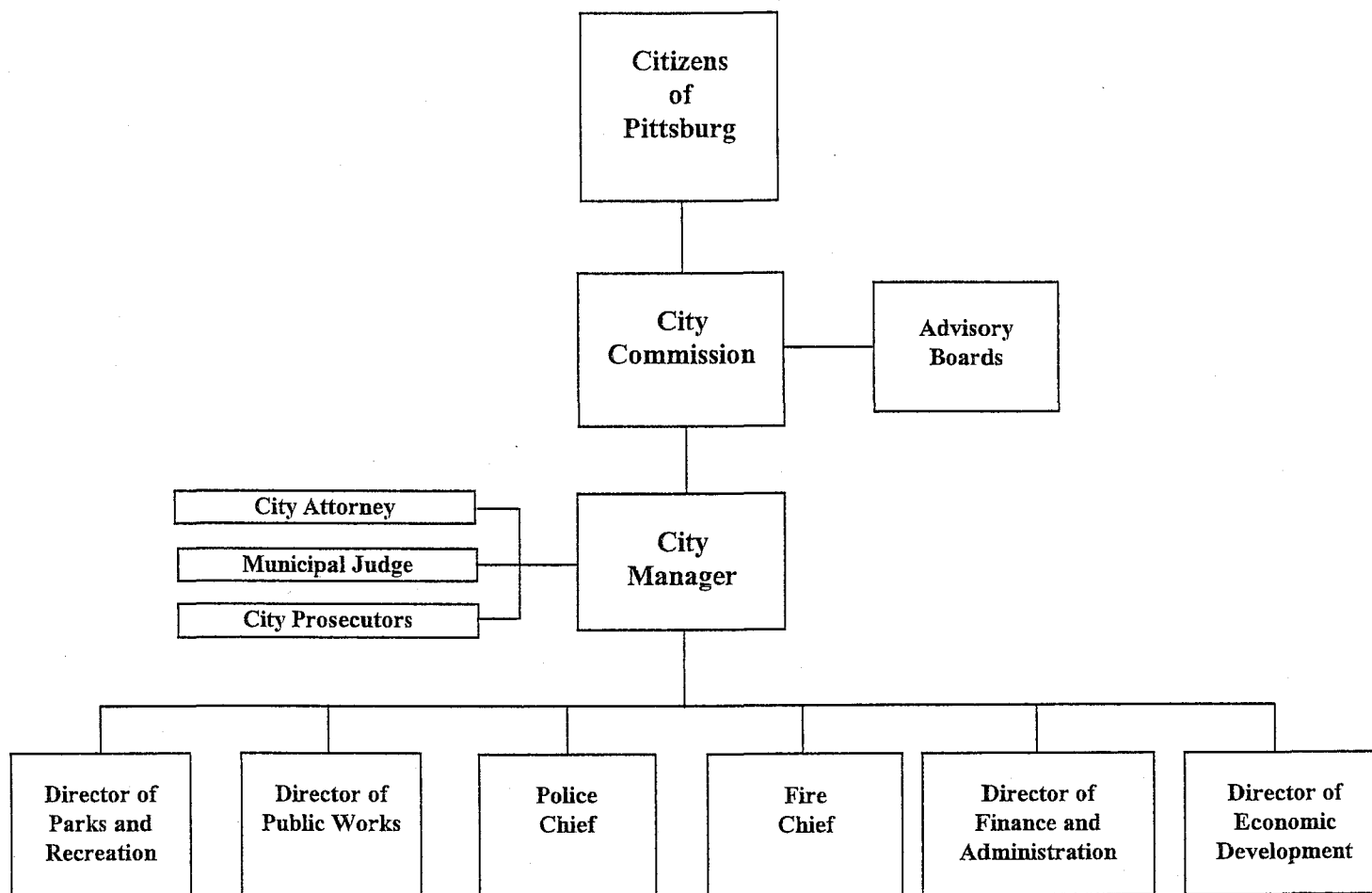
CITY OF PITTSBURG, KANSAS

LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2006

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

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, 2005

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.



President

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, 2006, 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, 2006, 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 June 4, 2007, 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.

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.

June 4, 2007

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, 2006. 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

- 2006 Sales, Property and Franchise Tax revenues increased 7.7% compared to 2005.
- Investment earnings increased 80% over 2005
- 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 30-65 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 66-73 of this report.

Financial Analysis of Government-wide Statements

Net Assets

City of Pittsburgh's Net Assets						
	2005	2006	2005	2006	2005	2006
	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary
	Activities	Activities	Activities	Activities	Government	Government
Current and other assets	\$ 19,615,469	\$ 21,462,949	\$ 3,732,538	\$ 4,028,059	\$ 23,348,007	\$ 25,491,008
Capital assets	<u>24,174,240</u>	<u>27,060,277</u>	<u>30,218,821</u>	<u>30,911,775</u>	<u>54,393,061</u>	<u>57,972,052</u>
Total assets	<u>43,789,709</u>	<u>48,523,226</u>	<u>33,951,359</u>	<u>34,939,834</u>	<u>77,741,068</u>	<u>83,463,060</u>
Long-term liabilities outstanding	12,965,525	17,009,431	5,761,624	5,873,967	18,727,149	22,883,398
Other liabilities	<u>7,411,681</u>	<u>7,457,025</u>	<u>261,158</u>	<u>312,097</u>	<u>7,672,839</u>	<u>7,769,122</u>
Total liabilities	<u>20,377,206</u>	<u>24,466,456</u>	<u>6,022,782</u>	<u>6,186,064</u>	<u>26,399,988</u>	<u>30,652,520</u>
Net assets:						
Invested in capital assets, net of related debt	11,635,596	11,057,847	24,548,293	25,149,875	36,183,889	36,207,722
Restricted	8,969,208	9,327,570	-	-	8,969,208	9,327,570
Unrestricted	<u>2,807,699</u>	<u>3,671,353</u>	<u>3,380,284</u>	<u>3,603,895</u>	<u>6,187,983</u>	<u>7,275,248</u>
Total net assets	<u>\$ 23,412,503</u>	<u>\$ 24,056,770</u>	<u>\$ 27,928,577</u>	<u>\$ 28,753,770</u>	<u>\$ 51,341,080</u>	<u>\$ 52,810,540</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 \$52,810,540 at the close of the 2006 fiscal year.

By far the largest portion of the City's net assets (68.6%) 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 (17.7%) 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 2005	Governmental Activities 2006	Business-Type Activities 2005	Business-Type Activities 2006	Total Primary Government 2005	Total Primary Government 2006
Revenues						
Program revenues:						
Charges for services	\$ 2,409,410	\$ 2,446,336	\$ 5,998,346	\$ 6,336,898	\$ 8,407,756	\$ 8,783,234
Operating grants and contributions	5,003,198	3,246,013	-	-	5,003,198	3,246,013
Capital grants and contributions	797,210	1,941,305	13,500	33,179	810,710	1,974,484
General revenues						
Taxes	9,568,856	10,308,129	-	-	9,568,856	10,308,129
Other	<u>420,902</u>	<u>763,520</u>	<u>66,237</u>	<u>113,538</u>	<u>487,139</u>	<u>877,058</u>
Total revenues	<u>18,199,576</u>	<u>18,705,303</u>	<u>6,078,083</u>	<u>6,483,615</u>	<u>24,277,659</u>	<u>25,188,918</u>
Expenses						
General government	1,657,462	1,719,514	-	-	1,657,462	1,719,514
Public safety	5,866,128	6,576,397	-	-	5,866,128	6,576,397
Public works	2,729,584	2,872,843	-	-	2,729,584	2,872,843
Sanitation and health	140,372	164,849	-	-	140,372	164,849
Culture and recreation	2,127,719	2,267,838	-	-	2,127,719	2,267,838
Industrial promotion	585,270	1,160,463	-	-	585,270	1,160,463
Economic development	81,992	898,362	-	-	81,992	898,362
Social welfare	3,021,661	2,284,301	-	-	3,021,661	2,284,301
Interest on long-term debt	383,323	658,775	-	-	383,323	658,775
Water/wastewater utility	-	-	4,568,704	4,871,241	4,568,704	4,871,241
Stormwater utility	-	-	<u>214,919</u>	<u>244,875</u>	<u>214,919</u>	<u>244,875</u>
Total expenses	<u>16,593,511</u>	<u>18,603,342</u>	<u>4,783,623</u>	<u>5,116,116</u>	<u>21,377,134</u>	<u>23,719,458</u>
Change in net assets before transfers	1,606,065	101,961	1,294,460	1,367,499	2,900,525	1,469,460
Transfers	<u>521,930</u>	<u>542,306</u>	<u>(521,930)</u>	<u>(542,306)</u>	-	-
Change in net assets	2,127,995	644,267	772,530	825,193	2,900,525	1,469,460
Net assets, beginning	<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>
Net assets, ending	<u>\$ 23,412,503</u>	<u>\$ 24,056,770</u>	<u>\$ 27,928,577</u>	<u>\$ 28,753,770</u>	<u>\$ 51,341,080</u>	<u>\$ 52,810,540</u>

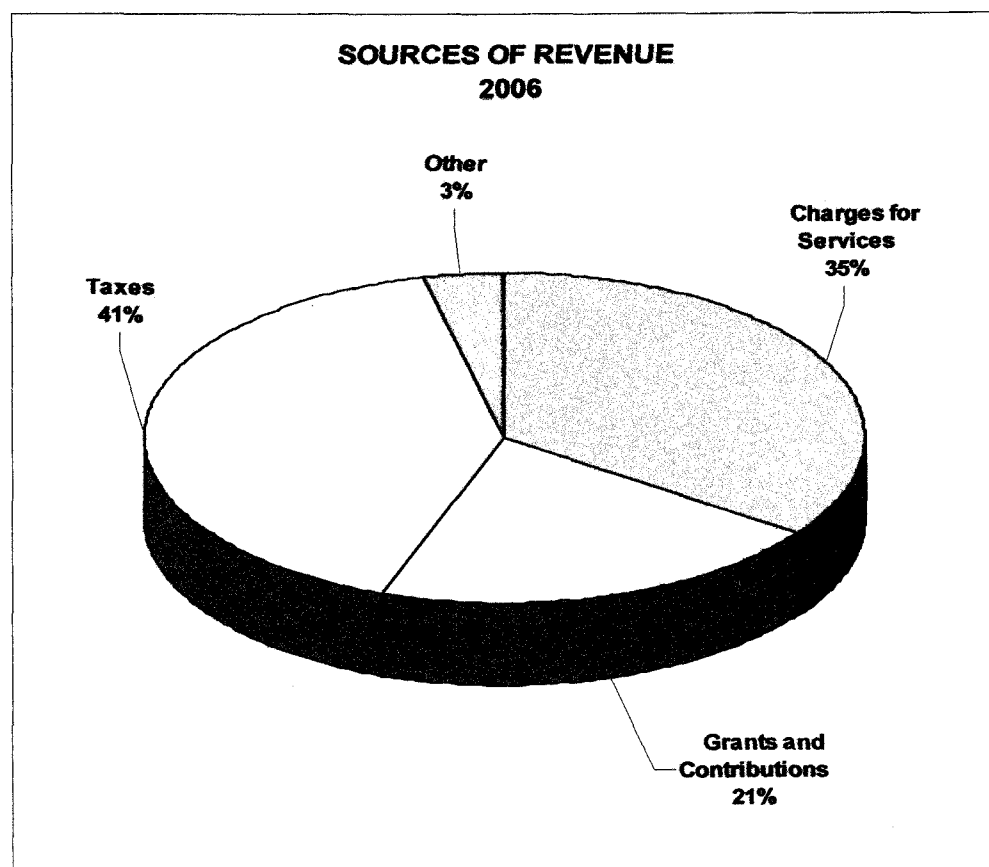
This section will provide a brief discussion and analysis of the City's revenue sources and costs for services.

Governmental activities comprised 74.3% of the total revenues generated by the City and 78.4% of the City's expenditures. The increase in public safety expenses can mainly be attributed to land acquisitions, the increase in industrial promotion expenses were due to a donation to Pittsburg State University for infrastructure improvements and for Eagle Picher site improvements, the increase in economic development expenses were due to activities related to the T.I.F. district and the decrease in social welfare expenses were due to the completion of the 3rd Street comprehensive development project.

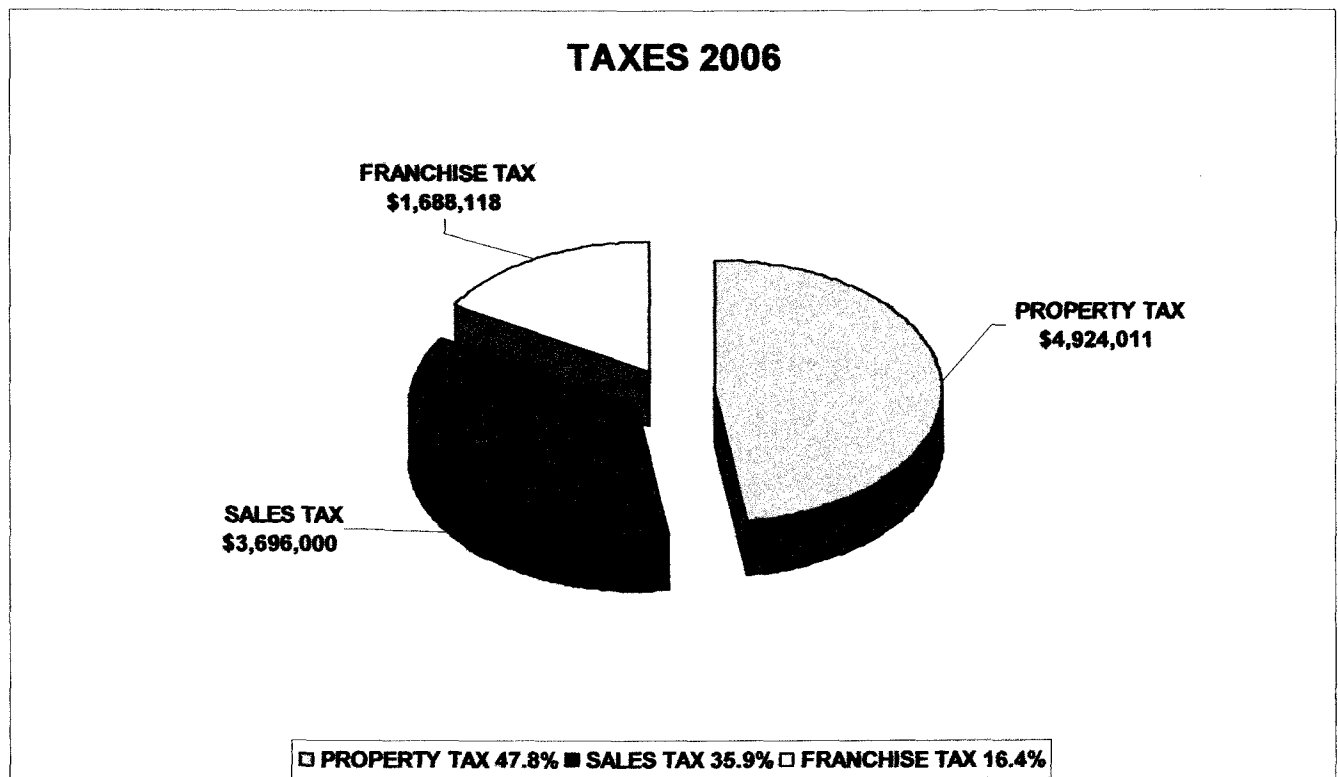
Primary government operating grants and contributions decreased \$1,757,185 compared to 2005. This decrease can be attributed to the completion of the 3rd Street comprehensive development project. Primary government capital grants and contributions increased by \$1,163,774 over 2005. The airport improvements project accounts for most of this increase.

The business-type activities, while comprising the smaller percentages of revenues and expenditures of the City, showed a gain of \$1,367,499 in net assets, before transfers. The business-type net assets recorded an increase of \$825,193 in 2006 which is up 6.82% over the 2005 fiscal period.

The following pie chart shows the composition of the 2006 primary government revenues.



The components of the City's taxes are property tax, sales tax and franchise tax. As can be seen by the chart below, property taxes comprised almost one half of the tax revenues. Franchise taxes increased 23.5% compared to 2005. This increase can mainly be attributed to a re-negotiated electric franchise agreement.



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

City of Pittsburgh's Mill Levy Rates

	<u>2004 Levy to support 2005 Budget</u>	<u>2005 Levy To support 2006 Budget</u>	<u>Increase/ (Decrease) over prior year</u>	<u>% Change</u>
General Fund	\$ 29.143	\$ 28.159	\$ (.984)	(3.38)%
Debt Service Fund	9.008	10.003	.995	11.05 %
Component Unit	<u>5.404</u>	<u>5.405</u>	<u>.001</u>	.00 %
Total Mill Levy	<u>\$ 43.555</u>	<u>\$ 43.567</u>	<u>\$.012</u>	.03 %

Although the City's total mill rate remained virtually unchanged, the decrease in the general fund was due to increased valuation and a better than expected 2005 carryover. The increase for the Component Unit was due to a need for additional funding.

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

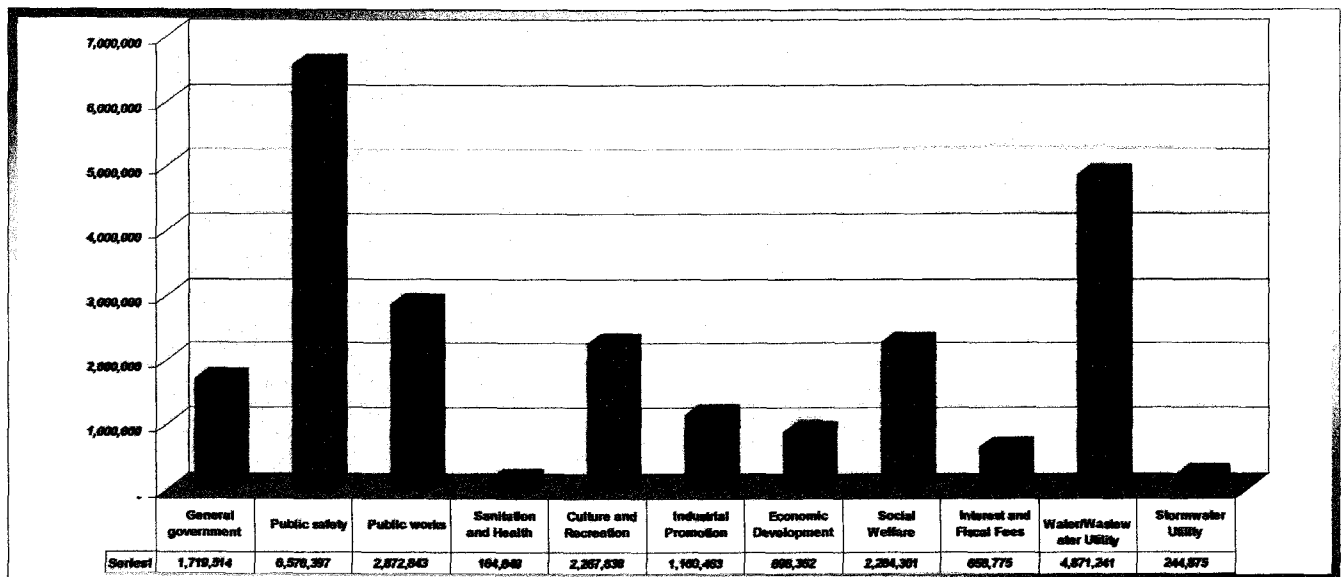
City of Pittsburgh's Assessed Valuation

	2004 Valuation To support 2005 Budget	2005 Valuation To support 2006 Budget	Increase/ (Decrease) over prior year	% Change
Real Property	\$ 85,979,504	\$ 92,454,680	\$ 6,475,176	7.53%
Personal Property	17,847,179	18,725,685	878,506	4.92%
State Assessed	<u>6,826,214</u>	<u>6,806,307</u>	<u>(19,907)</u>	(.29)%
Total	<u>\$110,652,897</u>	<u>\$117,986,672</u>	<u>\$ 7,333,775</u>	6.63%

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 2006 primary government expenditures.

Net Cost of City Services 2006



The total cost of services of the City's primary government for 2006 was \$23,719,458. This represents an increase of \$2,342,324 compared to 2005. The portion of these services covered by the City's taxpayers was \$10,308,129. For 2006 all cost of service categories had increased expenditures except for social welfare.

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 48.3% of the total cost of City services for 2006.

Analysis of the Fund Financial Statements

Governmental Funds

The City's governmental fund balances increased by a total of \$1,497,756 from the prior year, with four of the City's five major funds experiencing an increase in fund balance as a result of 2006 operations. Of the five major funds, the largest increase in fund balance is in the capital projects fund which gained \$1,537,322 followed by the debt service fund with a gain of \$399,363. The increase in the capital projects fund was primarily due to the issuance of bonds.

The general fund was the only major fund to record a decrease, which was down \$507,244 from 2005. Although general fund revenues were up 8.93%, expenditures were up 14.42%. The increase in expenditures can mainly be attributed to public safety and capital outlay. The other governmental funds show a combined decrease of \$123,707 from the prior year.

Proprietary Funds

The water/wastewater utility fund and stormwater utility fund had an increase of \$185,410 in cash and cash equivalents for 2006. This represents an increase of 6.74% from fiscal year 2005. This positive trend is due to an 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 2006. Generally 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 and T.I.F. sales tax collections were under budget while franchise tax collections were over budget with significant growth.
Charges for services	Information system fees exceeded budget due to unanticipated computer repairs and upgrades. Golf course revenues were under budget due to a harsher than normal fall and winter. Atkinson Airport revenues were over budget due to aviation fuel sales that contained increased fuel costs.
Investment income	Over budget due to increased rates of return.
Group hospitalization	This category is budgeted based upon prior year claims and the prior year reserve balance. The adopted budget includes a health insurance reserve line. Actual expenditures were approximately 64.51% of budgeted expenditures.
Information systems	This department had several unanticipated computer repairs and upgrades during 2006.
Atkinson Airport	Expenditures exceeded adopted budget due to the fact that the airport had increased aviation for resale fuel cost.

Capital Asset and Debt Administration

Capital Assets

The total amount invested in capital assets for the primary government at December 31, 2006 was \$57,972,052, net of accumulated depreciation. The capital assets increased by 6.58% from the 2005 total. The majority of the governmental activities construction in progress is for parks and paving projects. The business type activity construction in progress is for residential incentives infrastructure and storm sewer improvements.

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

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

	Governmental Activities		Business-Type Activities	
	2005	2006	2005	2006
Land	\$ 1,338,214	\$ 2,152,580	\$ 436,690	\$ 436,690
Buildings and improvements	9,506,146	11,252,229	13,255,601	12,863,538
Machinery and equipment	1,667,797	1,793,033	758,268	1,233,510
Infrastructure	10,054,757	10,592,906	15,567,549	16,151,740
Construction in progress	<u>1,607,326</u>	<u>1,269,529</u>	<u>200,713</u>	<u>226,297</u>
Total	<u>\$ 24,174,240</u>	<u>\$ 27,060,277</u>	<u>\$ 30,218,821</u>	<u>\$ 30,911,775</u>

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

Debt Administration

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

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

	Governmental Activities		Business-Type Activities	
	2005	2006	2005	2006
General Obligation Bonds	\$ 6,295,000	\$ 8,900,000	\$ 2,165,000	\$ 1,810,000
K.D.H.E. Construction Loans	-	-	3,505,528	3,951,901
Tax Increment Bonds (TIF)	-	6,310,000	-	-
Transportation Development District Bonds (TDD)	-	<u>1,395,000</u>	-	-
Total	<u>\$ 6,295,000</u>	<u>\$16,605,000</u>	<u>\$ 5,670,528</u>	<u>\$ 5,761,901</u>

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 currently possesses a Moody's rating of "A3" on general obligation bond issues.

The outstanding general obligation bonds at December 31, 2006, totaled \$10,710,000 of which \$8,900,000 is considered net direct tax supported debt. This outstanding balance represents a 26.60% increase from the 2005 balance. The majority of the increase can be attributed to the public safety sales tax G.O. bond issue. New G.O. debt of \$5,685,000 was issued and \$3,435,000 was retired in 2006.

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.

Business-type activity bonded debt decreased by 16.40% from 2005. There were no new business-type activity bonds issued in fiscal year 2006. Business-type activity loans increased by 12.73% from 2005, while the overall business-type activity debt increased by 1.61%.

The City's wastewater utility has low interest loans through the Kansas Department of Health and Environment (KDHE) which are repaid 100% with utility revenues. The KDHE loans are for improvements at the wastewater plant and collection system improvements.

The tax increment finance (TIF) bonds are for improvements to the northeast redevelopment district. These bonds are to be repaid with sales tax and property tax within the TIF district only.

The transportation development district (TDD) bonds are for infrastructure improvements in the TIF district of the City. The TDD bonds are to be repaid with a special 3/10 percent sales tax in the TIF district only.

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, 2006

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Public Library
Assets:				
Cash and cash equivalents	\$ 12,673,475	\$ 2,936,621	\$ 15,610,096	\$ 114,714
Restricted cash	-	189,625	189,625	-
Receivables, net of allowance for uncollectibles:				
Taxes	5,502,391	-	5,502,391	668,579
Accounts	293,882	631,636	925,518	1,293
Intergovernmental	241,744	-	241,744	-
Other	86,527	19,470	105,997	-
Restricted investments	383,810	-	383,810	-
Leases receivable	1,316,639	-	1,316,639	-
Loans receivable	427,847	-	427,847	-
Deferred charges	443,154	43,297	486,451	-
Inventories	73,913	203,316	277,229	-
Prepaid items	19,567	4,094	23,661	723
Capital assets, net of accumulated depreciation:				
Land	2,152,580	436,690	2,589,270	215,415
Construction in progress	1,269,529	226,297	1,495,826	-
Buildings and improvements	11,252,229	12,863,538	24,115,767	2,720,882
Machinery and equipment	1,793,033	1,233,510	3,026,543	9,148
Infrastructure	10,592,906	16,151,740	26,744,646	-
Total assets	<u>48,523,226</u>	<u>34,939,834</u>	<u>83,463,060</u>	<u>3,730,754</u>
Liabilities:				
Accounts payable and other current liabilities	746,776	57,853	804,629	7,941
Bond anticipation notes payable	1,775,000	-	1,775,000	-
Accrued interest payable	216,870	64,619	281,489	-
Unearned revenue	4,718,379	-	4,718,379	668,579
Liabilities payable from restricted cash	-	189,625	189,625	-
Noncurrent liabilities:				
Due within one year	1,746,307	489,532	2,235,839	-
Due in more than one year	15,263,124	5,384,435	20,647,559	-
Total liabilities	<u>24,466,456</u>	<u>6,186,064</u>	<u>30,652,520</u>	<u>676,520</u>
Net assets:				
Invested in capital assets, net of related debt	11,057,847	25,149,875	36,207,722	-
Restricted for:				
Debt service	1,152,319	-	1,152,319	-
Revolving loans	6,961,750	-	6,961,750	-
Housing	951,729	-	951,729	-
Street and highway	244,667	-	244,667	-
Other purposes	17,105	-	17,105	-
Unrestricted	3,671,353	3,603,895	7,275,248	3,054,234
Total net assets	<u>\$ 24,056,770</u>	<u>\$ 28,753,770</u>	<u>\$ 52,810,540</u>	<u>\$ 3,054,234</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component
Functions/Programs	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Primary Government		Unit
			Grants and Contributions	Grants and Contributions		Business-Type Activities	Total	Public Library
Primary government:								
Governmental activities:								
General government	\$ 1,719,514	\$ 1,019,776	\$ 59,816	\$ -	\$ (639,922)	\$ -	\$ (639,922)	\$ -
Public safety - police	3,249,047	-	65,643	-	(3,183,404)	-	(3,183,404)	-
Public safety - fire	2,389,005	-	-	136,878	(2,252,127)	-	(2,252,127)	-
Public safety - other	938,345	2,455	-	-	(935,890)	-	(935,890)	-
Public works	2,872,843	638,584	718,229	1,804,427	288,397	-	288,397	-
Sanitation and health	164,849	29,060	63,514	-	(72,275)	-	(72,275)	-
Culture and recreation	2,267,838	504,347	594,775	-	(1,168,716)	-	(1,168,716)	-
Industrial promotion	1,160,463	249,229	-	-	(911,234)	-	(911,234)	-
Economic development	898,362	-	-	-	(898,362)	-	(898,362)	-
Social welfare	2,284,301	2,885	1,744,036	-	(537,380)	-	(537,380)	-
Interest on long-term debt	658,775	-	-	-	(658,775)	-	(658,775)	-
Total governmental activities	18,603,342	2,446,336	3,246,013	1,941,305	(10,969,688)	-	(10,969,688)	-
Business-type activities:								
Water/wastewater	4,871,241	5,693,687	-	33,179	-	855,625	855,625	-
Stormwater	244,875	643,211	-	-	-	398,336	398,336	-
Total business-type activities	5,116,116	6,336,898	-	33,179	-	1,253,961	1,253,961	-
Total primary government	\$ 23,719,458	\$ 8,783,234	\$ 3,246,013	\$ 1,974,484	(10,969,688)	1,253,961	(9,715,727)	-
Component unit:								
Public library	\$ 853,685	\$ 11,174	\$ 105,998	\$ -	-	-	-	(736,513)
General revenues:								
Property taxes					4,924,011	-	4,924,011	677,708
Sales taxes					3,696,000	-	3,696,000	-
Franchise taxes					1,688,118	-	1,688,118	-
Unrestricted investment earnings					763,520	113,538	877,058	12,751
Transfers					542,306	(542,306)	-	-
Total general revenues and transfers					11,613,955	(428,768)	11,185,187	690,459
Change in net assets					644,267	825,193	1,469,460	(46,054)
Net assets, beginning					23,412,503	27,928,577	51,341,080	3,100,288
Net assets, ending					\$ 24,056,770	\$ 28,753,770	\$ 52,810,540	\$ 3,054,234

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2006

	General	Revolving Loans
Assets:		
Cash and cash equivalents	\$ 2,413,921	\$ 4,901,247
Receivables (net of allowance for uncollectibles):		
Taxes	4,097,485	146,827
Accounts	29,554	8,009
Intergovernmental	25,851	-
Other	53,410	28,977
Restricted investments	-	-
Leases receivable	-	1,316,639
Loans receivable	-	427,847
Advances to other funds	-	132,260
Inventories	56,674	-
Prepaid items	17,503	-
Total assets	<u>\$ 6,694,398</u>	<u>\$ 6,961,806</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 85,415	\$ 56
Retainage payable	97,200	-
Accrued payroll liabilities	131,729	-
Accrued self-insurance claims	115,000	-
Other	79,807	-
Deferred revenue	3,411,820	449,538
Bond anticipation notes payable	-	-
Advances from other funds	-	-
Total liabilities	<u>3,920,971</u>	<u>449,594</u>
Fund balances:		
Reserved for:		
Encumbrances	56,280	-
Inventories	56,674	-
Prepaid items	17,503	-
Advances	-	132,260
Revolving loan program	-	6,379,952
Insurance claims	880,000	-
Unreserved, reported in:		
General fund	1,762,970	-
Special revenue funds	-	-
Capital projects fund	-	-
Debt service fund	-	-
Total fund balances	<u>2,773,427</u>	<u>6,512,212</u>
Total liabilities and fund balances	<u>\$ 6,694,398</u>	<u>\$ 6,961,806</u>

See accompanying notes to basic financial statements.

Section 8	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 93,057	\$ 3,136,139	\$ 940,220	\$ 1,188,891	\$ 12,673,475
-	-	1,258,079	-	5,502,391
-	251,778	-	4,541	293,882
-	-	-	215,893	241,744
-	-	4,140	-	86,527
-	-	383,810	-	383,810
-	-	-	-	1,316,639
-	-	-	-	427,847
-	-	-	-	132,260
-	-	-	17,239	73,913
-	-	-	2,064	19,567
<u>\$ 93,057</u>	<u>\$ 3,387,917</u>	<u>\$ 2,586,249</u>	<u>\$ 1,428,628</u>	<u>\$ 21,152,055</u>
\$ 1,412	\$ 161,676	\$ -	\$ 43,954	\$ 292,513
-	30,527	-	-	127,727
-	-	-	-	131,729
-	-	-	-	115,000
-	-	-	-	79,807
89,499	-	1,217,060	-	5,167,917
-	1,775,000	-	-	1,775,000
-	-	-	132,260	132,260
<u>90,911</u>	<u>1,967,203</u>	<u>1,217,060</u>	<u>176,214</u>	<u>7,821,953</u>
-	-	-	-	56,280
-	-	-	17,239	73,913
-	-	-	2,064	19,567
-	-	-	-	132,260
-	-	-	-	6,379,952
-	-	-	-	880,000
-	-	-	-	1,762,970
2,146	-	-	1,233,111	1,235,257
-	1,420,714	-	-	1,420,714
-	-	1,369,189	-	1,369,189
<u>2,146</u>	<u>1,420,714</u>	<u>1,369,189</u>	<u>1,252,414</u>	<u>13,330,102</u>
<u>\$ 93,057</u>	<u>\$ 3,387,917</u>	<u>\$ 2,586,249</u>	<u>\$ 1,428,628</u>	<u>\$ 21,152,055</u>

CITY OF PITTSBURG, KANSAS

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

December 31, 2006

Total fund balance in Governmental Fund Balance Sheet	\$ 13,330,102
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.	27,060,277
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	449,538
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,783,147)</u>
Net assets of governmental activities	<u><u>\$ 24,056,770</u></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, 2006

	General	Revolving Loans
Revenues:		
Taxes:		
Property	\$ 3,554,204	\$ -
Sales	2,658,043	785,058
Franchise	1,688,118	-
Licenses and permits	104,417	-
Intergovernmental	1,242,673	-
Charges for services	1,609,459	-
Fines and fees	312,958	-
Special assessments	-	-
Investment earnings	388,543	252,372
Lease income	-	340,478
Miscellaneous	93,459	13,908
Total revenues	<u>11,651,874</u>	<u>1,391,816</u>
Expenditures:		
Current:		
General government	1,535,479	-
Public safety - police	3,101,059	-
Public safety - fire	2,190,419	-
Public safety - other	904,123	-
Public works	833,048	-
Sanitation and health	94,355	-
Culture and recreation	1,915,072	-
Industrial promotion	256,233	865,727
Economic development	-	-
Social welfare	-	-
Debt service:		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
Capital outlay	1,819,886	-
Total expenditures	<u>12,649,674</u>	<u>865,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(997,800)</u>	<u>526,089</u>
Other financing sources (uses):		
Transfers in	1,020,556	-
Transfers out	(530,000)	(335,374)
Bonds issued	-	-
Discount on bonds	-	-
Total other financing sources (uses)	<u>490,556</u>	<u>(335,374)</u>
Net change in fund balances	(507,244)	190,715
Fund balances, beginning	<u>3,280,671</u>	<u>6,321,497</u>
Fund balances, ending	<u>\$ 2,773,427</u>	<u>\$ 6,512,212</u>

See accompanying notes to basic financial statements.

Section 8	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,369,807	\$ -	\$ 4,924,011
-	-	252,899	-	3,696,000
-	-	-	-	1,688,118
-	-	-	-	104,417
1,367,319	191,960	-	1,210,578	4,012,530
-	-	-	-	1,609,459
-	-	-	-	312,958
-	-	57,645	-	57,645
-	7,045	71,974	43,586	763,520
-	-	-	-	340,478
2,885	632,131	557	564,984	1,307,924
1,370,204	831,136	1,752,882	1,819,148	18,817,060
-	-	-	-	1,535,479
-	-	-	-	3,101,059
-	-	-	-	2,190,419
-	-	-	-	904,123
-	-	-	1,113,987	1,947,035
-	-	-	64,847	159,202
-	-	-	-	1,915,072
-	-	-	-	1,121,960
-	53,927	844,435	-	898,362
1,368,897	-	-	910,808	2,279,705
-	6,285,000	1,080,000	-	7,365,000
-	235,068	425,165	-	660,233
-	102,745	304,961	-	407,706
-	2,723,582	-	273,124	4,816,592
1,368,897	9,400,322	2,654,561	2,362,766	29,301,947
1,307	(8,569,186)	(901,679)	(543,618)	(10,484,887)
-	6,486,508	181,564	541,997	8,230,625
-	(65,000)	(6,419,133)	(122,086)	(7,471,593)
-	3,685,000	7,705,000	-	11,390,000
-	-	(166,389)	-	(166,389)
-	10,106,508	1,301,042	419,911	11,982,643
1,307	1,537,322	399,363	(123,707)	1,497,756
839	(116,608)	969,826	1,376,121	11,832,346
\$ 2,146	\$ 1,420,714	\$ 1,369,189	\$ 1,252,414	\$ 13,330,102

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, 2006

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

Net change in fund balances - total governmental funds	\$ 1,497,756
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.	3,102,763
Capital asset transfers are not recorded in the governmental funds because there has been no flow of current financial resources.	(216,726)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(111,757)
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.	(3,450,905)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(176,864)</u>
Change in net assets of governmental activities	<u><u>\$ 644,267</u></u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 9,308,008	\$ 8,933,965	\$ (374,043)
Intergovernmental	58,493	124,277	65,784
Licenses and permits	115,000	104,417	(10,583)
Charges for services	2,541,294	2,728,605	187,311
Fines and fees	376,800	312,958	(63,842)
Investment income	100,000	335,133	235,133
Miscellaneous	46,381	74,859	28,478
Total revenues	12,545,976	12,614,214	68,238
Expenditures:			
General government:			
General administration:			
Personnel services	477,151	476,417	734
Contractual services	140,806	153,201	(12,395)
Commodities	16,000	20,211	(4,211)
Total general administration expenditures	633,957	649,829	(15,872)
Group hospitalization:			
Claims paid	1,820,866	1,174,674	646,192
Human resources:			
Personnel services	135,705	133,716	1,989
Contractual services	28,343	57,067	(28,724)
Commodities	7,500	4,897	2,603
Total human resources expenditures	171,548	195,680	(24,132)
Information systems:			
Personnel services	246,553	241,398	5,155
Contractual services	67,666	95,274	(27,608)
Commodities services	47,500	58,730	(11,230)
Capital outlay	37,781	76,209	(38,428)
Total information systems expenditures	\$ 399,500	\$ 471,611	\$ (72,111)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Municipal court:			
Personnel services	\$ 239,424	\$ 230,688	\$ 8,736
Contractual services	33,878	33,152	726
Commodities	2,850	3,423	(573)
Total municipal court expenditures	276,152	267,263	8,889
Total general government expenditures	3,302,023	2,759,057	542,966
Public safety:			
Police department:			
Personnel services	2,407,176	2,548,133	(140,957)
Contractual services	325,779	330,284	(4,505)
Commodities	200,500	166,509	33,991
Capital outlay	127,670	106,071	21,599
Total police department expenditures	3,061,125	3,150,997	(89,872)
Fire department:			
Personnel services	2,026,277	1,993,845	32,432
Contractual services	109,446	116,862	(7,416)
Commodities	88,500	79,040	9,460
Capital outlay	12,000	-	12,000
Total fire department expenditures	2,236,223	2,189,747	46,476
Public safety - other:			
Codes enforcement:			
Personnel services	609,648	585,055	24,593
Contractual services	173,754	117,991	55,763
Commodities	20,350	12,497	7,853
Total codes enforcement expenditures	\$ 803,752	\$ 715,543	\$ 88,209

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Animal control:			
Personnel services	\$ 40,464	\$ 39,631	\$ 833
Contractual services	21,641	14,184	7,457
Commodities	6,300	7,116	(816)
Total animal control expenditures	68,405	60,931	7,474
Electronics department:			
Personnel services	64,941	66,700	(1,759)
Contractual service	19,816	17,171	2,645
Commodities	60,800	46,553	14,247
Capital outlay	54,000	46,525	7,475
Total electronics department expenditures	199,557	176,949	22,608
Total public safety - other	1,071,714	953,423	118,291
Total public safety expenditures	6,369,062	6,294,167	74,895
Public works:			
Engineering department:			
Personnel services	125,925	102,006	23,919
Contractual services	40,437	24,560	15,877
Commodities	14,400	12,831	1,569
Total engineering department expenditures	180,762	139,397	41,365
Atkinson Airport:			
Personnel services	163,893	158,707	5,186
Contractual services	64,630	59,041	5,589
Commodities	305,820	483,053	(177,233)
Total Atkinson Airport expenditures	534,343	700,801	(166,458)
Total public works expenditures	\$ 715,105	\$ 840,198	\$ (125,093)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Sanitation and health:			
Mt. Olive Cemetery:			
Personnel services	\$ 66,109	\$ 68,959	\$ (2,850)
Contractual services	10,510	16,842	(6,332)
Commodities	9,750	8,522	1,228
Total sanitation and health expenditures	86,369	94,323	(7,954)
Culture and recreation:			
Parks and recreation department:			
Personnel services	592,744	583,269	9,475
Contractual services	124,880	118,914	5,966
Commodities	158,300	170,086	(11,786)
Capital outlay	142,000	143,900	(1,900)
Total parks and recreation department expenditures	1,017,924	1,016,169	1,755
Aquatic center:			
Personnel services	101,098	105,264	(4,166)
Contractual services	28,624	32,151	(3,527)
Commodities	51,500	58,719	(7,219)
Total aquatic center expenditures	181,222	196,134	(14,912)
Four Oaks Complex:			
Personnel services	270,490	229,597	40,893
Contractual services	64,052	67,608	(3,556)
Commodities	119,000	92,713	26,287
Capital outlay	52,500	46,239	6,261
Total Four Oaks Complex expenditures	\$ 506,042	\$ 436,157	\$ 69,885

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Memorial Auditorium and Convention Center:			
Personnel services	\$ 235,462	\$ 236,690	\$ (1,228)
Contractual services	107,168	139,663	(32,495)
Commodities	43,500	75,380	(31,880)
Capital outlay	12,000	17,450	(5,450)
Operating reserve	135,630	-	135,630
Total Memorial Auditorium and Convention Center	533,760	469,183	64,577
Total culture and recreation expenditures	2,238,948	2,117,643	121,305
Industrial promotion:			
Economic development:			
Personnel services	119,146	120,126	(980)
Contractual services	108,408	111,548	(3,140)
Commodities	5,000	24,531	(19,531)
Capital outlay	31,509	-	31,509
Total industrial promotion expenditures	264,063	256,205	7,858
Operating reserve	560,784	-	560,784
Total expenditures	13,536,354	12,361,593	1,174,761
Excess (deficiency) of revenues over (under) expenditures	(990,378)	252,621	1,242,999
Other financing sources (uses):			
Transfers in	1,045,291	1,020,556	(24,735)
Transfers out	(1,910,544)	(1,556,527)	354,017
Total other financing sources and uses	(865,253)	(535,971)	329,282
Net change in fund balances	(1,855,631)	(283,350)	1,572,281
Fund balance, beginning	1,855,631	2,196,982	341,351
Fund balance, ending	\$ -	\$ 1,913,632	\$ 1,913,632

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2006

	Major Fund Water/Wastewater	Non-Major Fund Stormwater	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,910,312	\$ 1,026,309	\$ 2,936,621
Restricted cash - customer deposits	189,625	-	189,625
Accounts receivable (net of allowance for uncollectibles)	596,472	35,164	631,636
Other receivable	19,470	-	19,470
Inventories	203,316	-	203,316
Prepaid items	3,911	183	4,094
Total current assets	2,923,106	1,061,656	3,984,762
Noncurrent assets:			
Deferred charges	43,297	-	43,297
Capital assets:			
Land	436,690	-	436,690
Buildings and improvements	19,240,848	-	19,240,848
Machinery and equipment	2,924,937	274,245	3,199,182
Construction in progress	155,232	71,065	226,297
Infrastructure	23,182,609	1,482,757	24,665,366
Less accumulated depreciation	(16,657,436)	(199,172)	(16,856,608)
Total capital assets, net of accumulated depreciation	29,282,880	1,628,895	30,911,775
Total noncurrent assets	29,326,177	1,628,895	30,955,072
Total assets	32,249,283	2,690,551	34,939,834
Liabilities:			
Current liabilities:			
Accounts payable	45,560	12,293	57,853
Accrued interest payable	64,619	-	64,619
Accrued compensated absences	108,103	3,963	112,066
Customer deposits payable	189,625	-	189,625
General obligation bonds - current	225,000	-	225,000
Construction loan payable - current	152,466	-	152,466
Total current liabilities	785,373	16,256	801,629
Noncurrent liabilities:			
General obligation bonds payable (net of unamortized discounts)	1,585,000	-	1,585,000
Construction loan payable	3,799,435	-	3,799,435
Total noncurrent liabilities	5,384,435	-	5,384,435
Total liabilities	6,169,808	16,256	6,186,064
Net assets:			
Invested in capital assets, net of related debt	23,520,980	1,628,895	25,149,875
Unrestricted	2,558,495	1,045,400	3,603,895
Total net assets	\$ 26,079,475	\$ 2,674,295	\$ 28,753,770

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, 2006

	Major Fund Water/Wastewater	Non-Major Fund Stormwater	Total
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 3,044,423	\$ -	\$ 3,044,423
Wastewater charges	2,442,645	-	2,442,645
Stormwater charges	-	632,743	632,743
Other charges	206,619	10,468	217,087
Total operating revenues	<u>5,693,687</u>	<u>643,211</u>	<u>6,336,898</u>
Operating expenses:			
Costs of sales and services	2,065,701	73,239	2,138,940
Administration	1,620,426	126,825	1,747,251
Depreciation	982,260	44,811	1,027,071
Total operating expenses	<u>4,668,387</u>	<u>244,875</u>	<u>4,913,262</u>
Operating income	<u>1,025,300</u>	<u>398,336</u>	<u>1,423,636</u>
Nonoperating revenues (expenses):			
Interest revenue	113,538	-	113,538
Interest expense	(202,854)	-	(202,854)
Total nonoperating revenues (expenses)	<u>(89,316)</u>	<u>-</u>	<u>(89,316)</u>
Income before capital contributions and transfers	935,984	398,336	1,334,320
Capital contributions	178,840	71,065	249,905
Transfers out	<u>(759,032)</u>	<u>-</u>	<u>(759,032)</u>
Change in net assets	355,792	469,401	825,193
Total net assets, beginning	<u>25,723,683</u>	<u>2,204,894</u>	<u>27,928,577</u>
Total net assets, ending	<u>\$ 26,079,475</u>	<u>\$ 2,674,295</u>	<u>\$ 28,753,770</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2006

	Major Fund Water/Wastewater	Non-Major Fund Stormwater	Total
Cash flows from operating activities:			
Receipts from customers	\$ 5,647,783	\$ 630,123	\$ 6,277,906
Payments to suppliers	(2,073,000)	(60,905)	(2,133,905)
Payments to employees	(1,601,299)	(124,982)	(1,726,281)
Net cash provided by operating activities	1,973,484	444,236	2,417,720
Cash flows from noncapital financing activities:			
Transfers to other funds	(706,738)	-	(706,738)
Interest paid on deposits	(6,219)	-	(6,219)
Net cash used in noncapital financing activities	(712,957)	-	(712,957)
Cash flows from capital and related financing activities:			
Proceeds from capitalization grant/construction loan payable	594,876	-	594,876
Payments on capitalization grant/construction loan payable	(148,503)	-	(148,503)
Acquisition and construction of capital assets	(867,718)	-	(867,718)
Purchases of capital assets	(446,359)	(156,044)	(602,403)
Transfers to other funds	(52,294)	-	(52,294)
Principal paid on capital debt	(355,000)	-	(355,000)
Interest paid on capital debt	(202,699)	-	(202,699)
Net cash used in capital and related financing activities	(1,477,697)	(156,044)	(1,633,741)
Cash flows from investing activities:			
Interest received	113,538	-	113,538
Net increase (decrease) in cash and cash equivalents	(103,632)	288,192	184,560
Cash and cash equivalents and restricted cash, beginning of year	2,203,569	738,117	2,941,686
Cash and cash equivalents and restricted cash, end of year	\$ 2,099,937	\$ 1,026,309	\$ 3,126,246

Non-cash capital financing activities:

Contributions of capital assets of \$ 178,840 and \$ 71,065 were acquired in the water/wastewater fund and the stormwater fund, respectively, from other governmental funds.

(Continued)

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2006

	Major Fund Water/Wastewater	Non-Major Fund Stormwater	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,025,300	\$ 398,336	\$ 1,423,636
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	982,260	44,811	1,027,071
Amortization of deferred charges	6,185	-	6,185
Changes in assets and liabilities:			
Receivables, net	(45,054)	(13,088)	(58,142)
Inventories	(60,169)	-	(60,169)
Prepaid items	1,125	41	1,166
Accounts payable	45,560	12,293	57,853
Accrued compensated absences	19,127	1,843	20,970
Customer deposits	(850)	-	(850)
Net cash provided by operating activities	<u>\$ 1,973,484</u>	<u>\$ 444,236</u>	<u>\$ 2,417,720</u>
Cash consists of:			
Cash and cash equivalents	\$ 1,910,312	\$ 1,026,309	\$ 2,936,621
Restricted cash	189,625	-	189,625
	<u>\$ 2,099,937</u>	<u>\$ 1,026,309</u>	<u>\$ 3,126,246</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

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)

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 investment 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, 2006, interest earnings allocated to the various funds were \$ 829,493.

The investments consist of money market mutual funds, which are recorded at fair value.

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, 2006, 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.

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

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records an allowance equal to 5% of the trade accounts receivable.

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

General fund property taxes receivable	\$ 3,411,820
Revolving loans fund long-term portion of capital leases receivable	449,538
Section 8 fund grants	89,499
Debt service fund property taxes receivable	<u>1,217,060</u>
	<u><u>\$ 5,167,917</u></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 2006 levy was based was approximately \$ 117,987,000.

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 2006 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$ 28.159
Debt Service Fund	10.003
Component unit:	
Public Library	<u>5.405</u>
	<u>\$ 43.567</u>

Property taxes levied for 1998-2006 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. Restricted investments are set aside for debt service payments and for required debt reserves.

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

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

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.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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, 2006, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 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.

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. 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.

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 \$ 16,783,147 difference are as follows:

Bonds payable	\$ (16,605,000)
Less: Deferred charge for issuance costs	443,154
Less: Issuance of discount	159,416
Accrued interest payable	(216,870)
Compensated absences	(563,847)
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (16,783,147)</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 \$ 3,102,763 difference are as follows:

Capital outlay	\$ 4,726,823
Depreciation expense	<u>(1,624,060)</u>
Net adjustment to increase net change in fund balances -total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 3,102,763</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 \$ 3,450,905 difference are as follows:

Debt issued or incurred:	
Issuance of bonds	\$ (11,390,000)
Bond issuance costs	407,706
Bond discounts	166,389
Principal repayments:	
Bonds	1,080,000
Bond anticipation notes	<u>6,285,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (3,450,905)</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 \$ 176,864 difference are as follows:

Compensated absences	\$ (178,322)
Accrued interest	14,339
Amortization of issuance costs	(5,908)
Amortization of bond discounts	(6,973)
	<hr/>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (176,864)</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 2006.

Excess of Expenditures Over Appropriations

Expenditures and transfers out exceeded appropriations in the Special Alcohol and Drug Fund by \$ 8,104 and in the special parks and recreation fund by \$ 1,573.

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 include disbursements and encumbrances.

	<u>General Fund</u>
Deficit of revenue under expenditures, GAAP basis	\$ (997,800)
Add:	
Transfer from capital project	153,586
Sales tax transfers	1,026,527
Health claims	299
Retainage payable	97,200
Change in taxes receivable	7,072
Change in encumbrances	51,387
Deduct:	
Change in interest receivable	(53,410)
Change in inventories	(6,341)
Change in grants receivable	(8,395)
Change in prepaid items	(17,504)
Excess of revenue over expenditures, budgetary basis	<u>\$ 252,621</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

Deposits

Custodial Credit Risk

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, 2006, 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.

Investments

As of December 31, 2006, the city had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	\$ 383,810	\$ 383,810	\$ -	\$ -	\$ -

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of managing its exposure to fair value losses arising from increasing interest rates, the City has a formally adopted investment policy that limits investment maturities. The policy states that the City must attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not invest in securities maturing more than two years from the date of purchase.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5 - Deposits and Investments (Continued)

Investments (Continued)

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 Library held no investments at December 31, 2006.

The City's investments in money market mutual funds are rated AAA by Moody's and Standard & Poor's.

Concentrations of Credit Risk

The City places no limit on the amount it may invest in any one issuer. One hundred percent of the City's investments are in money market mutual funds.

Custodial Credit Risk-Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2006, the City's investments were not exposed to custodial credit risk.

At year end, the City's deposit and investments balances, including debt restricted accounts held by City agents were as follows:

	Carrying Amount		
	City	Component Unit - Public Library	Total
Cash and cash equivalents	\$ 15,610,096	\$ 114,714	\$ 15,724,810
Restricted cash and cash equivalents	189,625	-	189,625
Restricted investments	383,810	-	383,810
	<u>\$ 16,183,531</u>	<u>\$ 114,714</u>	<u>\$ 16,298,245</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Loans Receivable

Loans receivable, aggregating approximately \$ 428,000 at December 31, 2006, 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, 2006 the lease receivable balance was \$ 1,316,639.

Future minimum lease payments to be received are as follows:

2007	\$ 191,350
2008	191,350
2009	191,350
2010	191,350
2011	97,995
2012 - 2016	401,054
2017 - 2021	<u>300,900</u>
Total minimum lease payments	1,565,349
Less: amounts representing interest	<u>(248,710)</u>
Present value of minimum lease payments	<u>\$ 1,316,639</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, 2006 rental income related to these leases was \$ 111,501. Future minimum lease income is as follows:

2007	\$ 208,804
2008	144,005
2009	111,605
2010	111,605
2011	98,578
2012 - 2016	<u>322,638</u>
	<u>\$ 997,235</u>

The asset cost of the buildings the City leases is \$ 1,944,124, with accumulated depreciation of \$ 309,942, resulting in net carrying value of \$ 1,634,182 at December 31, 2006.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,338,214	\$ 814,366	\$ -	\$ 2,152,580
Construction in progress	1,607,326	4,131,914	(4,469,711)	1,269,529
Total capital assets not being depreciated	2,945,540	4,946,280	(4,469,711)	3,422,109
Capital assets being depreciated:				
Buildings and improvements	18,502,605	2,327,389	-	20,829,994
Machinery and equipment	6,620,473	645,521	(650,882)	6,615,112
Infrastructure	18,564,245	1,117,644	-	19,681,889
Total capital assets being depreciated	43,687,323	4,090,554	(650,882)	47,126,995
Less accumulated depreciation for:				
Buildings and improvements	(8,996,459)	(581,306)	-	(9,577,765)
Machinery and equipment	(4,952,676)	(463,259)	593,856	(4,822,079)
Infrastructure	(8,509,488)	(579,495)	-	(9,088,983)
Total accumulated depreciation	(22,458,623)	(1,624,060)	593,856	(23,488,827)
Total capital assets being depreciated, net	21,228,700	2,466,494	(57,026)	23,638,168
Governmental activities capital assets, net	\$ 24,174,240	\$ 7,412,774	\$(4,526,737)	\$ 27,060,277

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	874,857	(849,273)	226,297
Total capital assets not being depreciated	637,403	874,857	(849,273)	662,987
Capital assets being depreciated:				
Buildings and improvements	19,240,848	-	-	19,240,848
Machinery and equipment	2,855,833	601,075	(257,726)	3,199,182
Infrastructure	23,572,000	1,093,366	-	24,665,366
Total capital assets being depreciated	45,668,681	1,694,441	(257,726)	47,105,396
Less accumulated depreciation for:				
Buildings and improvements	(5,985,247)	(392,063)	-	(6,377,310)
Machinery and equipment	(2,097,565)	(125,833)	257,726	(1,965,672)
Infrastructure	(8,004,451)	(509,175)	-	(8,513,626)
Total accumulated depreciation	(16,087,263)	(1,027,071)	257,726	(16,856,608)
Total capital assets being depreciated, net	29,581,418	667,370	-	30,248,788
Business-type activities capital assets, net	<u>\$ 30,218,821</u>	<u>\$ 1,542,227</u>	<u>\$ (849,273)</u>	<u>\$ 30,911,775</u>

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	\$ 99,213
Public safety - police	92,002
Public safety - fire	132,306
Public safety - other	22,346
Public works	905,299
Sanitation and health	4,151
Culture and recreation	332,743
Industrial promotion	36,000

Total depreciation expense - governmental activities	<u>\$ 1,624,060</u>
--	---------------------

Business-type activities:

Water and sewer	\$ 982,260
Stormwater	44,811

	<u>\$ 1,027,071</u>
--	---------------------

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Capital Assets (Continued)

Capital asset activity for the Public Library component unit for the year ended December 31, 2006 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	3,326,018	-	-	3,326,018
Machinery and equipment	53,279	9,996	(17,600)	45,675
Total capital assets being depreciated	3,379,297	9,996	(17,600)	3,371,693
Less accumulated depreciation for:				
Buildings and improvements	(531,774)	(73,362)	-	(605,136)
Machinery and equipment	(53,279)	(848)	17,600	(36,527)
Total accumulated depreciation	(585,053)	(74,210)	17,600	(641,663)
Total capital assets being depreciated, net	2,794,244	(64,214)	-	2,730,030
Public Library capital assets, net	\$ 3,009,659	\$ (64,214)	\$ -	\$ 2,945,445

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 2006 was 4.61% and from July through December 2006 was 4.81%. The City employer contributions to KPERS for the years ending December 31, 2006, 2005, and 2004 were \$ 223,959, \$ 180,122, and \$ 151,245, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for fiscal years beginning in 2006 is 15.88%. 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, 2006, 2005, and 2004 were \$ 506,127, \$ 443,349, and \$ 368,822, 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 \$ 115,000 reported at December 31, 2006 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, 2006, the City had approximately \$ 880,000 reserved in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Claims payable, beginning of year	\$ 135,000	\$ 100,000
Incurred claims and change in estimate	1,002,884	931,520
Claim payments	<u>(1,022,884)</u>	<u>(896,520)</u>
Claims payable, end of year	<u>\$ 115,000</u>	<u>\$ 135,000</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, 2006, 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, 2006 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, 2006 for capital projects compared to the amount authorized:

	Costs to Date	Amount Authorized
General government:		
Park improvements	\$ 2,943	\$ 111,000
Economic development projects	6,704,712	6,775,597
Airport runway	2,168,637	3,685,193
Paving projects	1,682,132	5,111,081
Public safety center	891,984	15,000,000
	<u>\$ 11,450,408</u>	<u>\$ 30,682,871</u>
Business-type:		
Water/wastewater	<u>\$ 400,147</u>	<u>\$ 2,990,600</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, 2006 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2006	Outstanding December 31, 2006
General Obligation Bonds:					
Governmental activities:					
Series 1999-A	3.95-5.50%	\$ 3,220,000	2008	\$ 355,000	\$ 745,000
Series 2001-B	3.10-4.30%	2,675,000	2011	260,000	1,470,000
Series 2003-A	1.50-3.30%	3,025,000	2013	355,000	1,650,000
Series 2005-A	2.35-3.60%	1,460,000	2015	110,000	1,350,000
Series 2006-A	3.30-3.75%	545,000	2016	-	545,000
Series 2006-B	3.65-3.90%	1,140,000	2016	-	1,140,000
Series 2006-C	3.50-3.80%	2,000,000	2016	-	2,000,000
				1,080,000	8,900,000
Business-type activities:					
Series 2001-A	3.50-5.50%	4,715,000	2013	355,000	1,810,000
				<u>\$ 1,435,000</u>	<u>\$ 10,710,000</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
 Series 2006-A: Callable September 1, 2014 at par plus accrued interest
 Series 2006-B: Callable September 1, 2014 at par plus accrued interest
 Series 2006-C: Callable September 1, 2014 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	\$	365,000	\$ 380,000
Series 2001-B		270,000	320,000
Series 2003-A		160,000	300,000
Series 2005-A		135,000	165,000
Series 2006-A		35,000	65,000
Series 2006-B		90,000	135,000
Series 2006-C		175,000	235,000
Business-type activities:			
Series 2001-A		225,000	300,000

The future annual requirement for general obligation bonds outstanding as of December 31, 2006 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2007	\$ 1,355,000	\$ 318,648	\$ 225,000	\$ 87,770
2008	1,405,000	267,755	230,000	78,770
2009	1,060,000	218,808	240,000	69,225
2010	1,095,000	183,408	255,000	56,025
2011	990,000	145,187	270,000	42,000
2012 - 2016	2,995,000	308,065	590,000	41,250
	<u>\$ 8,900,000</u>	<u>\$ 1,441,871</u>	<u>\$ 1,810,000</u>	<u>\$ 375,040</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12 - Long-Term Debt (Continued)

Construction Loan Payable

During 2001, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 3,800,000 to finance improvements to the wastewater system. The loan is being repaid over twenty years at an interest rate of 3.16%. The outstanding balance of \$ 3,354,417 is shown as a liability in the water/wastewater fund. The future annual debt service requirements for the construction loan payable as of December 31, 2006 are as follows:

	Principal	Interest and Service Fee	Total
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	172,838	84,934	257,772
2012-2016	950,351	338,504	1,288,855
2017-2021	1,111,646	177,210	1,288,856
2022-2027	479,959	19,738	499,697
	<u>\$ 3,354,417</u>	<u>\$ 1,011,847</u>	<u>\$ 4,366,264</u>

During 2006, the City entered into a second loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 4,000,000 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.67%. As of December 31, 2006, the City has drawn \$ 597,484 on this loan, which is shown as a liability in the waster/wastewater fund. The debt service requirements to the maturity date will not be determinable until the final draw has been made.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12 - Long-Term Debt (Continued)

Transportation Development District Sales Tax Revenue Bonds

In 2006, the City issued Transportation Development District Sales Tax Revenue bonds in the amount of \$ 1,395,000. The proceeds were used to finance the North Broadway – Pittsburg Town Center Project. A sales tax has been imposed on purchases made within the transportation development district. The sales tax collected will be used to retire the bonds. The bonds are considered a special, limited obligation of the City secured by a pledge of the sales tax revenues. The bonds are not a general obligation of the City, nor do they go against the City's debt limit.

The future annual requirements for Transportation Development District Sales Tax Revenue bonds outstanding as of December 31, 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 5,000	\$ 66,840	\$ 71,840
2008	20,000	66,240	86,240
2009	30,000	65,040	95,040
2010	30,000	63,600	93,600
2011	35,000	62,040	97,040
2012 - 2016	230,000	280,320	510,320
2017 - 2021	350,000	211,200	561,200
2022 - 2026	505,000	109,800	614,800
2026 - 2031	190,000	4,560	194,560
	<u>\$ 1,395,000</u>	<u>\$ 929,640</u>	<u>\$ 2,324,640</u>

The bonds are subject to optional redemption provisions starting on April 1, 2016, and on any interest payment date thereafter, at par plus accrued interest. The term bonds maturing on April 1, 2027 are subject to mandatory redemption and payment prior to maturity pursuant to the requirements of a mandatory redemption schedule, at par plus accrued interest.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Special Obligation Tax Increment Revenue Bonds

In 2006, the City issued Special Obligation Tax Increment (TIF) Revenue bonds in the amount of \$ 6,310,000. The proceeds were used to finance certain redevelopment costs in connection with the North Broadway Redevelopment - Pittsburg Town Center Project. An incremental increase in ad valorem tax revenues and certain sales tax revenues from the redevelopment district will be used to retire the bonds. The bonds are considered a special, limited obligation of the City, secured by a pledge of and lien on the incremental increase in ad valorem tax and certain sales tax revenues. The bonds are not a general obligation of the City nor do they go against the City's debt limit.

The future annual requirements for TIF Revenue bonds outstanding as of December 31, 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 299,970	\$ 299,970
2008	170,000	296,145	466,145
2009	195,000	287,933	482,933
2010	215,000	278,708	493,708
2011	235,000	268,582	503,582
2012 - 2016	1,490,000	1,158,975	2,648,975
2017 - 2021	2,155,000	732,427	2,887,427
2022 - 2026	1,850,000	147,000	1,997,000
	<u>\$ 6,310,000</u>	<u>\$ 3,469,740</u>	<u>\$ 9,779,740</u>

The bonds are subject to optional redemption provisions starting on April 1, 2016, and on any interest payment date thereafter, at par plus accrued interest. The term bonds maturing on April 1, 2016 and April 1, 2024 are subject to mandatory redemption and payment prior to maturity pursuant to the requirements of a mandatory redemption schedule, at par plus accrued interest.

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, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 6,295,000	\$ 3,685,000	\$ (1,080,000)	\$ 8,900,000	\$ 1,355,000
Transportation Development District Sales Tax Revenue Bonds	-	1,395,000	-	1,395,000	5,000
Special Obligation Tax Increment Revenue Bonds	-	6,310,000	-	6,310,000	-
Less deferred amounts:					
For issuance discounts	-	(166,389)	6,973	(159,416)	-
Bond anticipation notes	6,285,000	-	(6,285,000)	-	-
Compensated absences	385,525	565,412	(387,090)	563,847	386,307
	<u>\$ 12,965,525</u>	<u>\$ 11,789,023</u>	<u>\$ (7,745,117)</u>	<u>\$ 17,009,431</u>	<u>\$ 1,746,307</u>
Governmental activity long-term liabilities					
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 2,165,000	\$ -	\$ (355,000)	\$ 1,810,000	\$ 225,000
Construction loan payable	3,505,528	594,876	(148,503)	3,951,901	152,466
Compensated absences	91,096	124,054	(103,084)	112,066	112,066
	<u>\$ 5,761,624</u>	<u>\$ 718,930</u>	<u>\$ (606,587)</u>	<u>\$ 5,873,967</u>	<u>\$ 489,532</u>
Business-type activity long-term liabilities					

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

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, 2006, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 2,186,000.

13 - Bond Anticipation Notes Payable

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

At December 31, 2006 the City had the following bond anticipation notes outstanding:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond anticipation notes	<u>\$ 8,515,000</u>	<u>\$ 8,820,000</u>	<u>\$ 15,560,000</u>	<u>\$ 1,775,000</u>
<u>Issue</u>		<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
2006B		\$ 1,775,000	3.75%	7/1/2007

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

14 - Interfund Transactions

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 57,816
Revolving loan fund	256,002
Water/wastewater fund	706,738
	<hr/>
Total transfers to general fund	\$ 1,020,556
	<hr/>
Transfers to capital projects fund from:	
Revolving loan fund	\$ 67,375
Debt service fund	6,419,133
	<hr/>
Total transfers to capital projects fund	\$ 6,486,508
	<hr/>
Transfers to debt service fund from:	
Capital projects fund	\$ 65,000
Water/wastewater fund	52,294
Nonmajor governmental funds	64,270
	<hr/>
Total transfers to debt service fund	\$ 181,564
	<hr/>
Transfers to nonmajor governmental funds from:	
General fund	\$ 530,000
Revolving loan fund	11,997
	<hr/>
Total transfers to nonmajor governmental funds	\$ 541,997
	<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 \$ 216,726 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

\$ 132,260

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, 2006

	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	\$ -	\$ 38,682	\$ 198,480	\$ 951,729	\$ -	\$ 1,188,891
Accounts receivable	-	-	4,541	-	-	4,541
Intergovernmental receivable	-	-	215,893	-	-	215,893
Inventories	-	-	17,239	-	-	17,239
Prepaid items	-	-	2,064	-	-	2,064
Total assets	<u>\$ -</u>	<u>\$ 38,682</u>	<u>\$ 438,217</u>	<u>\$ 951,729</u>	<u>\$ -</u>	<u>\$ 1,428,628</u>
Liabilities:						
Accounts payable	\$ -	\$ 11,066	\$ 32,888	\$ -	\$ -	\$ 43,954
Advances from other funds	-	-	132,260	-	-	132,260
Total liabilities	<u>-</u>	<u>11,066</u>	<u>165,148</u>	<u>-</u>	<u>-</u>	<u>176,214</u>
Fund balances:						
Reserved for inventories	-	-	17,239	-	-	17,239
Reserved for prepaid items	-	-	2,064	-	-	2,064
Unreserved, undesignated	-	27,616	253,766	951,729	-	1,233,111
Total fund balances	<u>-</u>	<u>27,616</u>	<u>273,069</u>	<u>951,729</u>	<u>-</u>	<u>1,252,414</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 38,682</u>	<u>\$ 438,217</u>	<u>\$ 951,729</u>	<u>\$ -</u>	<u>\$ 1,428,628</u>

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2006

	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	\$ 57,816	\$ 57,816	\$ 718,229	\$ -	\$ 376,717
Investment earnings	-	-	-	43,586	-
Miscellaneous	-	5,698	22,327	-	536,959
Total revenues	57,816	63,514	740,556	43,586	913,676
Expenditures:					
Current:					
Public works	-	-	1,113,987	-	-
Sanitation and health	-	64,847	-	-	-
Social welfare	-	-	-	-	910,808
Capital outlay	-	-	27,454	-	245,670
Total expenditures	-	64,847	1,141,441	-	1,156,478
Excess (deficiency) of revenues over (under) expenditures	57,816	(1,333)	(400,885)	43,586	(242,802)
Other financing sources (uses):					
Transfers in:					
General fund	-	-	530,000	-	-
Special revenue fund	-	-	-	-	11,997
Transfers out:					
General fund	(57,816)	-	-	-	-
Debt service fund	-	-	(64,270)	-	-
Total other financing sources (uses)	(57,816)	-	465,730	-	11,997
Net change in fund balances	-	(1,333)	64,845	43,586	(230,805)
Fund balances, beginning	-	28,949	208,224	908,143	230,805
Fund balances, ending	\$ -	\$ 27,616	\$ 273,069	\$ 951,729	\$ -

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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 56,243</u>	<u>\$ 57,816</u>	<u>\$ 1,573</u>
Other financing sources (uses):			
Transfers out	<u>(56,243)</u>	<u>(57,816)</u>	<u>(1,573)</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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 56,243	\$ 57,816	\$ 1,573
Miscellaneous	500	5,698	5,198
Total revenues	56,743	63,514	6,771
Expenditures:			
Contractual services	38,495	51,109	(12,614)
Commodities	-	13,738	(13,738)
Total expenditures	38,495	64,847	(26,352)
Excess of revenues over (under) expenditures	18,248	(1,333)	(19,581)
Other financing uses:			
Transfers out	(18,248)	-	18,248
Net change in fund balances	-	(1,333)	(1,333)
Fund balances, beginning	-	28,949	28,949
Fund balances, ending	\$ -	\$ 27,616	\$ 27,616

CITY OF PITTSBURG, KANSAS

STREET AND HIGHWAY FUND

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

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 738,215	\$ 714,705	\$ (23,510)
Miscellaneous	2,000	22,327	20,327
Total revenues	740,215	737,032	(3,183)
Expenditures:			
Personnel services	508,714	493,285	15,429
Contractual services	414,347	350,000	64,347
Commodities	273,662	263,764	9,898
Capital outlay	10,000	6,617	3,383
Debt service	30,000	27,836	2,164
Total expenditures	1,236,723	1,141,502	95,221
Excess of revenues over (under) expenditures	(496,508)	(404,470)	92,038
Other financing sources (uses):			
Transfers in	530,000	530,000	-
Transfers out	(64,270)	(64,270)	-
Total other financing sources (uses)	465,730	465,730	-
Net change in fund balances	(30,778)	61,260	92,038
Fund balances, beginning	30,778	126,112	95,334
Fund balances, ending	\$ -	\$ 187,372	\$ 187,372

CITY OF PITTSBURG, KANSAS

DEBT SERVICE FUND

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

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,288,138	\$ 1,242,492	\$ (45,646)
Special assessments	-	57,645	57,645
Investment earnings	-	33,175	33,175
Total revenues	<u>1,288,138</u>	<u>1,333,312</u>	<u>45,174</u>
Expenditures:			
Principal	1,040,876	1,040,876	-
Interest	219,357	219,357	-
Operating reserve	841,348	-	841,348
Total expenditures	<u>2,101,581</u>	<u>1,260,233</u>	<u>841,348</u>
Excess of revenues over (under) expenditures	<u>(813,443)</u>	<u>73,079</u>	<u>886,522</u>
Other financing sources:			
Transfers in	<u>64,270</u>	<u>64,270</u>	<u>-</u>
Net change in fund balances	(749,173)	137,349	886,522
Fund balances, beginning	<u>749,173</u>	<u>802,871</u>	<u>53,698</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 940,220</u>	<u>\$ 940,220</u>

CITY OF PITTSBURG, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

December 31, 2006

Assets:

Cash and cash equivalents	\$ 114,714
Taxes receivable	668,579
Interest receivable	1,293
Prepaid items	<u>723</u>
Total assets	<u><u>\$ 785,309</u></u>

Liabilities and fund balances:

Liabilities:

Accounts payable	\$ 109
Deferred revenue	<u>668,579</u>
Total liabilities	668,688

Fund balances:

Unreserved	<u>116,621</u>
------------	----------------

Total liabilities and fund balances	<u><u>\$ 785,309</u></u>
-------------------------------------	--------------------------

CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2006

Revenues:	
Taxes	\$ 677,708
Fines and fees	11,174
Investment earnings	12,751
Miscellaneous	<u>105,999</u>
Total revenues	807,632
Expenditures:	
Current:	
Education	<u>791,235</u>
Excess of revenues over expenditures	16,397
Fund balance, beginning	<u>100,224</u>
Fund balance, ending	<u><u>\$ 116,621</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, 2006

Governmental funds capital assets:

Land	\$ 2,152,580
Buildings and improvements	20,829,994
Machinery and equipment	6,615,112
Infrastructure	19,681,889
Construction in progress	<u>1,269,529</u>

Total governmental funds capital assets	<u><u>\$ 50,549,104</u></u>
---	-----------------------------

Investments in governmental funds capital assets by source:

General fund	\$ 25,311,694
Special revenue funds	<u>25,237,410</u>

Total governmental funds capital assets	<u><u>\$ 50,549,104</u></u>
---	-----------------------------

CITY OF PITTSBURG, KANSAS

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

December 31, 2006

	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
General administration	\$ 18,103	\$ 622,801	\$ 190,470	\$ -	\$ -	\$ 831,374
Information systems	-	-	397,288	-	-	397,288
Total general government	18,103	622,801	587,758	-	-	1,228,662
Public safety:						
Police department	670,891	391,579	470,918	-	76,561	1,609,949
Fire department	186,372	1,396,199	1,801,940	-	-	3,384,511
Codes enforcement	-	-	92,734	-	-	92,734
Animal control	-	-	38,969	-	-	38,969
Electronics department	3,676	20,181	398,237	-	-	422,094
Total public safety	860,939	1,807,959	2,802,798	-	76,561	5,548,257
Public works:						
Engineering department	-	-	47,241	-	-	47,241
Street and highway	-	115,972	1,559,094	19,681,889	783,135	22,140,090
Atkinson Airport	130,067	8,214,825	204,638	-	-	8,549,530
Total public works	130,067	8,330,797	1,810,973	19,681,889	783,135	30,736,861
Sanitation and health:						
Mt. Olive Cemetery	-	36,995	58,839	-	-	95,834
Culture and recreation:						
Parks and recreation department	62,082	1,277,356	688,462	-	409,833	2,437,733
Aquatic center	25,000	2,457,581	17,645	-	-	2,500,226
Four Oaks Complex	22,750	876,891	315,252	-	-	1,214,893
Memorial Auditorium	80,505	3,284,729	324,084	-	-	3,689,318
Total culture and recreation	190,337	7,896,557	1,345,443	-	409,833	9,842,170
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	\$ 2,152,580	\$ 20,829,994	\$ 6,615,112	\$ 19,681,889	\$ 1,269,529	\$ 50,549,104

CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2006

	Governmental Funds Capital Assets January 1, 2006	Additions	Deductions	Governmental Funds Capital Assets December 31, 2006
General government:				
General administration	\$ 833,274	\$ -	\$ (1,900)	\$ 831,374
Information systems	348,974	88,839	(40,525)	397,288
Total general government	1,182,248	88,839	(42,425)	1,228,662
Public safety:				
Police department	870,716	858,667	(119,434)	1,609,949
Fire department	3,131,542	263,555	(10,586)	3,384,511
Codes enforcement	79,527	35,777	(22,570)	92,734
Animal control	38,969	-	-	38,969
Electronics department	412,917	38,450	(29,273)	422,094
Total public safety	4,533,671	1,196,449	(181,863)	5,548,257
Public works:				
Engineering department	54,097	10,861	(17,717)	47,241
Street and highway	21,132,713	1,296,998	(289,621)	22,140,090
Atkinson Airport	7,196,204	1,393,668	(40,342)	8,549,530
Total public works	28,383,014	2,701,527	(347,680)	30,736,861
Sanitation and health:				
Mt. Olive Cemetery	100,514	-	(4,680)	95,834
Culture and recreation:				
Parks and recreation department	1,908,257	600,118	(70,642)	2,437,733
Aquatic center	2,508,858	-	(8,632)	2,500,226
Four Oaks Complex	1,296,199	96,431	(177,737)	1,214,893
Memorial Auditorium	3,622,782	66,536	-	3,689,318
Total culture and recreation	9,336,096	763,085	(257,011)	9,842,170
Industrial promotion:				
Economic development	3,089,119	-	-	3,089,119
Social welfare:				
Community development	8,201	-	-	8,201
Total governmental funds capital assets	\$ 46,632,863	\$ 4,749,900	\$ (833,659)	\$ 50,549,104

STATISTICAL SECTION

City of Pittsburg, Kansas
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 18,763,038	\$ 16,756,655	\$ 11,635,596	\$ 11,057,847
Restricted	-	7,675,955	8,969,208	9,327,570
Unrestricted	<u>9,052,993</u>	<u>(3,148,102)</u>	<u>2,807,699</u>	<u>3,671,353</u>
Total governmental activities net assets	<u>\$ 27,816,031</u>	<u>\$ 21,284,508</u>	<u>\$ 23,412,503</u>	<u>\$ 24,056,770</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 22,521,787	\$ 24,239,750	\$ 24,548,293	\$ 25,149,875
Unrestricted	<u>2,542,944</u>	<u>2,916,297</u>	<u>3,380,284</u>	<u>3,603,895</u>
Total business-type activities net assets	<u>\$ 25,064,731</u>	<u>\$ 27,156,047</u>	<u>\$ 27,928,577</u>	<u>\$ 28,753,770</u>
Primary government				
Invested in capital assets, net of related debt	\$ 41,284,825	\$ 40,996,405	\$ 36,183,889	\$ 36,207,722
Restricted	-	7,675,955	8,969,208	9,327,570
Unrestricted	<u>11,595,937</u>	<u>(231,805)</u>	<u>6,187,983</u>	<u>7,275,248</u>
Total primary government net assets	<u>\$ 52,880,762</u>	<u>\$ 48,440,555</u>	<u>\$ 51,341,080</u>	<u>\$ 52,810,540</u>

City of Pittsburg, Kansas
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 1,009,561	\$ 1,179,618	\$ 1,657,462	\$ 1,719,514
Public safety - police	2,490,674	2,742,941	2,723,840	3,249,047
Public safety - fire	1,922,917	2,106,552	2,301,123	2,389,005
Public safety - other	505,879	539,657	841,165	938,345
Public works	2,438,803	2,640,595	2,729,584	2,872,843
Sanitation and health	124,782	138,940	140,372	164,849
Culture and recreation	1,811,890	2,025,622	2,127,719	2,267,838
Industrial promotion	986,716	469,424	585,270	1,160,463
Economic development	-	5,724,575	81,992	898,362
Social welfare	1,483,446	2,027,295	3,021,661	2,284,301
Interest on long-term debt	257,151	306,216	383,323	658,775
Total governmental expenses	13,031,819	19,901,435	16,593,511	18,603,342
Business-type activities:				
Charges for services:				
Water/wastewater	4,861,635	4,912,302	4,568,704	4,871,241
Stormwater	-	124,315	214,919	244,875
Total business-type activities expenses	4,861,635	5,036,617	4,783,623	5,116,116
Total primary government expenses	\$ 17,893,454	\$ 24,938,052	\$ 21,377,134	\$ 23,719,458
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 983,967	\$ 979,982	\$ 1,005,600	\$ 1,019,776
Other activities	1,218,376	1,322,207	1,403,810	1,426,560
Operating grants and contributions	2,627,149	2,980,926	5,003,198	3,246,013
Capital grants and contributions	138,341	22,130	797,210	1,941,305
Total governmental activities program revenues	4,967,833	5,305,245	8,209,818	7,633,654
Business-type activities:				
Charges for services:				
Water/wastewater	5,555,225	5,293,009	5,377,606	5,693,687
Stormwater	-	613,118	620,740	643,211
Capital grants and contributions	-	-	13,500	33,179
Total business-like activities program revenues	5,555,225	5,906,127	6,011,846	6,370,077
Total primary government program revenues	\$ 10,523,058	\$ 11,211,372	\$ 14,221,664	\$ 14,003,731
Net (Expense)/Revenue				
Governmental activities	\$ (8,063,986)	\$ (14,596,190)	\$ (8,383,693)	\$ (10,969,688)
Business-type activities	693,590	869,510	1,228,223	1,253,961
Total primary government net expense	\$ (7,370,396)	\$ (13,726,680)	\$ (7,155,470)	\$ (9,715,727)
General Revenues and other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 4,134,743	\$ 4,514,287	\$ 4,647,531	\$ 4,924,011
Sales taxes	3,113,979	3,405,928	3,553,907	3,696,000
Franchise taxes	1,186,843	1,194,393	1,367,418	1,688,118
Investment earnings	220,274	151,793	420,902	763,520
Transfers	115,489	(1,201,734)	521,930	542,306
Total governmental activities	8,771,328	8,064,667	10,511,688	11,613,955
Business-type activities				
Investment earnings	15,921	20,072	66,237	113,538
Transfers	(115,489)	1,201,734	(521,930)	(542,306)
Total business-type activities	(99,568)	1,221,806	(455,693)	(428,768)
Total primary government	\$ 8,671,760	\$ 9,286,473	\$ 10,055,995	\$ 11,185,187
Change in Net Assets				
Governmental activities	\$ 707,342	\$ (6,531,523)	\$ 2,127,995	\$ 644,267
Business-type activities	594,022	2,091,316	772,530	825,193
Total primary government	\$ 1,301,364	\$ (4,440,207)	\$ 2,900,525	\$ 1,469,460

City of Pittsburg, Kansas
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified basis of accrual accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ -	\$ 13,603	\$ 7,773	\$ 11,323	\$ 462,895	\$ 323,375	\$ 871,540	\$ 1,012,561	\$ 1,078,301	\$ 1,010,457
Unreserved	<u>686,480</u>	<u>838,489</u>	<u>690,437</u>	<u>740,195</u>	<u>1,056,408</u>	<u>1,478,468</u>	<u>1,379,522</u>	<u>1,603,994</u>	<u>2,202,370</u>	<u>1,762,970</u>
Total general fund	<u>\$ 686,480</u>	<u>\$ 852,092</u>	<u>\$ 698,210</u>	<u>\$ 751,518</u>	<u>\$ 1,519,303</u>	<u>\$ 1,801,843</u>	<u>\$ 2,251,062</u>	<u>\$ 2,616,555</u>	<u>\$ 3,280,671</u>	<u>\$ 2,773,427</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,034,985	\$ 6,878,314	\$ 7,002,149	\$ 6,344,650	\$ 6,531,515
Unreserved, reported in:										
Special revenue funds	5,011,661	4,927,558	6,487,281	4,844,511	6,256,132	259,338	237,312	96,085	1,353,807	1,235,257
Capital projects funds	28,886	1,049,341	689,611	(364,834)	370,337	(1,085,760)	(53,658)	(6,216,400)	(116,608)	1,420,714
Debt service funds	<u>82,196</u>	<u>81,442</u>	<u>117,920</u>	<u>183,875</u>	<u>458,189</u>	<u>435,571</u>	<u>-</u>	<u>-</u>	<u>969,826</u>	<u>1,369,189</u>
Total all other governmental funds	<u>\$ 5,122,743</u>	<u>\$ 6,058,341</u>	<u>\$ 7,294,812</u>	<u>\$ 4,663,552</u>	<u>\$ 7,084,658</u>	<u>\$ 5,644,134</u>	<u>\$ 7,061,968</u>	<u>\$ 881,834</u>	<u>\$ 8,551,675</u>	<u>\$ 10,556,675</u>

City of Pittsburg, Kansas
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified basis of accrual accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 7,593,083	\$ 8,069,810	\$ 7,780,676	\$ 7,557,346	\$ 8,088,897	\$ 8,056,910	\$ 8,435,565	\$ 9,114,608	\$ 9,568,856	\$ 10,308,129
Licenses and permits	93,627	92,878	99,267	96,608	126,784	125,541	119,413	113,690	144,040	104,417
Intergovernmental	2,334,534	3,175,730	2,735,269	2,712,043	2,584,931	2,847,297	2,576,022	2,804,501	4,491,076	4,012,530
Charges for services	261,862	257,858	236,999	249,644	1,066,136	1,147,132	1,401,914	1,369,142	1,591,104	1,609,459
Fines and fees	169,661	185,315	176,218	226,923	256,053	301,663	289,401	345,862	323,046	312,958
Special assessments	114,555	106,766	89,013	93,695	104,925	95,561	68,580	70,509	59,074	57,645
Investment earnings	509,664	606,751	553,596	693,429	545,217	327,822	220,274	151,793	420,902	763,520
Lease income	-	-	-	-	16,573	123,587	138,587	314,676	277,915	340,478
Miscellaneous	406,395	365,885	371,065	325,137	325,053	183,636	413,476	326,428	1,466,474	1,307,924
Total revenues	11,483,381	12,860,993	12,042,103	11,954,825	13,114,569	13,209,149	13,663,232	14,611,209	18,342,487	18,817,060
Expenditures										
General government	683,178	653,059	663,729	694,427	886,223	1,442,819	933,982	1,057,511	1,561,875	1,535,479
Public safety-police	1,973,876	1,938,020	2,134,658	2,348,705	2,638,304	2,559,537	2,455,770	2,505,294	2,629,829	3,101,059
Public safety-fire	1,525,635	1,493,906	1,538,533	1,618,301	1,719,870	1,799,414	1,779,901	1,922,396	2,153,437	2,190,419
Public safety-other	385,391	351,353	398,615	504,177	687,539	507,361	469,379	510,274	814,626	904,123
Public works	1,429,110	1,329,089	1,240,068	1,465,891	2,213,114	1,792,416	1,762,966	1,804,893	1,811,334	1,947,035
Sanitation and health	104,987	100,115	101,691	107,697	115,684	105,220	118,897	115,052	135,128	159,202
Culture and recreation	830,187	768,575	746,278	835,733	1,751,031	1,605,646	1,544,131	1,650,630	1,806,666	1,915,072
Industrial promotion	472,802	351,784	305,649	264,715	278,997	252,483	943,259	434,191	547,032	1,121,960
Economic development	-	-	-	-	-	-	-	-	81,992	898,362
Social welfare	1,289,207	1,151,963	1,193,278	1,155,150	1,210,615	1,273,255	1,483,548	1,884,603	3,020,775	2,279,705
Capital outlay	2,887,035	1,192,395	3,048,423	3,709,942	2,163,148	2,712,127	744,521	6,789,928	2,810,671	4,816,592
Debt service principal	1,632,685	1,708,207	1,920,628	778,159	716,482	963,573	876,466	1,049,491	940,000	7,365,000
Debt service interest & fees	398,715	343,269	302,590	290,840	376,919	336,261	260,258	222,695	261,574	660,233
Bond issuance costs	-	-	-	-	-	-	59,080	-	-	407,706
Total expenditures	13,612,808	11,381,735	13,594,140	13,773,737	14,757,926	15,350,112	13,432,158	19,946,958	18,574,939	29,301,947
Excess of revenues over (under) expenditures	(2,129,427)	1,479,258	(1,552,037)	(1,818,912)	(1,643,357)	(2,140,963)	231,074	(5,335,749)	(232,452)	(10,484,887)
Other Financing Sources (Uses)										
Bonds issued	-	-	2,984,020	-	2,657,125	-	1,533,240	-	1,460,000	11,390,000
Discount on bonds	-	-	-	-	-	-	-	-	-	(166,389)
Bond anticipation notes issued	-	-	-	-	1,607,586	-	-	-	6,285,000	-
Transfers in	4,086,032	5,603,519	5,822,431	2,744,871	1,613,807	1,127,983	1,048,447	1,055,097	1,920,602	8,230,625
Transfers out	(4,453,024)	(5,815,815)	(6,164,182)	(3,265,963)	(1,877,638)	(1,023,386)	(932,958)	(875,269)	(1,099,193)	(7,471,593)
Total other financing sources (uses)	(366,992)	(212,296)	2,642,269	(521,092)	4,000,880	104,597	1,648,729	179,828	8,566,409	11,982,643
Net change in fund balances	\$(2,496,419)	\$ 1,266,962	\$ 1,090,232	\$(2,340,004)	\$ 2,357,523	\$(2,036,366)	\$ 1,879,803	\$(5,155,921)	\$ 8,333,957	\$ 1,497,756
Debt service as a percentage of noncapital expenditures	18.9%	20.1%	21.1%	10.6%	8.7%	10.3%	9.4%	9.7%	7.6%	34.4%

City of Pittsburg, Kansas
Water Produced and Consumed and Wastewater Treated
Last Ten Fiscal Years

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate			
						Water		Sewer	
						Base Rate (1)	Usage Rate (2)	Base Rate (1)	Usage Rate (2)
1997	895	785	140	15.66%	1,835	\$ 4.92	Variable	\$ 4.37	Variable
1998	957	831	126	13.19%	2,142	\$ 4.92	Variable	\$ 4.37	Variable
1999	1,041	971	70	6.70%	2,050	\$ 5.35	Variable	\$ 9.43	Variable
2000	992	956	36	3.66%	1,985	\$ 5.90	Variable	\$ 10.28	Variable
2001	996	965	31	3.11%	2,123	\$ 6.15	Variable	\$ 10.73	Variable
2002	1,051	971	80	7.63%	2,075	\$ 6.33	Variable	\$ 11.05	Variable
2003	972	948	23	2.40%	2,143	\$ 6.52	Variable	\$ 11.39	Variable
2004	907	870	37	4.04%	1,474	\$ 6.72	Variable	\$ 11.74	Variable
2005	917	833	84	9.11%	1,338	\$ 6.93	Variable	\$ 12.10	Variable
2006	936	860	76	8.17%	875	\$ 7.14	Variable	\$ 12.47	Variable

Note: Gallons are presented in millions.

1) Fiscal years 1999 and 2000 water and sewer base rates are blended amounts.

2) See rate schedule.

City of Pittsburg, Kansas
Annual Tap Sales
Last Five Fiscal Years (1)

<u>Fiscal Year</u>	<u>Water Meter Taps Sold</u>	<u>Sewer Taps Sold</u>	<u>Total Taps</u>
2001	74	24	98
2002	97	9	106
2003	80	9	89
2004	63	24	87
2005	72	23	95
2006	60	32	92

1) Data not available for periods 1997-2000.

City of Pittsburg, Kansas
Number of Water and Sewer Customers by Type
Last Ten Fiscal Years

Fiscal Year	WATER (1)				SEWER (2)				TOTAL (3)	
	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>OTHER</u>	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>OTHER</u>	<u>WATER</u>	<u>SEWER</u>
1997	7,957	581	48	N/A	N/A	N/A	N/A	N/A	8,586	N/A
1998	7,788	579	49	N/A	N/A	N/A	N/A	N/A	8,416	N/A
1999	7,846	557	59	N/A	N/A	N/A	N/A	N/A	8,462	N/A
2000	7,603	594	56	251	N/A	N/A	N/A	N/A	8,504	N/A
2001	7,571	596	60	260	N/A	N/A	N/A	N/A	8,487	N/A
2002	7,697	588	55	262	N/A	N/A	N/A	N/A	8,602	N/A
2003	7,663	598	51	228	N/A	N/A	N/A	N/A	8,540	7,837
2004	7,677	586	50	229	N/A	N/A	N/A	N/A	8,542	7,802
2005	7,684	581	49	209	N/A	N/A	N/A	N/A	8,523	7,839
2006	7,702	585	52	212	7,115	534	42	130	8,551	7,821

(1) Water other data not available for years 1997-1999.

(2) Sewer customers by type not available for years 1997-2005.

(3) Total sewer customers not available for years 1997-2002.

City of Pittsburg, Kansas
Water and Sewer Rates
Last Ten Fiscal Years

	FISCAL YEARS											
	1997	1998	1999	Effective Feb 15th 1999	Effective Jan 1st 2000	Effective Jul 1st 2000	2001	2002	2003	2004	2005	2006
<u>WATER RATES PER MONTH, INSIDE CITY LIMITS</u>												
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 4.92	\$ 4.92	\$ 4.92	\$ 5.41	\$ 5.82	\$ 5.97	\$ 6.15	\$ 6.33	\$ 6.52	\$ 6.72	\$ 6.93	\$ 7.14
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	2.01	2.01	2.01	2.21	2.38	2.44	2.52	2.60	2.68	2.77	2.86	2.95
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	1.89	1.89	1.89	2.08	2.24	2.30	2.37	2.44	2.52	2.60	2.68	2.77
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.80	1.80	1.80	1.98	2.13	2.19	2.26	2.33	2.40	2.48	2.56	2.64
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.67	1.67	1.67	1.84	1.98	2.03	2.10	2.16	2.23	2.30	2.37	2.45
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.58	1.58	1.58	1.74	1.87	1.92	1.98	2.04	2.11	2.18	2.25	2.32
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	1.46	1.46	1.46	1.61	1.73	1.78	1.84	1.90	1.96	2.02	2.09	2.16
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.33	1.33	1.33	1.46	1.57	1.61	1.66	1.71	1.77	1.83	1.89	1.95
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.22	1.22	1.22	1.34	1.44	1.48	1.53	1.58	1.63	1.68	1.74	1.80
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.12	1.12	1.12	1.23	1.33	1.37	1.42	1.46	1.51	1.56	1.61	1.66
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.03	1.03	1.03	1.13	1.22	1.25	1.29	1.33	1.37	1.42	1.47	1.52
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.95	0.95	0.95	1.05	1.13	1.16	1.20	1.24	1.28	1.32	1.36	1.41
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.87	0.87	0.87	0.96	1.04	1.07	1.11	1.14	1.18	1.22	1.26	1.30
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.80	0.80	0.80	0.88	0.95	0.98	1.01	1.04	1.08	1.12	1.16	1.20
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	0.74	0.74	0.74	0.81	0.87	0.90	0.93	0.96	0.99	1.02	1.06	1.10
<u>WATER RATES PER MONTH, OUTSIDE CITY LIMITS</u>												
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	0.80	0.80	0.80	\$ 10.82	\$ 11.64	\$ 11.94	\$ 12.30	\$ 12.67	\$ 13.06	\$ 13.46	\$ 13.87	\$ 14.29
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	3.59	3.59	3.59	3.95	4.25	4.36	4.50	4.64	4.78	4.93	5.08	5.24
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	2.79	2.79	2.79	3.07	3.30	3.39	3.50	3.61	3.72	3.84	3.96	4.08
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.01	2.01	2.01	2.21	2.38	2.44	2.52	2.60	2.68	2.77	2.86	2.95
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.89	1.89	1.89	2.08	2.24	2.30	2.37	2.44	2.52	2.60	2.68	2.77
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.80	1.80	1.80	1.98	2.13	2.19	2.26	2.33	2.40	2.48	2.56	2.64
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	1.67	1.67	1.67	1.84	1.98	2.03	2.10	2.16	2.23	2.30	2.37	2.45
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.58	1.58	1.58	1.74	1.87	1.92	1.98	2.04	2.11	2.18	2.25	2.32
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.40	1.40	1.40	1.54	1.66	1.71	1.77	1.82	1.88	1.94	2.00	2.06
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.29	1.29	1.29	1.42	1.53	1.57	1.62	1.67	1.73	1.79	1.85	1.91
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.18	1.18	1.18	1.30	1.40	1.44	1.49	1.53	1.58	1.63	1.68	1.74
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.09	1.09	1.09	1.20	1.29	1.33	1.37	1.41	1.46	1.51	1.56	1.61
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.00	1.00	1.00	1.10	1.19	1.22	1.26	1.30	1.34	1.39	1.44	1.49
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.92	0.92	0.92	1.01	1.09	1.12	1.16	1.19	1.23	1.27	1.31	1.35
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	0.85	0.85	0.85	0.94	1.01	1.04	1.08	1.11	1.15	1.19	1.23	1.27
<u>SANITARY SEWER RATES PER MONTH, INSIDE CITY LIMITS</u>												
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 4.37	\$ 4.37	\$ 4.37	\$ 10.15	\$ 10.15	\$ 10.41	\$ 10.73	\$ 11.05	\$ 11.39	\$ 11.74	\$ 12.10	\$ 12.47
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	0.45	0.45	0.45	1.42	1.42	1.46	1.51	1.56	1.61	1.66	1.71	1.77
<u>SANITARY SEWER RATES PER MONTH, OUTSIDE CITY LIMITS</u>												
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 8.74	\$ 8.74	\$ 8.74	\$ 20.30	\$ 20.30	\$ 20.81	\$ 21.44	\$ 22.06	\$ 22.75	\$ 23.44	\$ 24.15	\$ 24.88
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	0.90	0.90	0.90	2.84	2.84	2.92	3.01	3.10	3.20	3.30	3.40	3.51
<u>STORMWATER RATES PER MONTH, INSIDE CITY LIMITS ONLY (1)</u>												
1. PER ERU (2)	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$ 2.97	\$ 2.97	\$ 3.06

(1) Stormwater utility became effective January 1, 2004.

(2) One ERU (equivalent residential unit) = 3,106 square feet of impervious area.

City of Pittsburg, Kansas
Ten Largest Utility Customers
Current Year and Seven Years Ago (1)

<u>Customer</u>	Fiscal Year 2006			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Superior Industries	\$ 147,164	4.82%	\$ 105,352	4.37%
Pittsburg State University	124,788	4.08	78,140	3.24
Sugar Creek	92,896	3.04	103,034	4.27
Mt. Carmel Medical Center	45,214	1.48	32,478	1.35
Corner Stone Village	19,130	.63	7,627	.32
Miller's Professional Imaging	24,238	.79	22,428	.93
Parkview Estates	27,622	.90	18,465	.77
Beverly Healthcare	16,995	.56	10,744	.45
New Horizons of Pittsburg	12,689	.42	11,787	.49
Stockade Brands Inc	10,828	.35	13,320	.55
Subtotal (10 largest)	521,564	17.07	403,375	16.74
Balance from other customers	2,533,783	82.93	2,008,818	83.26
Grand totals	<u>\$ 3,055,347</u>	<u>100.00%</u>	<u>\$ 2,412,193</u>	<u>100.00%</u>

<u>Customer</u>	Fiscal Year 1999			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Superior Industries	\$ 156,958	6.17%	\$ 81,283	4.12%
Pittsburg State University	101,327	3.99	58,820	2.98
Sugar Creek	53,964	2.12	42,405	2.15
Premdor Entry Systems	47,211	1.86	47,722	2.42
Mt. Carmel Medical Center	27,445	1.08	22,030	1.12
Miller's Professional Imaging	21,011	.83	21,489	1.09
Parkview Estates	26,860	1.06	11,789	.60
New Horizons of Pittsburg	14,491	.57	9,621	.49
Stockade Brands Inc	8,963	.35	15,091	.77
BBD Systems Inc	10,338	.41	12,305	.62
Subtotal (10 largest)	468,568	18.44	322,555	16.36
Balance from other customers	2,073,659	81.56	1,648,557	83.64
Grand totals	<u>\$ 2,542,227</u>	<u>100.00%</u>	<u>\$ 1,971,112</u>	<u>100.00%</u>

Note: Dollar values reflected include base rate charges, as well as multiple meters on various accounts.

(1) Computerized history only goes back to 1999.

City of Pittsburg, Kansas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Kansas Partnership Loan	Capital Lease	Sales Tax Transportation District Bonds (1)	Tax Increment Financing Bonds (2)	Utility Revenue Bonds	General Obligation Bonds (3)	K.D.H.E. Loan			
1997	\$ 5,925,000	\$ 427,330	\$ 24,980	\$ -	\$ -	\$ 3,985,000	\$ 2,600,000	\$ -	\$ 12,962,310	3.8%	\$ 729
1998	4,270,000	374,123	24,324	-	-	3,810,000	2,330,000	-	10,808,447	3.0%	589
1999	5,625,000	318,495	2,984	-	-	3,625,000	2,050,000	-	11,621,479	3.1%	633
2000	4,905,000	260,336	-	-	-	3,435,000	1,755,000	-	10,355,336	2.5%	538
2001	6,925,000	199,530	-	-	-	-	4,300,000	-	11,424,530	2.7%	594
2002	6,025,000	135,957	-	-	-	-	3,765,000	1,161,698	11,087,655	2.5%	576
2003	6,755,000	69,491	-	-	-	-	3,210,000	3,592,898	13,627,389	3.0%	708
2004	5,775,000	-	-	-	-	-	2,640,000	3,628,144	12,043,144	2.6%	626
2005	6,295,000	-	-	-	-	-	2,165,000	3,505,528	11,965,528	2.6%	622
2006	8,900,000	-	-	1,395,000	6,310,000	-	1,810,000	3,951,901	22,366,901	4.8%	1,162

(1) Sales tax transportation development district bonds to be retired with special .3% sales tax within transportation development district.

(2) Tax increment financing bonds to be retired with property tax and sales tax generated within increment district.

(3) Business-type activity general obligation bonds are paid with business-type revenues.

City of Pittsburg, Kansas
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years

<u>General Bonded Debt Outstanding</u>						
<u>Fiscal</u> <u>Year</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Less Amount</u> <u>Available in</u> <u>Debt Service</u> <u>Fund</u>	<u>Total</u>	<u>Actual Taxable</u> <u>Value of</u> <u>Property</u>	<u>Percentage of</u> <u>Actual Taxable</u> <u>Value of</u> <u>Property</u>	<u>Per</u> <u>Capita</u>
1997	\$8,525,000	\$ 82,196	\$8,442,804	\$ 454,477,660	1.86%	\$474.98
1998	6,600,000	81,442	6,518,558	473,993,730	1.38%	355.16
1999	7,675,000	117,920	7,557,080	495,329,760	1.53%	411.74
2000	6,660,000	183,875	6,476,125	534,067,748	1.21%	336.54
2001	11,225,000	458,189	10,766,811	563,632,305	1.91%	559.52
2002	9,790,000	435,571	9,354,429	593,003,564	1.58%	486.12
2003	9,965,000	609,330	9,355,670	626,864,145	1.49%	486.19
2004	8,415,000	605,728	7,809,272	649,124,481	1.20%	405.82
2005	8,460,000	935,554	7,524,446	724,715,132	1.04%	391.02
2006	10,710,000	940,220	9,769,780	742,714,633	1.32%	507.71

City of Pittsburg, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Crawford County	\$ 8,435,000	53.73%	\$ 4,532,126
Frontenac U.S.D. 249	5,900,000	4.47%	263,730
Pittsburg U.S.D. 250	20,885,000	85.59%	<u>17,875,472</u>
Subtotal, overlapping debt			22,671,327
City direct debt			<u>10,710,000</u>
Total direct and overlapping debt			<u>\$ 33,381,327</u>

City of Pittsburg, Kansas
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Valuation (1)	\$ 138,980,093
Legal Debt Limit (2)	41,694,028
General Obligation Bonds	10,710,000
Less Amount Available in Debt Service Fund	<u>(940,220)</u>
Total net debt applicable to limit	<u>9,769,780</u>
Legal debt margin	<u>\$ 31,924,248</u>

	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 26,280,896	\$ 27,428,117	\$ 28,824,622	\$ 31,123,517	\$ 33,078,030	\$ 34,602,484	\$ 36,272,164	\$ 37,617,070	\$ 39,889,902	\$ 41,694,028
Total net debt applicable to limit	<u>6,270,134</u>	<u>4,562,681</u>	<u>5,825,575</u>	<u>6,736,461</u>	<u>10,966,341</u>	<u>9,354,429</u>	<u>9,425,161</u>	<u>7,809,272</u>	<u>7,657,129</u>	<u>9,769,780</u>
Legal debt margin	<u>\$ 20,010,762</u>	<u>\$ 22,865,436</u>	<u>\$ 22,999,047</u>	<u>\$ 24,387,056</u>	<u>\$ 22,111,689</u>	<u>\$ 25,248,055</u>	<u>\$ 26,847,003</u>	<u>\$ 29,807,798</u>	<u>\$ 32,232,773</u>	<u>\$ 31,924,248</u>
Total net debt applicable to the limit as a percentage of debt limit	23.86%	16.64%	20.21%	21.64%	33.15%	27.03%	25.98%	20.76%	19.20%	23.43%

(1) Includes motor vehicle valuation.

(2) Debt limit is set at 30% of assessed valuation per state statute.

City of Pittsburg, Kansas
Pledged-Revenue Coverage
Last Fiscal Year (1)

Sales Tax Transportation District Bonds (2)								Tax Increment Financing Bonds (3)							
Fiscal Year	Sales Tax Increment	Other Income	Less Expenses	Net Available Revenue	Debt Service		Coverage	Sales Tax Increment	Property Tax Increment	Other Income	Less Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest							Principal	Interest	
2006	\$ 61,121	\$ 7,513	\$ 404	\$ 68,230	\$ -	\$ 35,154	1.94	\$ 150,760	\$ 63,607	\$ 29,119	\$ 1,569	\$ 241,917	\$ -	\$ 157,484	1.54

(1) Fiscal year 2006 was the first year that the City utilized these type of bonds.

(2) Sales tax transportation development district bonds to be retired with special .3% sales tax within transportation development district.

(3) Tax increment financing bonds to be retired with property tax and sales tax generated within increment district.

Note: this statement presents non-general obligation long-term debt backed by pledged sales and property tax revenues. The purpose of these bonds were for redevelopment of the northeast retail district.

City of Pittsburg, Kansas
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Pittsburg State University Enrollment (4)</u>	<u>Unemployment Rate (5)</u>	<u>Median Age (6)</u>
1997	17,775	\$ 337,440,600	\$ 18,984	2,786	6,225	5.10%	36.7 (6)
1998	18,354 (7)	361,114,950	19,675	2,596	6,258	4.10%	36.8 (6)
1999	18,354 (7)	369,025,524	20,106	2,661	6,289	3.70%	37.1 (6)
2000	19,243	406,315,945	21,115	2,600	6,418	4.00%	35.8 (6)
2001	19,243	424,308,150	22,050	2,637	6,723	4.40%	28.1 (1)
2002	19,243	437,662,792	22,744	2,562	6,751	3.90%	28.1 (1)
2003	19,243	447,303,535	23,245	2,561	6,731	4.90%	28.1 (1)
2004	19,243	463,275,225	24,075	2,655	6,537	4.10%	28.1 (1)
2005	19,243	463,275,225	24,075	2,400	6,628	4.30%	28.1 (1)
2006	19,243	463,275,225	24,075	2,680	6,859	4.40%	28.1 (1)

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

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

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

(4) Source: Pittsburg State University Admissions

(5) Source: Kansas Department of Labor

(6) Source: "CACI's Sourcebook of Demographic and Buying Power for Every ZIP Code in the U.S.A." (1986 to 1993 is derived from residents living within ZIP Code 66762 which included Pittsburg, KS, Frontenac, KS, and the surrounding area; 1994 to 1996 excludes Frontenac, KS)

(7) Source: Woods and Poole Economics Pamphlet

City of Pittsburg, Kansas
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>Product</u>	<u>2006 (1)</u>		<u>1997 (2)</u>	
		<u>Estimated Number of Employees</u>	<u>Rank</u>	<u>Estimated Number of Employees</u>	<u>Rank</u>
Pittsburg State University	University	1,700	1	1,500	1
Mt. Carmel Medical Center	Hospital	920	2	600	4
Superior Industries	Automobile Wheels	800	3	650	3
Pitt Plastics	Polyethylene Bags	500	4	300	7
Pittsburg U.S.D. # 250	Public School K-12	482	5	900	2
Wal-Mart Supercenter	Retail & Grocery	400	6	341	5
Miller's Inc.	Professional Photo Finishing	310	7	280	8
City of Pittsburg	City Government	213	8	191	9
Pitsco, Inc.	Educational Systems	200	9	180	10
Masonite	Steel Door Manufacturer	<u>173</u>	10	<u>310</u>	6
Total		<u>5,698</u>		<u>5,252</u>	

(1) Source: Springsted telephone survey of individual employers, October 2006.

(2) Source: Pittsburg area chamber of commerce.

City of Pittsburg, Kansas
Full-time Employees by Department (1)
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Governmental-type Activities										
General Government										
General Administration Department	6.00	3.2%	6.00	3.2%	3	1.5%	3	1.5%	7	3.6%
Human Resources Department (2)	-	0.0%	-	0.0%	2	1.0%	2	1.0%	2	1.0%
Information Systems Department	2.00	1.1%	2.00	1.1%	3	1.5%	3	1.5%	4	2.0%
Total General Government	8.00	4.3%	8.00	4.3%	8	4.1%	8	4.1%	13	6.4%
Public Safety										
Police Department	45.00	24.3%	47.00	25.1%	50	25.8%	50	25.6%	49	25.1%
Fire Department	34.00	18.4%	34.00	18.2%	34	17.4%	34	17.4%	34	17.4%
Codes Enforcement Department	5.60	3.0%	5.60	3.0%	6	3.1%	7	3.6%	6	3.1%
Electronics Department	0.40	0.2%	0.40	0.2%	1	0.5%	1	0.5%	1	0.5%
Animal Control Department	1.00	0.5%	1.00	0.5%	1	0.5%	1	0.5%	1	0.5%
Municipal Court Department	2.00	1.1%	2.00	1.1%	3	2.6%	5	2.6%	5	2.6%
Total Public Safety	88.00	47.6%	90.00	48.1%	98	50.3%	97	49.7%	101	51.8%
Public Works										
Engineering Department	2.95	1.6%	2.95	1.6%	2	1.0%	2	1.0%	2	1.0%
Street & Highway Department	14.00	7.6%	14.00	7.5%	14	7.2%	14	7.2%	13	6.7%
Atkinson Airport Department	4.00	2.2%	4.00	2.1%	4	2.1%	4	2.1%	4	2.1%
Total Public Works	20.95	11.3%	20.95	11.2%	20	10.3%	20	10.3%	19	9.7%
Sanitation and Health										
Mt. Olive Cemetery Department	1.00	0.5%	1.00	0.5%	1	0.5%	1	0.5%	1	0.5%
Culture and Recreation										
Parks & Recreation Department	5.50	3.0%	5.50	2.9%	7	3.6%	9	4.6%	9	4.6%
Recreation Department (3)	2.50	1.4%	2.50	1.3%	2	1.0%	3	0.0%	0	0.0%
Four Oaks Complex Department	3.00	1.6%	3.00	1.6%	3	1.5%	3	1.5%	3	1.5%
Memorial Auditorium Department	5.00	2.7%	5.00	2.7%	5	2.6%	5	2.6%	5	2.6%
Total Culture and Recreation	16.00	8.6%	16.00	8.5%	17	8.7%	17	8.7%	17	8.7%
Industrial Development										
Economic Development Department	1.50	0.8%	1.50	0.8%	2	1.0%	2	1.0%	2	1.0%
Social Welfare										
Community Development & Housing	5.00	2.7%	5.00	2.7%	3	1.5%	4	2.1%	5	2.6%
Total for Governmental-type Activities	140.45	75.9%	142.45	76.2%	150	76.9%	150	76.9%	157	80.5%
Business-type Activities										
Water/Wastewater Utility										
Water Treatment Department	8.00	4.3%	8.00	4.3%	8	4.1%	8	4.1%	8	4.1%
Water Maintenance Department	9.00	4.9%	9.00	4.8%	12	6.2%	13	6.7%	14	7.2%
Wastewater Treatment Department	10.00	5.4%	10.00	5.3%	10	5.2%	10	5.1%	7	3.6%
Wastewater Maintenance Department	1.00	0.5%	1.00	0.5%	2	1.0%	2	1.0%	5	2.6%
Utility Administration Department	16.55	8.9%	16.55	8.9%	13	6.7%	12	6.2%	11	5.7%
Total Water/Wastewater Utility	44.55	24.1%	44.55	23.8%	45	23.3%	45	23.3%	35	17.9%
Storm Water Utility										
Storm Water Department (4)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3	1.5%
Total for Business-type Activities	44.55	24.1%	44.55	23.8%	45	23.3%	45	23.3%	38	19.5%
Total Full-time Employees	185.00	100.0%	187.00	100.0%	195	100.0%	195	100.0%	195	100.0%

1) employees were split among departments for years 1997-1999.

2) human resource employees classified in general administration department for years 1997-1999.

3) recreation department combined into parks department in year 2002.

4) stormwater department began with year 2004.

City of Pittsburg, Kansas
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Building permits issued	269	379	402	327	339	372	370	385	513	501
Building inspections conducted	2,024	1,382	1,515	1,348	1,809	1,990	1,377	1,696	750	1,069
Police										
Physical arrests	na	na	na	437	798	869	778	802	872	727
Parking violations	na	na	na	na	125	115	200	242	217	183
Traffic violations	na	na	na	na	2,388	2,359	2,483	3,529	3,019	2,823
Fire										
Fire calls	na	na	na	na	na	na	236	150	156	181
Emergency calls	na	na	na	na	na	na	132	1,154	1,335	1,231
Other calls	na	na	na	na	na	na	326	620	753	811
Other public works										
Street resurfacing (tons of asphalt)	9,868	8,420	12,134	16,243	14,132	9,101	6,239	3,973	4,674	5,491
Airport (gallons sold)	94,684	128,309	145,299	151,889	135,265	149,346	149,300	156,658	184,084	181,848
Parks and recreation										
Aquatic center (attendance)	na	na	na	na	na	na	na	24,703	28,473	28,420
Golf course (rounds of golf)	na	na	na	na	na	na	na	na	12,867	10,516
Memorial auditorium (events)	na	na	na	na	na	na	429	359	440	308
Water										
New connections										
Water main breaks										
Average daily consumption (gallons)	2,452,000	2,622,241	2,852,463	2,711,115	2,728,967	2,879,748	2,661,753	2,477,992	2,512,452	2,564,255
Peak daily consumption (gallons)	4,309,000	4,459,000	5,178,000	5,156,000	4,998,000	5,599,000	5,348,000	3,962,000	4,962,000	4,900,000
Wastewater										
Average daily sewage treatment (gallons)	5,027,848	5,617,260	5,869,589	5,439,452	5,816,438	5,683,561	5,871,506	4,037,808	3,664,657	2,396,986

Note: na means data unavailable.

Sources: Various city departments.

City of Pittsburg, Kansas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Fire Stations	3	3	3	3	3	3	3	3	3	3
Other public works										
Streets (miles)	120	120	124	124	124	145	145	145	145	141
Streetlights	1,858	1,986	1,986	1,986	1,986	2,067	2,082	2,089	2,102	2,108
Traffic Signals	38	38	38	38	39	39	39	39	39	39
Parks and recreation										
Public parks	6	6	8	8	9	9	9	9	9	9
Swimming pools	2	2	2	2	2	2	2	2	2	2
Golf courses	1	1	1	1	1	1	1	1	1	1
Baseball/softball fields	9	9	9	9	9	9	9	9	9	9
Tennis courts	16	16	16	16	16	16	16	16	16	16
Community centers	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	na	na	na	na	na	na	na	na	na	165
Storage capacity (gallons)	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
Wastewater										
Sanitary sewers (miles)	na	na	na	na	na	na	na	na	na	126
Treatment daily capacity (gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Stormwater										
Storm sewers (miles)	na	na	na	na	na	na	na	na	na	18

Note: na means data unavailable.

Sources: Various city departments.

SINGLE AUDIT SECTION

CITY OF PITTSBURG, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
Office of National Drug Control Policy:		
Passed through Kansas Bureau of Investigation:		
High Intensity Drug Trafficking Area	7.000	\$ 65,638
U.S. Department of Housing and Urban Development:		
Section 8 Housing Cluster:		
Section 8 Housing Choice Vouchers	14.871	1,368,898
Passed through Kansas Housing Resources Corporation:		
Emergency Shelter Grant	14.231	61,641
HOME Investment Partnerships Program	14.239	69,360
Passed through Kansas Department of Commerce:		
Community Development Block Grant	14.228	252,005
Total U.S. Department of Housing and Urban Development		1,751,904
Department of Justice:		
Passed through Kansas Department of Transportation:		
Enforcing Underage Drinking Laws Program	16.727	7,211
U.S. Department of Transportation:		
Airport Improvement Program	20.106	976,930
Department of Homeland Security:		
Public Assistance Grant	97.036	140,652
Total expenditures of federal awards		\$ 2,942,335

See notes to schedule of expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2006

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.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2006

Section I – Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified:	None
Reportable conditions identified that are not considered to be material weaknesses:	None reported
Noncompliance material to financial statements:	None

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	None
Reportable conditions identified that are not considered to be material weaknesses:	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	None

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
--	------------

CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Auditee qualified as a low-risk auditee:

Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

CITY OF PITTSBURG, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2006

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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the City in a separate letter dated June 4, 2007.

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.

June 4, 2007



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 ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Pittsburg, Kansas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City 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 significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood 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, 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.

June 4, 2007