

*The City of* **Pittsburg, Kansas**  
**Comprehensive Annual  
Financial Report**  
*For The Year Ended December 31, 2007*

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**CITY OF PITTSBURG, KANSAS**

**For the Fiscal Year Ended**

**December 31, 2007**

**Prepared by:**

**DEPARTMENT OF FINANCE AND ADMINISTRATION**

**City of Pittsburg, Kansas**

CITY OF PITTSBURG, KANSAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended December 31, 2007

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 - 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16 - 17
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – – Governmental Funds	19 - 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – – Budget and Actual – General Fund	22 - 26
Statement of Net Assets – Proprietary Funds	27
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds	29 - 30
Notes to Basic Financial Statements	31 - 66

CITY OF PITTSBURG, KANSAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended December 31, 2007

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
Other Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	68
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Special Parks and Recreation Fund	69
Special Alcohol and Drug Fund	70
Street and Highway Fund	71
Debt Service Fund	72
Balance Sheet – Discretely Presented Component Unit	73
Schedule of Revenues, Expenditures and Changes in Fund Balance - Discretely Present Component Unit	74
STATISTICAL SECTION (UNAUDITED):	
Net Assets by Component	75
Changes in Net Assets	76
Fund Balances, Governmental Funds	77
Changes in Fund Balances, Governmental Funds	78
Water Produced and Consumed and Wastewater Treated	79
Annual Tap Sales	80
Number of Water and Sewer Customers by Type	81
Water and Sewer Rates	82
Ten Largest Utility Customers	83
Ratios of Outstanding Debt by Type	84
Ratios of Net General Bonded Debt Outstanding	85
Direct and Overlapping Governmental Activities Debt	86
Legal Debt Margin Information	87
Pledged-Revenue Coverage	88
Demographic and Economic Statistics	89
Principal Employers	90

CITY OF PITTSBURG, KANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2007

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
STATISTICAL SECTION (UNAUDITED):	
Full-time Employees by Department	91
Operating Indicators by Function/Program	92
Capital Asset Statistics by Function/Program	93
SINGLE AUDIT SECTION:	
Schedule of Expenditures of Federal Awards	94
Notes to Schedule of Expenditures of Federal Awards	95
Schedule of Findings and Questioned Costs	96 - 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 4<sup>th</sup> Street • PO Box 688 • Pittsburg, Kansas 66762-0688  
Tel: 620-231-4100 Fax: 620-231-7327 Web: [www.pittks.org](http://www.pittks.org)

June 3, 2008

Honorable Mayor, Members of the City Commission and Citizens of Pittsburg:

This document is the Comprehensive Annual Financial Report (CAFR) of the City of Pittsburg (the City) for the fiscal year ended December 31, 2007. 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.

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 (GAAP). 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.

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, 2007. 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.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **Profile of the City of Pittsburg**

The City of Pittsburg, incorporated in 1880, is the largest city in southeast Kansas, with a population of 19,243. The City is located approximately 5 miles west of the Missouri border and 40 miles north of the Oklahoma border. The City of Pittsburg is empowered to levy a property tax on both real and personal property located within its boundaries. The City's current incorporated area is 12.91 square miles.

The City of Pittsburg has operated under the commission-manager form of government since 1949. Policy-making and legislative authority are vested in a governing commission consisting of the mayor and 4 commission members, all elected at large and on a non-partisan basis. The commission appoints the government's manager, which in turn appoints the heads of the various departments. The mayor is selected each year by the commissioner's themselves and serves a one year term.

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 annual budget serves as the foundation for the City's financial planning and control. The City Commission is required to hold a public hearing to discuss the budget prior to adoption. The adopted annual budget must be submitted to the State of Kansas by the end of August. The budget is prepared by fund, function (e.g., public safety) and department (e.g., police). Budget to actual comparisons are provided in this report for each individual fund for which an annual budget has been adopted.

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.

## **Local economy**

The local economy is varied and diverse with the City's principal employers comprised of education, manufacturing, medical, retail and government. The area is also served by several financial institutions and insurance companies. Pittsburg State University is a significant economic presence with a current enrollment of over 7,000 students.

Because of the City's location in a region with a varied economic base, unemployment is relatively stable. The Pittsburg micro-area (Crawford County) average unemployment rate was 4.80 percent for 2007 compared to 5.00 percent in 2006.



Compared to the prior fiscal year, retail sales tax receipts increased 3.22 percent, property tax revenues increased by 3.51 percent and franchise tax receipts increased by .56 percent. Assessed valuation increased by 4.79 percent reflecting continued growth in property values.

### **2007 highlights**

- Completion of Pittsburg State University's new \$5.7 million Tyler Research Center located in the City's Research and Development Park. This is a world-class polymer research facility that will solidify Pittsburg as a leader in the emerging bioscience field.
- Center Pointe Plaza, a completely new downtown shopping complex was completed. A local development group invested \$425,000 in this project.
- Expansions: Names and Numbers invested in a 14,000 square foot expansion to its corporate office and VanBecelaere Machine Shop invested in a 6,400 square foot expansion to its shop and office.
- The City set aside \$200,000 for grants towards Phase II of the downtown façade grant improvement program. During the Phase I period 40 grants were awarded with improvement costs totaling \$729,415.

### **For the future**

- Construction is almost complete for the new Pittsburg State University National Guard Armory and Student Recreation Center. The estimated cost of construction is \$15 million for the 97,000 square foot facility. Expected completion date is May 2008.
- Oxbow Development Corporation announced plans for an upscale 108 unit gated apartment complex with two strip shopping centers to be located just south of the Pittsburg State University campus. Estimated project costs are \$15 million with an estimated completion date of mid-summer 2008.
- Progressive Products announced a 40,000 square foot expansion to their existing facility. Estimated improvement costs are \$700,000.

### **Major initiatives for the year**

- The City took action to authorize modifications and improvements to the City's water supply and distribution system. Total improvement costs are estimated to be approximately \$8.7 million.
- The City initiated the Facilities Conservation Improvements Project (FCIP). This project entails energy saving improvements at various City facilities plus a replacement roof and new stage lighting at Memorial Auditorium. Estimated project cost is approximately \$1.8 million.

## **Capital projects**

Substantially completed projects for the year were the Immigrant Park, Miners Memorial, Country View paving, Country View sanitary sewer & water line, Pinnacle Point sanitary sewer & water line, Jaycee ball park improvements, sewer manhole rehab improvements, sewer trickling filter improvements and Memorial Auditorium sound system improvements.

Major projects that are ongoing or scheduled for the future are the 4<sup>th</sup> and Rouse intersection improvements, 23<sup>rd</sup> Street widening from Broadway to Michigan, 4<sup>th</sup> and Walnut intersection improvements, Pinnacle Point paving, downtown Streetscape, Public Safety Project, Atkinson Airport wildlife fence, water system improvements, and various storm sewer improvements.

## **Long-term financial planning**

In year 2006, City staff prepared and the City Commission adopted a 5-year Capital Improvements Program (CIP) for the years 2007-2011. The CIP outlines by fiscal year the details of the City's capital projects and equipment needs. It also specifies the funding sources for these periods. The City utilizes the following funding sources to meet the CIP needs: bond anticipation notes, general obligation bonds, one fourth of the City's one half percent general sales tax revenue, grant awards, and the annual budget for capital outlay. The City Commission has a self imposed ten mill limit on the debt service fund annual budgeted mill levy. The CIP will be reviewed, updated and adopted in year 2008 for the years 2009-2013.

## **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; however in 2007 the City invested in a repurchase agreement with bond proceeds designated for the Public Safety Project. All investments are made using a bid process.

## **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.

The City is a member of the Kansas Eastern Region Insurance Trust (KERIT). KERIT is a group of cities and counties joined together to provide worker's compensation coverage in a cost effective manner. Emphasis is placed on safety and the reduction of cost through the creation of a safety culture among employees, aggressive claims management, and training.

## Awards and Acknowledgments

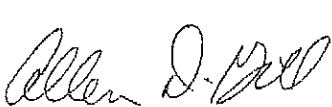
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2006. This was the eleventh consecutive year that the City has received this prestigious award.

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.

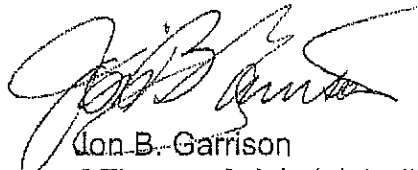
We believe our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

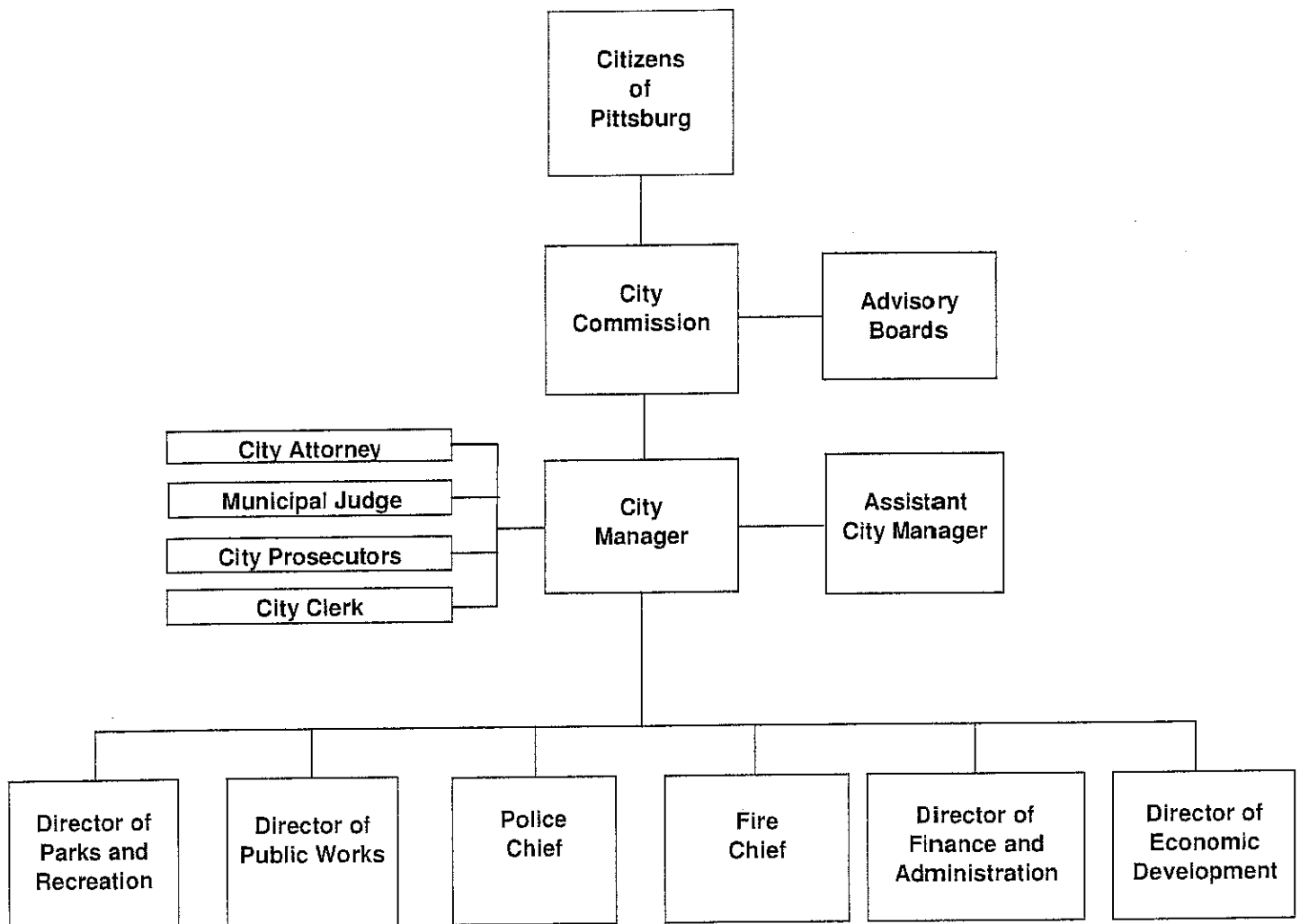
**CITY OF PITTSBURG, KANSAS**

**LIST OF PRINCIPAL OFFICIALS**

**DECEMBER 31, 2007**

<b><u>TITLE</u></b>	<b><u>NAME</u></b>
<b>ELECTED:</b>	
Mayor	William H. Rushton
President of the Board	Pamela Henderson
Commissioner	Marty Beezley
Commissioner	Rudy Draper
Commissioner	Patrick O'Bryan
<b>APPOINTED:</b>	
City Manager	Allen D. Gill
Assistant City Manager and Director of Parks and Recreation	John D. VanGorden
Director of Finance and Administration	Jon B. Garrison
Director of Public Works	William A. Beasley
Director of Economic Development	Mark D. Turnbull
Chief of Police	Melinda D. Hulvey
Fire Chief	Donald E. Elmer
City Attorney	Menghini, Menghini & Mazurek
City Clerk	Tammy Nagel

## 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, 2006

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

## FINANCIAL SECTION



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

## 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, 2007, 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, 2007, 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 3, 2008, 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 13 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, 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 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 3, 2008

## **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, 2007. 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**

- Property tax revenues increased 8.5% compared to 2006 due to continued assessed valuation growth
- New one half percent City sales tax went into effect January 1, 2007 to finance construction of new police station/municipal court facility and a new fire station (Public Safety Project)
- After adjusting for the new city sales tax that went into effect January 1, 2007, sales tax revenues were up 3.2% compared to 2006
- Building permit valuation increased 71.1% compared to 2006
- Overall investment earnings increased 59.0% compared to 2006

### **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, economic development 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 14-15 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 16-26 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 and the stormwater operation which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 27-30 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 31-66 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

	<b>City of Pittsburgh's Net Assets</b>					
	2006	2007	2006	2007	2006	2007
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
Current and other assets	\$ 21,462,949	\$ 37,920,530	\$ 4,028,059	\$ 6,606,609	\$ 25,491,008	\$ 44,527,139
Capital assets	<u>27,060,277</u>	<u>30,989,077</u>	<u>30,911,775</u>	<u>31,424,605</u>	<u>57,972,052</u>	<u>62,413,682</u>
Total assets	<u>48,523,226</u>	<u>68,909,607</u>	<u>34,939,834</u>	<u>38,031,214</u>	<u>83,463,060</u>	<u>106,940,821</u>
Long-term liabilities outstanding	17,009,431	29,878,966	5,873,967	8,396,323	22,883,398	38,275,289
Other liabilities	<u>7,457,025</u>	<u>11,799,199</u>	<u>312,097</u>	<u>417,151</u>	<u>7,769,122</u>	<u>12,216,350</u>
Total liabilities	<u>24,466,456</u>	<u>41,678,165</u>	<u>6,186,064</u>	<u>8,813,474</u>	<u>30,652,520</u>	<u>50,491,639</u>
Net assets:						
Invested in capital assets, net of related debt	11,057,847	15,301,187	25,149,875	25,437,788	36,207,722	40,738,975
Restricted	9,327,570	11,219,783	-	-	9,327,570	11,219,783
Unrestricted	<u>3,671,353</u>	<u>710,472</u>	<u>3,603,895</u>	<u>3,779,952</u>	<u>7,275,248</u>	<u>4,490,424</u>
Total net assets	<u>\$ 24,056,770</u>	<u>\$ 27,231,442</u>	<u>\$ 28,753,770</u>	<u>\$ 29,217,740</u>	<u>\$ 52,810,540</u>	<u>\$ 56,449,182</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 \$56,449,182 at the close of the 2007 fiscal year. By far the largest portion of the City's net assets (72.17%) 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 (19.88%) 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 2006	Governmental Activities 2007	Business-Type Activities 2006	Business-Type Activities 2007	Total Primary Government 2006	Total Primary Government 2007
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,446,336	\$ 3,390,345	\$ 6,336,898	\$ 6,354,105	\$ 8,783,234	\$ 9,744,450
Operating grants and contributions	3,246,013	2,800,229	-	-	3,246,013	2,800,229
Capital grants and contributions	1,941,305	611,966	33,179	4,442	1,974,484	616,408
General revenues						
Taxes	10,308,129	12,560,110	-	-	10,308,129	12,560,110
Other	<u>763,520</u>	<u>1,229,571</u>	<u>113,538</u>	<u>164,788</u>	<u>877,058</u>	<u>1,394,359</u>
Total revenues	18,705,303	20,592,221	6,483,615	6,523,335	25,188,918	27,115,556
<b>Expenses</b>						
General government	1,719,514	2,018,611	-	-	1,719,514	2,018,611
Public safety	6,576,397	6,833,793	-	-	6,576,397	6,833,793
Public works	2,872,843	3,325,255	-	-	2,872,843	3,325,255
Sanitation and health	164,849	185,134	-	-	164,849	185,134
Culture and recreation	2,267,838	2,325,059	-	-	2,267,838	2,325,059
Industrial promotion	1,160,463	1,135,420	-	-	1,160,463	1,135,420
Economic development	898,362	4,869	-	-	898,362	4,869
Social welfare	2,284,301	1,464,683	-	-	2,284,301	1,464,683
Interest on long term debt	658,775	1,213,573	-	-	658,775	1,213,573
Water/wastewater utility	-	-	4,871,241	4,744,357	4,871,241	4,744,357
Stormwater utility	-	-	244,875	315,659	244,875	315,659
Total expenses	<u>18,603,342</u>	<u>18,506,397</u>	<u>5,116,116</u>	<u>5,060,016</u>	<u>23,719,458</u>	<u>23,566,413</u>
Change in net assets before transfers	101,961	2,085,824	1,367,499	1,463,319	1,469,460	3,549,143
Transfers	<u>542,306</u>	<u>999,349</u>	<u>(542,306)</u>	<u>(999,349)</u>	-	-
Change in net assets	644,267	3,085,173	825,193	463,970	1,469,460	3,549,143
Net assets, beginning	23,412,503	24,056,770	27,928,577	28,753,770	51,341,080	52,810,540
Prior period adjustment	-	89,499	-	-	-	89,499
Net assets, ending	<u>\$ 24,056,770</u>	<u>\$ 27,231,442</u>	<u>\$ 28,753,770</u>	<u>\$ 29,217,740</u>	<u>\$ 52,810,540</u>	<u>\$ 56,449,182</u>

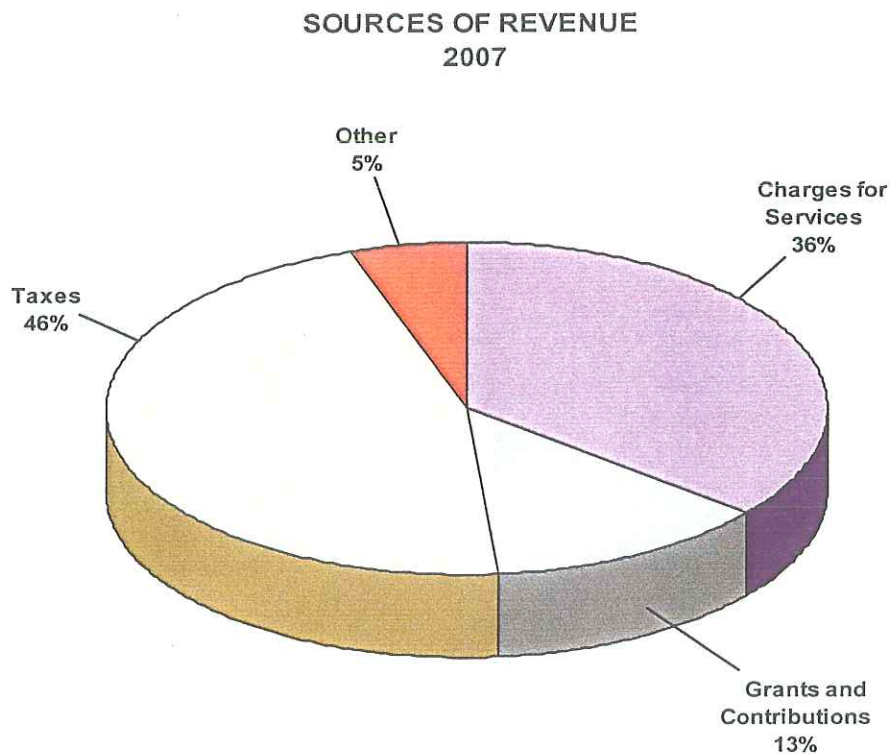
The next section will provide a brief discussion and analysis of the City's revenue sources and costs for services.

Governmental activities comprised 75.94% of the total revenues generated by the City and 78.53% of the City's expenses. Charges for services increased \$944,009 compared to 2006. The bulk of this increase can be attributed to industrial promotion and general government. Operating grants and contributions decreased by \$445,784 compared to 2006. The bulk of this decrease can be attributed to public works and culture and recreation. Capital grants decreased by \$1,329,339 compared to 2006. The bulk of this decrease can be attributed to public works.

Comparing 2007 to 2006, general government expense increased due to higher health insurance costs and public safety expenses increased due to higher personnel costs. The increase in public works expense can be attributed to increased cost of airport aviation fuel for resale, increased depreciation expense, and the Kansas Department of Transportation (KDOT) final close out cost of a prior period paving project. The decrease in economic development expense was due to the completion of the tax increment financing (TIF) district in 2006 and the decrease in social welfare was due to the 2<sup>nd</sup> and 3<sup>rd</sup> Street projects being mostly completed in 2006.

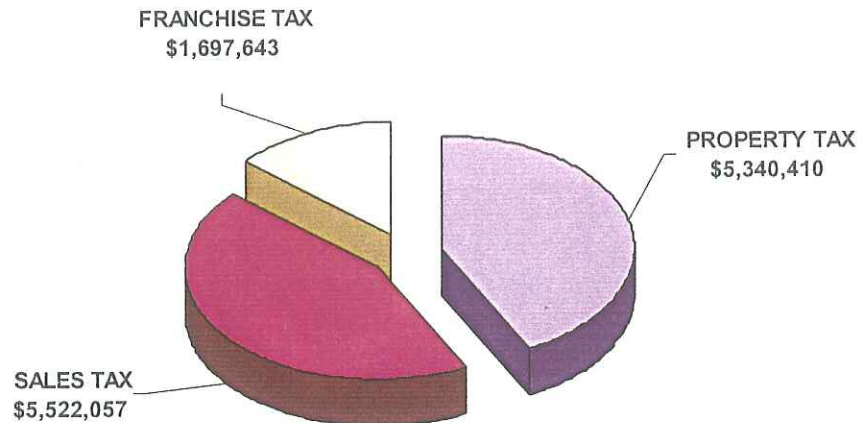
The business-type activities, while comprising the smaller percentages of revenues and expenses of the City, showed a gain of \$1,463,319 in net assets, before transfers. The business-type net assets recorded an increase of \$463,970 in 2007 which is up 1.61% over the 2006 fiscal period.

The following pie chart shows the composition of the 2007 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, sales taxes comprised the largest portion of tax revenues for 2007. Sales tax revenue increased 49.41% compared to 2006 largely due to an extra one half per cent increase in City's sales tax to finance the Public Safety Project.

## TAXES 2007



□ PROPERTY TAX 42.5% ■ SALES TAX 44.0% □ FRANCHISE TAX 13.5%

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>2005 Levy to support 2006 Budget</u>	<u>2006 Levy To support 2007 Budget</u>	<u>Increase/ (Decrease) over prior year</u>	<u>% Change</u>
General Fund	\$ 28.159	\$ 28.129	\$ (0.030 )	( 0.11 )%
Debt Service Fund	10.003	10.022	0.019	0.19 %
Component Unit	<u>5.405</u>	<u>5.512</u>	<u>0.107</u>	1.98 %
Total Mill Levy	<u>\$ 43.567</u>	<u>\$ 43.663</u>	<u>\$ 0.096</u>	0.22 %

The City's overall mill rate remained virtually unchanged; 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.

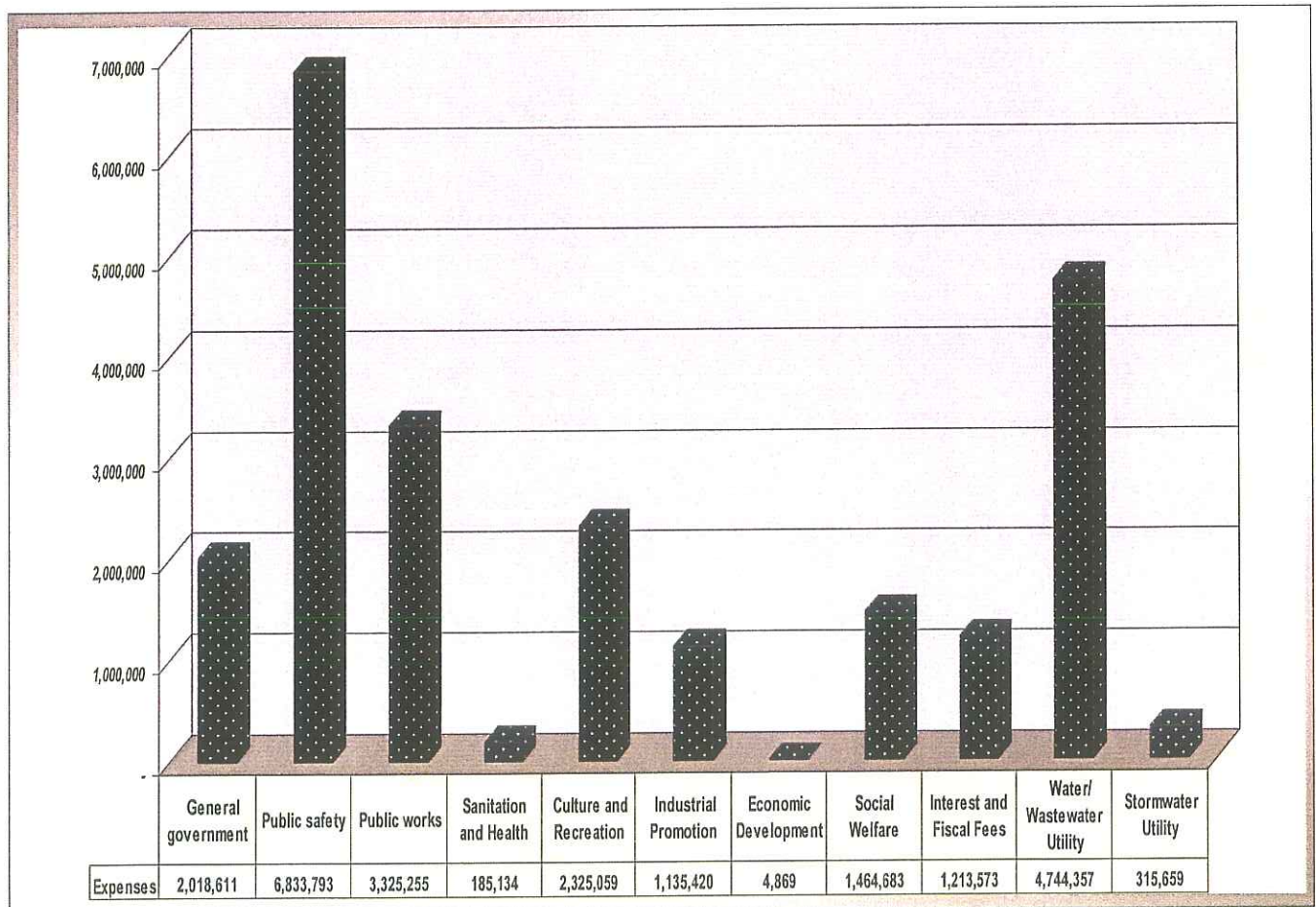
#### City of Pittsburgh's Assessed Valuation

	<u>2005 Valuation To support 2006 Budget</u>	<u>2006 Valuation To support 2007 Budget</u>	<u>Increase/ (Decrease) over prior year</u>	<u>% Change</u>
Real Property	\$ 92,454,680	\$ 99,804,580	\$ 7,349,900	7.95%
Personal Property	18,725,685	17,156,062	(1,569,623)	(8.38)%
State Assessed	<u>6,806,307</u>	<u>6,953,365</u>	<u>147,058</u>	2.16%
Total	<u>\$117,986,672</u>	<u>\$123,914,007</u>	<u>\$ 5,927,335</u>	5.02%

The change in assessed valuation reflects continued strong growth and has helped the City maintain a stable mill rate.

The following bar graph shows the composition of the 2007 primary government expenses.

#### Cost of City Services 2007





The City's public safety and water/wastewater utility activities are the dominant expense categories. These two activities account for 49.13% of the total cost of City services for 2007. The total cost of services of the City's primary government for 2007 was \$23,566,413. This represents a decrease of \$153,045 compared to 2006. The portion of these services covered by the City's taxpayers was \$12,560,110. For 2007 all cost of service categories had increased expenses except for industrial promotion, economic development, social welfare and the water/wastewater utility.

## **Analysis of the Fund Financial Statements**

### **Governmental Funds**

The City's governmental fund balances increased by a total of \$11,336,027 from the prior year; of the five major funds, the largest increase in fund balance is in the capital projects fund which gained \$10,491,469 followed by the debt service fund with a gain of \$1,576,102. The increase in the capital projects fund is primarily due to the issuance of bonds. The increase in the debt service fund is due to the special one half percent sales tax dedicated to retirement of the Public Safety Project debt.

The general fund balance decreased by \$423,941 from 2006. General fund revenues are down 4.23% and expenditures are down 4.08%. The decrease in revenues can mainly be attributed to the intergovernmental line item, while the decrease in expenditures is attributed to the capital outlay line item. Both of these line item decreases were due to the airport runway project being mostly completed in 2006. The other governmental funds show a combined increase of \$58,872 from the prior year.

### **Proprietary Funds**

The water/wastewater utility fund and stormwater utility fund had an increase of \$2,415,150 in cash and cash equivalents for 2007. This represents an increase of 82.25% from fiscal year 2006; however the majority of this increase can be attributed to debt issuance. The stormwater utility issued debt to finance the construction of the 7<sup>th</sup> and Joplin Street area storm sewer project.

The combined utility operating income increased by \$127,706 in 2007 which reflects an increase of 8.97%. This was the result of an increase in operating revenues of \$17,207 and a decrease in operating expenses of \$110,499 compared to 2006.

## **General Fund Budgetary Highlights**

The legally adopted budget for the General Fund was not amended by the City Commission during 2007. The following revenue and expenditure categories experienced significant differences between the budgeted amount and the actual amount. The explanation of the difference is also included.

CATEGORY	EXPLANATION
Taxes	Taxes were over budget due to an extra one half per cent increase in City's sales tax to finance the new Public Safety Project.
Charges for services	Information system fees exceeded budget due to computer upgrades and software. Atkinson Airport revenues were over budget due to aviation fuel sales that contained increased fuel costs.
Miscellaneous	Over budget due to Sycamore Village IRB fee and 2006 workers compensation audit refund.
General administration	Over budget due to reclassification of Community Development Specialist salary and benefits from Section 8 fund, increased election expense due to Crawford County's new electronic voting system, and increased postage expense.
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 are approximately 71.39% of adopted budget.
Information systems	Over budget due to un-anticipated purchases of police laptops and Microsoft office pro software.
Fire department	Fire department was over budget due to overtime expense.
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, 2007 was \$62,413,682, net of accumulated depreciation. The capital assets increased by 7.21% from the 2006 total. The majority of the governmental activities construction in progress is for the public safety center, Europe Park, intersection improvements 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	
	2006	2007	2006	2007
Land	\$ 2,152,580	\$ 3,473,903	\$ 436,690	\$ 436,690
Buildings and improvements	11,252,229	11,307,033	12,863,538	12,756,133
Machinery and equipment	1,793,033	1,954,026	1,233,510	1,202,599
Infrastructure	10,592,906	10,277,048	16,151,740	16,529,223
Construction in progress	<u>1,269,529</u>	<u>3,977,067</u>	<u>226,297</u>	<u>499,960</u>
Total	<u>\$ 27,060,277</u>	<u>\$ 30,989,077</u>	<u>\$ 30,911,775</u>	<u>\$ 31,424,605</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 Pittsburg's Outstanding Debt General Obligation Bonds and Other Debt**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
General Obligation Bonds	\$ 8,900,000	\$ 21,830,000	\$ 1,810,000	\$ 3,895,000
K.D.H.E. Construction Loans	-	-	3,951,901	4,372,902
Tax Increment Bonds (TIF)	6,310,000	6,170,000	-	-
Transportation Development District Bonds (TDD)	1,395,000	1,390,000	-	-
Total	<u>\$ 16,605,000</u>	<u>\$29,390,000</u>	<u>\$ 5,761,901</u>	<u>\$ 8,267,902</u>

The City finances capital projects in a variety of ways: bond anticipation notes, general obligation bonds, special revenue bonds, intergovernmental grants and loans. For 2007 the City re-affirmed a Moody's rating of "A3" on general obligation bond issues.

The outstanding general obligation bonds at December 31, 2007, totaled \$25,725,000 of which \$21,830,000 is considered net direct tax supported debt. This outstanding general obligation balance represents a 140.20% increase from the 2006 balance. The majority of the increase can be attributed to the \$13,000,000 Public Safety Project sales tax bond issue. New general obligation debt of \$16,595,000 was issued and \$1,580,000 was retired in 2007.

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 \$43,703,108, significantly higher than the general obligation bond outstanding debt.

Business-type activity bonded debt increased by 115.20% from 2006. This increase in business-type bonded debt can be attributed to the stormwater utility. 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 systems. Business-type activity loans increased by 10.19% from 2006, while the overall business-type activity debt increased by 43.18%.

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. 4<sup>th</sup> Street, Pittsburg, KS 66762.

# BASIC FINANCIAL STATEMENTS

# CITY OF PITTSBURG, KANSAS

## STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Public Library
<b>Assets:</b>				
Cash and cash equivalents	\$ 15,193,767	\$ 5,351,771	\$ 20,545,538	\$ 189,949
Restricted cash	-	191,937	191,937	-
Receivables, net of allowance for uncollectibles:				
Taxes	6,344,972	-	6,344,972	706,020
Accounts	71,068	643,010	714,078	-
Intergovernmental	184,543	-	184,543	-
Other	249,612	6,967	256,579	139
Restricted investments	12,935,680	-	12,935,680	-
Leases receivable	1,670,420	-	1,670,420	-
Loans receivable	559,645	-	559,645	-
Deferred charges	599,048	69,764	668,812	-
Inventories	85,591	334,196	419,787	-
Prepaid items	26,184	8,964	35,148	1,640
Capital assets, net of accumulated depreciation:				
Land	3,473,903	436,690	3,910,593	215,415
Construction in progress	3,977,067	499,960	4,477,027	15,126
Buildings and improvements	11,307,033	12,756,133	24,063,166	2,647,520
Machinery and equipment	1,954,026	1,202,599	3,156,625	5,816
Infrastructure	10,277,048	16,529,223	26,806,271	-
<b>Total assets</b>	<b>68,909,607</b>	<b>38,031,214</b>	<b>106,940,821</b>	<b>3,781,625</b>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	1,237,707	121,398	1,359,105	26,654
Bond anticipation notes payable	4,930,000	-	4,930,000	-
Accrued interest payable	555,368	103,816	659,184	-
Unearned revenue	5,076,124	-	5,076,124	706,020
Liabilities payable from restricted cash	-	191,937	191,937	-
Noncurrent liabilities:				
Due within one year	2,839,298	695,660	3,534,958	-
Due in more than one year	27,039,668	7,700,663	34,740,331	-
<b>Total liabilities</b>	<b>41,678,165</b>	<b>8,813,474</b>	<b>50,491,639</b>	<b>732,674</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	15,301,187	25,437,788	40,738,975	2,883,877
Restricted for:				
Debt service	2,389,924	-	2,389,924	-
Revolving loans	7,365,617	-	7,365,617	-
Housing	1,007,403	-	1,007,403	-
Street and highway	237,089	-	237,089	-
Other purposes	219,750	-	219,750	-
Unrestricted	710,472	3,779,952	4,490,424	165,074
<b>Total net assets</b>	<b>\$ 27,231,442</b>	<b>\$ 29,217,740</b>	<b>\$ 56,449,182</b>	<b>\$ 3,048,951</b>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2007

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government		Component Unit
						Governmental Activities	Business-Type Activities	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 2,018,611	\$ 1,262,267	\$ 64,794	\$ -	\$ -	\$ (691,550)	\$ (691,550)	\$ -
Public safety - police	3,418,799	-	63,066	-	-	(3,355,733)	(3,355,733)	-
Public safety - fire	2,389,386	-	-	15,621	-	(2,373,765)	(2,373,765)	-
Public safety - other	1,025,608	1,773	-	-	-	(1,023,835)	(1,023,835)	-
Public works	3,325,255	711,533	685,531	566,217	-	(1,361,974)	(1,361,974)	-
Sanitation and health	185,134	23,163	66,328	30,128	-	(65,515)	(65,515)	-
Culture and recreation	2,325,059	511,437	353,261	-	-	(1,460,361)	(1,460,361)	-
Industrial promotion	1,135,420	875,887	-	-	-	(259,533)	(259,533)	-
Economic development	4,869	-	-	-	-	(4,869)	(4,869)	-
Social welfare	1,464,683	4,285	1,567,249	-	-	106,851	106,851	-
Interest on long-term debt	1,213,573	-	-	-	-	(1,213,573)	(1,213,573)	-
Total governmental activities	18,506,397	3,390,345	2,800,229	611,966	-	(11,703,857)	(11,703,857)	-
<b>Business-type activities:</b>								
Water/wastewater	4,744,357	5,684,715	-	4,442	-	-	944,800	-
Stormwater	315,659	669,390	-	-	-	-	353,731	-
Total business-type activities	5,060,016	6,354,105	-	4,442	-	-	1,298,531	-
Total primary government	\$ 23,566,413	\$ 9,744,450	\$ 2,800,229	\$ 616,408	-	(11,703,857)	(10,405,326)	-
<b>Component unit:</b>								
Public library	\$ 866,903	\$ 9,138	\$ 87,635	\$ 15,126	-	-	-	(755,004)
<b>General revenues:</b>								
Property taxes						5,340,410	-	734,316
Sales taxes						5,522,057	-	-
Franchise taxes						1,697,643	-	-
Unrestricted investment earnings						1,229,571	164,788	15,405
Transfers						999,349	(999,349)	-
Total general revenues and transfers						14,789,030	(834,561)	749,721
Change in net assets						3,085,173	463,970	(5,283)
Net assets, beginning, as previously stated						24,056,770	28,753,770	3,549,143
Prior period adjustment						89,499	-	52,810,540
Net assets - beginning, as restated						24,146,269	28,753,770	3,054,234
Net assets, ending						\$ 27,231,442	\$ 29,217,740	\$ 3,048,951

See accompanying notes to basic financial statements.

# CITY OF PITTSBURG, KANSAS

## BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2007

	General	Revolving Loans
Assets:		
Cash and cash equivalents	\$ 1,908,565	\$ 4,869,204
Receivables (net of allowance for uncollectibles):		
Taxes	4,580,547	145,342
Accounts	63,783	7,285
Intergovernmental	13,187	-
Other	4,431	4,600
Restricted investments	-	-
Leases receivable	-	1,670,420
Loans receivable	-	559,645
Advances to other funds	-	109,588
Inventories	84,268	-
Prepaid items	22,214	-
Total assets	<u>\$ 6,676,995</u>	<u>\$ 7,366,084</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 128,287	\$ 467
Retainage payable	-	-
Accrued payroll	188,336	-
Accrued self-insurance claims	125,000	-
Other	78,044	-
Deferred revenue	3,807,842	1,411,522
Bond anticipation notes payable	-	-
Advances from other funds	-	-
Total liabilities	<u>4,327,509</u>	<u>1,411,989</u>
Fund balances:		
Reserved for:		
Encumbrances	68,533	-
Inventories	84,268	-
Prepaid items	22,214	-
Advances	-	109,588
Revolving loan program	-	5,844,507
Insurance claims	703,000	-
Unreserved, designated, reported in:		
General fund	10,000	-
Unreserved, undesignated, reported in:		
General fund	1,461,471	-
Special revenue funds	-	-
Capital projects fund	-	-
Debt service fund	-	-
Total fund balances	<u>2,349,486</u>	<u>5,954,095</u>
Total liabilities and fund balances	<u>\$ 6,676,995</u>	<u>\$ 7,366,084</u>

See accompanying notes to basic financial statements.



Section 8	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 198,424	\$ 4,737,090	\$ 2,188,158	\$ 1,292,326	\$ 15,193,767
-	-	1,619,083	-	6,344,972
-	-	-	-	71,068
-	-	-	171,356	184,543
-	239,453	1,128	-	249,612
-	12,530,476	405,204	-	12,935,680
-	-	-	-	1,670,420
-	-	-	-	559,645
-	-	-	-	109,588
-	-	-	1,323	85,591
-	-	-	3,970	26,184
<u>\$ 198,424</u>	<u>\$ 17,507,019</u>	<u>\$ 4,213,573</u>	<u>\$ 1,468,975</u>	<u>\$ 37,431,070</u>
\$ 1,721	\$ 502,397	\$ -	\$ 37,780	\$ 670,652
-	162,439	-	-	162,439
2,915	-	-	10,321	201,572
-	-	-	-	125,000
-	-	-	-	78,044
-	-	1,268,282	-	6,487,646
-	4,930,000	-	-	4,930,000
-	-	-	109,588	109,588
<u>4,636</u>	<u>5,594,836</u>	<u>1,268,282</u>	<u>157,689</u>	<u>12,764,941</u>
-	-	-	4,300	72,833
-	-	-	1,323	85,591
-	-	-	3,970	26,184
-	-	-	-	109,588
-	-	-	-	5,844,507
-	-	-	-	703,000
-	-	-	-	10,000
-	-	-	-	1,461,471
193,788	-	-	1,301,693	1,495,481
-	11,912,183	-	-	11,912,183
-	-	2,945,291	-	2,945,291
<u>193,788</u>	<u>11,912,183</u>	<u>2,945,291</u>	<u>1,311,286</u>	<u>24,666,129</u>
<u>\$ 198,424</u>	<u>\$ 17,507,019</u>	<u>\$ 4,213,573</u>	<u>\$ 1,468,975</u>	<u>\$ 37,431,070</u>

CITY OF PITTSBURG, KANSAS

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

December 31, 2007

Total fund balance in Governmental Fund Balance Sheet	\$ 24,666,129
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.	30,989,077
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,411,522
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(29,835,286)</u>
Net assets of governmental activities	<u>\$ 27,231,442</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, 2007

	General	Revolving Loans
Revenues:		
Taxes:		
Property	\$ 3,763,035	\$ -
Sales	2,730,726	802,625
Franchise	1,697,643	-
Licenses and permits	216,596	-
Intergovernmental	315,140	-
Charges for services	1,703,422	-
Fines and fees	399,816	-
Special assessments	-	-
Investment earnings	184,497	225,296
Lease income	-	576,732
Miscellaneous	147,838	12,921
Total revenues	<u>11,158,713</u>	<u>1,617,574</u>
Expenditures:		
Current:		
General government	1,906,313	-
Public safety - police	3,289,331	-
Public safety - fire	2,254,080	-
Public safety - other	985,134	-
Public works	980,339	-
Sanitation and health	88,709	-
Culture and recreation	1,962,361	-
Industrial promotion	268,332	1,140,941
Economic development	-	-
Social welfare	-	-
Debt service:		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
Capital outlay	398,811	-
Total expenditures	<u>12,133,410</u>	<u>1,140,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(974,697)</u>	<u>476,633</u>
Other financing sources (uses):		
Transfers in	1,081,625	-
Transfers out	(530,869)	(359,000)
General obligation bonds issued	-	-
Total other financing sources (uses)	<u>550,756</u>	<u>(359,000)</u>
Net change in fund balances	<u>(423,941)</u>	<u>117,633</u>
Fund balances, beginning as previously stated	2,773,427	6,512,212
Prior period adjustment	-	(675,750)
Fund balances - beginning, as restated	<u>2,773,427</u>	<u>5,836,462</u>
Fund balances, ending	<u>\$ 2,349,486</u>	<u>\$ 5,954,095</u>

See accompanying notes to basic financial statements.

Section 8	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,577,375	\$ -	\$ 5,340,410
-	-	1,988,706	-	5,522,057
-	-	-	-	1,697,643
-	-	-	-	216,596
1,480,368	78,110	-	893,625	2,767,243
-	-	-	-	1,703,422
-	-	-	-	399,816
-	-	26,572	-	26,572
-	685,677	78,427	55,674	1,229,571
-	-	-	-	576,732
4,285	350,519	-	310,362	825,925
<u>1,484,653</u>	<u>1,114,306</u>	<u>3,671,080</u>	<u>1,259,661</u>	<u>20,305,987</u>
-	-	-	-	1,906,313
-	-	-	-	3,289,331
-	-	-	-	2,254,080
-	-	-	-	985,134
-	95,243	-	1,230,613	2,306,195
-	30,128	-	60,033	178,870
-	-	-	-	1,962,361
-	-	-	-	1,409,273
-	4,869	-	-	4,869
1,382,510	-	-	86,881	1,469,391
-	-	1,500,000	-	1,500,000
-	66,563	684,968	-	751,531
-	266,163	-	-	266,163
-	5,006,613	-	290,684	5,696,108
<u>1,382,510</u>	<u>5,469,579</u>	<u>2,184,968</u>	<u>1,668,211</u>	<u>23,979,619</u>
<u>102,143</u>	<u>(4,355,273)</u>	<u>1,486,112</u>	<u>(408,550)</u>	<u>(3,673,632)</u>
-	596,112	89,990	530,000	2,297,727
-	(34,370)	-	(62,578)	(986,817)
-	14,285,000	-	-	14,285,000
-	14,846,742	89,990	467,422	15,595,910
<u>102,143</u>	<u>10,491,469</u>	<u>1,576,102</u>	<u>58,872</u>	<u>11,922,278</u>
<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>89,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(586,251)</u>
<u>91,645</u>	<u>1,420,714</u>	<u>1,369,189</u>	<u>1,252,414</u>	<u>12,743,851</u>
<u>\$ 193,788</u>	<u>\$ 11,912,183</u>	<u>\$ 2,945,291</u>	<u>\$ 1,311,286</u>	<u>\$ 24,666,129</u>

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, 2007

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

Net change in fund balances - total governmental funds	\$ 11,922,278
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.	4,240,360
Capital asset transfers are not recorded in the governmental funds because there has been no flow of current financial resources.	(311,561)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	286,234
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.	(12,587,376)
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>(464,762)</u>
Change in net assets of governmental activities	<u>\$ 3,085,173</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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 9,405,378	\$ 10,587,398	\$ 1,182,020
Intergovernmental	120,046	139,476	19,430
Licenses and permits	143,000	216,596	73,596
Charges for services	2,682,040	2,915,579	233,539
Fines and fees	326,800	399,816	73,016
Investment income	275,000	219,915	(55,085)
Miscellaneous	53,968	147,838	93,870
Total revenues	13,006,232	14,626,618	1,620,386
Expenditures:			
General government:			
General administration:			
Personnel services	496,622	558,398	(61,776)
Contractual services	141,797	190,685	(48,888)
Commodities	16,750	23,985	(7,235)
Total general administration expenditures	655,169	773,068	(117,899)
Group hospitalization:			
Claims paid	1,988,894	1,419,839	569,055
Human resources:			
Personnel services	138,998	94,771	44,227
Contractual services	24,463	40,986	(16,523)
Commodities	6,500	2,648	3,852
Total human resources expenditures	169,961	138,405	31,556
Information systems:			
Personnel services	255,833	261,771	(5,938)
Contractual services	119,832	111,327	8,505
Commodities services	48,000	86,482	(38,482)
Capital outlay	41,335	58,493	(17,158)
Total information systems expenditures	\$ 465,000	\$ 518,073	\$ (53,073)

(Continued)

## CITY OF PITTSBURG, KANSAS

## GENERAL FUND

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

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Municipal court:			
Personnel services	\$ 245,250	\$ 237,495	\$ 7,755
Contractual services	34,014	36,659	(2,645)
Commodities	3,000	3,702	(702)
Total municipal court expenditures	282,264	277,856	4,408
Total general government expenditures	3,561,288	3,127,241	434,047
Public safety:			
Police department:			
Personnel services	2,714,756	2,715,013	(257)
Contractual services	343,532	318,800	24,732
Commodities	231,048	197,684	33,364
Capital outlay	150,000	111,303	38,697
Total police department expenditures	3,439,336	3,342,800	96,536
Fire department:			
Personnel services	1,942,344	2,031,625	(89,281)
Contractual services	129,166	108,850	20,316
Commodities	86,500	78,666	7,834
Capital outlay	12,000	-	12,000
Total fire department expenditures	2,170,010	2,219,141	(49,131)
Public safety - other:			
Codes enforcement:			
Personnel services	632,236	641,833	(9,597)
Contractual services	158,405	118,876	39,529
Commodities	16,863	17,109	(246)
Total codes enforcement expenditures	\$ 807,504	\$ 777,818	\$ 29,686

(Continued)

## CITY OF PITTSBURG, KANSAS

## GENERAL FUND

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

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Animal control:			
Personnel services	\$ 51,675	\$ 44,603	\$ 7,072
Contractual services	19,155	18,220	935
Commodities	8,000	6,563	1,437
Total animal control expenditures	78,830	69,386	9,444
Electronics department:			
Personnel services	73,501	75,090	(1,589)
Contractual service	19,913	18,882	1,031
Commodities	44,500	43,627	873
Capital outlay	43,000	47,820	(4,820)
Total electronics department expenditures	180,914	185,419	(4,505)
Total public safety - other	1,067,248	1,032,623	34,625
Total public safety expenditures	6,676,594	6,594,564	82,030
Public works:			
Engineering department:			
Personnel services	116,694	106,558	10,136
Contractual services	30,461	27,749	2,712
Commodities	13,940	12,830	1,110
Total engineering department expenditures	161,095	147,137	13,958
Atkinson Airport:			
Personnel services	190,262	196,604	(6,342)
Contractual services	65,823	56,538	9,285
Commodities	407,358	590,848	(183,490)
Total Atkinson Airport expenditures	663,443	843,990	(180,547)
Total public works expenditures	\$ 824,538	\$ 991,127	\$ (166,589)

(Continued)



## CITY OF PITTSBURG, KANSAS

## GENERAL FUND

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

(Continued)

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Sanitation and health:			
Mt. Olive Cemetery:			
Personnel services	\$ 63,495	\$ 62,258	\$ 1,237
Contractual services	13,682	15,717	(2,035)
Commodities	11,250	10,116	1,134
Capital outlay	-	7,770	(7,770)
Total sanitation and health expenditures	88,427	95,861	(7,434)
Culture and recreation:			
Parks and recreation department:			
Personnel services	601,024	627,348	(26,324)
Contractual services	128,198	121,894	6,304
Commodities	167,500	167,580	(80)
Capital outlay	128,000	118,406	9,594
Total parks and recreation department expenditures	1,024,722	1,035,228	(10,506)
Aquatic center:			
Personnel services	112,055	99,263	12,792
Contractual services	29,718	36,704	(6,986)
Commodities	52,000	56,399	(4,399)
Capital outlay	25,000	17,875	7,125
Total aquatic center expenditures	218,773	210,241	8,532
Four Oaks Complex:			
Personnel services	254,993	240,778	14,215
Contractual services	64,423	67,876	(3,453)
Commodities	104,000	92,818	11,182
Capital outlay	20,000	15,141	4,859
Total Four Oaks Complex expenditures	\$ 443,416	\$ 416,613	\$ 26,803

(Continued)

## CITY OF PITTSBURG, KANSAS

## GENERAL FUND

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

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Memorial Auditorium and Convention Center:			
Personnel services	\$ 240,222	\$ 233,174	\$ 7,048
Contractual services	128,415	139,918	(11,503)
Commodities	100,000	54,162	45,838
Capital outlay	25,000	6,117	18,883
Operating reserve	16,259	-	16,259
Total Memorial Auditorium and Convention Center	509,896	433,371	76,525
Total culture and recreation expenditures	2,196,807	2,095,453	101,354
Industrial promotion:			
Economic development:			
Personnel services	123,897	121,267	2,630
Contractual services	112,328	118,048	(5,720)
Commodities	5,000	24,441	(19,441)
Capital outlay	50,000	-	50,000
Total industrial promotion expenditures	291,225	263,756	27,469
Operating reserve	532,263	-	532,263
Total expenditures	14,171,142	13,168,002	1,003,140
Excess (deficiency) of revenues over (under) expenditures	(1,164,910)	1,458,616	2,623,526
Other financing sources (uses):			
Transfers in	1,100,562	1,081,625	(18,937)
Transfers out	(1,574,540)	(3,013,904)	(1,439,364)
Total other financing sources and uses	(473,978)	(1,932,279)	(1,458,301)
Net change in fund balances	(1,638,888)	(473,663)	1,165,225
Fund balance, beginning	1,638,888	1,925,897	287,009
Fund balance, ending	\$ -	\$ 1,452,234	\$ 1,452,234

See accompanying notes to basic financial statements.

## CITY OF PITTSBURG, KANSAS

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

December 31, 2007

	Water/Wastewater	Stormwater	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,037,146	\$ 3,314,625	\$ 5,351,771
Restricted cash - customer deposits	191,937	-	191,937
Accounts receivable (net of allowance for uncollectibles)	620,640	22,370	643,010
Other receivable	5,864	1,103	6,967
Inventories	334,196	-	334,196
Prepaid items	8,608	356	8,964
Total current assets	3,198,391	3,338,454	6,536,845
Noncurrent assets:			
Deferred charges	37,112	32,652	69,764
Capital assets:			
Land	436,690	-	436,690
Buildings and improvements	19,528,187	-	19,528,187
Machinery and equipment	2,975,972	298,078	3,274,050
Construction in progress	262,232	237,728	499,960
Infrastructure	24,088,850	1,482,757	25,571,607
Less accumulated depreciation	(17,623,373)	(262,516)	(17,885,889)
Total capital assets, net of accumulated depreciation	29,668,558	1,756,047	31,424,605
Total noncurrent assets	29,705,670	1,788,699	31,494,369
Total assets	32,904,061	5,127,153	38,031,214
Liabilities:			
Current liabilities:			
Accounts payable	74,363	4,020	78,383
Retainage payable	6,776	-	6,776
Accrued payroll	33,615	2,624	36,239
Accrued interest payable	60,012	43,804	103,816
Accrued compensated absences	123,237	5,184	128,421
Customer deposits payable	191,937	-	191,937
General obligation bonds - current	230,000	179,917	409,917
Construction loan payable - current	157,322	-	157,322
Total current liabilities	877,262	235,549	1,112,811
Noncurrent liabilities:			
General obligation bonds payable (net of unamortized discounts)	1,355,000	2,130,083	3,485,083
Construction loan payable	4,215,580	-	4,215,580
Total noncurrent liabilities	5,570,580	2,130,083	7,700,663
Total liabilities	6,447,842	2,365,632	8,813,474
Net assets:			
Invested in capital assets, net of related debt	23,710,656	1,727,132	25,437,788
Unrestricted	2,745,563	1,034,389	3,779,952
Total net assets	\$ 26,456,219	\$ 2,761,521	\$ 29,217,740

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, 2007

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 2,954,364	\$ -	\$ 2,954,364
Wastewater charges	2,530,240	-	2,530,240
Stormwater charges	-	661,534	661,534
Other charges	200,111	7,856	207,967
Total operating revenues	<u>5,684,715</u>	<u>669,390</u>	<u>6,354,105</u>
Operating expenses:			
Costs of sales and services	1,816,649	73,015	1,889,664
Administration	1,703,494	135,497	1,838,991
Depreciation	1,010,764	63,343	1,074,107
Total operating expenses	<u>4,530,907</u>	<u>271,855</u>	<u>4,802,762</u>
Operating income	<u>1,153,808</u>	<u>397,535</u>	<u>1,551,343</u>
Nonoperating revenues (expenses):			
Interest revenue	107,695	57,093	164,788
Interest expense	(213,450)	(43,804)	(257,254)
Total nonoperating revenues (expenses)	<u>(105,755)</u>	<u>13,289</u>	<u>(92,466)</u>
Income before capital contributions and transfers	1,048,053	410,824	1,458,877
Capital contributions	212,370	166,663	379,033
Transfers in	-	34,370	34,370
Transfers out	<u>(883,679)</u>	<u>(524,631)</u>	<u>(1,408,310)</u>
Change in net assets	376,744	87,226	463,970
Total net assets, beginning	<u>26,079,475</u>	<u>2,674,295</u>	<u>28,753,770</u>
Total net assets, ending	<u>\$ 26,456,219</u>	<u>\$ 2,761,521</u>	<u>\$ 29,217,740</u>

See accompanying notes to basic financial statements.

## CITY OF PITTSBURG, KANSAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

Year Ended December 31, 2007

	Water/Wastewater	Stormwater	Total
Cash flows from operating activities:			
Receipts from customers	\$ 5,676,465	\$ 681,081	\$ 6,357,546
Payments to suppliers	(1,876,849)	(78,836)	(1,955,685)
Payments to employees	(1,688,360)	(134,276)	(1,822,636)
Net cash provided by operating activities	2,111,256	467,969	2,579,225
Cash flows from noncapital financing activities:			
Transfers to other funds	(820,648)	(490,261)	(1,310,909)
Interest paid on deposits	(6,921)	-	(6,921)
Net cash used in noncapital financing activities	(827,569)	(490,261)	(1,317,830)
Cash flows from capital and related financing activities:			
Proceeds from capitalization grant/construction loan payable	573,362	-	573,362
Payments on capitalization grant/construction loan payable	(152,361)	-	(152,361)
Proceeds from general obligation bond	-	2,310,000	2,310,000
Acquisition and construction of capital assets	(1,011,513)	-	(1,011,513)
Purchases of capital assets	(235,588)	(23,833)	(259,421)
Bond issuance costs	-	(32,652)	(32,652)
Principal paid on capital debt	(225,000)	-	(225,000)
Interest paid on capital debt	(211,136)	-	(211,136)
Net cash provided by (used in) capital and related financing activities	(1,262,236)	2,253,515	991,279
Cash flows from investing activities:			
Interest received	107,695	57,093	164,788
Net increase in cash and cash equivalents	129,146	2,288,316	2,417,462
Cash and cash equivalents and restricted cash, beginning of year	2,099,937	1,026,309	3,126,246
Cash and cash equivalents and restricted cash, end of year	\$ 2,229,083	\$ 3,314,625	\$ 5,543,708

(Continued)

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS  
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2007

	Water/Wastewater	Stormwater	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,153,808	\$ 397,535	\$ 1,551,343
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,010,764	63,343	1,074,107
Amortization of deferred charges	6,185	-	6,185
Changes in assets and liabilities:			
Receivables, net	(10,562)	11,691	1,129
Inventories	(130,880)	-	(130,880)
Prepaid items	(4,699)	(172)	(4,871)
Accounts payable	69,194	(5,649)	63,545
Accrued compensated absences	15,134	1,221	16,355
Customer deposits	2,312	-	2,312
Net cash provided by operating activities	<u>\$ 2,111,256</u>	<u>\$ 467,969</u>	<u>\$ 2,579,225</u>
Cash consists of:			
Cash and cash equivalents	\$ 2,037,146	\$ 3,314,625	\$ 5,351,771
Restricted cash	191,937	-	191,937
	<u>\$ 2,229,083</u>	<u>\$ 3,314,625</u>	<u>\$ 5,543,708</u>

Non-cash capital financing activities:

Contributions of capital assets of \$ 212,370 and \$ 166,663 were acquired in the water/wastewater fund and the stormwater fund, respectively, from other governmental funds and project developers. Capital assets with a net book value of \$ 63,030 were transferred from the water/wastewater fund to the governmental funds.

See accompanying notes to basic financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2007

### 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 receivable 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 funds:

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

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

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

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

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

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

## CITY OF PITTSBURG, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

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

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

##### Cash and Investments

In accordance with the City's formal investment policy adopted by the governing body, the City may 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, 2007, interest earnings allocated to the various funds were \$ 1,161,937.

The investments consist of money market mutual funds, which are recorded at fair value, and repurchase agreements, which are recorded at cost as they are not negotiable or transferable and are not affected by market fluctuations.

##### 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, 2007, cash equivalents consisted of certificates of deposit included in pooled cash described above.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables

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

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

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records an allowance equal to 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 governmental funds had no unearned revenue. Deferred revenue is reported as follows:

General fund property taxes receivable	\$ 3,807,842
Revolving loans fund long-term portion of capital leases receivable	1,411,522
Debt service fund property taxes receivable	<u>1,268,282</u>
	<u>\$ 6,487,646</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 2007 levy was based was approximately \$ 123,914,007.

# 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 2007 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$ 28.129
Debt Service Fund	10.022
Component unit:	
Public Library	<u>5.512</u>
	<u>\$ 43.663</u>

#### 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.

In the general fund, \$10,000 of the unreserved fund equity has been designated by the City Commission and management to be used for repairs and maintenance of the field turf on the City's ball fields.



## 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.

##### Prior Period Adjustment

Beginning fund balance was restated in the revolving loans fund to reflect deferred revenue for the long-term portion of the capital leases receivable in which the City is lessor. The effect of this restatement on the beginning fund balance was a decrease of \$ 675,750, while deferred revenue increased \$ 675,750. There were no effects on current revenue or expenditures as a result of the adjustment in the fund. Beginning fund balance was restated in the Section 8 Vouchers fund to reflect changes in the federal grant funding structure implemented by the Department of Housing and Urban Development. The effect of this restatement on the beginning fund balance was an increase of \$ 89,499. The effect on prior year revenues was an increase of \$ 89,499. There were no effects on current year revenue or expenditures as a result of the adjustment in the fund.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2007, 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. 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.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was issued in June 2007. This statement establishes standards for when and whether intangible assets should be considered capital assets for financial reporting purposes. It requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The provisions of this statement are effective for periods beginning after June 15, 2009.

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 29,835,286 difference are as follows:

Bonds payable	\$ (29,390,000)
Less: Deferred charge for issuance costs	599,048
Less: Issuance discount	146,140
Accrued interest payable	(555,368)
Compensated absences	<u>(635,106)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (29,835,286)</u>

#### 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 \$ 4,240,360 difference are as follows:

Capital outlay	\$ 5,985,272
Depreciation expense	<u>(1,744,912)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 4,240,360</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 "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 \$ 12,587,376 difference are as follows:

Debt issued or incurred:	
Issuance of bonds	\$ (14,285,000)
Bond issuance costs	197,624
Principal repayments:	
Bonds	<u>1,500,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (12,587,376)</u>

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 \$ 464,762 difference are as follows:

Compensated absences	\$ (71,259)
Accrued interest	(338,497)
Amortization of issuance costs	(41,730)
Amortization of bond discounts	<u>(13,276)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (464,762)</u>

## CITY OF PITTSBURG, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 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. The City has legally adopted annual budgets for the general fund, the debt service fund, the street and highway fund, the special alcohol and drug fund and the special parks and recreation fund. Budgets were not prepared for the state and federal assistance funds, the capital projects fund, the PHA/Presbyterian Church Housing 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.

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 2007.

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3 - Stewardship, Compliance and Accountability (Continued)

#### Excess of Expenditures Over Appropriations

Expenditures and transfers out exceeded appropriations in the General Fund by \$ 455,161, in the Special Parks and Recreation Fund by \$ 8,018, and in the Special Alcohol and Drug Fund by \$ 5,074.

### 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	\$ (974,697)
Add:	
Sales tax transfers	2,483,035
Health claims	10,000
Change in grants receivable	10,168
Change in interest receivable	35,419
Change in accrued liabilities	175,775
Deduct:	
Transfer from capital project	(52,287)
Change in encumbrances	(12,252)
Change in taxes receivable	(87,042)
Change in retainage payable	(97,200)
Change in inventories	(27,593)
Change in prepaid items	(4,710)
Excess of revenue over expenditures, budgetary basis	<u>\$ 1,458,616</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Budgetary Basis of Accounting (Continued)

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.

5 - Deposits and Investments

Deposits

*Custodial Credit Risk*

Custodial credit 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, 2007, 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, 2007, 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	\$ 405,204	\$ 405,204	\$ -	\$ -	\$ -
Repurchase agreement	12,530,476	-	12,530,476	-	-
	<u>\$ 12,935,680</u>	<u>\$ 405,204</u>	<u>\$ 12,530,476</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Deposits and Investments (Continued)

Investments (Continued)

*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.

*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, 2007.

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

*Concentrations of Credit Risk*

The City places no limit on the amount it may invest in any one issuer. Ninety-seven percent of the City's investments are in a repurchase agreement with one issuer.

*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, 2007, the City's investments were not exposed to custodial credit risk.



# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5 - Deposits and Investments (Continued)

#### Investments (Continued)

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

	Carrying Amount		
		Component	
	City	Unit - Public	
		Library	Total
Cash and cash equivalents	\$ 20,545,538	\$ 189,949	\$ 20,735,487
Restricted cash and cash equivalents	191,937	-	191,937
Restricted investments	12,935,680	-	12,935,680
	<u>\$ 33,673,155</u>	<u>\$ 189,949</u>	<u>\$ 33,863,104</u>

### 6 - Loans Receivable

Loans receivable, aggregating approximately \$ 560,000 at December 31, 2007, 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, 2007 the lease receivable balance was \$ 1,670,420.

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7 - Leases (Continued)

Future minimum lease payments to be received are as follows:

2008	\$ 258,898
2009	258,898
2010	258,898
2011	165,543
2012	165,543
2013 - 2017	634,451
2018 - 2022	<u>239,700</u>
Total minimum lease payments	1,981,931
Less: amounts representing interest	<u>(311,511)</u>
Present value of minimum lease payments	<u>\$ 1,670,420</u>

Noncancellable operating revenue leases for City land and buildings expire in 2012, 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, 2007 rental income related to these leases was \$ 188,618. Future minimum lease income is as follows:

2008	\$ 208,805
2009	208,805
2010	208,805
2011	195,778
2012	112,742
2013 - 2017	<u>242,296</u>
	<u>\$ 1,177,231</u>

The asset cost of the buildings the City leases is \$ 1,944,124, with accumulated depreciation of \$ 411,883, resulting in net carrying value of \$ 1,532,241 at December 31, 2007.

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 8 - Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

#### Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,152,580	\$ 1,321,323	\$ -	\$ -	\$ 3,473,903
Construction in progress	1,269,529	4,942,925	(2,235,387)	-	3,977,067
Total capital assets not being depreciated	3,422,109	6,264,248	(2,235,387)	-	7,450,970
Capital assets being depreciated:					
Buildings and improvements	20,829,994	722,089	-	-	21,552,083
Machinery and equipment	6,615,112	595,341	(191,057)	71,536	7,090,932
Infrastructure	19,681,889	286,940	-	-	19,968,829
Total capital assets being depreciated	47,126,995	1,604,370	(191,057)	71,536	48,611,844
Less accumulated depreciation for:					
Buildings and improvements	(9,577,765)	(667,285)	-	-	(10,245,050)
Machinery and equipment	(4,822,079)	(474,829)	168,508	(8,506)	(5,136,906)
Infrastructure	(9,088,983)	(602,798)	-	-	(9,691,781)
Total accumulated depreciation	(23,488,827)	(1,744,912)	168,508	(8,506)	(25,073,737)
Total capital assets being depreciated, net	23,638,168	(140,542)	(22,549)	63,030	23,538,107
Governmental activities capital assets, net	\$ 27,060,277	\$ 6,123,706	\$(2,257,936)	\$ 63,030	\$ 30,989,077

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 436,690	\$ -	\$ -	\$ -	\$ 436,690
Construction in progress	226,297	1,047,787	(774,124)	-	499,960
Total capital assets not being depreciated	662,987	1,047,787	(774,124)	-	936,650
Capital assets being depreciated:					
Buildings and improvements	19,240,848	287,339	-	-	19,528,187
Machinery and equipment	3,199,182	182,724	(36,320)	(71,536)	3,274,050
Infrastructure	24,665,366	906,241	-	-	25,571,607
Total capital assets being depreciated	47,105,396	1,376,304	(36,320)	(71,536)	48,373,844
Less accumulated depreciation for:					
Buildings and improvements	(6,377,310)	(394,744)	-	-	(6,772,054)
Machinery and equipment	(1,965,672)	(150,605)	36,320	8,506	(2,071,451)
Infrastructure	(8,513,626)	(528,758)	-	-	(9,042,384)
Total accumulated depreciation	(16,856,608)	(1,074,107)	36,320	8,506	(17,885,889)
Total capital assets being depreciated, net	30,248,788	302,197	-	(63,030)	30,487,955
Business-type activities capital assets, net	\$ 30,911,775	\$ 1,349,984	\$ (774,124)	\$ (63,030)	\$ 31,424,605

# 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	\$ 85,158
Public safety - police	98,647
Public safety - fire	124,340
Public safety - other	28,006
Public works	1,022,934
Sanitation and health	5,754
Culture and recreation	344,073
Industrial promotion	36,000
	<hr/>
Total depreciation expense - governmental activities	\$ 1,744,912
	<hr/>
Business-type activities:	
Water and sewer	\$ 1,010,764
Stormwater	63,343
	<hr/>
Total depreciation expense-business-type activities	\$ 1,074,107
	<hr/>

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, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 215,415	\$ -	\$ -	\$ 215,415
Construction in progress	-	15,126	-	15,126
Total capital assets not being depreciated	215,415	15,126	-	230,541
Capital assets being depreciated:				
Buildings and improvements	3,326,018	-	-	3,326,018
Machinery and equipment	45,675	-	(35,679)	9,996
Total capital assets being depreciated	3,371,693	-	(35,679)	3,336,014
Less accumulated depreciation for:				
Buildings and improvements	(605,136)	(73,362)	-	(678,498)
Machinery and equipment	(36,527)	(3,332)	35,679	(4,180)
Total accumulated depreciation	(641,663)	(76,694)	35,679	(682,678)
Total capital assets being depreciated, net	2,730,030	(76,694)	-	2,653,336
Public Library capital assets, net	\$ 2,945,445	\$ (61,568)	\$ -	\$ 2,883,877

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 1-888-275-5737.

## 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 December 2007 was 5.31%. The City employer contributions to KPERS for the years ending December 31, 2007, 2006, and 2005 were \$ 272,393, \$ 223,959, and \$ 180,122, 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 2007 is 16.62%. 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, 2007, 2006, and 2005 were \$ 551,110, \$ 506,127, and \$ 443,349, 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 \$ 125,000 reported at December 31, 2007 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, 2007, the City had approximately \$ 703,000 reserved in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Claims payable, beginning of year	\$ 115,000	\$ 135,000
Incurred claims and change in estimate	1,199,227	1,002,884
Claim payments	<u>(1,189,227)</u>	<u>(1,022,884)</u>
Claims payable, end of year	<u>\$ 125,000</u>	<u>\$ 115,000</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, 2007, 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, 2007 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, 2007 for capital projects compared to the amount authorized:

	Costs to Date	Amount Authorized
General government:		
Park improvements	\$ 218,231	\$ 393,464
Auditorium projects	160,778	162,895
Economic development projects	139,621	1,000,000
Airport runway and wildlife fence projects	1,042,052	3,835,193
Paving projects	2,894,297	3,345,081
Bridge projects	50,118	500,000
Fire department projects	88,325	616,286
Public safety center	2,534,504	15,000,000
	<u>\$ 7,127,926</u>	<u>\$ 24,852,919</u>
Business-type:		
Water/wastewater	\$ 1,691,805	\$ 5,100,600
Stormwater	183,152	2,450,000
	<u>\$ 1,874,957</u>	<u>\$ 7,550,600</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, 2007 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2007	Outstanding December 31, 2007
General Obligation Bonds:					
Governmental activities:					
Series 1999-A	4.35%	\$ 3,220,000	2008	\$ 365,000	\$ 380,000
Series 2001-B	4.00 - 4.30%	2,675,000	2011	270,000	1,200,000
Series 2003-A	2.10 - 3.30%	3,025,000	2013	280,000	1,370,000
Series 2005-A	2.70 - 3.60%	1,460,000	2015	135,000	1,215,000
Series 2006-A	3.35 - 3.75%	545,000	2016	35,000	510,000
Series 2006-B	3.70 - 3.90%	1,140,000	2016	90,000	1,050,000
Series 2006-C	3.55 - 3.80%	2,000,000	2016	180,000	1,820,000
Series 2007-A	4.00%	1,285,000	2017	-	1,285,000
Series 2007-B	4.00%	13,000,000	2018	-	13,000,000
				1,355,000	21,830,000
Business-type activities:					
Series 2001-A	4.15 - 4.70%	4,715,000	2013	225,000	1,585,000
Series 2007-A	4.00%	2,310,000	2017	-	2,310,000
				225,000	3,895,000
				<u>\$ 1,580,000</u>	<u>\$ 25,725,000</u>

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 12 - Long-Term Debt (Continued)

#### General Obligation Bonds (Continued)

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  
 Series 2007-A: Callable September 1, 2015 at par plus accrued interest  
 Series 2007-B: Callable September 1, 2015 at par plus accrued interest

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

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 1999-A	\$ 380,000	\$ 380,000
Series 2001-B	280,000	320,000
Series 2003-A	160,000	300,000
Series 2005-A	135,000	165,000
Series 2006-A	50,000	65,000
Series 2006-B	100,000	135,000
Series 2006-C	175,000	235,000
Series 2007-A	100,083	151,895
Series 2007-B	695,000	1,800,000
Business-type activities:		
Series 2001-A	230,000	300,000
Series 2007-A	179,917	273,105

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirement for general obligation bonds outstanding as of December 31, 2007 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2008	\$ 2,200,083	\$ 959,784	\$ 409,917	\$ 190,677
2009	2,027,594	758,404	442,406	154,428
2010	2,132,955	684,300	467,044	133,132
2011	2,096,530	604,562	488,470	110,625
2012	1,871,892	523,946	518,108	87,036
2013 - 2017	9,700,946	1,501,091	1,569,055	170,242
2018 - 2022	1,800,000	72,000	-	-
	<u>\$ 21,830,000</u>	<u>\$ 5,104,087</u>	<u>\$ 3,895,000</u>	<u>\$ 846,140</u>

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 \$ 3,204,664 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, 2007 are as follows:

	Principal	Interest and Service Fee	Total
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	178,342	79,429	257,771
2013-2017	980,620	308,236	1,288,856
2018-2022	1,147,051	141,804	1,288,855
2023-2027	238,656	5,983	244,639
	<u>\$ 3,204,664</u>	<u>\$ 906,542</u>	<u>\$ 4,111,206</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Construction Loan Payable (Continued)

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, 2007, the City has drawn \$ 1,168,238 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.

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, 2007 are as follows:

	Principal	Interest	Total
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	40,000	60,240	100,240
2013 - 2017	250,000	268,800	518,800
2018 - 2022	375,000	193,800	568,800
2023 - 2027	610,000	83,040	693,040
	<u>\$ 1,390,000</u>	<u>\$ 862,800</u>	<u>\$ 2,252,800</u>

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 12 - Long-Term Debt (Continued)

#### Transportation Development District Sales Tax Revenue Bonds (Continued)

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.

#### 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, 2007 are as follows:

	Principal	Interest	Total
2008	\$ 170,000	\$ 296,145	\$ 466,145
2009	195,000	287,933	482,933
2010	215,000	278,707	493,707
2011	235,000	268,582	503,582
2012	255,000	257,558	512,558
2013 - 2017	1,605,000	1,088,597	2,693,597
2018 - 2022	2,315,000	622,913	2,937,913
2023 - 2027	1,180,000	69,335	1,249,335
	<u>\$ 6,170,000</u>	<u>\$ 3,169,770</u>	<u>\$ 9,339,770</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Special Obligation Tax Increment Revenue Bonds (Continued)

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.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 8,900,000	\$ 14,285,000	\$ (1,355,000)	\$ 21,830,000	\$ 2,200,083
Transportation Development District					
Sales Tax Revenue Bonds	1,395,000	-	(5,000)	1,390,000	20,000
Special Obligation Tax Increment					
Revenue Bonds	6,310,000	-	(140,000)	6,170,000	170,000
Less deferred amounts:					
For issuance discounts	(159,416)	-	13,276	(146,140)	-
Compensated absences	563,847	405,843	(334,584)	635,106	449,215
Governmental activity long-term liabilities	<u>\$ 17,009,431</u>	<u>\$ 14,690,843</u>	<u>\$ (1,821,308)</u>	<u>\$ 29,878,966</u>	<u>\$ 2,839,298</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 1,810,000	\$ 2,310,000	\$ (225,000)	\$ 3,895,000	\$ 409,917
Construction loan payable	3,951,901	573,362	(152,361)	4,372,902	157,322
Compensated absences	112,066	101,517	(85,162)	128,421	128,421
Business-type activity long-term liabilities	<u>\$ 5,873,967</u>	<u>\$ 2,984,879</u>	<u>\$ (462,523)</u>	<u>\$ 8,396,323</u>	<u>\$ 695,660</u>

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, 2007, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 1,913,000.

### 13 - Bond Anticipation Notes Payable

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

At December 31, 2007 the City had the following bond anticipation notes outstanding:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond anticipation notes	<u>\$ 1,775,000</u>	<u>\$ 4,930,000</u>	<u>\$ 1,775,000</u>	<u>\$ 4,930,000</u>
<u>Issue</u>		<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
2007A		\$ 4,930,000	3.80%	6/15/2008



# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 14 - Interfund Transactions

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 62,578
Revolving loan fund	263,757
Water/wastewater fund	755,290
	<hr/>
Total transfers to general fund	\$ 1,081,625
	<hr/>
Transfers to capital projects fund from:	
General fund	\$ 869
Revolving loan fund	95,243
Stormwater fund	500,000
	<hr/>
Total transfers to capital projects fund	\$ 596,112
	<hr/>
Transfers to debt service fund from:	
Water/wastewater fund	\$ 65,359
Stormwater fund	24,631
	<hr/>
Total transfers to debt service fund	\$ 89,990
	<hr/>
Transfers to nonmajor governmental funds from:	
General fund	\$ 530,000
	<hr/>
Transfers to stormwater funds from:	
Capital projects	\$ 34,370
	<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.

During the year, \$ 63,030 of capital assets was transferred from the water/wastewater fund to governmental activities. This transaction was reported as a transfer out on the fund financial statements for the water/wastewater fund. No amount was reported in the governmental funds as a transfer in because there was no transfer of financial resources.

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

\$ 109,588

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, 2007

	Special Revenue				Community	Total
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/Presbyterian Church Housing	Development Block Grants	Nonmajor Governmental Funds
Assets:						
Cash and cash equivalents	\$ -	\$ 34,382	\$ 250,541	\$1,007,403	\$ -	\$1,292,326
Intergovernmental receivable	-	-	171,356	-	-	171,356
Inventories	-	-	1,323	-	-	1,323
Prepaid items	-	-	3,970	-	-	3,970
Total assets	\$ -	\$ 34,382	\$ 427,190	\$1,007,403	\$ -	\$1,468,975
Liabilities:						
Accounts payable	\$ -	\$ 471	\$ 37,309	\$ -	\$ -	\$ 37,780
Accrued payroll	-	-	10,321	-	-	10,321
Advances from other funds	-	-	109,588	-	-	109,588
Total liabilities	-	471	157,218	-	-	157,689
Fund balances:						
Reserved for encumbrances	-	-	4,300	-	-	4,300
Reserved for inventories	-	-	1,323	-	-	1,323
Reserved for prepaid items	-	-	3,970	-	-	3,970
Unreserved, undesignated	-	33,911	260,379	1,007,403	-	1,301,693
Total fund balances	-	33,911	269,972	1,007,403	-	1,311,286
Total liabilities and fund balances	\$ -	\$ 34,382	\$ 427,190	\$1,007,403	\$ -	\$1,468,975

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	Special Revenue				Community	Total
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/Presbyterian Church Housing	Development Block Grants	Nonmajor Governmental Funds
Revenues:						
Intergovernmental	\$ 62,578	\$ 62,578	\$ 681,588	\$ -	\$ 86,881	\$ 893,625
Investment earnings	-	-	-	55,674	-	55,674
Miscellaneous	-	3,750	15,928	-	290,684	310,362
Total revenues	62,578	66,328	697,516	55,674	377,565	1,259,661
Expenditures:						
Current:						
Public works	-	-	1,230,613	-	-	1,230,613
Sanitation and health	-	60,033	-	-	-	60,033
Social welfare	-	-	-	-	86,881	86,881
Capital outlay	-	-	-	-	290,684	290,684
Total expenditures	-	60,033	1,230,613	-	377,565	1,668,211
Excess (deficiency) of revenues over (under) expenditures	62,578	6,295	(533,097)	55,674	-	(408,550)
Other financing sources (uses):						
Transfers in:						
General fund	-	-	530,000	-	-	530,000
Transfers out:						
General fund	(62,578)	-	-	-	-	(62,578)
Total other financing sources (uses)	(62,578)	-	530,000	-	-	467,422
Net change in fund balances	-	6,295	(3,097)	55,674	-	58,872
Fund balances, beginning	-	27,616	273,069	951,729	-	1,252,414
Fund balances, ending	\$ -	\$ 33,911	\$ 269,972	\$ 1,007,403	\$ -	\$ 1,311,286

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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 54,560	\$ 62,578	\$ 8,018
Other financing uses:			
Transfers out	(54,560)	(62,578)	(8,018)
Net change in fund balances	-	-	-
Fund balances, beginning	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -

(Continued)



## 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, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 54,459	\$ 62,578	\$ 8,119
Miscellaneous	500	3,750	3,250
Total revenues	54,959	66,328	11,369
Expenditures:			
Personnel services	-	6,329	(6,329)
Contractual services	37,306	43,677	(6,371)
Commodities	-	10,027	(10,027)
Total expenditures	37,306	60,033	(22,727)
Excess of revenues over (under) expenditures	17,653	6,295	(11,358)
Other financing uses:			
Transfers out	(17,653)	-	17,653
Net change in fund balances	-	6,295	6,295
Fund balances, beginning	-	27,616	27,616
Fund balances, ending	\$ -	\$ 33,911	\$ 33,911

(Continued)

## CITY OF PITTSBURG, KANSAS

## STREET AND HIGHWAY FUND

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

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 734,385	\$ 726,125	\$ (8,260)
Miscellaneous	5,000	15,928	10,928
Total revenues	739,385	742,053	2,668
Expenditures:			
Personnel services	532,660	526,834	5,826
Contractual services	420,471	355,521	64,950
Commodities	361,096	339,718	21,378
Debt service	30,000	27,098	2,902
Total expenditures	1,344,227	1,249,171	95,056
Excess of revenues over (under) expenditures	(604,842)	(507,118)	97,724
Other financing sources:			
Transfers in	530,000	530,000	-
Net change in fund balances	(74,842)	22,882	97,724
Fund balances, beginning	74,842	187,372	112,530
Fund balances, ending	\$ -	\$ 210,254	\$ 210,254

(Continued)

## CITY OF PITTSBURG, KANSAS

## DEBT SERVICE FUND

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

Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,373,243	\$ 1,334,027	\$ (39,216)
Special assessments	-	26,572	26,572
Investment earnings	-	70,821	70,821
Total revenues	<u>1,373,243</u>	<u>1,431,420</u>	<u>58,177</u>
Expenditures:			
Principal	1,705,539	1,877,361	(171,822)
Interest	556,307	877,622	(321,315)
Operating reserve	1,285,316	-	1,285,316
Total expenditures	<u>3,547,162</u>	<u>2,754,983</u>	<u>792,179</u>
Excess of revenues over (under) expenditures	<u>(2,173,919)</u>	<u>(1,323,563)</u>	<u>850,356</u>
Other financing sources:			
Transfers in	<u>1,266,908</u>	<u>2,571,502</u>	<u>1,304,594</u>
Net change in fund balances	<u>(907,011)</u>	<u>1,247,939</u>	<u>2,154,950</u>
Fund balances, beginning	<u>907,011</u>	<u>940,220</u>	<u>33,209</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 2,188,159</u>	<u>\$ 2,188,159</u>

CITY OF PITTSBURG, KANSAS

BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT

December 31, 2007

Assets:

Cash and cash equivalents	\$	189,949
Taxes receivable		706,020
Interest receivable		139
Prepaid items		<u>1,640</u>
Total assets	\$	<u>897,748</u>

Liabilities and fund balances:

Liabilities:

Accounts payable	\$	6,955
Accrued payroll		11,668
Deferred revenue		<u>706,020</u>
Total liabilities		<u>724,643</u>

Fund balances:

Unreserved		171,465
Reserved for prepaid items		<u>1,640</u>
Total fund balances		<u>173,105</u>

Total liabilities and fund balances	\$	<u>897,748</u>
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CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2007

Revenues:	
Taxes	\$ 734,316
Fines and fees	9,138
Investment earnings	15,405
Miscellaneous	<u>87,635</u>
Total revenues	846,494
Expenditures:	
Current:	
Education	<u>790,010</u>
Excess of revenues over expenditures	56,484
Fund balance, beginning	<u>116,621</u>
Fund balance, ending	<u><u>\$ 173,105</u></u>

## STATISTICAL SECTION

## Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	75- 78
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its most significant local revenue source, water and wastewater revenues, as well as its property tax.	79 - 83
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	84 - 88
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.	89 - 90
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	91 - 93

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$18,763,038	\$16,756,655	\$11,635,596	\$11,057,847	\$15,301,187
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783
Unrestricted	<u>9,052,993</u>	<u>(3,148,102)</u>	<u>2,807,699</u>	<u>3,671,353</u>	<u>710,472</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>	<u>\$27,231,442</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 22,521,787	\$24,239,750	\$24,548,293	\$25,149,875	\$25,437,788
Unrestricted	<u>2,542,944</u>	<u>2,916,297</u>	<u>3,380,284</u>	<u>3,603,895</u>	<u>3,779,952</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>	<u>\$29,217,740</u>
Primary government					
Invested in capital assets, net of related debt	\$ 41,284,825	\$40,996,405	\$36,183,889	\$36,207,722	\$40,738,975
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783
Unrestricted	<u>11,595,937</u>	<u>(231,805)</u>	<u>6,187,983</u>	<u>7,275,248</u>	<u>4,490,424</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>	<u>\$56,449,182</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.



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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 1,009,561	\$ 1,179,618	\$ 1,657,462	\$ 1,719,514	\$ 2,018,611
Public safety - police	2,490,674	2,742,941	2,723,840	3,249,047	3,418,799
Public safety - fire	1,922,917	2,106,552	2,301,123	2,389,005	2,389,386
Public safety - other	505,879	539,657	841,165	938,345	1,025,608
Public works	2,438,803	2,640,595	2,729,584	2,872,843	3,325,255
Sanitation and health	124,782	138,940	140,372	164,849	185,134
Culture and recreation	1,811,890	2,025,622	2,127,719	2,267,838	2,325,059
Industrial promotion	986,716	469,424	585,270	1,160,463	1,135,420
Economic development	-	5,724,575	81,992	898,362	4,869
Social welfare	1,483,446	2,027,295	3,021,661	2,284,301	1,464,683
Interest on long-term debt	257,151	306,216	383,323	658,775	1,213,573
Total governmental expenses	13,031,819	19,901,435	16,593,511	18,603,342	18,506,397
Business-type activities:					
Water/wastewater	4,861,635	4,912,302	4,568,704	4,871,241	4,744,357
Stormwater	-	124,315	214,919	244,875	315,659
Total business-type activities expenses	4,861,635	5,036,617	4,783,623	5,116,116	5,060,016
Total primary government expenses	\$ 17,893,454	\$ 24,938,052	\$ 21,377,134	\$ 23,719,458	\$ 23,566,413
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 983,967	\$ 979,982	\$ 1,005,600	\$ 1,019,776	\$ 1,262,267
Public works	380,733	464,049	628,343	638,584	711,533
Industrial promotion	282,563	373,723	215,038	249,229	875,887
Other activities	555,080	484,435	560,429	538,747	540,658
Operating grants and contributions	2,627,149	2,980,926	5,003,198	3,246,013	2,800,229
Capital grants and contributions	138,341	22,130	797,210	1,941,305	611,966
Total governmental activities program revenues	4,967,833	5,305,245	8,209,818	7,633,654	6,802,540
Business-type activities:					
Charges for services:					
Water/wastewater	5,555,225	5,293,009	5,377,606	5,693,687	5,684,715
Stormwater	-	613,118	620,740	643,211	669,390
Capital grants and contributions	-	-	13,500	33,179	4,442
Total business-type activities program revenues	5,555,225	5,906,127	6,011,846	6,370,077	6,358,547
Total primary government program revenues	\$ 10,523,058	\$ 11,211,372	\$ 14,221,664	\$ 14,003,731	\$ 13,161,087
Net (Expense)/Revenue					
Governmental activities	\$ (8,063,986)	\$ (14,596,190)	\$ (8,383,693)	\$ (10,969,688)	\$ (11,703,857)
Business-type activities	693,590	869,510	1,228,223	1,253,961	1,298,531
Total primary government net expense	\$ (7,370,396)	\$ (13,726,680)	\$ (7,155,470)	\$ (9,715,727)	\$ (10,405,326)
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	\$ 5,340,410
Sales taxes	3,113,979	3,405,928	3,553,907	3,696,000	5,522,057
Franchise taxes	1,186,843	1,194,393	1,367,418	1,688,118	1,697,643
Investment earnings	220,274	151,793	420,902	763,520	1,229,571
Transfers	115,489	(1,201,734)	521,930	542,306	999,349
Total governmental activities	8,771,328	8,064,667	10,511,688	11,613,955	14,789,030
Business-type activities					
Investment earnings	15,921	20,072	66,237	113,538	164,788
Transfers	(115,489)	1,201,734	(521,930)	(542,306)	(999,349)
Total business-type activities	(99,568)	1,221,806	(455,693)	(428,768)	(834,561)
Total primary government	\$ 8,671,760	\$ 9,286,473	\$ 10,055,995	\$ 11,185,187	\$ 13,954,469
Change in Net Assets					
Governmental activities	\$ 707,342	\$ (6,531,523)	\$ 2,127,995	\$ 644,267	\$ 3,085,173
Business-type activities	594,022	2,091,316	772,530	825,193	463,970
Total primary government	\$ 1,301,364	\$ (4,440,207)	\$ 2,900,525	\$ 1,469,460	\$ 3,549,143

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 13,603	\$ 7,773	\$ 11,323	\$ 462,895	\$ 323,375	\$ 871,540	\$ 1,012,561	\$ 1,078,301	\$ 1,010,457	\$ 878,014
Unreserved	838,489	690,437	740,195	1,056,408	1,478,468	1,379,522	1,603,994	2,202,370	1,762,970	1,471,471
Total general fund	\$ 852,092	\$ 698,210	\$ 751,518	\$ 1,519,303	\$ 1,801,843	\$ 2,251,062	\$ 2,616,555	\$ 3,280,671	\$ 2,773,427	\$ 2,349,485
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 6,034,985	\$ 6,878,314	\$ 7,002,149	\$ 6,344,650	\$ 6,531,515	\$ 5,963,688
Unreserved, reported in:										
Special revenue funds	4,927,558	6,487,281	4,844,511	6,256,132	259,338	237,312	96,085	1,353,807	1,235,257	1,495,481
Capital projects funds	1,049,341	689,611	(364,834)	370,337	(1,085,760)	(53,658)	(6,216,400)	(116,608)	1,420,714	11,912,183
Debt service funds	81,442	117,920	183,875	458,189	435,571	-	-	969,826	1,369,189	2,945,291
Total all other governmental funds	\$ 6,058,341	\$ 7,294,812	\$ 4,663,552	\$ 7,084,658	\$ 5,644,134	\$ 7,061,968	\$ 881,834	\$ 8,551,675	\$ 10,556,675	\$ 22,316,643

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes	\$ 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	\$ 12,560,110
Licenses and permits	92,878	99,267	96,608	126,784	125,541	119,413	113,690	144,040	104,417	216,596
Intergovernmental	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	2,767,243
Charges for services	257,858	236,999	249,644	1,066,136	1,147,132	1,401,914	1,369,142	1,591,104	1,609,459	1,703,422
Fines and fees	185,315	176,218	226,923	256,053	301,663	289,401	345,862	323,046	312,938	399,816
Special assessments	106,766	89,013	93,695	104,925	95,561	68,580	70,509	59,074	57,645	26,572
Investment earnings	606,751	553,596	693,429	545,217	321,822	220,274	151,793	420,902	763,520	1,129,571
Lease income	-	-	-	16,573	123,587	138,587	314,676	277,915	340,478	576,732
Miscellaneous	365,885	371,065	325,137	325,053	183,636	413,476	326,428	1,466,474	1,307,924	825,925
<b>Total revenues</b>	<b>12,860,993</b>	<b>12,042,103</b>	<b>11,954,825</b>	<b>13,114,569</b>	<b>13,209,149</b>	<b>13,663,232</b>	<b>14,611,209</b>	<b>18,342,487</b>	<b>18,817,060</b>	<b>20,305,987</b>
<b>Expenditures</b>										
General government	653,059	663,729	694,427	886,223	1,442,819	933,982	1,057,511	1,561,875	1,535,479	1,906,313
Public safety-police	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	3,289,331
Public safety-fire	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	2,254,080
Public safety-other	351,353	398,615	504,177	687,539	507,361	469,379	510,274	814,626	904,123	985,134
Public works	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	2,306,195
Sanitation and health	100,115	101,691	107,697	115,684	105,220	118,897	115,052	135,128	159,202	178,870
Culture and recreation	768,575	746,278	835,733	1,751,031	1,605,646	1,544,131	1,650,630	1,806,666	1,915,072	1,963,361
Industrial promotion	351,784	305,649	264,715	278,997	252,483	943,259	434,191	547,032	1,121,960	1,409,273
Economic development	-	-	-	-	-	-	-	81,992	898,362	4,869
Social welfare	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	1,469,391
Capital outlay	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	5,696,108
Debt service principal	1,708,207	1,920,628	778,159	716,482	963,573	876,466	1,049,491	940,000	7,365,000	1,500,000
Debt service interest & fees	343,269	302,590	290,840	376,919	336,261	260,258	222,695	261,574	660,233	751,531
Bond issuance costs	-	-	-	-	-	59,080	-	-	407,706	266,163
<b>Total expenditures</b>	<b>11,381,735</b>	<b>13,594,140</b>	<b>13,773,737</b>	<b>14,757,926</b>	<b>15,350,112</b>	<b>13,432,158</b>	<b>19,946,958</b>	<b>18,574,939</b>	<b>29,301,947</b>	<b>23,979,619</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,479,258</b>	<b>(1,552,037)</b>	<b>(1,818,912)</b>	<b>(1,643,357)</b>	<b>(2,140,963)</b>	<b>231,074</b>	<b>(5,335,749)</b>	<b>(232,452)</b>	<b>(10,484,887)</b>	<b>(3,673,632)</b>
<b>Other Financing Sources (Uses)</b>										
Bonds issued	-	2,984,020	-	2,657,125	-	1,533,240	-	1,460,000	11,390,000	14,285,000
Discount on bonds	-	-	-	-	-	-	-	-	(166,389)	-
Bond anticipation notes issued	-	-	-	1,607,586	-	-	-	6,285,000	-	-
Transfers in	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	2,297,727
Transfers out	(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)	(986,817)
<b>Total other financing sources (uses)</b>	<b>(212,296)</b>	<b>2,642,269</b>	<b>(521,092)</b>	<b>4,000,880</b>	<b>104,597</b>	<b>1,648,729</b>	<b>179,828</b>	<b>8,566,409</b>	<b>11,982,643</b>	<b>15,595,910</b>
<b>Net change in fund balances</b>	<b>1,266,962</b>	<b>1,090,232</b>	<b>(2,340,004)</b>	<b>2,357,523</b>	<b>(2,036,366)</b>	<b>1,879,803</b>	<b>(5,155,921)</b>	<b>8,333,957</b>	<b>1,497,756</b>	<b>11,922,278</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>20.1%</b>	<b>21.1%</b>	<b>10.6%</b>	<b>8.7%</b>	<b>10.3%</b>	<b>9.4%</b>	<b>9.7%</b>	<b>7.6%</b>	<b>34.4%</b>	<b>13.8%</b>

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)
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
2007	910	852	58	6.37%	1,633	\$ 7.36	Variable	\$ 12.85	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 Seven 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
2007	56	32	88

1) Data not available for periods 1998-2000.

-81-

(1) Water other data not available for years 1998-1999.  
(2) Sewer customers by type not available for years 1998-2005.  
(3) Total sewer customers not available for years 1998-2002.

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

WATER RATES PER MONTH, INSIDE CITY LIMITS

	1998	1999	Effective Feb 15th 1999	Effective Jan 1st 2000	Effective Jul 1st 2000	2001	2002	2003	2004	2005	2006	2007
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 4.92	\$ 4.92	\$ 5.41	\$ 5.82	\$ 5.97	\$ 6.15	\$ 6.33	\$ 6.52	\$ 6.72	\$ 6.93	\$ 7.14	\$ 7.36
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	2.01	2.01	2.21	2.38	2.44	2.52	2.60	2.68	2.77	2.86	2.95	3.04
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	1.89	1.89	2.08	2.24	2.30	2.37	2.44	2.52	2.60	2.68	2.77	2.86
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.80	1.80	1.98	2.13	2.19	2.26	2.33	2.40	2.48	2.56	2.64	2.72
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.67	1.67	1.84	1.98	2.03	2.10	2.16	2.23	2.30	2.37	2.45	2.53
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.58	1.58	1.74	1.87	1.92	1.98	2.04	2.11	2.18	2.25	2.32	2.39
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	1.46	1.46	1.61	1.73	1.78	1.84	1.90	1.96	2.02	2.09	2.16	2.23
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.33	1.33	1.46	1.57	1.61	1.66	1.71	1.77	1.83	1.89	1.95	2.01
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.22	1.22	1.34	1.44	1.48	1.53	1.58	1.63	1.68	1.74	1.80	1.86
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.12	1.12	1.23	1.33	1.37	1.42	1.46	1.51	1.56	1.61	1.66	1.71
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.03	1.03	1.13	1.22	1.25	1.29	1.33	1.37	1.42	1.47	1.52	1.57
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.95	0.95	1.05	1.13	1.16	1.20	1.24	1.28	1.32	1.36	1.41	1.46
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.87	0.87	0.96	1.04	1.07	1.11	1.14	1.18	1.22	1.26	1.30	1.34
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.80	0.80	0.88	0.95	0.98	1.01	1.04	1.08	1.12	1.16	1.20	1.24
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	0.74	0.74	0.81	0.87	0.90	0.93	0.96	0.99	1.02	1.06	1.10	1.14

WATER RATES PER MONTH, OUTSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	0.80	0.80	\$ 10.82	\$ 11.64	\$ 11.94	\$ 12.30	\$ 12.67	\$ 13.06	\$ 13.46	\$ 13.87	\$ 14.29	\$ 14.72
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	3.59	3.59	3.95	4.25	4.36	4.50	4.64	4.78	4.93	5.08	5.24	5.40
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	2.79	2.79	3.07	3.30	3.39	3.50	3.61	3.72	3.84	3.96	4.08	4.21
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.01	2.01	2.21	2.38	2.44	2.52	2.60	2.68	2.77	2.86	2.95	3.04
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.89	1.89	2.08	2.24	2.30	2.37	2.44	2.52	2.60	2.68	2.77	2.86
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.80	1.80	1.98	2.13	2.19	2.26	2.33	2.40	2.48	2.56	2.64	2.72
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	1.67	1.67	1.84	1.98	2.03	2.10	2.16	2.23	2.30	2.37	2.45	2.53
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.58	1.58	1.74	1.87	1.92	1.98	2.04	2.11	2.18	2.25	2.32	2.39
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.40	1.40	1.54	1.66	1.71	1.77	1.82	1.88	1.94	2.00	2.06	2.13
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.29	1.29	1.42	1.53	1.57	1.62	1.67	1.73	1.79	1.85	1.91	1.97
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.18	1.18	1.30	1.40	1.44	1.49	1.53	1.58	1.63	1.68	1.74	1.80
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.09	1.09	1.20	1.29	1.33	1.37	1.41	1.46	1.51	1.56	1.61	1.66
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.00	1.00	1.10	1.19	1.22	1.26	1.30	1.34	1.39	1.44	1.49	1.54
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.92	0.92	1.01	1.09	1.12	1.16	1.19	1.23	1.27	1.31	1.35	1.40
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	0.85	0.85	0.94	1.01	1.04	1.08	1.11	1.15	1.19	1.23	1.27	1.31

SANITARY SEWER RATES PER MONTH, INSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 4.37	\$ 4.37	\$ 10.15	\$ 10.15	\$ 10.41	\$ 10.73	\$ 11.05	\$ 11.39	\$ 11.74	\$ 12.10	\$ 12.47	\$ 12.85
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	0.45	0.45	1.42	1.42	1.46	1.51	1.56	1.61	1.66	1.71	1.77	1.83

SANITARY SEWER RATES PER MONTH, OUTSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 8.74	\$ 8.74	\$ 20.30	\$ 20.30	\$ 20.81	\$ 21.44	\$ 22.08	\$ 22.75	\$ 23.44	\$ 24.15	\$ 24.88	\$ 25.63
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	0.90	0.90	2.84	2.84	2.92	3.01	3.10	3.20	3.30	3.40	3.51	3.62

STORMWATER RATES PER MONTH, INSIDE CITY LIMITS ONLY (1)

1. PER ERU (?)	NA	NA	NA	NA	NA	NA	NA	NA	\$ 2.97	\$ 2.97	\$ 3.06	\$ 3.16
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(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 Eight Years Ago (1)**

<u>Customer</u>	<b>Fiscal Year 2007</b>			
	<b>Water Revenue</b>		<b>Sewer Revenue</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Superior Industries	\$ 335,993	11.37%	\$ 137,538	5.46%
Sugar Creek	212,098	7.18%	110,288	4.38%
Pittsburg State University	139,416	4.72%	147,896	5.88%
Mt. Carmel Medical Center	78,763	2.67%	78,763	3.13%
Parkview Estates	54,599	1.85%	54,599	2.17%
Corner Stone Village	29,061	0.98%	29,061	1.15%
New Horizons of Pittsburg	25,627	0.87%	25,627	1.02%
Miller's Professional Imaging	24,928	0.84%	24,928	0.99%
Vinylplex Inc	23,564	0.80%	23,564	0.94%
Pitt-Plastics Inc	22,534	0.76%	22,534	0.90%
Subtotal (10 largest)	946,584	32.04%	654,799	26.02%
Balance from other customers	2,007,780	67.96%	1,862,165	73.98%
Grand totals	<u>\$ 2,954,364</u>	<u>100.00%</u>	<u>\$ 2,516,964</u>	<u>100.00%</u>

<u>Customer</u>	<b>Fiscal Year 1999</b>			
	<b>Water Revenue</b>		<b>Sewer Revenue</b>	
	<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	0.83%	21,489	1.09%
Parkview Estates	26,860	1.06%	11,789	0.60%
New Horizons of Pittsburg	14,491	0.57%	9,621	0.49%
Stockade Brands Inc	8,963	0.35%	15,091	0.77%
BBD Systems Inc	10,338	0.41%	12,305	0.62%
Subtotal (10 largest)	468,568	18.43%	322,555	16.36%
Balance from other customers	2,073,659	81.57%	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					
	General Obligation Bonds	Kansas Partnership Loan	Capital Lease	Transportation District Bonds (1)	Tax Increment Financing Bonds (2)	Utility Revenue Bonds	General Obligation Bonds (3)	K.D.H.E. Loan	Total Primary Government	Percentage of Personal Income	Per Capita
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	2.5%	622
2006	8,900,000	-	-	1,395,000	6,310,000	-	1,810,000	3,951,901	22,366,901	4.6%	1,162
2007	21,830,000	-	-	1,390,000	6,170,000	-	3,895,000	4,372,902	37,657,902	7.7%	1,957

(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 Year</u>	<u>General Obligation Bonds</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Total</u>	<u>Actual Taxable Value of Property</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
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
2007	25,725,000	2,188,158	23,536,842	786,786,859	2.99%	1,223.14

City of Pittsburg, Kansas  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2007

<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	\$ 9,255,000	54.24%	\$ 5,019,912
Frontenac U.S.D. 249	5,830,000	4.80%	279,840
Pittsburg U.S.D. 250	20,415,000	85.51%	<u>17,456,867</u>
Subtotal, overlapping debt			22,756,619
City direct debt			<u>25,725,000</u>
Total direct and overlapping debt			<u>\$ 48,481,619</u>

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

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Valuation (1)	\$ 145,677,027
Legal Debt Limit (2)	43,703,108
General Obligation Bonds	25,725,000
Less Amount Available in Debt Service Fund	(2,188,158)
Total net debt applicable to limit	23,536,842
Legal debt margin	\$ 20,166,266

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 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	\$ 43,703,108
Total net debt applicable to limit	4,562,681	5,825,375	6,736,461	10,966,341	9,354,429	9,425,161	7,809,272	7,657,129	9,769,780	23,536,842
Legal debt margin	\$ 22,865,436	\$ 22,999,047	\$ 24,387,056	\$ 22,111,689	\$ 25,248,055	\$ 26,847,003	\$ 29,807,798	\$ 32,232,773	\$ 31,924,248	\$ 20,166,266
Total net debt applicable to the limit as a percentage of debt limit	16.64%	20.21%	21.64%	33.15%	27.03%	25.98%	20.76%	19.20%	23.43%	53.86%

(1) Includes motor vehicle valuation.

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

### Tax Increment Financing Bonds (3)

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

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

-88-

**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</u>	
1998	18,354	(7)	\$ 361,114,950	\$ 19,675	2,596	6,258	4.1%	36.8	(6)
1999	18,354	(7)	369,025,524	20,106	2,661	6,289	3.7%	37.1	(6)
2000	19,243		406,315,945	21,115	2,600	6,418	4.0%	35.8	(6)
2001	19,243		424,308,150	22,050	2,637	6,723	4.4%	28.1	(1)
2002	19,243		437,662,792	22,744	2,562	6,751	3.9%	28.1	(1)
2003	19,243		447,303,535	23,245	2,561	6,731	4.9%	28.1	(1)
2004	19,243		463,275,225	24,075	2,655	6,537	4.1%	28.1	(1)
2005	19,243		487,425,190	25,330 (8)	2,400	6,628	4.3%	28.1	(1)
2006	19,243		487,425,190	25,330 (8)	2,680	6,859	4.4%	28.1	(1)
2007	19,243		487,425,190	25,330 (8)	2,702	7,087	4.8%	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

(8) Source: fedstats.gov

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

<u>Employer</u>	<u>Product</u>	<u>2007 (1)</u>		<u>1998 (2)</u>	
		<u>Estimated Number of Employees</u>	<u>Rank</u>	<u>Estimated Number of Employees</u>	<u>Rank</u>
Pittsburg State University	University	1,807	1	1,500	1
Mt. Carmel Medical Center	Hospital	750	2	550	4
Superior Industries	Automobile Wheels	700	3	688	3
Pittsburg U.S.D. # 250	Public School K-12	563	4	753	2
Pitt Plastics	Polyethylene Bags	500	5	300	6
Wal-Mart Supercenter	Retail & Grocery	400	6	380	5
Miller's Inc.	Professional Photo Finishing	235	7	294	7
Pitsco, Inc.	Educational Systems	225	8	180	11
City of Pittsburg	City Government	213	9	193	9
Masonite	Steel Door Manufacturer	<u>173</u>	10	<u>275</u>	8
Total		<u>5,566</u>		<u>5,113</u>	

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

(2) Source: Pittsburg area chamber of commerce.

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	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
<b>Governmental-type Activities</b>										
General Government										
General Administration Department	6.00	3.2%	5.00	1.5%	3	1.5%	2	1.0%	7	3.6%
Human Resources Department (2)	2.00	1.1%	2.00	1.0%	2	1.0%	2	1.0%	2	1.0%
Information Systems Department	8.00	4.3%	8.00	3.6%	8	4.1%	7	3.6%	4	2.0%
<b>Total General Government</b>										
	16.00	8.6%	15.00	8.8%	13	6.2%	11	5.6%	13	6.4%
Public Safety										
Police Department	47.00	25.1%	51.00	25.8%	50	25.6%	49	25.3%	50	24.5%
Fire Department	34.00	18.2%	34.00	17.5%	34	17.4%	34	17.5%	34	16.7%
Codes Enforcement Department	5.60	3.0%	4.90	2.6%	7	3.6%	6	3.1%	11	5.4%
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%	3.00	1.6%	5	2.6%	4	2.1%	6	2.9%
<b>Total Public Safety</b>	90.00	48.1%	94.30	49.9%	98	50.3%	95	49.0%	103	50.6%
Public Works										
Engineering Department	2.95	1.6%	2.45	1.3%	3	1.5%	2	1.0%	2	1.0%
Street & Highway Department	14.00	7.5%	14.00	7.4%	14	7.3%	13	6.7%	13	6.4%
Akron Airport Department	4.00	2.1%	4.00	2.1%	4	2.1%	4	2.1%	4	2.0%
<b>Total Public Works</b>	20.95	11.2%	20.45	10.8%	21	10.8%	19	9.8%	19	9.3%
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	2.9%	5.50	2.9%	7	3.6%	9	4.6%	9	4.6%
Recreation Department (3)	2.50	1.3%	2.50	1.3%	2	1.0%	-	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	2.6%	5	2.6%	5	2.6%	5	2.5%
<b>Total Culture and Recreation</b>	16.00	8.6%	16.00	8.5%	17	8.7%	17	8.8%	20	9.8%
Education										
Component Unit (Public Library)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
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%	4.80	2.1%	3	1.5%	5	2.6%	5	2.5%
<b>Total for Governmental-type Activities</b>	142.45	76.2%	145.25	76.9%	150	76.9%	146	75.3%	163	79.9%
<b>Business-type Activities</b>										
Water/Wastewater Utility										
Water Treatment Department	8.00	4.3%	8.00	4.2%	8	4.1%	8	4.1%	8	4.1%
Water Maintenance Department	9.00	4.8%	9.00	4.8%	13	6.7%	14	7.2%	9	4.4%
Wastewater Treatment Department	10.00	5.3%	10.00	5.3%	10	5.1%	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%	15.75	8.3%	12	6.2%	11	5.7%	6	2.9%
<b>Total Water/Wastewater Utility</b>	44.55	23.8%	43.75	23.1%	45	23.1%	45	23.2%	37	18.1%
Storm Water Utility										
Storm Water Department (4)	-	0.0%	-	0.0%	-	0.0%	3	1.5%	4	2.0%
<b>Total for Business-type Activities</b>	44.55	23.8%	43.75	23.1%	45	23.1%	48	24.7%	41	20.1%
<b>Total Full-time Employees</b>	187.00	100.0%	189.00	100.0%	195	100.0%	194	100.0%	204	100.0%

1) employees were split among departments for years 1998-1999.

2) human resource employees classified in general administration department for years 1998-1999.

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Building permits issued	379	402	327	339	372	370	385	513	501	673
Building inspections conducted	1,382	1,515	1,348	1,809	1,990	1,377	1,696	750	1,069	1,628
Police										
Physical arrests	na	na	437	798	1,149	982	1,073	1,149	930	988
Parking violations	na	na	na	125	115	200	242	217	183	259
Traffic violations	na	na	na	2,388	2,359	2,483	3,529	3,019	2,823	3,416
Fire										
Fire calls	na	na	na	na	na	236	150	156	181	120
Emergency calls	na	na	na	na	na	132	1,154	1,335	1,231	1,355
Other calls	na	na	na	na	na	326	620	753	811	716
Other public works										
Street resurfacing (tons of asphalt)	8,420	12,134	16,243	14,132	9,101	6,239	3,973	4,674	5,491	3,289
Airport (gallons sold)	128,309	145,299	151,889	135,265	149,346	149,300	156,658	184,084	181,848	205,904
Parks and recreation										
Aquatic center (attendance)	na	na	na	na	na	na	24,703	28,473	28,420	29,790
Golf course (rounds of golf)	na	na	na	na	na	na	na	12,867	10,516	9,459
Memorial auditorium (events)	na	na	na	na	na	429	359	440	308	288
Water										
Average daily consumption (gallons)	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	2,494,501
Peak daily consumption (gallons)	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	4,552,000
Wastewater										
Average daily sewage treatment (gallons)	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	4,470,895

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	124	124	124	145	145	145	145	141	141.5
Streetlights	1,986	1,986	1,986	1,986	2,067	2,082	2,089	2,102	2,108	2,115
Traffic Signals	38	38	38	39	39	39	39	39	39	38
Parks and recreation										
Public parks	6	8	8	9	9	9	9	9	9	10
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	165	165.5
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	126	127
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	18	18.5

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, 2007

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	7.999	\$ 62,027
U.S. Department of Housing and Urban Development:		
Section 8 Housing Cluster:		
Section 8 Housing Choice Vouchers	14.871	1,382,510
Passed through Kansas Housing Resources Corporation:		
Emergency Shelter Grant	14.231	59,849
HOME Investment Partnerships Program	14.239	27,032
Total U.S. Department of Housing and Urban Development		1,469,391
U.S. Department of Transportation:		
Airport Improvement Program	20.106	118,905
Passed through Kansas Department of Transportation:		
Special Traffic Enforcement Program Grant	20.600	3,990
Total U.S. Department of Transportation		122,895
Department of Homeland Security-Federal Emergency Management Agency:		
Public Assistance Grant	97.044	15,621
Passed through Kansas Department of Emergency Management:		
Public Assistance Grant - Greensburg Tornado	97.036	2,957
Total Department of Homeland Security		18,578
Environmental Protection Agency:		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	30,128
Total expenditures of federal awards		\$ 1,703,019

See accompanying notes to schedule of  
expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2007

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.

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CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2007

**Section I – Summary of Independent Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: None

Significant deficiencies identified that are not  
considered to be material weaknesses: See 2007-1

Noncompliance material to financial statements: None

Federal Awards

Internal control over major programs:

Material weaknesses identified: None

Significant deficiencies 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: See 2007-2 and 2007-3

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**

Significant Deficiency – 2007-1

*Criteria* – An organization's internal accounting control structure should provide for the separation of certain accounting duties or functions.

*Condition* – There is a lack of segregation of duties with the Director of Finance and Administration and the Assistant Director of Finance currently having the ability to access, create and modify accounting modules and reports which includes the Director of Finance and Administration having access to the payroll system and also the signature authority on the City's checks and the Assistant Director of Finance having access to cash.

*Cause* – There is a limited number of employees to perform the financial duties of the City.

*Effect* – A lack of segregation of duties within certain transaction cycles, including payroll, leaves the City exposed to the risk of potential misstatement due to either error or fraud.

*Recommendation* – The City should review ways to segregate the functions and operations of the City that are controlled by the Director of Finance and Administration and the Assistant Director of Finance.

*Management's Response/Corrective Action Plan (Unaudited)* – The City will work towards segregating duties within the Department of Finance and Administration.

**Section III – Federal Award Findings and Questioned Costs**

Finding No. 2007-2

*Federal Program* –

Section 8 Housing Choice Vouchers (CFDA No. 14.871), Housing and Urban Development

*Condition* – One of the 23 tenants tested did not have documentation that a rent reasonableness test had been completed prior to the tenant receiving housing voucher payments for the selected housing.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause* – Adequate documentation was not maintained showing the results of the rent reasonableness test.

*Criteria* – According to the Code of Federal Regulations 24 C.F.R. 982.158(a), the City “must maintain complete and accurate accounts and records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.” 24 C.F.R. 982.507(a) states that the City must not approve a lease until the City has determined that the initial rent to the owner is a reasonable rent.

*Effect* – The tenant’s rent may have exceeded the reasonable limits as assessed by the Housing Authority thus making the housing choice not eligible for the Section 8 Housing program.

*Questioned Costs* – None

*Recommendation* – Rent reasonableness tests should be performed for all tenants and documentation should be maintained in the tenants’ files.

*Management’s Response/Corrective Action Plan (Unaudited)* – Rent reasonableness tests will be performed and maintained.

Finding 2007-3

*Federal Program* –

Section 8 Housing Choice Vouchers (CFDA No. 14.871), Housing and Urban Development

*Condition* – Internal controls are not in place to track the interest earned on excess Housing Assistance Payments (HAP) received but not expended.

*Cause* – The City transfers all federal payments received from the Department of Housing and Urban Development from the special Section 8 account to the City’s general operating account upon the receipt of the Section 8 funding. The City has not fully expended all of the Section 8 HAP funding received, and the City’s general operating account is interest bearing.

*Criteria* – Interest earned on federal funding can only be expended to fund expenses related with the specific federal program. Internal controls should be in place to track interest earned on federal funding to ensure that the interest is expended on qualified, allowable expenditures under the federal program’s requirements.

*Effect* – Excess HAP funding received may be expended on non-HAP related expenditures which would violate the requirements of the program.



CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs* – None

*Recommendation* – Internal controls should be implemented to track interest earned on excess HAP payments received but not expended.

*Management's Response/Corrective Action Plan (Unaudited)* – Interest will be credited to excess funds.

CITY OF PITTSBURG, KANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2007

None.



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

**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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 3, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Significant Deficiency No. 2007-1 to be a significant deficiency in internal control over financial reporting.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### 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*.

The City's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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 3, 2008



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

**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, 2007. 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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-2 and 2007-3.

## 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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 3, 2008

