

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**CITY OF PITTSBURG, KANSAS**

**For the Fiscal Year Ended**

**December 31, 2008**

**Prepared by:**

**DEPARTMENT OF FINANCE AND ADMINISTRATION**

**City of Pittsburg, Kansas**

CITY OF PITTSBURG, KANSAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended December 31, 2008

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## 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)

May 29, 2009

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, 2008. 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, 2008. 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 19,536. 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 commissioners 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 7,100 students.

Compared to the prior fiscal year, retail sales tax receipts increased 4.24 percent, property tax revenues increased by 8.54 percent and franchise tax receipts increased by 5.66 percent. Assessed valuation increased by 1.40 percent reflecting stable property values.

The City's largest employer and largest utility customer, Superior Industries ceased operations in 2008. Superior's employment total was approximately 600, with 384 residing in Crawford County. The Pittsburg micro-area (Crawford County) unemployment rate saw an increase from 4.80 percent in 2007 to 6.10 percent in 2008.

### **2008 highlights**

- Construction was completed on the new 97,000 square foot Pittsburg State University National Guard Armory and Student Recreation Center. The estimated cost of construction was approximately \$17 million.
- Oxbow Development Corporation completed construction of the Crimson Villas, an upscale 108 unit gated apartment complex just south of the Pittsburg State University Campus. The estimated cost of construction was approximately \$15 million.
- Masonite completed a restructuring to move their Canadian glass assembly operation to the Pittsburg plant. Over \$1 million was expended moving, purchasing and installing equipment. This restructuring created 34 new jobs at the Pittsburg plant.
- The City set aside \$200,000 for grants towards Phase II of the downtown façade grant improvement program. Total Phase II grants awarded to date are 28 with improvement costs of approximately \$300,000.

### **For the future**

- Portell & Ratzlaff, LLC, owners of the Pittsburg Comfort Inn broke ground in 2008 on a new Holiday Inn Express valued at \$5.5 million. This facility will consist of 73 rooms and 22 suites along with meeting space to accommodate conferences and other special events. The Holiday Inn Express will be located in the City's northern retail district next to the Comfort Inn. Completion and occupancy is expected in 2009.
- With the Crimson Villas being 100 percent filled to capacity, Oxbow Development Corporation began construction of an additional 36 unit apartment complex in 2008 which will be located directly to the north of the existing units. These new units have an estimated construction value of \$2 million. Completion is scheduled for the summer of 2009.
- Progressive Products, located in the Airport Industrial Park, will be expanding with an additional 40,000 square foot being added to their current facility. Construction value is estimated at \$700,000.
- The Family Resource Center will be relocating to 1600 N. Walnut in 2009. The proposed cost for construction is \$1.9 million.



## **Major initiatives for the year**

- When state funding was not awarded, it was decided to proceed with Phase II of the Downtown Streetscape project using local funding. This phase extended the Downtown Streetscape three blocks north on Broadway from 9<sup>th</sup> to 11<sup>th</sup> streets.
- The City made an application for and was approved for a loan through the Kansas Public Water Supply Loan Funds Assistance Program administered by the Kansas Department of Health and Environment. This will provide funding for the future water treatment plant improvements project.

## **Capital projects**

Completed major projects for the year are the Facilities Conservation Improvements Project (FCIP), the 4<sup>th</sup> and Rouse intersection improvements, the 4<sup>th</sup> and Walnut intersection improvements, Atkinson Airport wildlife fence, Pinnacle Point addition paving, the hiking-biking path connecting the Pittsburg State University campus with the City's southern retail district, the Streetscape Phase 1 improvements on North Broadway from 2<sup>nd</sup> to 8<sup>th</sup> streets, North Broadway Paving from 2<sup>nd</sup> to 8<sup>th</sup> streets, downtown Europe Park and the 7<sup>th</sup> Street and Joplin Street area storm water improvements.

The new Public Safety Center/Municipal Court facility at 201 N. Pine Street and the new Fire Station #1 at 915 W. 4<sup>th</sup> Street are substantially completed with occupancy expected in 2009.

Major projects that are ongoing or scheduled for the future are 23<sup>rd</sup> Street widening from North Broadway to Michigan Street, Streetscape Phase 2 improvements on North Broadway from 9<sup>th</sup> to 11<sup>th</sup> Streets, Pittsburg State University sanitary sewer improvements, water system improvements, Atkinson Road bridge improvements and various storm sewer improvements.

## **Long-term financial planning**

The City generally uses a 5-year Capital Improvements Program (CIP) to plan for future capital expenditures. 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, capital leases, 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.

## **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. 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 for the employees 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**

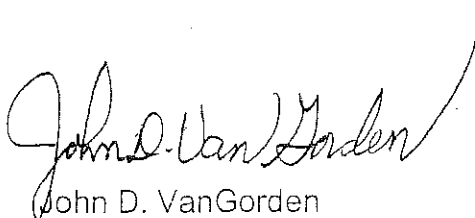
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2007. This was the eleventh consecutive year that the City has received this prestigious award.

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.

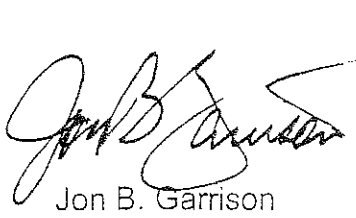
We believe our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.

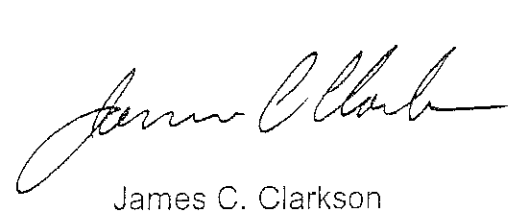
Respectfully submitted,



John D. VanGorden  
Interim City Manager



Jon B. Garrison  
Director of Finance & Administration



James C. Clarkson  
Assistant Finance Director

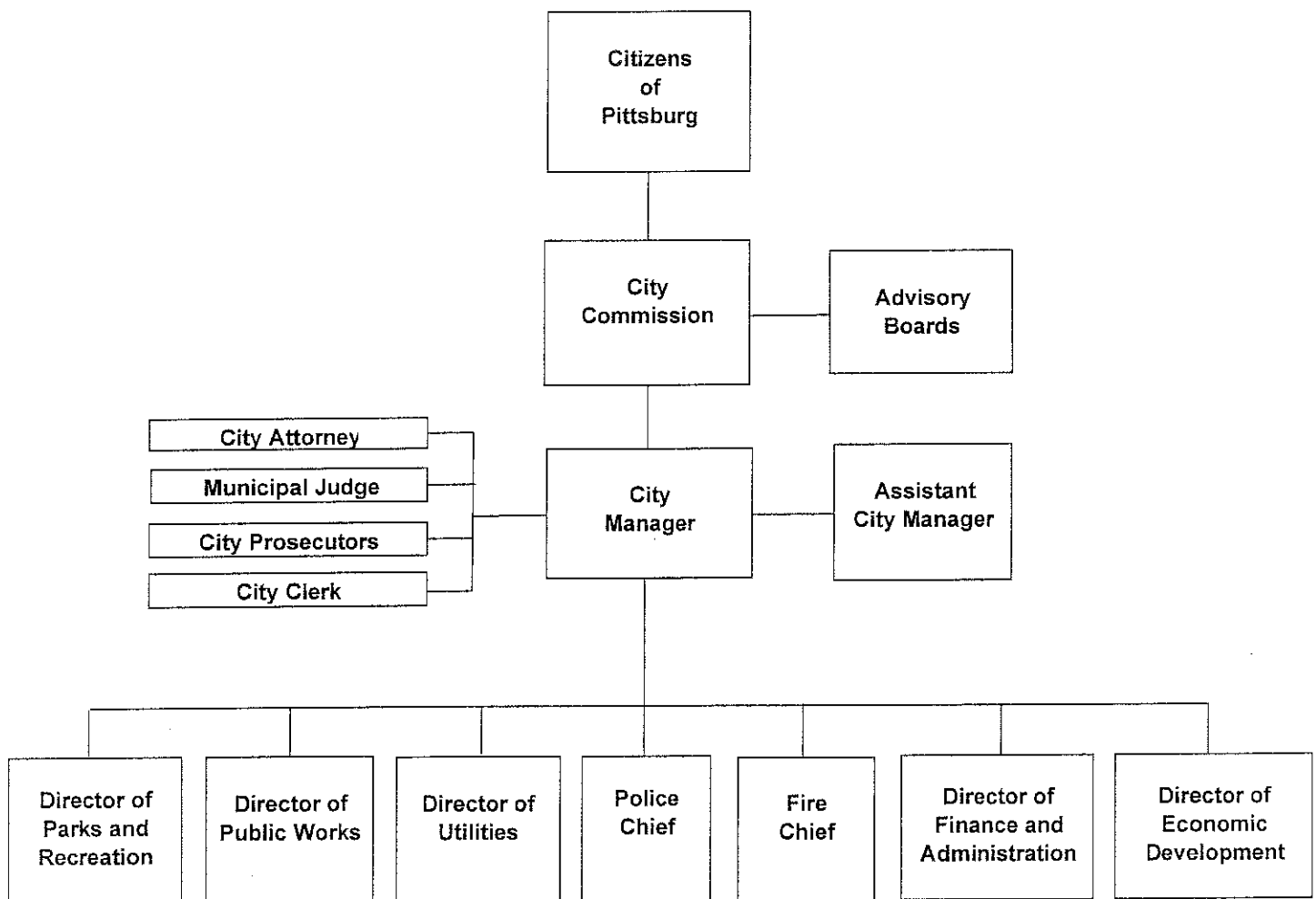
**CITY OF PITTSBURG, KANSAS**

**LIST OF PRINCIPAL OFFICIALS**

**DECEMBER 31, 2008**

<u><b>TITLE</b></u>	<u><b>NAME</b></u>
<b>ELECTED:</b>	
Mayor	Pamela Henderson
President of the Board	Rudy Draper
Commissioner	Marty Beezley
Commissioner	Patrick O'Bryan
Commissioner	William H. Rushton
<b>APPOINTED:</b>	
Interim City Manager	John D. VanGorden
Assistant City Manager	Vacant
Director of Finance and Administration	Jon B. Garrison
Director of Public Works	William A. Beasley
Director of Economic Development	Mark D. Turnbull
Interim Director of Parks & Recreation	Jeff L. Wilbert
Director of Utilities	John H. Bailey / James Tush
Chief of Police	Melinda D. Hulvey
Fire Chief	Donald E. Elmer
City Attorney	Henry C. Menghini
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, 2007

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



President

Executive Director

## FINANCIAL SECTION



BERBERICH TRAHAN & CO., 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, 2008, 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, 2008, 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 May 29, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 and the Schedule of Funding Progress on page 69 are not a required part of the basic financial statements but are 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.*

May 29, 2009



## **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, 2008. 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 10.4% compared to 2007 due to continued assessed valuation growth and a slight mill levy increase
- Sales tax revenues were up 2.8% compared to 2007
- The general fund ending fund balance grew by 69.68% compared to 2007
- Proprietary funds unrestricted net assets increased by 8.4% compared to 2007

### **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 13-14 of this report.

### Fund Financial Statements

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

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

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

The City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, revolving loan fund, capital projects fund and the debt service fund, all of which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-25 of this report.

The City maintains two proprietary funds. These funds are presented as business-type activities in the government-wide financial statements. The City's proprietary funds are used 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 26-29 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-68 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Pittsburg's progress in funding its obligation to provide post employment benefits to its employees.

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 70-77 of this report.

### **Financial Analysis of Government-wide Statements**

#### Net Assets

<b>City of Pittsburg's Net Assets</b>						
	2007	2008	2007	2008	2007	2008
	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary
	Activities	Activities	Activities	Activities	Government	Government
Current and other assets	\$ 37,920,530	\$ 27,325,863	\$ 6,606,609	\$ 5,271,819	\$ 44,527,139	\$ 32,597,682
Capital assets	<u>30,989,077</u>	<u>46,600,104</u>	<u>31,424,605</u>	<u>34,410,529</u>	<u>62,413,682</u>	<u>81,010,633</u>
Total assets	<u>68,909,607</u>	<u>73,925,967</u>	<u>38,031,214</u>	<u>39,682,348</u>	<u>106,940,821</u>	<u>113,608,315</u>
Long-term liabilities outstanding	29,878,966	32,372,118	8,396,323	8,597,366	38,275,289	40,969,484
Other liabilities	<u>11,799,199</u>	<u>10,420,375</u>	<u>417,151</u>	<u>1,377,902</u>	<u>12,216,350</u>	<u>11,798,277</u>
Total liabilities	<u>41,678,165</u>	<u>42,792,493</u>	<u>8,813,474</u>	<u>9,975,268</u>	<u>50,491,639</u>	<u>52,767,761</u>
Net assets:						
Invested in capital assets, net of related debt	15,301,187	19,859,962	25,437,788	25,608,635	40,738,975	45,468,597
Restricted	11,219,783	11,967,446	-	-	11,219,783	11,967,446
Unrestricted	<u>710,472</u>	<u>(693,934)</u>	<u>3,779,952</u>	<u>4,098,445</u>	<u>4,490,424</u>	<u>3,404,511</u>
Total net assets	<u>\$ 27,231,442</u>	<u>\$ 31,133,474</u>	<u>\$ 29,217,740</u>	<u>\$ 29,707,080</u>	<u>\$ 56,449,182</u>	<u>\$ 60,840,554</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 \$60,840,554 at the close of the 2008 fiscal year. By far the largest portion of the City's net assets (74.74%) 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 (19.67%) 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 2007	Governmental Activities 2008	Business-Type Activities 2007	Business-Type Activities 2008	Total Primary Government 2007	Total Primary Government 2008
Revenues						
Program revenues:						
Charges for services	\$ 3,390,345	\$ 3,255,890	\$ 6,354,105	\$ 6,463,758	\$ 9,744,450	\$ 9,719,648
Operating grants and contributions	2,800,229	3,167,635	-	-	2,800,229	3,167,635
Capital grants and contributions	611,966	3,944,646	4,442	4,282	616,408	3,948,928
General revenues						
Taxes	12,560,110	13,362,225	-	-	12,560,110	13,362,225
Other	<u>1,229,571</u>	<u>925,499</u>	<u>164,788</u>	<u>149,828</u>	<u>1,394,359</u>	<u>1,075,327</u>
Total revenues	<u>20,592,221</u>	<u>24,655,895</u>	<u>6,523,335</u>	<u>6,617,868</u>	<u>27,115,556</u>	<u>31,273,763</u>
Expenses						
General government	2,018,611	4,947,762	-	-	2,018,611	4,947,762
Public safety	6,833,793	6,303,613	-	-	6,833,793	6,303,613
Public works	3,325,255	3,580,553	-	-	3,325,255	3,580,553
Sanitation and health	185,134	257,332	-	-	185,134	257,332
Culture and recreation	2,325,059	2,293,785	-	-	2,325,059	2,293,785
Industrial promotion	1,135,420	748,216	-	-	1,135,420	748,216
Economic development	4,869	3,577	-	-	4,869	3,577
Social welfare	1,464,683	1,546,056	-	-	1,464,683	1,546,056
Interest on long term debt	1,213,573	1,460,126	-	-	1,213,573	1,460,126
Water/wastewater utility	-	-	4,744,357	5,234,505	4,744,357	5,234,505
Stormwater utility	-	-	<u>315,659</u>	<u>506,866</u>	<u>315,659</u>	<u>506,866</u>
Total expenses	<u>18,506,397</u>	<u>21,141,020</u>	<u>5,060,016</u>	<u>5,741,371</u>	<u>23,566,413</u>	<u>26,882,391</u>
Change in net assets before transfers	2,085,824	3,514,875	1,463,319	876,497	3,549,143	4,391,372
Transfers	<u>999,349</u>	<u>387,157</u>	<u>(999,349)</u>	<u>(387,157)</u>	-	-
Change in net assets	3,085,173	3,902,032	463,970	489,340	3,549,143	4,391,372
Net assets, beginning	24,056,770	27,231,442	28,753,770	29,217,740	52,810,540	56,449,182
Prior period adjustment	<u>89,499</u>	-	-	-	<u>89,499</u>	-
Net assets, ending	<u>\$ 27,231,442</u>	<u>\$ 31,133,474</u>	<u>\$ 29,217,740</u>	<u>\$ 29,707,080</u>	<u>\$ 56,449,182</u>	<u>\$ 60,840,554</u>

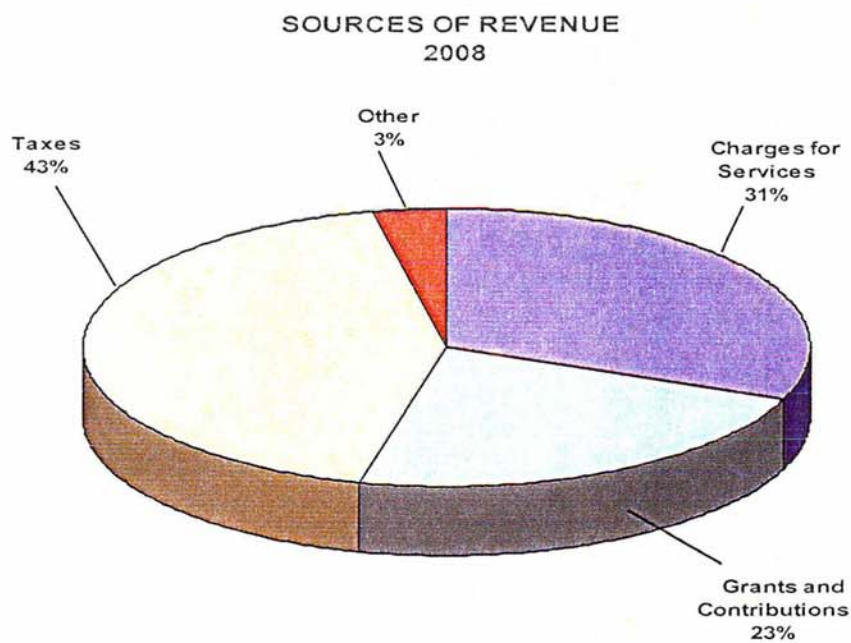
The next section will provide a brief discussion and analysis of the City's revenue sources and costs for services.

Governmental activities comprised 78.84% of the total revenues generated by the City and 78.65% of the City's expenses. Compared to 2007, total charges for services decreased \$24,802 with business-type activities gaining \$109,653 and governmental activities losing \$134,455. Operating grants and contributions increased by \$367,406 compared to 2007. Most of this change was due to an increase in public works of \$524,717 for various storm damage and a decrease in culture and recreation of \$159,097 due to the completion of Europe Park. Capital grants and contributions increased by \$3,332,520 compared to 2007. The majority of this increase can be attributed to the following public works projects: streetscape phase 1, hiking-hiking path, and the Atkinson Airport wildlife fence.

Comparing 2008 to 2007, general government expense increased due to the FCIP energy conservation project and higher health insurance claims expense. The decrease in public safety expense can be attributed to a change in the accounting of health insurance fees and data processing fees. The increase in public works expense was due to the ice and wind storm expenditures and the Atkinson Airport expenditures due to the fact that the airport had increased aviation fuel for resale costs.

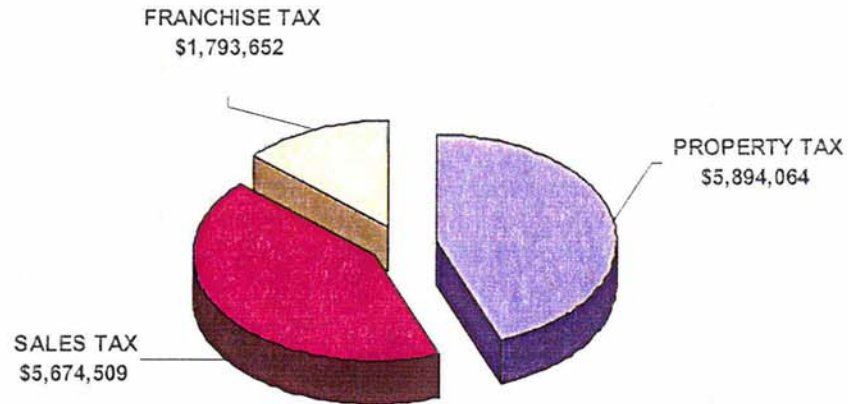
The business-type activities, while comprising the smaller percentages of revenues and expenses of the City, showed a gain of \$876,497 in net assets, before transfers. The business-type net assets recorded an increase of \$489,340 in 2008 which is up 5.47% over the 2007 fiscal period. This is due to the fact that the City has increased its utility rates in anticipation of future costs associated with the water treatment plant improvements.

The following pie chart shows the composition of the 2008 primary government revenues.



The components of the City's taxes are property tax, sales tax and franchise tax. As can be seen by the chart below, property taxes comprised the largest portion of tax revenues for 2008. Property tax revenue increased 10.37% compared to 2007 due to increased assessed valuation and a slight increase in the mill levy.

## TAXES 2008



□ PROPERTY TAX 44.1% ■ SALES TAX 42.5% □ FRANCHISE TAX 13.4%

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

	2006 Levy to support <u>2007 Budget</u>	2007 Levy To support <u>2008 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
General Fund	\$ 28.129	\$ 29.958	\$ 1.829	6.50 %
Debt Service Fund	10.022	9.967	(0.055)	(0.55) %
Component Unit	<u>5.512</u>	<u>5.555</u>	<u>0.043</u>	0.78 %
Total Mill Levy	<u>\$ 43.663</u>	<u>\$ 45.480</u>	<u>\$ 1.817</u>	4.16 %

The City's general fund mill rate increased due to the City's desire to strengthen the unreserved fund balance.



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

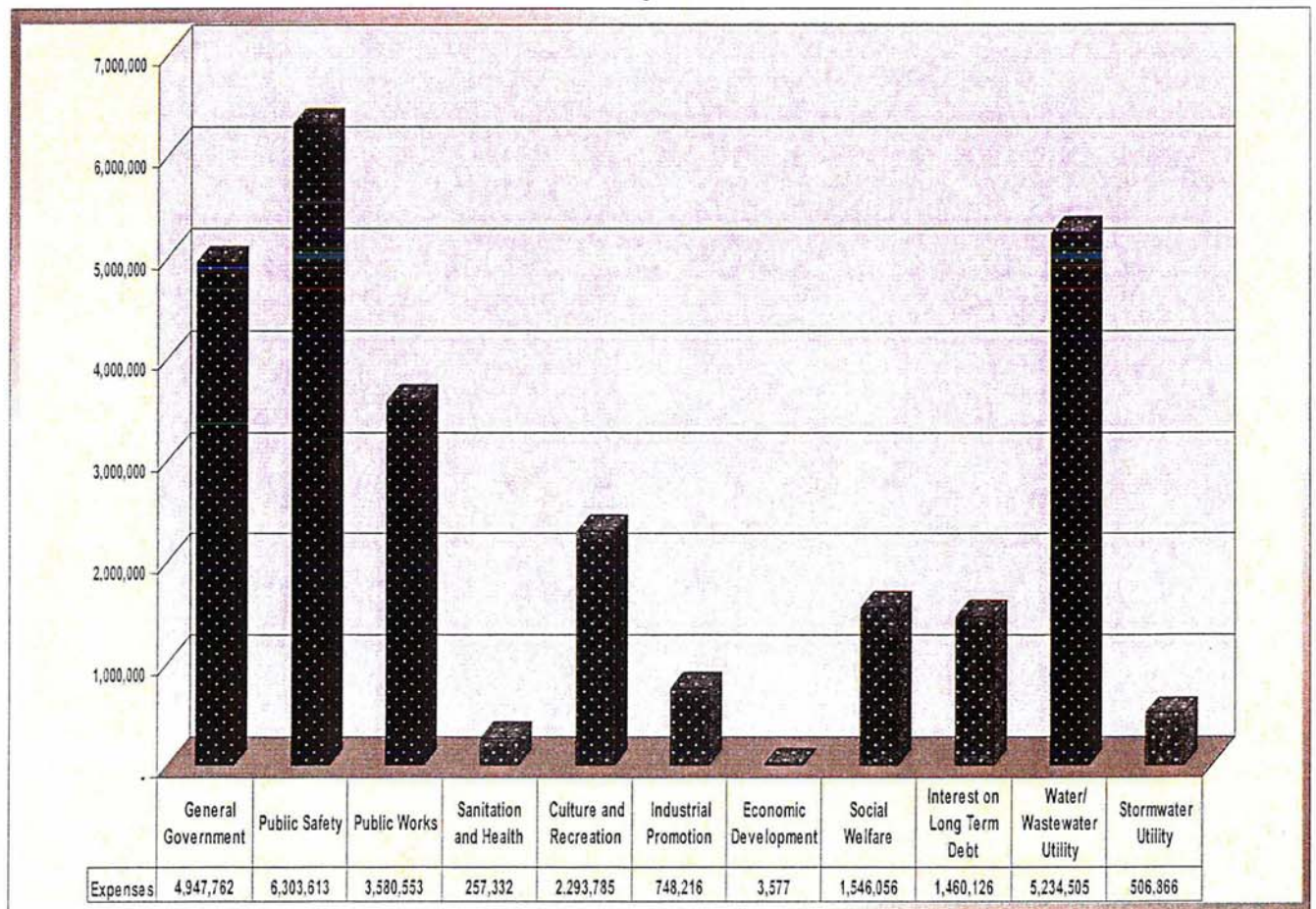
City of Pittsburg's Assessed Valuation

	2006 Valuation To support <u>2007 Budget</u>	2007 Valuation To support <u>2008 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
Real Property	\$ 99,804,580	\$107,627,147	\$ 7,822,567	7.83 %
Personal Property	17,156,062	16,127,607	(1,028,455)	(5.99)%
State Assessed	<u>6,953,365</u>	<u>6,231,113</u>	<u>(722,252)</u>	(10.39)%
Total	<u>\$123,914,007</u>	<u>\$129,985,867</u>	<u>\$ 6,071,860</u>	4.90%

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

The following bar graph shows the composition of the 2008 primary government expenses.

Cost of City Services 2008



The City's general government, public safety and water/wastewater utility activities are the dominant expense categories. These three activities account for 61.33% of the total cost of City services for 2008. The total cost of services of the City's primary government for 2008 was \$26,882,391. This represents an increase of \$3,315,978 compared to 2007. The portion of these services covered by the City's taxpayers was \$13,362,225. For 2008 all cost of service categories had increased expenses except for public safety, culture and recreation, industrial promotion, and economic development.

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

### **Governmental Funds**

Overall the City's governmental ending fund balances decreased by a total of \$9,361,322 from the prior year. The majority of this decrease is due to the capital projects fund which declined \$9,972,713. This decrease is primarily due to the substantially completed public safety projects. The general fund had a gain of \$1,637,026 compared to 2007. This increase is due to the special one half percent sales tax for public safety debt retirement being reserved until needed for debt payments and as mentioned previously, the City's desire to strengthen the unreserved general fund balance. The decrease in the debt service fund is due to the special one half percent sales tax dedicated to the retirement of the public safety project debt being reserved in the general fund until needed for debt payments.

General fund revenues are up 20.70% and expenditures are up 16.98%. All revenue categories registered increases in 2008 except for fines and fees and investment earnings. The decrease in fines and fees is mainly due to lower municipal court revenues and the decrease in investment earnings is due to lower interest rates.

### **Proprietary Funds**

The water/wastewater utility fund and stormwater utility fund had a decrease of \$1,504,671 in cash and cash equivalents for 2008. This represents a decrease of 28.12% from fiscal year 2007; however this decrease can be attributed to the expenditures associated with the construction of the 7<sup>th</sup> and Joplin Street area storm water project.

The combined utility operating income decreased by \$507,577 in 2008 which reflects a decrease of 32.72%. This is mainly the result of an increase in costs of sales and services of \$578,163 compared to 2007.



## General Fund Budgetary Highlights

The legally adopted budget for the General Fund was not amended by the City Commission during 2008. 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 revenue were over budget due to an increase in sales tax collections.
Intergovernmental	Intergovernmental revenues were over budget due to reimbursements from FEMA for ice and wind storm expenditures.
Charges for services	Atkinson Airport revenues were over budget due to an increase in aviation fuel sales and increased aviation fuel for resale costs.
Investment income	Investment income revenue was under budget due to a considerable reduction in investment rates in 2008.
Public safety	The Police department was under budget due to lower personnel costs and lower capital outlay expenditures. Codes enforcement was under budget due to lower personnel costs and lower contractual services expenditures.
Public works	Atkinson Airport expenditures exceeded the adopted budget due to the fact that the airport had increased aviation fuel sales and increased aviation fuel for resale costs.
Culture & recreation	The parks and recreation department was under budget due to lower personnel costs and lower commodities expenditures.
Transfers out	Transfers out were under budget due to only transferring the special public safety sales tax proceeds needed for the principal and interest expense to the debt service fund for the public safety sales tax bonded debt.

## Capital Asset and Debt Administration

### Capital Assets

The total amount invested in capital assets for the primary government at December 31, 2008 was \$81,010,633, net of accumulated depreciation. The capital assets increased by 29.80% from the 2007 total. The majority of the governmental activities increase can be attributed to the new public safety center and new fire station #1. The increase in the business type activities can mainly be attributed to the 7<sup>th</sup> and Joplin area stormwater infrastructure improvements.

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

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

	Governmental Activities		Business-Type Activities	
	2007	2008	2007	2008
Land	\$ 3,473,903	\$ 3,473,903	\$ 436,690	\$ 436,690
Buildings and improvements	11,307,033	25,706,232	12,756,133	12,678,994
Machinery and equipment	1,954,026	2,398,280	1,202,599	1,114,020
Infrastructure	10,277,048	14,078,533	16,529,223	19,674,169
Construction in progress	3,977,067	943,156	499,960	506,656
Total	<u>\$ 30,989,077</u>	<u>\$ 46,600,104</u>	<u>\$ 31,424,605</u>	<u>\$ 34,410,529</u>

For additional information on capital assets, please refer to note 8 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

	Governmental Activities		Business-Type Activities	
	2007	2008	2007	2008
General Obligation Bonds	\$21,830,000	\$22,580,297	\$ 3,895,000	\$ 3,864,703
K.D.H.E. Construction Loans	-	-	4,372,902	4,552,401
Custom Energy Note Payable	-	1,786,708	-	-
Tax Increment Bonds (TIF)	6,170,000	5,975,000	-	-
Transportation Development District Bonds TDD)	<u>1,390,000</u>	<u>1,370,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$29,390,000</u>	<u>\$31,712,005</u>	<u>\$ 8,267,902</u>	<u>\$ 8,417,104</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 2008 the City re-affirmed a Moody's rating of "A3" on general obligation bond issues.

The City's outstanding general obligation bonds at December 31, 2008, totaled \$26,445,000; of this \$22,580,297 is considered direct tax supported debt. This direct tax supported outstanding general obligation balance represents a 3.44% increase from the 2007 balance. New direct tax supported general obligation debt of \$2,950,380 was issued and \$2,200,083 was retired in 2008.

Kansas State Statutes limit the amount of general obligation bonds a City can issue to 30% of its equalized tangible valuation. The current limitation for the City is \$44,244,609, significantly higher than the general obligation bond outstanding debt.

Business-type activity bonded debt decreased by 0.78% from 2007. New business-type activity debt of \$379,620 was issued and \$409,917 was retired in 2008. The City's wastewater utility also 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. During 2008 the City incurred \$566,447 in new loan proceeds and retired \$386,948 in loan principal.

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 note 10 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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
<b>Assets:</b>				
Cash and cash equivalents	\$ 17,317,306	\$ 3,847,100	\$ 21,164,406	\$ 218,436
Restricted cash	-	188,745	188,745	-
Receivables, net of allowance for uncollectibles:				
Taxes	6,394,997	-	6,394,997	714,238
Accounts	82,099	645,038	727,137	-
Intergovernmental	493,603	-	493,603	-
Other	7,357	244,237	251,594	118
Restricted investments	398,748	-	398,748	-
Leases receivable	1,468,216	-	1,468,216	-
Loans receivable	439,855	-	439,855	-
Deferred charges	634,949	60,141	695,090	-
Inventories	59,073	281,876	340,949	-
Prepaid items	29,660	4,682	34,342	869
Capital assets, net of accumulated depreciation:				
Land	3,473,903	436,690	3,910,593	215,415
Construction in progress	943,156	506,656	1,449,812	5,051
Buildings and improvements	25,706,232	12,678,994	38,385,226	2,655,760
Machinery and equipment	2,398,280	1,114,020	3,512,300	2,484
Infrastructure	14,078,533	19,674,169	33,752,702	-
<b>Total assets</b>	<b>73,925,967</b>	<b>39,682,348</b>	<b>113,608,315</b>	<b>3,812,371</b>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	2,860,006	703,579	3,563,585	31,856
Bond anticipation notes payable	2,025,210	384,790	2,410,000	-
Accrued interest payable	401,771	100,788	502,559	-
Unearned revenue	5,133,388	-	5,133,388	714,238
Liabilities payable from restricted cash	-	188,745	188,745	-
Noncurrent liabilities:				
Due within one year	3,013,455	703,189	3,716,644	1,957
Due in more than one year	29,358,663	7,894,177	37,252,840	7,773
<b>Total liabilities</b>	<b>42,792,493</b>	<b>9,975,268</b>	<b>52,767,761</b>	<b>755,824</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	19,859,962	25,608,635	45,468,597	2,878,710
Restricted for:				
Debt service	1,582,454	-	1,582,454	-
Revolving loans	7,261,416	-	7,261,416	-
Housing	999,607	-	999,607	-
Street and highway	221,496	-	221,496	-
Public safety center	1,654,806	-	1,654,806	-
Other purposes	247,667	-	247,667	-
Unrestricted	(693,934)	4,098,445	3,404,511	177,837
<b>Total net assets</b>	<b>\$ 31,133,474</b>	<b>\$ 29,707,080</b>	<b>\$ 60,840,554</b>	<b>\$ 3,056,547</b>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 4,947,762	\$ 1,397,898	\$ 75,748	\$ 6,730	\$ (3,467,386)	\$ -	\$ (3,467,386)	\$ -
Public safety - police	3,168,354	-	57,458	-	(3,110,896)	-	(3,110,896)	-
Public safety - fire	2,232,987	-	20,618	903	(2,211,466)	-	(2,211,466)	-
Public safety - other	902,272	1,640	-	-	(900,632)	-	(900,632)	-
Public works	3,580,553	956,763	1,231,773	3,821,310	2,429,293	-	2,429,293	-
Sanitation and health	257,332	14,100	68,965	115,703	(58,564)	-	(58,564)	-
Culture and recreation	2,293,785	520,190	194,164	-	(1,579,431)	-	(1,579,431)	-
Industrial promotion	748,216	362,427	-	-	(385,789)	-	(385,789)	-
Economic development	3,577	-	-	-	(3,577)	-	(3,577)	-
Social welfare	1,546,056	2,872	1,518,909	-	(24,275)	-	(24,275)	-
Interest on long-term debt	1,460,126	-	-	-	(1,460,126)	-	(1,460,126)	-
Total governmental activities	21,141,020	3,255,890	3,167,635	3,944,646	(10,772,849)	-	(10,772,849)	-
Business-type activities:								
Water/wastewater	5,234,505	5,773,171	-	4,282	-	542,948	542,948	-
Stormwater	506,866	690,587	-	-	-	183,721	183,721	-
Total business-type activities	5,741,371	6,463,758	-	4,282	-	726,669	726,669	-
Total primary government	\$ 26,882,391	\$ 9,719,648	\$ 3,167,635	\$ 3,948,928	(10,772,849)	726,669	(10,046,180)	-
Component unit:								
Public library	\$ 970,624	\$ 11,468	\$ 104,796	\$ 66,477	-	-	-	(787,883)
General revenues:								
Property taxes					5,894,064	-	5,894,064	784,564
Sales taxes					5,674,509	-	5,674,509	-
Franchise taxes					1,793,652	-	1,793,652	-
Unrestricted investment earnings					925,499	149,828	1,075,327	10,915
Transfers					387,157	(387,157)	-	-
Total general revenues and transfers					14,674,881	(237,329)	14,437,552	795,479
Change in net assets					3,902,032	489,340	4,391,372	7,596
Net assets, beginning					27,231,442	29,217,740	56,449,182	3,048,951
Net assets, ending					\$ 31,133,474	\$ 29,707,080	\$ 60,840,554	\$ 3,056,547

See accompanying notes to basic financial statements.

## CITY OF PITTSBURG, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2008

	General	Revolving Loans
Assets:		
Cash and cash equivalents	\$ 3,228,982	\$ 5,149,189
Receivables (net of allowance for uncollectibles):		
Taxes	5,031,620	140,068
Accounts	71,501	9,275
Intergovernmental	24,852	-
Other	2,710	3,440
Restricted investments	-	-
Leases receivable	-	1,468,216
Loans receivable	-	439,855
Advances to other funds	-	85,203
Inventories	59,073	-
Prepaid items	19,066	8,580
Total assets	<u>\$ 8,437,804</u>	<u>\$ 7,303,826</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 43,305	\$ 22,062
Retainage payable	-	14,249
Accrued payroll	202,223	6,099
Other	100,982	-
Deferred revenue	4,104,782	1,209,318
Bond anticipation notes payable	-	-
Advances from other funds	-	-
Total liabilities	<u>4,451,292</u>	<u>1,251,728</u>
Fund balances:		
Reserved for:		
Encumbrances	28,038	-
Inventories	59,073	-
Prepaid items	19,066	8,580
Advances	-	85,203
Revolving loan program	-	5,958,315
Unreserved, designated, reported in:		
General fund	10,000	-
Unreserved, undesignated, reported in:		
General fund	3,870,335	-
Special revenue funds	-	-
Capital projects fund	-	-
Debt service fund	-	-
Total fund balances	<u>3,986,512</u>	<u>6,052,098</u>
Total liabilities and fund balances	<u>\$ 8,437,804</u>	<u>\$ 7,303,826</u>

See accompanying notes to basic financial statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 6,015,873	\$ 1,389,729	\$ 1,533,533	\$ 17,317,306
-	1,223,309	-	6,394,997
-	-	1,323	82,099
318,698	-	150,053	493,603
-	1,045	162	7,357
-	398,748	-	398,748
-	-	-	1,468,216
-	-	-	439,855
-	-	-	85,203
-	-	-	59,073
-	-	2,014	29,660
<u>\$ 6,334,571</u>	<u>\$ 3,012,831</u>	<u>\$ 1,687,085</u>	<u>\$ 26,776,117</u>
\$ 1,107,103	\$ -	\$ 82,766	\$ 1,255,236
1,262,788	-	-	1,277,037
-	-	18,429	226,751
-	-	-	100,982
-	1,186,791	-	6,500,891
2,025,210	-	-	2,025,210
-	-	85,203	85,203
<u>4,395,101</u>	<u>1,186,791</u>	<u>186,398</u>	<u>11,471,310</u>
-	-	2,487	30,525
-	-	-	59,073
-	-	2,014	29,660
-	-	-	85,203
-	-	-	5,958,315
-	-	-	10,000
-	-	-	3,870,335
-	-	1,496,186	1,496,186
1,939,470	-	-	1,939,470
-	1,826,040	-	1,826,040
<u>1,939,470</u>	<u>1,826,040</u>	<u>1,500,687</u>	<u>15,304,807</u>
<u>\$ 6,334,571</u>	<u>\$ 3,012,831</u>	<u>\$ 1,687,085</u>	<u>\$ 26,776,117</u>

CITY OF PITTSBURG, KANSAS

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

December 31, 2008

Total fund balance in Governmental Fund Balance Sheet	\$ 15,304,807
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.	46,600,104
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,367,503
A long term liability is recorded for the unfunded portion of post employment benefits other than pensions, while in the governmental funds liabilities, that do not require satisfaction with current resources are not recorded.	(135,167)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(32,003,773)</u>
Net assets of governmental activities	<u>\$ 31,133,474</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, 2008

	General
Revenues:	
Taxes:	
Property	\$ 4,208,669
Sales	4,567,019
Franchise	1,793,652
Licenses and permits	170,404
Intergovernmental	690,535
Charges for services	1,965,141
Fines and fees	349,695
Special assessments	-
Investment earnings	140,417
Lease income	-
Miscellaneous	186,664
Total revenues	<u>14,072,196</u>
Expenditures:	
Current:	
General government	4,711,903
Public safety - police	3,051,104
Public safety - fire	2,106,819
Public safety - other	867,333
Public works	1,356,386
Sanitation and health	76,008
Culture and recreation	1,845,133
Industrial promotion	-
Economic development	-
Social welfare	-
Debt service:	
Principal	-
Interest	-
Bond issuance costs	-
Capital outlay	179,528
Total expenditures	<u>14,194,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(122,018)</u>
Other financing sources (uses):	
Transfers in	866,166
Transfers out	(934,055)
Custom energy note payable proceeds	1,826,933
General obligation bonds issued	-
Total other financing sources (uses)	<u>1,759,044</u>
Net change in fund balances	<u>1,637,026</u>
Fund balances, beginning	<u>2,349,486</u>
Fund balances, ending	<u><u>\$ 3,986,512</u></u>

See accompanying notes to basic financial statements.

Revolving Loans	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,685,395	\$ -	\$ 5,894,064
827,203	-	280,287	-	5,674,509
-	-	-	-	1,793,652
-	-	-	-	170,404
-	3,117,217	-	2,361,348	6,169,100
-	-	-	-	1,965,141
-	-	-	-	349,695
-	-	34,875	-	34,875
145,495	547,919	55,261	36,407	925,499
542,847	-	-	-	542,847
21,783	837,485	3,226	130,970	1,180,128
<u>1,537,328</u>	<u>4,502,621</u>	<u>2,059,044</u>	<u>2,528,725</u>	<u>24,699,914</u>
-	591	-	-	4,712,494
-	-	-	-	3,051,104
-	903	-	-	2,107,722
-	-	-	-	867,333
-	8,466	-	1,239,977	2,604,829
-	110,551	-	66,525	253,084
-	1,445	-	-	1,846,578
1,432,577	-	-	-	1,432,577
-	3,577	-	-	3,577
-	-	-	1,550,188	1,550,188
-	-	2,455,309	-	2,455,309
-	187,340	1,357,898	-	1,545,238
-	91,268	-	-	91,268
-	16,404,401	-	120,476	16,704,405
<u>1,432,577</u>	<u>16,808,542</u>	<u>3,813,207</u>	<u>2,977,166</u>	<u>39,225,706</u>
<u>104,751</u>	<u>(12,305,921)</u>	<u>(1,754,163)</u>	<u>(448,441)</u>	<u>(14,525,792)</u>
-	287,827	634,912	525,000	2,313,905
(6,748)	(904,999)	-	(80,946)	(1,926,748)
-	-	-	-	1,826,933
-	2,950,380	-	-	2,950,380
<u>(6,748)</u>	<u>2,333,208</u>	<u>634,912</u>	<u>444,054</u>	<u>5,164,470</u>
98,003	(9,972,713)	(1,119,251)	(4,387)	(9,361,322)
5,954,095	11,912,183	2,945,291	1,505,074	24,666,129
<u>\$ 6,052,098</u>	<u>\$ 1,939,470</u>	<u>\$ 1,826,040</u>	<u>\$ 1,500,687</u>	<u>\$ 15,304,807</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, 2008

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

Net change in fund balances - total governmental funds \$ (9,361,322)

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. 15,611,027

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds. (44,019)

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. (2,230,737)

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. (72,917)

Change in net assets of governmental activities \$ 3,902,032

## CITY OF PITTSBURG, KANSAS

## GENERAL FUND

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

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 11,393,919	\$ 11,842,254	\$ 448,335
Intergovernmental	125,352	678,870	553,518
Licenses and permits	135,000	170,404	35,404
Charges for services	2,863,951	3,172,225	308,274
Fines and fees	402,500	349,695	(52,805)
Investment income	350,000	142,138	(207,862)
Miscellaneous	78,968	186,664	107,696
Total revenues	15,349,690	16,542,250	1,192,560
Expenditures:			
General government:			
General administration:			
Personnel services	589,905	566,580	23,325
Contractual services	143,351	169,187	(25,836)
Commodities	16,750	24,076	(7,326)
Total general administration expenditures	750,006	759,843	(9,837)
Group hospitalization:			
Claims paid	1,856,457	1,850,325	6,132
Human resources:			
Personnel services	130,662	130,496	166
Contractual services	24,663	29,166	(4,503)
Commodities	6,500	6,381	119
Total human resources expenditures	161,825	166,043	(4,218)
Information systems:			
Personnel services	268,010	282,850	(14,840)
Contractual services	99,636	134,039	(34,403)
Commodities services	50,000	50,661	(661)
Capital outlay	50,354	23,558	26,796
Total information systems expenditures	\$ 468,000	\$ 491,108	\$ (23,108)

(Continued)

## CITY OF PITTSBURG, KANSAS

## GENERAL FUND

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

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Municipal court:			
Personnel services	\$ 254,580	\$ 255,434	\$ (854)
Contractual services	33,755	37,927	(4,172)
Commodities	3,000	4,599	(1,599)
Total municipal court expenditures	291,335	297,960	(6,625)
Total general government expenditures	3,527,623	3,565,279	(37,656)
Public safety:			
Police department:			
Personnel services	2,866,625	2,800,009	66,616
Contractual services	333,366	316,646	16,720
Commodities	222,800	216,475	6,325
Capital outlay	155,350	127,576	27,774
Total police department expenditures	3,578,141	3,460,706	117,435
Fire department:			
Personnel services	2,013,928	2,057,843	(43,915)
Contractual services	125,034	113,542	11,492
Commodities	86,500	81,396	5,104
Capital outlay	12,000	-	12,000
Total fire department expenditures	2,237,462	2,252,781	(15,319)
Public safety - other:			
Codes enforcement:			
Personnel services	664,686	621,954	42,732
Contractual services	139,590	84,249	55,341
Commodities	16,863	13,221	3,642
Total codes enforcement expenditures	\$ 821,139	\$ 719,424	\$ 101,715

(Continued)

## CITY OF PITTSBURG, KANSAS

## GENERAL FUND

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

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Animal control:			
Personnel services	\$ 43,150	\$ 41,163	\$ 1,987
Contractual services	21,924	24,335	(2,411)
Commodities	8,000	8,992	(992)
Total animal control expenditures	73,074	74,490	(1,416)
Electronics department:			
Personnel services	76,160	74,301	1,859
Contractual service	19,758	17,387	2,371
Commodities	44,500	40,809	3,691
Total electronics department expenditures	140,418	132,497	7,921
Total public safety - other	1,034,631	926,411	108,220
Total public safety expenditures	6,850,234	6,639,898	210,336
Public works:			
Engineering department:			
Personnel services	149,455	121,227	28,228
Contractual services	29,769	23,370	6,399
Commodities	13,940	11,192	2,748
Total engineering department expenditures	193,164	155,789	37,375
Atkinson Airport:			
Personnel services	173,353	187,390	(14,037)
Contractual services	61,195	56,233	4,962
Commodities	492,358	803,618	(311,260)
Total Atkinson Airport expenditures	726,906	1,047,241	(320,335)
Total public works expenditures	\$ 920,070	\$ 1,203,030	\$ (282,960)

(Continued)

## CITY OF PITTSBURG, KANSAS

## GENERAL FUND

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

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Sanitation and health:			
Mt. Olive Cemetery:			
Personnel services	\$ 64,701	\$ 59,930	\$ 4,771
Contractual services	13,058	14,194	(1,136)
Commodities	8,750	13,432	(4,682)
Total sanitation and health expenditures	86,509	87,556	(1,047)
Culture and recreation:			
Parks and recreation department:			
Personnel services	634,608	616,898	17,710
Contractual services	126,780	119,821	6,959
Commodities	177,500	127,921	49,579
Capital outlay	-	6,850	(6,850)
Total parks and recreation department expenditures	938,888	871,490	67,398
Aquatic center:			
Personnel services	113,224	102,411	10,813
Contractual services	29,205	28,280	925
Commodities	52,000	54,213	(2,213)
Total aquatic center expenditures	194,429	184,904	9,525
Four Oaks Complex:			
Personnel services	267,014	262,837	4,177
Contractual services	62,968	65,312	(2,344)
Commodities	104,000	86,499	17,501
Capital outlay	-	4,950	(4,950)
Total Four Oaks Complex expenditures	\$ 433,982	\$ 419,598	\$ 14,384

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  
(Continued)

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Memorial Auditorium and Convention Center:			
Personnel services	\$ 247,121	\$ 275,562	\$ (28,441)
Contractual services	139,921	161,278	(21,357)
Commodities	87,000	62,769	24,231
Operating reserve	45,966	-	45,966
Total Memorial Auditorium and Convention Center	520,008	499,609	20,399
Total culture and recreation expenditures	2,087,307	1,975,601	111,706
Operating reserve	791,813	180,117	611,696
Total expenditures	14,263,556	13,651,481	612,075
Excess of revenues over expenditures	1,086,134	2,890,769	1,804,635
Other financing sources (uses):			
Transfers in	835,455	866,166	30,711
Transfers out	(3,142,264)	(2,316,262)	826,002
Total other financing sources (uses)	(2,306,809)	(1,450,096)	856,713
Net change in fund balances	(1,220,675)	1,440,673	2,661,348
Fund balance, beginning	-	1,411,725	1,411,725
Fund balance, ending	\$ (1,220,675)	\$ 2,852,398	\$ 4,073,073

See accompanying notes to basic financial statements.



## CITY OF PITTSBURG, KANSAS

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

December 31, 2008

	Water/Wastewater	Stormwater	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 2,247,617	\$ 1,599,483	\$ 3,847,100
Restricted cash - customer deposits	188,745	-	188,745
Accounts receivable (net of allowance for uncollectibles)	623,716	21,322	645,038
Other receivable	243,033	1,204	244,237
Inventories	281,876	-	281,876
Prepaid items	4,504	178	4,682
Total current assets	<u>3,589,491</u>	<u>1,622,187</u>	<u>5,211,678</u>
Noncurrent assets:			
Deferred charges	<u>30,926</u>	<u>29,215</u>	<u>60,141</u>
Capital assets:			
Land	436,690	-	436,690
Buildings and improvements	19,853,491	-	19,853,491
Machinery and equipment	3,072,642	298,078	3,370,720
Construction in progress	294,372	212,284	506,656
Infrastructure	25,097,920	4,168,912	29,266,832
Less accumulated depreciation	(18,695,616)	(328,244)	(19,023,860)
Total capital assets, net of accumulated depreciation	<u>30,059,499</u>	<u>4,351,030</u>	<u>34,410,529</u>
Total noncurrent assets	<u>30,090,425</u>	<u>4,380,245</u>	<u>34,470,670</u>
Total assets	<u>33,679,916</u>	<u>6,002,432</u>	<u>39,682,348</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	348,483	197,901	546,384
Retainage payable	27,410	85,166	112,576
Accrued payroll	38,127	6,492	44,619
Accrued interest payable	72,387	28,401	100,788
Accrued compensated absences - current	55,645	8,093	63,738
Customer deposits payable	188,745	-	188,745
Bond anticipation note payable	384,790	-	384,790
General obligation bonds - current	270,780	202,406	473,186
Construction loan payable - current	161,670	-	161,670
Other postemployment benefit obligation, current	4,085	510	4,595
Total current liabilities	<u>1,552,122</u>	<u>528,969</u>	<u>2,081,091</u>
Noncurrent liabilities:			
Accrued compensated absences	71,485	10,397	81,882
General obligation bonds payable (net of unamortized discounts)	1,463,840	1,927,677	3,391,517
Construction loan payable	4,390,731	-	4,390,731
Other postemployment benefit obligation	26,712	3,335	30,047
Total noncurrent liabilities	<u>5,952,768</u>	<u>1,941,409</u>	<u>7,894,177</u>
Total liabilities	<u>7,504,890</u>	<u>2,470,378</u>	<u>9,975,268</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	23,387,688	2,220,947	25,608,635
Unrestricted	2,787,338	1,311,107	4,098,445
Total net assets	<u>\$ 26,175,026</u>	<u>\$ 3,532,054</u>	<u>\$ 29,707,080</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended December 31, 2008

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 3,018,316	\$ -	\$ 3,018,316
Wastewater charges	2,523,446	-	2,523,446
Stormwater charges	-	681,964	681,964
Other charges	231,409	8,623	240,032
Total operating revenues	<u>5,773,171</u>	<u>690,587</u>	<u>6,463,758</u>
Operating expenses:			
Costs of sales and services	2,319,142	148,685	2,467,827
Administration	1,628,013	195,949	1,823,962
Depreciation	1,062,475	65,728	1,128,203
Total operating expenses	<u>5,009,630</u>	<u>410,362</u>	<u>5,419,992</u>
Operating income	<u>763,541</u>	<u>280,225</u>	<u>1,043,766</u>
Nonoperating revenues (expenses):			
Interest revenue	65,332	84,496	149,828
Interest expense	(224,875)	(96,504)	(321,379)
Total nonoperating revenues (expenses)	<u>(159,543)</u>	<u>(12,008)</u>	<u>(171,551)</u>
Income before capital contributions and transfers	603,998	268,217	872,215
Capital contributions	4,282	-	4,282
Transfers in	-	526,862	526,862
Transfers out	(889,473)	(24,546)	(914,019)
Change in net assets	(281,193)	770,533	489,340
Total net assets, beginning	<u>26,456,219</u>	<u>2,761,521</u>	<u>29,217,740</u>
Total net assets, ending	<u>\$ 26,175,026</u>	<u>\$ 3,532,054</u>	<u>\$ 29,707,080</u>

See accompanying notes to basic financial statements.

## CITY OF PITTSBURG, KANSAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

Year Ended December 31, 2008

	Water/Wastewater	Stormwater	Total
Cash flows from operating activities:			
Receipts from customers	\$ 5,529,735	\$ 691,534	\$ 6,221,269
Payments to suppliers	(1,957,267)	(28,598)	(1,985,865)
Payments to employees	(1,593,323)	(178,798)	(1,772,121)
Net cash provided by operating activities	1,979,145	484,138	2,463,283
Cash flows from noncapital financing activities:			
Transfers to other funds	(889,473)	(24,546)	(914,019)
Transfers from other funds	-	526,862	526,862
Interest paid on deposits	(4,529)	-	(4,529)
Net cash provided by (used in) noncapital financing activities	(894,002)	502,316	(391,686)
Cash flows from capital and related financing activities:			
Proceeds from capitalization grant/construction loan payable	566,447	-	566,447
Payments on capitalization grant/construction loan payable	(386,948)	-	(386,948)
Proceeds from general obligation bonds	379,620	-	379,620
Proceeds from bond anticipation notes	384,790	-	384,790
Acquisition and construction of capital assets	(170,746)	-	(170,746)
Purchases of capital assets	(1,278,388)	(2,497,705)	(3,776,093)
Bond issuance costs	-	3,437	3,437
Principal paid on capital debt	(230,000)	(179,917)	(409,917)
Interest paid on capital debt	(207,971)	(111,907)	(319,878)
Net cash used in capital and related financing activities	(943,196)	(2,786,092)	(3,729,288)
Cash flows from investing activities:			
Interest received	65,332	84,496	149,828
Net increase (decrease) in cash and cash equivalents	207,279	(1,715,142)	(1,507,863)
Cash and cash equivalents and restricted cash, beginning of year	2,229,083	3,314,625	5,543,708
Cash and cash equivalents and restricted cash, end of year	\$ 2,436,362	\$ 1,599,483	\$ 4,035,845

(Continued)

## CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS  
(Continued)

## PROPRIETARY FUNDS

Year Ended December 31, 2008

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 763,541	\$ 280,225	\$ 1,043,766
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,062,475	65,728	1,128,203
Amortization of deferred charges	6,186	-	6,186
Changes in assets and liabilities:			
Receivables, net	(240,245)	947	(239,298)
Inventories	52,320	-	52,320
Prepaid items	4,104	177	4,281
Accounts payable	299,266	119,910	419,176
Accrued compensated absences	3,893	13,306	17,199
Other postemployment benefits	30,797	3,845	34,642
Customer deposits	(3,192)	-	(3,192)
Net cash provided by operating activities	<u>\$ 1,979,145</u>	<u>\$ 484,138</u>	<u>\$ 2,463,283</u>
Cash consists of:			
Cash and cash equivalents	\$ 2,247,617	\$ 1,599,483	\$ 3,847,100
Restricted cash	188,745	-	188,745
	<u>\$ 2,436,362</u>	<u>\$ 1,599,483</u>	<u>\$ 4,035,845</u>

## Non-cash capital financing activities:

Contributions of capital assets of \$ 4,282 was acquired in the water/wastewater fund from other governmental funds and project developers.

See accompanying notes to basic financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

### 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 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.

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.



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)

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

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

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

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

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

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### Cash and Investments

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, 2008, interest earnings allocated to the various funds were \$ 1,063,423.

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

#### Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2008, cash equivalents consisted of certificates of deposit included in pooled cash described above.

#### Receivables and Payables

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

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

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

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

General fund property taxes receivable	\$ 4,104,782
Revolving loans fund long-term portion of capital leases receivable	1,209,318
Debt service fund property taxes receivable	<u>1,186,791</u>
	<u>\$ 6,500,891</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 2008 levy was based was approximately \$ 129,985,867.

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 2008 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$ 29.958
Debt Service Fund	9.967
Component unit:	
Public Library	<u>5.555</u>
	<u>\$ 45.480</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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.

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.

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### Capital Assets (Continued)

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

#### 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.

## CITY OF PITTSBURG, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

##### Fund Equity

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

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.

##### Restricted Net Assets

The government-wide statement of net assets reports \$ 11,967,446 of restricted net assets, of which \$ 1,654,806 is restricted by enabling legislation. This enabling legislation authorized the collection of a sales tax from which the collection of these sales taxes is to be used for the explicit purpose of repaying the general obligation bonds for the construction of the City's public safety center.

##### 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.

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, 2008, 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. 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.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* was issued in February 2009. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.

# 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 \$ 32,003,773 difference are as follows:

Bonds payable	\$ (29,925,297)
Less: Deferred charge for issuance costs	634,949
Less: Issuance discount	133,024
Custom energy note payable	(1,786,708)
Accrued interest payable	(401,771)
Compensated absences	<u>(657,970)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (32,003,773)</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 \$ 15,611,027 difference are as follows:

Capital outlay	\$ 17,363,592
Depreciation expense	<u>(1,752,565)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 15,611,027</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 \$ 2,230,737 difference are as follows:

Debt issued or incurred:	
Issuance of bonds	\$ (2,950,380)
Issuance of custom energy note payable	(1,826,934)
Bond issuance costs	91,268
Principal repayments:	
Bonds	2,415,083
Custom energy lease	<u>40,226</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (2,230,737)</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 \$ 72,917 difference are as follows:

Compensated absences	\$ (22,863)
Other post employment benefits	(135,167)
Accrued interest	153,596
Amortization of issuance costs	(55,367)
Amortization of bond discounts	<u>(13,116)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (72,917)</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 Section 8 and Community Development Block Grant 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 two budget amendments during 2008. Special Alcohol and Drug budgeted expenditures increased from \$ 77,216 to \$ 119,411 and Special Parks and Recreation budgeted expenditures increased from \$ 59,766 to \$ 85,000.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Budgetary Basis of Accounting

The General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is presented in accordance with the budget basis to provide meaningful comparison of actual results with the budget. The following reconciliation is presented to provide a correlation between the different bases of accounting for reporting in accordance with GAAP and for reporting on the budget basis.

	<u>General Fund</u>
Deficit of revenue under expenditures, GAAP basis	\$ (122,018)
Add:	
Sales tax transfers	1,382,207
Note payable proceeds	1,826,934
Change in encumbrances	40,495
Change in salaries payable	23,885
Change in interest receivable	1,721
Change in inventories	25,195
Change in prepaid items	3,147
Deduct:	
Health claims	(125,000)
Change in grants receivable	(11,665)
Change in taxes receivable	(154,132)
Excess of revenue over expenditures, budgetary basis	<u>\$ 2,890,769</u>

Budget and Actual Statements were not prepared for the revolving loans fund or the capital projects fund because those funds are not required to have legally adopted budgets.

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5 - Deposits and Investments

#### Deposits

##### *Custodial Credit Risk*

Custodial 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, 2008, 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, 2008, 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	\$ 398,748	\$ 398,748	\$ -	\$ -	\$ -

##### *Interest Rate Risk*

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Deposits and Investments (Continued)

Investments (Continued)

*Credit Risk*

Kansas statutes authorize the City and the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. The City's investment policy authorizes the purchases of U.S. Treasury securities, certificates of deposit, and temporary notes. The Library held no investments at December 31, 2008.

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

*Concentrations of Credit Risk*

The City places no limit on the amount it may invest in any 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, 2008, 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		
	City	Component Unit - Public Library	Total
Cash and cash equivalents	\$ 21,164,406	\$ 218,436	\$ 21,382,842
Restricted cash and cash equivalents	188,745	-	188,745
Restricted investments	398,748	-	398,748
	<u>\$ 21,751,899</u>	<u>\$ 218,436</u>	<u>\$ 21,970,335</u>

### 6 - Loans Receivable

Loans receivable, aggregating approximately \$ 440,000 at December 31, 2008, 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, 2008 the lease receivable balance was \$ 1,468,216.

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7 - Leases (Continued)

Future minimum lease payments to be received are as follows:

2009	\$ 258,898
2010	258,898
2011	165,543
2012	165,543
2013	165,543
2014 - 2018	530,108
2019 - 2023	<u>178,500</u>
Total minimum lease payments	1,723,033
Less: amounts representing interest	<u>(254,817)</u>
Present value of minimum lease payments	<u>\$ 1,468,216</u>

Noncancellable operating revenue leases for City land and buildings expire in 2012, 2015, 2016 and 2018. 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, 2008 rental income related to these leases was \$ 178,521. Future minimum lease income is as follows:

2009	\$ 279,773
2010	279,773
2011	266,747
2012	183,710
2013	151,310
2014 - 2018	<u>463,569</u>
	<u>\$ 1,624,882</u>

The asset cost of the buildings the City leases is \$ 2,556,590, with accumulated depreciation of \$ 513,825 resulting in net carrying value of \$ 2,042,765 at December 31, 2008.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 3,473,903	\$ -	\$ -	\$ -	\$ 3,473,903
Construction in progress	3,977,067	16,461,563	(19,495,474)	-	943,156
Total capital assets not being depreciated	7,450,970	16,461,563	(19,495,474)	-	4,417,059
Capital assets being depreciated:					
Buildings and improvements	21,552,083	15,071,056	-	-	36,623,139
Machinery and equipment	7,090,932	934,972	(272,948)	(22,468)	7,730,488
Infrastructure	19,968,829	4,395,146	-	-	24,363,975
Total capital assets being depreciated	48,611,844	20,401,174	(272,948)	(22,468)	68,717,602
Less accumulated depreciation for:					
Buildings and improvements	(10,245,050)	(671,857)	-	-	(10,916,907)
Machinery and equipment	(5,136,906)	(487,047)	269,277	22,468	(5,332,208)
Infrastructure	(9,691,781)	(593,661)	-	-	(10,285,442)
Total accumulated depreciation	(25,073,737)	(1,752,565)	269,277	22,468	(26,534,557)
Total capital assets being depreciated, net	23,538,107	18,648,609	(3,671)	-	42,183,045
Governmental activities capital assets, net	\$ 30,989,077	\$ 35,110,172	\$ (19,499,145)	\$ -	\$ 46,600,104



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	499,960	3,406,106	(3,399,410)	-	506,656
Total capital assets not being depreciated	936,650	3,406,106	(3,399,410)	-	943,346
Capital assets being depreciated:					
Buildings and improvements	19,528,187	325,304	-	-	19,853,491
Machinery and equipment	3,274,050	86,902	(12,700)	22,468	3,370,720
Infrastructure	25,571,607	3,695,225	-	-	29,266,832
Total capital assets being depreciated	48,373,844	4,107,431	(12,700)	22,468	52,491,043
Less accumulated depreciation for:					
Buildings and improvements	(6,772,054)	(402,443)	-	-	(7,174,497)
Machinery and equipment	(2,071,451)	(175,481)	12,700	(22,468)	(2,256,700)
Infrastructure	(9,042,384)	(550,279)	-	-	(9,592,663)
Total accumulated depreciation	(17,885,889)	(1,128,203)	12,700	(22,468)	(19,023,860)
Total capital assets being depreciated, net	30,487,955	2,979,228	-	-	33,467,183
Business-type activities capital assets, net	\$ 31,424,605	\$ 6,385,334	\$ (3,399,410)	\$ -	\$ 34,410,529

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	\$ 80,536
Public safety - police	98,685
Public safety - fire	119,251
Public safety - other	30,633
Public works	991,413
Sanitation and health	3,777
Industrial promotion	36,000
Culture and recreation	392,270

Total depreciation expense - governmental activities	<u>\$ 1,752,565</u>
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Business-type activities:

Water and sewer	\$ 1,062,475
Stormwater	65,728

Total depreciation expense-business-type activities	<u>\$ 1,128,203</u>
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CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Capital Assets (Continued)

Capital asset activity for the Public Library component unit for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 215,415	\$ -	\$ -	\$ 215,415
Construction in progress	15,126	71,527	(81,602)	5,051
Total capital assets not being depreciated	230,541	71,527	(81,602)	220,466
Capital assets being depreciated:				
Buildings and improvements	3,326,018	81,602	-	3,407,620
Machinery and equipment	9,996	-	-	9,996
Total capital assets being depreciated	3,336,014	81,602	-	3,417,616
Less accumulated depreciation for:				
Buildings and improvements	(678,498)	(73,362)	-	(751,860)
Machinery and equipment	(4,180)	(3,332)	-	(7,512)
Total accumulated depreciation	(682,678)	(76,694)	-	(759,372)
Total capital assets being depreciated, net	2,653,336	4,908	-	2,658,244
Public Library capital assets, net	\$ 2,883,877	\$ 76,435	\$ (81,602)	\$ 2,878,710

9 - 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.

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9 - Capital Projects (Continued)

Following is a summary of costs to December 31, 2008 for capital projects compared to the amount authorized:

	Costs to Date	Amount Authorized
General government:		
Four Oaks improvements	\$ 56,287	\$ 77,036
Hiking/biking path	89,664	111,000
Park improvements	200,980	205,429
Auditorium projects	162,201	162,895
Streetscape project	1,219,368	2,500,000
Airport runway and wildlife fence projects	1,233,898	4,015,193
Roofing projects	103,236	125,000
Paving projects	3,017,743	4,165,081
Bridge projects	55,859	500,000
Fire department projects	591,079	616,286
Public safety center	12,421,007	15,000,000
	<u>\$ 19,151,322</u>	<u>\$ 27,477,920</u>
Business-type:		
Water/wastewater	\$ 2,116,625	\$ 13,672,814
Stormwater	2,233,781	2,450,000
	<u>\$ 4,350,406</u>	<u>\$ 16,122,814</u>

### 10 - 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.

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

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2008 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2008	Outstanding December 31, 2008
General Obligation Bonds:					
Governmental activities:					
Series 1999-A	4.35%	\$ 3,220,000	2008	\$ 380,000	\$ -
Series 2001-B	4.00 - 4.30%	2,675,000	2011	280,000	920,000
Series 2003-A	2.10 - 3.30%	3,025,000	2013	285,000	1,085,000
Series 2005-A	2.70 - 3.60%	1,460,000	2015	135,000	1,080,000
Series 2006-A	3.35 - 3.75%	545,000	2016	50,000	460,000
Series 2006-B	3.70 - 3.90%	1,140,000	2016	100,000	950,000
Series 2006-C	3.55 - 3.80%	2,000,000	2016	175,000	1,645,000
Series 2007-A	4.00%	1,285,000	2017	100,083	1,184,917
Series 2007-B	4.00%	13,000,000	2018	695,000	12,305,000
Series 2008-A	2.30 - 3.60%	2,950,380	2018	-	2,950,380
				2,200,083	22,580,297
Business-type activities:					
Series 2001-A	4.15 - 4.70%	4,715,000	2013	230,000	1,355,000
Series 2007-A	4.00%	2,310,000	2017	179,917	2,130,083
Series 2008-A	2.30 - 3.60%	379,620	2018	-	379,620
				409,917	3,864,703
				<u>\$ 2,610,000</u>	<u>\$ 26,445,000</u>

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

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  
Series 2008-A: Callable September 1, 2016 at par plus accrued interest

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

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

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 2001-B	\$ 295,000	\$ 320,000
Series 2003-A	160,000	300,000
Series 2005-A	140,000	165,000
Series 2006-A	50,000	65,000
Series 2006-B	105,000	135,000
Series 2006-C	180,000	235,000
Series 2007-A	112,594	151,895
Series 2007-B	855,000	1,800,000
Series 2008-A	239,220	345,540
Business-type activities:		
Series 2001-A	240,000	300,000
Series 2007-A	202,406	273,105
Series 2008-A	30,780	44,460

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirement for general obligation bonds outstanding as of December 31, 2008 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2009	\$ 2,266,814	\$ 872,958	\$ 473,186	\$ 169,168
2010	2,398,755	770,442	501,245	144,216
2011	2,371,190	684,059	523,810	120,854
2012	2,150,982	595,889	554,018	96,293
2013	2,268,416	516,223	571,584	73,042
2014 - 2018	11,124,140	1,291,648	1,240,860	127,409
	<u>\$ 22,580,297</u>	<u>\$ 4,731,219</u>	<u>\$ 3,864,703</u>	<u>\$ 730,982</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 \$ 3,047,985 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, 2008 are as follows:

	Principal	Interest and Service Fee	Total
2009	\$ 161,670	\$ 95,049	\$ 256,719
2010	166,819	89,900	256,719
2011	172,132	84,587	256,719
2012	177,615	79,105	256,720
2013	183,272	73,448	256,720
2014-2018	1,007,723	275,873	1,283,596
2019-2023	1,178,754	104,841	1,283,595
	<u>\$ 3,047,985</u>	<u>\$ 802,803</u>	<u>\$ 3,850,788</u>

# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 10 - 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, 2008, the City has drawn \$ 1,504,416 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.

#### Custom Energy Note Payable

During 2007, the City entered into an agreement for a custom energy note payable to perform energy conservation and usage reduction improvements to the City's facilities. The note was in the amount of \$ 1,826,934. The loan is being repaid over sixteen years at an interest rate of 4.099%.

The future annual requirements for the custom energy note payable outstanding as of December 31, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 92,368	\$ 72,300	\$ 164,668
2010	96,193	68,475	164,668
2011	100,177	64,492	164,669
2012	104,325	60,343	164,668
2013	108,645	56,023	164,668
2014 - 2018	614,553	208,788	823,341
2019 - 2023	670,447	70,561	741,008
	<u>\$ 1,786,708</u>	<u>\$ 600,982</u>	<u>\$ 2,387,690</u>



CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Transportation Development District Sales Tax Revenue Bonds

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

The future annual requirements for Transportation Development District Sales Tax Revenue bonds outstanding as of December 31, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	40,000	58,320	98,320
2014 - 2018	275,000	256,200	531,200
2019 - 2023	405,000	175,080	580,080
2024 - 2028	515,000	56,040	571,040
	<u>\$ 1,370,000</u>	<u>\$ 796,560</u>	<u>\$ 2,166,560</u>

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Special Obligation Tax Increment Revenue Bonds

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

The future annual requirements for TIF Revenue bonds outstanding as of December 31, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	275,000	245,632	520,632
2014 - 2018	1,730,000	1,011,280	2,741,280
2019 - 2023	2,480,000	505,435	2,985,435
2024 - 2028	<u>590,000</u>	<u>18,498</u>	<u>608,498</u>
	<u>\$ 5,975,000</u>	<u>\$ 2,873,625</u>	<u>\$ 8,848,625</u>

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 21,830,000	\$ 2,950,380	\$ (2,200,083)	\$ 22,580,297	\$ 2,266,814
Transportation Development District Sales Tax Revenue Bonds	1,390,000	-	(20,000)	1,370,000	30,000
Special Obligation Tax Increment Revenue Bonds	6,170,000	-	(195,000)	5,975,000	195,000
Less deferred amounts:					
For issuance discounts	(146,140)	-	13,116	(133,024)	-
Custom energy note payable	-	1,826,934	(40,226)	1,786,708	92,368
Other postemployment benefits	-	135,167	-	135,167	44,275
Compensated absences	635,106	458,276	(435,412)	657,970	384,998
Governmental activity long-term liabilities	<u>\$ 29,878,966</u>	<u>\$ 5,370,757</u>	<u>\$ (2,877,605)</u>	<u>\$ 32,372,118</u>	<u>\$ 3,013,455</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 3,895,000	\$ 379,620	\$ (409,917)	\$ 3,864,703	\$ 473,186
Construction loan payable	4,372,902	566,447	(386,948)	4,552,401	161,670
Other postemployment benefits	-	34,642	-	34,642	4,595
Compensated absences	128,421	95,801	(78,602)	145,620	63,738
Business-type activity long-term liabilities	<u>\$ 8,396,323</u>	<u>\$ 1,076,510</u>	<u>\$ (875,467)</u>	<u>\$ 8,597,366</u>	<u>\$ 703,189</u>
<b>Component unit activities:</b>					
Other postemployment benefits	<u>\$ -</u>	<u>\$ 9,730</u>	<u>\$ -</u>	<u>\$ 9,730</u>	<u>\$ 1,957</u>

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - 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, 2008, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 6,799,587.

11 - Bond Anticipation Notes Payable

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

At December 31, 2008 the City had the following bond anticipation notes outstanding:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond anticipation notes	<u>\$ 4,930,000</u>	<u>\$ 2,410,000</u>	<u>\$ 4,930,000</u>	<u>\$ 2,410,000</u>
<u>Issue</u>		<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
2008A		\$ 2,410,000	2.15%	10/1/2009

## CITY OF PITTSBURG, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 12 - 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.

##### 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 2008 was 5.93%. The City employer contributions to KPERS for the years ending December 31, 2008, 2007, and 2006 were \$ 305,955, \$ 272,393, and \$ 223,959, 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 2008 is 16.90%. 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, 2008, 2007, and 2006 were \$ 572,747, \$ 551,110, and \$ 506,127, respectively, equal to the statutory required contributions for each year.

## CITY OF PITTSBURG, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 13 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health and life insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The health insurance benefit provides the same coverage for retirees and their dependants as for active employees and their dependants. The benefit is available for selection at retirement and is extended to retirees and their dependants until the individuals become eligible for Medicare at 65. The City also provides life insurance benefits to retirees. The life insurance benefits continue for lifetime. The plan does not issue a stand-alone financial report.

Funding Policy. The City provides health insurance benefits to retirees and their dependants in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute approximately 80 percent of the blended premium cost of active employees up to age 65 (including the employer and employee share). Retirees contribute 100 percent of their life insurance premiums.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2008, the City contributed \$ 39,859 to the plan. Plan members receiving benefits contributed \$ 52,105.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

13 - Other Postemployment Healthcare Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB (other post employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 219,398
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	219,398
Contributions made	(39,859)
Increase in net OPEB obligation	179,539
Net OPEB obligation, January 1, 2008	-
Net OPEB obligation, December 31, 2008	\$ 179,539

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 219,398	18.17%	\$ 179,539

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

13 - Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress. As of January 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 2,115,027. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,115,027. The covered payroll (annual payroll of active employees covered by the plan) was \$ 9,238,253 and the ratio of the UAAL to the covered payroll was 22.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.00 percent discount rate, which reflects rate of return earned on the City's general fund. The valuation assumed annual healthcare cost trend rates of six to eight percent in the first five years and an ultimate rate of five percent after six years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized using the level dollar method over a period of 30 years.



# CITY OF PITTSBURG, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 14 - 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.

#### 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 individual and aggregate 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. There is no liability reported at December 31, 2008 because the City met its stop-loss requirements for the year ended December 31, 2008. The claims liability 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, 2008, the City had approximately \$ 0 reserved in the General Fund for payment of health claims due to the City meeting its stop-loss requirements. The changes in health care claims payable for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Claims payable, beginning of year	\$ 125,000	\$ 115,000
Incurred claims and change in estimate	1,399,011	1,199,227
Claim payments	<u>(1,524,011)</u>	<u>(1,189,227)</u>
Claims payable, end of year	<u>\$ -</u>	<u>\$ 125,000</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

15 - Interfund Transactions

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 73,688
Water/wastewater fund	792,478
	<hr/>
Total transfers to general fund	<u>\$ 866,166</u>
Transfers to capital projects fund from:	
General fund	\$ 263,903
Revolving loan fund	6,748
Water/wastewater fund	17,176
	<hr/>
Total transfers to capital projects fund	<u>\$ 287,827</u>
Transfers to debt service fund from:	
General fund	\$ 145,152
Capital projects fund	378,137
Nonmajor governmental funds	7,258
Water/wastewater fund	79,819
Stormwater fund	24,546
	<hr/>
Total transfers to debt service fund	<u>\$ 634,912</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 525,000
	<hr/>
Transfers to stormwater fund from:	
Capital projects	\$ 526,862
	<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.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

15 - 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

\$ 85,203

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.

16 - 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 15).

Reserved for Revolving Loan Program

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

17 - 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.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PITTSBURG, KANSAS

2008 OTHER POST EMPLOYMENT BENEFITS REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 2,115,027	\$ 2,115,027	0.0%	\$ 9,238,253	22.9%

## 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.

**SECTION 8** - to account for federal grants under the Department of Housing and Urban Development (HUD) Program.

**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, 2008

	Special Revenue					Total Nonmajor Governmental Funds
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/ Presbyterian Church Housing	Section 8 Community Development Block Grants	
Assets:						
Cash and cash equivalents	\$ -	\$ 41,901	\$ 276,923	\$ 999,607	\$ 215,102	\$ -
Receivables (net of allowance for uncollectibles):						
Accounts	-	-	1,323	-	-	-
Intergovernmental	-	-	150,053	-	-	-
Other	-	-	-	-	162	-
Prepaid items	-	-	2,014	-	-	-
Total assets	\$ -	\$ 41,901	\$ 430,313	\$ 999,607	\$ 215,264	\$ -
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 81,684	\$ -	\$ 1,082	\$ -
Accrued payroll	-	-	13,831	-	4,598	-
Advances from other funds	-	-	85,203	-	-	-
Total liabilities	-	-	180,718	-	5,680	-
Fund balances:						
Reserved for encumbrances	-	-	2,487	-	-	-
Reserved for prepaid items	-	-	2,014	-	-	-
Unreserved, undesignated	-	41,901	245,094	999,607	209,584	-
Total fund balances	-	41,901	249,595	999,607	209,584	-
Total liabilities and fund balances	\$ -	\$ 41,901	\$ 430,313	\$ 999,607	\$ 215,264	\$ -

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	Special Revenue					Total Nonmajor Governmental Funds
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/ Presbyterian Church Housing	Section 8	Community Development Block Grants
Revenues:						
Intergovernmental	\$ 73,688	\$ 73,688	\$ 695,062	\$ -	\$ 1,422,058	\$ 96,852
Investment earnings	-	-	-	27,548	8,859	-
Miscellaneous	-	827	6,796	-	2,871	120,476
Total revenues	73,688	74,515	701,858	27,548	1,433,788	217,328
Expenditures:						
Current:						
Public works	-	-	1,239,977	-	-	-
Sanitation and health	-	66,525	-	-	-	-
Social welfare	-	-	-	35,344	1,417,992	96,852
Capital outlay	-	-	-	-	-	120,476
Total expenditures	-	66,525	1,239,977	35,344	1,417,992	217,328
Excess (deficiency) of revenues over (under) expenditures	73,688	7,990	(538,119)	(7,796)	15,796	-
Other financing sources (uses):						
Transfers in:						
General fund	-	-	525,000	-	-	-
Transfers out:						
General fund	(73,688)	-	-	-	-	-
Debt service	-	-	(7,258)	-	-	-
	(73,688)	-	(7,258)	-	-	-
Total other financing sources (uses)	(73,688)	-	517,742	-	-	-
Net change in fund balances	-	7,990	(20,377)	(7,796)	15,796	-
Fund balances, beginning	-	33,911	269,972	1,007,403	193,788	-
Fund balances, ending	\$ -	\$ 41,901	\$ 249,595	\$ 999,607	\$ 209,584	\$ -

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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 59,766	\$ 59,766	\$ 73,688	\$ 13,922
Other financing uses:				
Transfers out	(59,766)	(85,000)	(73,688)	11,312
Net change in fund balances	-	(25,234)	-	25,234
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ (25,234)	\$ -	\$ 25,234

(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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 59,766	\$ 59,766	\$ 73,688	\$ 13,922
Miscellaneous	500	500	827	327
Total revenues	60,266	60,266	74,515	14,249
Expenditures:				
Personnel services	-	-	2,951	(2,951)
Contractual services	40,844	83,039	50,176	32,863
Commodities	36,372	36,372	13,398	22,974
Total expenditures	77,216	119,411	66,525	52,886
Net change in fund balances	(16,950)	(59,145)	7,990	67,135
Fund balances, beginning	-	-	33,911	33,911
Fund balances, ending	\$ (16,950)	\$ (59,145)	\$ 41,901	\$ 101,046

(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, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 734,385	\$ 716,365	\$ (18,020)
Miscellaneous	15,000	6,796	(8,204)
Total revenues	749,385	723,161	(26,224)
Expenditures:			
Personnel services	554,319	540,941	13,378
Contractual services	409,959	369,866	40,093
Commodities	410,105	327,672	82,433
Debt service	30,000	25,862	4,138
Total expenditures	1,404,383	1,264,341	140,042
Excess of revenues over (under) expenditures	(654,998)	(541,180)	113,818
Other financing sources:			
Transfers in	530,000	525,000	(5,000)
Net change in fund balances	(124,998)	(16,180)	108,818
Fund balances, beginning	-	210,254	210,254
Fund balances, ending	\$ (124,998)	\$ 194,074	\$ 319,072

(Continued)

## CITY OF PITTSBURG, KANSAS

## DEBT SERVICE FUND

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

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,426,457	\$ 1,409,634	\$ (16,823)
Special assessments	-	34,875	34,875
Investment earnings	-	54,377	54,377
Miscellaneous	-	60,028	60,028
Total revenues	<u>1,426,457</u>	<u>1,558,914</u>	<u>132,457</u>
Expenditures:			
Principal	3,109,469	3,252,173	(142,704)
Interest	1,720,580	1,677,777	42,803
Operating reserve	875,196	-	875,196
Total expenditures	<u>5,705,245</u>	<u>4,929,950</u>	<u>775,295</u>
Excess of revenues over (under) expenditures	<u>(4,278,788)</u>	<u>(3,371,036)</u>	<u>907,752</u>
Other financing sources:			
Transfers in	<u>3,336,279</u>	<u>2,572,607</u>	<u>(763,672)</u>
Net change in fund balances	<u>(942,509)</u>	<u>(798,429)</u>	<u>144,080</u>
Fund balances, beginning	<u>-</u>	<u>2,188,159</u>	<u>2,188,159</u>
Fund balances, ending	<u>\$ (942,509)</u>	<u>\$ 1,389,730</u>	<u>\$ 2,332,239</u>

CITY OF PITTSBURG, KANSAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT

December 31, 2008

Assets:

Cash and cash equivalents	\$ 218,436
Taxes receivable	714,238
Interest receivable	118
Prepaid items	869

Total assets	<u>\$ 933,661</u>
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Liabilities and fund balances:

Liabilities:

Accounts payable	\$ 7,027
Accrued payroll	14,939
Deferred revenue	714,238

Total liabilities	<u>736,204</u>
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Fund balances:

Unreserved	187,861
Reserved for encumbrances	8,727
Reserved for prepaid items	869

Total fund balances	<u>197,457</u>
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Total liabilities and fund balances	<u>\$ 933,661</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, 2008

Revenues:	
Taxes	\$ 784,564
Fines and fees	11,468
Investment earnings	10,915
Miscellaneous	<u>104,796</u>
Total revenues	<u>911,743</u>
Expenditures:	
Current:	
Education	882,341
Capital outlay	<u>5,050</u>
Total expenditures	<u>887,391</u>
Net change in fund balance	24,352
Fund balance, beginning	<u>173,105</u>
Fund balance, ending	<u><u>\$ 197,457</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.	<b>78 - 81</b>
<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.	<b>82 - 86</b>
<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.	<b>87 - 91</b>
<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.	<b>92 - 93</b>
<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.	<b>94 - 96</b>

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	\$ 19,859,962
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783	11,967,446
Unrestricted	9,052,993	(3,148,102)	2,807,699	3,671,353	710,472	(693,934)
Total governmental activities net assets	\$ 27,816,031	\$ 21,284,508	\$ 23,412,503	\$ 24,056,770	\$ 27,231,442	\$ 31,133,474
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	\$ 25,608,635
Unrestricted	2,542,944	2,916,297	3,380,284	3,603,895	3,779,952	4,098,445
Total business-type activities net assets	\$ 25,064,731	\$ 27,156,047	\$ 27,928,577	\$ 28,753,770	\$ 29,217,740	\$ 29,707,080
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	\$ 45,468,597
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783	11,967,446
Unrestricted	11,595,937	(231,805)	6,187,983	7,275,248	4,490,424	3,404,511
Total primary government net assets	\$ 52,880,762	\$ 48,440,555	\$ 51,341,080	\$ 52,810,540	\$ 56,449,182	\$ 60,840,554

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 Six Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental activities:						
General government	\$ 1,009,561	\$ 1,179,618	\$ 1,657,462	\$ 1,719,514	\$ 2,018,611	\$ 4,947,762
Public safety - police	2,490,674	2,742,941	2,723,840	3,249,047	3,418,799	3,168,354
Public safety - fire	1,922,917	2,106,552	2,301,123	2,389,005	2,389,386	2,232,987
Public safety - other	505,879	539,657	841,165	938,345	1,025,608	902,272
Public works	2,438,803	2,640,595	2,729,584	2,872,843	3,325,255	3,580,553
Sanitation and health	124,782	138,940	140,372	164,849	185,134	257,332
Culture and recreation	1,811,890	2,025,622	2,127,719	2,267,838	2,325,059	2,293,785
Industrial promotion	986,716	469,424	585,270	1,160,463	1,135,420	748,216
Economic development	-	5,724,575	81,992	898,362	4,869	3,577
Social welfare	1,483,446	2,027,295	3,021,661	2,284,301	1,464,683	1,546,056
Interest on long-term debt	257,151	306,216	383,323	658,775	1,213,573	1,460,126
<b>Total governmental expenses</b>	<b>13,031,819</b>	<b>19,901,435</b>	<b>16,593,511</b>	<b>18,603,342</b>	<b>18,506,397</b>	<b>21,141,020</b>
Business-type activities:						
Water/wastewater	4,861,635	4,912,302	4,568,704	4,871,241	4,744,357	5,234,505
Stormwater	-	124,315	214,919	244,875	315,659	506,866
<b>Total business-type activities expenses</b>	<b>4,861,635</b>	<b>5,036,617</b>	<b>4,783,623</b>	<b>5,116,116</b>	<b>5,060,016</b>	<b>5,741,371</b>
<b>Total primary government expenses</b>	<b>\$ 17,893,454</b>	<b>\$ 24,938,052</b>	<b>\$ 21,377,134</b>	<b>\$ 23,719,458</b>	<b>\$ 23,566,413</b>	<b>\$ 26,882,391</b>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 983,967	\$ 979,982	\$ 1,005,600	\$ 1,019,776	\$ 1,262,267	\$ 1,397,898
Public works	380,733	464,049	628,343	638,584	711,533	956,763
Industrial promotion	282,563	373,723	215,038	249,229	875,887	362,427
Other activities	555,080	484,435	560,429	538,747	540,658	538,802
Operating grants and contributions	2,627,149	2,980,926	5,003,198	3,246,013	2,800,229	3,167,635
Capital grants and contributions	138,341	22,130	797,210	1,941,305	611,966	3,944,646
<b>Total governmental activities program revenues</b>	<b>4,967,833</b>	<b>5,305,245</b>	<b>8,209,818</b>	<b>7,633,654</b>	<b>6,802,540</b>	<b>10,368,171</b>
Business-type activities:						
Charges for services:						
Water/wastewater	5,555,225	5,293,009	5,377,606	5,693,687	5,684,715	5,773,171
Stormwater	-	613,118	620,740	643,211	669,390	690,587
Capital grants and contributions	-	-	13,500	33,179	4,442	4,282
<b>Total business-type activities program revenues</b>	<b>5,555,225</b>	<b>5,906,127</b>	<b>6,011,846</b>	<b>6,370,077</b>	<b>6,358,547</b>	<b>6,468,040</b>
<b>Total primary government program revenues</b>	<b>\$ 10,523,058</b>	<b>\$ 11,211,372</b>	<b>\$ 14,221,664</b>	<b>\$ 14,003,731</b>	<b>\$ 13,161,087</b>	<b>\$ 16,836,211</b>
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ (8,063,986)	\$ (14,596,190)	\$ (8,383,693)	\$ (10,969,688)	\$ (11,703,857)	\$ (10,772,849)
Business-type activities	693,590	869,510	1,228,223	1,253,961	1,298,531	726,669
<b>Total primary government net expense</b>	<b>\$ (7,370,396)</b>	<b>\$ (13,726,680)</b>	<b>\$ (7,155,470)</b>	<b>\$ (9,715,727)</b>	<b>\$ (10,405,326)</b>	<b>\$ (10,046,180)</b>
<b>General Revenues and other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Property taxes	\$ 4,134,743	\$ 4,514,287	\$ 4,647,531	\$ 4,924,011	\$ 5,340,410	\$ 5,894,064
Sales taxes	3,113,979	3,405,928	3,553,907	3,696,000	5,522,057	5,674,509
Franchise taxes	1,186,843	1,194,393	1,367,418	1,688,118	1,697,643	1,793,652
Investment earnings	220,274	151,793	420,902	763,520	1,229,571	925,499
Transfers	115,489	(1,201,734)	521,930	542,306	999,349	387,157
<b>Total governmental activities</b>	<b>8,771,328</b>	<b>8,064,667</b>	<b>10,511,688</b>	<b>11,613,955</b>	<b>14,789,030</b>	<b>14,674,881</b>
Business-type activities						
Investment earnings	15,921	20,072	66,237	113,538	164,788	149,828
Transfers	(115,489)	1,201,734	(521,930)	(542,306)	(999,349)	(387,157)
<b>Total business-type activities</b>	<b>(99,568)</b>	<b>1,221,806</b>	<b>(455,693)</b>	<b>(428,768)</b>	<b>(834,561)</b>	<b>(237,329)</b>
<b>Total primary government</b>	<b>\$ 8,671,760</b>	<b>\$ 9,286,473</b>	<b>\$ 10,055,995</b>	<b>\$ 11,185,187</b>	<b>\$ 13,954,469</b>	<b>\$ 14,437,552</b>
<b>Change in Net Assets</b>						
Governmental activities	\$ 707,342	\$ (6,531,523)	\$ 2,127,995	\$ 644,267	\$ 3,085,173	\$ 3,902,032
Business-type activities	594,022	2,091,316	772,530	825,193	463,970	489,340
<b>Total primary government</b>	<b>\$ 1,301,364</b>	<b>\$ (4,440,207)</b>	<b>\$ 2,900,525</b>	<b>\$ 1,469,460</b>	<b>\$ 3,549,143</b>	<b>\$ 4,391,372</b>

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)

	FISCAL YEAR									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 7,773	\$ 11,323	\$ 462,895	\$ 323,375	\$ 871,540	\$ 1,012,561	\$ 1,078,301	\$ 1,010,457	\$ 878,015	\$ 106,177
Unreserved	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	3,880,335
Total general fund	\$ 698,210	\$ 751,518	\$ 1,519,303	\$ 1,801,843	\$ 2,251,062	\$ 2,616,555	\$ 3,280,671	\$ 2,773,427	\$ 2,349,486	\$ 3,986,512
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ 6,034,985	\$ 6,878,314	\$ 7,002,149	\$ 6,344,650	\$ 6,531,515	\$ 5,963,688	\$ 6,056,599
Unreserved, reported in:										
Special revenue funds	6,487,281	4,844,511	6,256,132	259,338	237,312	96,085	1,353,807	1,235,257	1,495,481	1,496,186
Capital projects funds	689,611	(364,834)	370,337	(1,085,760)	(53,658)	(6,216,400)	(116,608)	1,420,714	11,912,183	1,939,470
Debt service funds	117,920	183,875	458,189	435,571	-	-	969,826	1,369,189	2,945,291	1,826,040
Total all other governmental funds	\$ 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	\$ 11,318,295

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

	FISCAL YEAR									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Taxes	\$ 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	\$ 13,362,225
Licenses and permits	99,267	96,608	126,784	125,541	119,413	113,690	144,040	104,417	216,596	170,404
Intergovernmental	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	6,169,100
Charges for services	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	1,965,141
Fines and fees	176,218	226,923	256,053	301,663	289,401	345,862	323,046	312,958	399,816	349,695
Special assessments	89,013	93,695	104,925	95,561	68,580	70,509	59,074	26,572	34,875	925,499
Investment earnings	553,596	693,429	545,217	327,822	220,274	151,793	420,902	763,520	1,229,571	542,847
Lease income	-	-	16,573	123,587	138,587	314,676	277,915	340,478	576,732	1,180,128
Miscellaneous	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>12,042,103</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>24,699,914</b>
<b>Expenditures</b>										
General government	663,729	694,427	886,223	1,442,819	933,982	1,057,511	1,561,875	1,535,479	1,906,313	4,712,494
Public safety-police	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	3,051,104
Public safety-fire	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	2,107,722
Public safety-other	398,615	504,177	687,539	507,361	469,379	510,274	814,626	904,123	985,134	867,333
Public works	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	2,604,829
Sanitation and health	101,691	107,697	115,684	105,220	118,897	115,052	135,128	159,202	178,870	253,084
Culture and recreation	746,278	835,733	1,751,031	1,605,646	1,544,131	1,650,630	1,806,666	1,915,072	1,962,361	1,846,578
Industrial promotion	305,649	264,715	278,997	252,483	943,259	434,191	547,032	1,121,960	1,409,273	1,432,577
Economic development	-	-	-	-	-	-	81,992	898,362	4,869	3,577
Social welfare	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	1,550,188
Capital outlay	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	16,704,405
Debt service principal	1,920,628	778,159	716,482	963,573	876,466	1,049,491	940,000	7,365,000	1,500,000	2,455,309
Debt service interest & fees	302,590	290,840	376,919	336,261	260,258	222,695	261,574	660,233	751,531	1,545,238
Bond issuance costs	-	-	-	-	59,080	-	-	407,706	266,163	91,268
<b>Total expenditures</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>39,225,706</b>
<b>Excess of revenues over (under) expenditures</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>(14,525,792)</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	2,950,380
Discount on bonds	-	-	-	-	-	-	-	(166,389)	-	-
Bond anticipation notes issued	-	-	1,607,586	-	-	-	6,285,000	-	-	-
Custom energy note payable proceeds	-	-	-	-	-	-	-	-	-	1,826,933
Transfers in	5,822,431	2,744,871	1,613,807	1,127,983	1,048,447	1,055,097	1,920,602	8,230,635	2,297,727	2,313,905
Transfers out	(6,164,182)	(3,265,963)	(1,877,638)	(1,023,386)	(932,958)	(875,269)	(1,099,193)	(7,471,593)	(986,817)	(1,926,748)
Total other financing sources (uses)	2,642,269	(521,092)	4,000,880	104,597	1,648,729	179,828	8,566,409	11,982,643	15,595,910	5,164,470
<b>Net change in fund balances</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>\$ (9,361,322)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	21.1%	10.6%	8.7%	10.3%	9.4%	9.7%	7.6%	34.4%	13.8%	18.2%

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)
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	24	2.47%	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
2008	926	814	112	12.10%	1,348	\$ 7.78	Variable	\$ 13.58	Variable

Note: Gallons are presented in millions.

1) Fiscal years 1999, 2000 and 2008 water and sewer base rates are blended amounts.

2) See rate schedule.

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

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b>Water</b> <b>Meter Taps</b> <b><u>Sold</u></b>	<b>Sewer Taps</b> <b><u>Sold</u></b>	<b><u>Total Taps</u></b>
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
2008	40	34	74

1) Data not available for periods 1999-2000.



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

Fiscal Year	WATER (1)				SEWER (2)				TOTAL (3)	
	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	OTHER	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	OTHER	WATER	SEWER
1999	7846	557	59	N/A	N/A	N/A	N/A	N/A	8462	N/A
2000	7603	594	56	251	N/A	N/A	N/A	N/A	8504	N/A
2001	7571	596	60	260	N/A	N/A	N/A	N/A	8487	N/A
2002	7697	588	55	262	N/A	N/A	N/A	N/A	8602	N/A
2003	7663	598	51	228	N/A	N/A	N/A	N/A	8540	7837
2004	7677	586	50	229	N/A	N/A	N/A	N/A	8542	7802
2005	7684	581	49	209	N/A	N/A	N/A	N/A	8523	7839
2006	7702	585	52	212	7115	534	42	42	8551	7821
2007	7733	556	50	205	7156	529	44	44	8544	7859
2008	7632	551	53	214	7109	513	42	42	8450	7797

(1) Water other data not available for year 1999.

(2) Sewer customers by type not available for years 1999-2005.

(3) Total sewer customers not available for years 1999-2002.

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

	WATER RATES PER MONTH, INSIDE CITY LIMITS										Effective		Effective
	1999	1999	2000	2000	2001	2002	2003	2004	2005	2006	2007	2008	Jul 1st 2008
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 4.92	\$ 5.41	\$ 5.82	\$ 5.97	\$ 6.15	\$ 6.33	\$ 6.52	\$ 6.72	\$ 6.93	\$ 7.14	\$ 7.36	\$ 7.59	\$ 7.97
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	2.01	2.21	2.38	2.44	2.52	2.60	2.68	2.77	2.86	2.95	3.04	3.14	3.30
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	1.89	2.08	2.24	2.30	2.37	2.44	2.52	2.60	2.68	2.77	2.86	2.95	3.10
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.80	1.98	2.13	2.19	2.26	2.33	2.40	2.48	2.56	2.64	2.72	2.81	2.96
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.67	1.84	1.98	2.03	2.10	2.16	2.23	2.30	2.37	2.45	2.53	2.61	2.75
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.58	1.74	1.87	1.92	1.98	2.04	2.11	2.18	2.25	2.32	2.39	2.47	2.60
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	1.46	1.61	1.73	1.78	1.84	1.90	1.96	2.02	2.09	2.16	2.23	2.30	2.42
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.33	1.46	1.57	1.61	1.66	1.71	1.77	1.83	1.89	1.95	2.01	2.08	2.19
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.22	1.34	1.44	1.48	1.53	1.58	1.63	1.68	1.74	1.80	1.86	1.92	2.02
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.12	1.23	1.33	1.37	1.42	1.46	1.51	1.56	1.61	1.66	1.71	1.77	1.86
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.03	1.13	1.22	1.25	1.29	1.33	1.37	1.42	1.47	1.52	1.57	1.62	1.71
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.95	1.05	1.13	1.16	1.20	1.24	1.28	1.32	1.36	1.41	1.46	1.51	1.59
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.87	0.96	1.04	1.07	1.11	1.14	1.18	1.22	1.26	1.30	1.34	1.39	1.46
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.80	0.88	0.95	0.98	1.01	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.35
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	0.74	0.81	0.87	0.90	0.93	0.96	0.99	1.02	1.06	1.10	1.14	1.18	1.24

WATER RATES PER MONTH, OUTSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	0.80	\$ 10.82	\$ 11.64	\$ 11.94	\$ 12.30	\$ 12.67	\$ 13.06	\$ 13.46	\$ 13.87	\$ 14.29	\$ 14.72	\$ 15.17	\$ 15.93
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	3.59	3.95	4.25	4.36	4.50	4.64	4.78	4.93	5.08	5.24	5.40	5.57	5.85
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	2.79	3.07	3.30	3.39	3.50	3.61	3.72	3.84	3.96	4.08	4.21	4.34	4.56
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.01	2.21	2.38	2.44	2.52	2.60	2.68	2.77	2.86	2.95	3.04	3.14	3.30
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.89	2.08	2.24	2.30	2.37	2.44	2.52	2.60	2.68	2.77	2.86	2.95	3.10
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.80	1.98	2.13	2.19	2.26	2.33	2.40	2.48	2.56	2.64	2.72	2.81	2.96
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	1.67	1.84	1.98	2.03	2.10	2.16	2.23	2.30	2.37	2.45	2.53	2.61	2.75
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.58	1.74	1.87	1.92	1.98	2.04	2.11	2.18	2.25	2.32	2.39	2.47	2.60
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.40	1.54	1.66	1.71	1.77	1.82	1.88	1.94	2.00	2.06	2.13	2.20	2.31
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.29	1.42	1.53	1.57	1.62	1.67	1.73	1.79	1.85	1.91	1.97	2.03	2.14
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.18	1.30	1.40	1.44	1.49	1.53	1.58	1.63	1.68	1.74	1.80	1.86	1.96
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.09	1.20	1.29	1.33	1.37	1.41	1.46	1.51	1.56	1.61	1.66	1.71	1.80
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.00	1.10	1.19	1.22	1.26	1.30	1.34	1.39	1.44	1.49	1.54	1.59	1.67
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	0.92	1.01	1.09	1.12	1.16	1.19	1.23	1.27	1.31	1.35	1.40	1.45	1.53
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	0.85	0.94	1.01	1.04	1.08	1.11	1.15	1.19	1.23	1.27	1.31	1.35	1.42

SANITARY SEWER RATES PER MONTH, INSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 4.37	\$ 10.15	\$ 10.15	\$ 10.41	\$ 10.73	\$ 11.05	\$ 11.39	\$ 11.74	\$ 12.10	\$ 12.47	\$ 12.85	\$ 13.24	\$ 13.91
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	0.45	1.42	1.42	1.46	1.51	1.56	1.61	1.66	1.71	1.77	1.83	1.89	1.99

SANITARY SEWER RATES PER MONTH, OUTSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 8.74	\$ 20.30	\$ 20.30	\$ 20.81	\$ 21.44	\$ 22.08	\$ 22.75	\$ 23.44	\$ 24.15	\$ 24.88	\$ 25.63	\$ 26.40	\$ 27.72
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	0.90	2.84	2.84	2.92	3.01	3.10	3.20	3.30	3.40	3.51	3.62	3.73	3.92

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

1. PER ERU (2)	NA	NA	NA	NA	NA	NA	NA	\$ 2.97	\$ 2.97	\$ 3.06	\$ 3.16	\$ 3.26	\$ 3.36
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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 Nine Years Ago**

<u>Customer</u>	<b>Fiscal Year 2008</b>			
	<b>Water Revenue</b>		<b>Sewer Revenue</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Superior Industries	\$ 164,857	5.46%	\$ 100,122	3.97%
Sugar Creek	104,880	3.47%	91,438	3.62%
Pittsburg State University	114,483	3.79%	48,336	1.92%
Mt. Carmel Medical Center	45,501	1.51%	35,763	1.42%
Parkview Estates	27,045	0.90%	20,822	0.83%
Pitt-Plastics Inc	19,567	0.65%	12,072	0.48%
Corner Stone Village	13,068	0.43%	10,265	0.40%
Miller's Professional Imaging	10,106	0.33%	9,896	0.39%
Vinylplex	12,851	0.43%	6,566	0.26%
Golden Living Center	10,106	0.33%	8,566	0.34%
Subtotal (10 largest)	522,464	17.31%	343,848	13.63%
Balance from other customers	2,495,852	82.69%	2,179,598	86.37%
Grand totals	<u>\$ 3,018,316</u>	<u>100.00%</u>	<u>\$ 2,523,446</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.

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

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Kansas Partnership Loan	Custom Energy Note Payable	Sales Tax Transportation District Bonds (1)	Tax Increment Financing Bonds (2)	Utility Revenue Bonds	General Obligation Bonds (3)	K.D.H.E. Loan					
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	
2008	22,580,297	-	1,786,708	1,370,000	5,975,000	-	3,864,703	4,552,401	-	40,129,109	8.3%	2,106	

(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>
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
2008	26,445,000	1,389,729	25,055,271	858,685,005	2.92%	1,302.05

City of Pittsburg, Kansas  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2008

<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	\$ 7,644,000	54.30%	\$ 4,150,692
Frontenac U.S.D. 249	5,750,000	4.30%	247,250
Pittsburg U.S.D. 250	25,650,000	79.70%	<u>20,443,050</u>
Subtotal, overlapping debt			24,840,992
City direct debt			<u>26,445,000</u>
Total direct and overlapping debt			<u>\$ 51,285,992</u>

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

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Valuation (1)	\$ 147,482,029
Legal Debt Limit (2)	44,244,609
General Obligation Bonds	26,445,000
Less Amount Available in Debt Service Fund	<u>(1,389,729)</u>
Total net debt applicable to limit	<u>25,055,271</u>
Legal debt margin	<u>\$ 19,189,338</u>

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 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	\$ 44,244,609
Total net debt applicable to limit	<u>5,825,575</u>	<u>6,736,461</u>	<u>10,966,341</u>	<u>9,354,429</u>	<u>9,425,161</u>	<u>7,809,272</u>	<u>7,657,129</u>	<u>9,769,780</u>	<u>23,536,842</u>	<u>25,055,271</u>
Legal debt margin	<u>\$ 22,999,047</u>	<u>\$ 24,387,056</u>	<u>\$ 22,111,689</u>	<u>\$ 25,248,055</u>	<u>\$ 26,847,003</u>	<u>\$ 29,807,798</u>	<u>\$ 32,232,773</u>	<u>\$ 31,924,248</u>	<u>\$ 20,166,266</u>	<u>\$ 19,189,338</u>
Total net debt applicable to the limit as a percentage of debt limit	20.21%	21.64%	33.15%	27.03%	25.98%	20.76%	19.20%	23.43%	53.86%	56.63%

(1) Includes motor vehicle valuation.

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





**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</u>	<u>Public School Enrollment (3)</u>	<u>Pittsburg State University Enrollment (4)</u>	<u>Unemployment Rate (5)</u>	<u>Median Age</u>
1999	18,354	\$ 369,025,524	\$ 20,106 (2)	2,661	6,289	3.7%	37.1 (6)
2000	19,243	406,315,945	21,115 (2)	2,600	6,418	4.0%	35.8 (6)
2001	19,243	424,308,150	22,050 (2)	2,637	6,723	4.4%	28.1 (1)
2002	19,243	437,662,792	22,744 (2)	2,562	6,751	3.9%	28.1 (1)
2003	19,243	447,303,535	23,245 (2)	2,561	6,731	4.9%	28.1 (1)
2004	19,243	463,275,225	24,075 (2)	2,655	6,537	4.1%	28.1 (1)
2005	19,243	487,425,190	25,330 (7)	2,400	6,628	4.3%	28.1 (1)
2006	19,243	487,425,190	25,330 (7)	2,680	6,859	4.4%	28.1 (1)
2007	19,243	487,425,190	25,330 (7)	2,702	7,087	4.8%	28.1 (1)
2008	19,536	494,846,880	25,330 (7)	2,640	7,127	6.1%	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."

(7) Source: fedstats.gov

City of Pittsburg, Kansas  
Principal Employers (1)  
Current Year and Nine Years Ago

<u>Employer</u>	<u>Product</u>	2008			1999		
		<u>Estimated Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment (3)</u>	<u>Estimated Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment (3)</u>
Pittsburg State University	University	1,807	1	9.95%	1,500	1	8.22%
Mt. Carmel Medical Center	Hospital	750	2	4.13%	573	4	3.14%
Pittsburg U.S.D. # 250	Public School K-12	563	3	3.10%	753	2	4.13%
Wal-Mart Supercenter	Retail & Grocery	380	4	2.09%	380	5	2.08%
Pitt Plastics	Polyethylene Bags	357	5	1.97%	318	6	1.74%
Miller's Inc.	Professional Photo Finishing	238	6	1.31%	425	7	2.33%
City of Pittsburg (2)	City Government	216	7	1.19%	193	9	1.06%
Pitsco, Inc.	Educational Systems	202	8	1.11%	NA	NA	NA
Masonite	Steel Door Manufacturer	215	9	1.18%	375	8	2.05%
WATCO Companies Inc	Railroads	164	10	0.90%	NA	NA	NA
Total		<u>4,892</u>		<u>26.92%</u>	<u>4,517</u>		<u>24.74%</u>

(1) Sources: Springssted and Pittsburg area chamber of commerce.

(2) Includes component unit.

(3) Source: Kansas Department of Labor for the Pittsburg Micro-Area (Crawford County)

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees
	Percent of Total	Percent of Total	Percent of Total	Percent of Total	Percent of Total	Percent of Total	Percent of Total	Percent of Total	Percent of Total	Percent of Total
<b>Governmental-type Activities</b>										
General Government										
General Administration Department	6.00	3.2%	3	3	3	2	7	7	8	8
Human Resources Department (2)	-	0.0%	2	2	2	1	2	2	2	2
Information Systems Department	2.00	1.1%	2	3	3	3	3	4	4	4
Total General Government	8.00	4.2%	7	8	8	7	12	13	14	14
Public Safety										
Police Department	51.00	27.0%	50	50	50	49	49	50	51	52
Fire Department	34.00	18.0%	34	34	34	34	34	34	34	34
Codes Enforcement Department	4.90	2.6%	6	7	6	11	11	11	11	11
Electronics Department	0.40	0.2%	1	1	1	1	1	1	1	1
Animal Control Department	1.00	0.5%	1	1	1	1	1	1	1	1
Municipal Court Department	3.00	1.6%	5	5	5	4	5	6	6	6
Total Public Safety	94.30	49.9%	97	98	97	95	101	103	104	105
Public Works										
Engineering Department	2.45	1.3%	2	2	2	2	2	2	2	2
Street & Highway Department	14.00	7.4%	14	14	14	13	13	13	13	13
Atkinson Airport Department	4.00	2.1%	4	4	4	4	4	4	4	4
Total Public Works	20.45	10.8%	20	20	20	19	19	19	19	19
Sanitation and Health										
Mc Olive Cemetery Department	1.00	0.5%	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks & Recreation Department	5.50	2.9%	7	9	9	9	9	11	11	11
Recreation Department (3)	2.50	1.3%	2	2	2	2	2	2	2	2
Four Oaks Complex Department	3.00	1.6%	3	3	3	3	3	4	4	4
Memorial Auditorium Department	5.00	2.6%	5	5	5	5	5	5	5	5
Total Culture and Recreation	16.00	8.5%	17	17	17	17	17	20	20	20
Industrial Development										
Economic Development Department	1.50	0.8%	2	2	2	2	2	2	2	2
Social Welfare										
Community Development & Housing	4.00	2.1%	5	4	5	5	5	5	4	4
Total for Governmental-type Activities	145.25	76.9%	149	150	150	146	157	163	164	165
Business-type Activities										
Water-Wastewater Utility										
Water Treatment Department	8.00	4.2%	8	8	8	8	8	8	8	8
Water Maintenance Department	9.00	4.8%	12	13	14	14	9	9	9	9
Wastewater Treatment Department	10.00	5.3%	10	10	10	7	7	7	7	7
Wastewater Maintenance Department	1.00	0.5%	2	2	2	5	5	5	5	5
Utility Administration Department	15.75	8.3%	13	12	11	11	6	6	6	7
Total Water-Wastewater Utility	43.75	23.1%	45	45	45	45	35	37	37	38
Storm Water Utility										
Storm Water Department (4)	-	0.0%	-	-	-	3	3	4	4	4
Total for Business-type Activities	43.75	23.1%	45	45	45	48	38	41	41	42
Total Full-time Employees	189.00	100.0%	194	195	195	194	195	204	205	207

- 1) employees were split among departments for year 1999.  
2) human resource employees classified in general administration department for year 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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Building permits issued	402	327	339	372	370	385	513	501	673	552
Building inspections conducted	1,515	1,348	1,809	1,990	1,377	1,696	750	1,069	1,628	1,370
Police										
Physical arrests	na	437	798	1,149	982	1,073	1,149	930	988	1,277
Parking violations	na	na	1,429	2,053	2,193	1,857	1,146	882	1,416	1,317
Traffic violations	na	na	2,388	2,359	2,483	3,529	3,019	2,823	3,416	2,998
Fire										
Fire calls	na	na	na	na	236	150	156	181	120	131
Emergency calls	na	na	na	na	132	1,154	1,335	1,231	1,355	1,255
Other calls	na	na	na	na	326	620	753	811	716	604
Other public works										
Street resurfacing (tons of asphalt)	12,134	16,243	14,132	9,101	6,239	3,973	4,674	5,491	3,289	5,041
Airport (gallons sold)	145,299	151,889	135,265	149,346	149,300	156,658	184,084	181,848	205,904	222,403
Parks and recreation										
Aquatic center (attendance)	na	na	na	na	na	24,703	28,473	28,420	29,790	29,646
Golf course (rounds of golf)	na	na	na	na	na	na	12,867	10,516	9,459	10,592
Memorial auditorium (events)	na	na	na	na	429	359	440	308	288	392
Water										
Average daily consumption (gallons)	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	2,460,721
Peak daily consumption (gallons)	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	4,738,000
Wastewater										
Average daily sewage treatment (gallons)	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	3,691,753

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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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)	124	124	124	145	145	145	145	141	141.5	141.5
Streetlights	1,986	1,986	1,986	2,067	2,082	2,089	2,102	2,108	2,115	2,096
Traffic Signals	38	38	39	39	39	39	39	39	38	38
Parks and recreation										
Public parks	8	8	9	9	9	9	9	9	10	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	8	8	8	8	8	8	8	8	8	8
Community centers	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	na	na	na	na	na	na	na	165	165.5	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	126	127	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	23,040,000
Stormwater										
Storm sewers (miles)	na	na	na	na	na	na	na	18	18.5	19.0

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, 2008

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	\$ 54,843
U.S. Department of Housing and Urban Development:		
Section 8 Housing Cluster:		
Section 8 Housing Choice Vouchers	14.871	1,417,992
Passed through Kansas Housing Resources Corporation:		
Emergency Shelter Grant	14.231	29,071
HOME Investment Partnerships Program	14.239	67,780
Total U.S. Department of Housing and Urban Development		1,514,843
U.S. Department of Transportation:		
Airport Improvement Program	20.106	1,258,409
Passed through Kansas Department of Transportation:		
Special Traffic Enforcement Program Grant	20.600	943
National Highway Transportation Safety Administration Discretionary Safety Grants	20.614	1,512
Total U.S. Department of Transportation		1,260,864
Department of Homeland Security-Federal Emergency Management Agency:		
Assistance to Firefighters Grant	97.044	903
Passed through Kansas Highway Patrol:		
Fire Department Training Grant	97.067	20,618
Passed through Kansas Department of Emergency Management:		
Public Assistance Grant	97.036	477,417
Total Department of Homeland Security		498,938
Environmental Protection Agency:		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	115,703
Total expenditures of federal awards		\$ 3,445,191

See accompanying notes to schedule of  
expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2008

1 - General

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

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting which is described in Note 1 to the City's basic financial statements.



CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2008

**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 significant deficiency 2008-1
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:	None
Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
97.036	Public Assistance Grant
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 – 2008-1

*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.

CITY OF PITTSBURG, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2008

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.

*Follow-Up* – The City continues to have a lack of segregation of duties with the Director of Finance and Administration and the Assistant Director of Finance having access to the accounting, reporting, and payroll modules within the City's computerized accounting software. This finding is repeated in the current year as Significant Deficiency 2008-1

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.

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

CITY OF PITTSBURG, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(Continued)

*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.

*Follow-Up* – This finding was deemed to be a one-time isolated incident. The City’s internal controls call for rent reasonableness tests to be completed and documented within the tenants’ files. This finding will not be repeated for the fiscal year ending December 31, 2008.

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 to 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.

CITY OF PITTSBURG, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(Continued)

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

*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.

*Follow-Up* – The City has implemented internal controls to track interest earned on Housing Assistance Payments (HAP) received but not expended. The City allocates a portion of the interest earnings to the Section 8 fund to track interest earnings on HAP monies. This finding will not be repeated for the fiscal year ending December 31, 2008.



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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 29, 2009. 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. 2008-1 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 response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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.*

May 29, 2009



BERBERICH TRANAH & 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, 2008. The City's major federal programs are 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 programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City 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, 2008.



### 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.

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.*

May 29, 2009