

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

CITY OF PITTSBURG, KANSAS

For the Fiscal Year Ended

December 31, 2010

Prepared by:

DEPARTMENT OF FINANCE AND ADMINISTRATION

City of Pittsburg, Kansas

CITY OF PITTSBURG, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended December 31, 2010

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INTRODUCTORY SECTION



FINANCE AND ADMINISTRATION

(620) 231-4100

201 West 4th Street • Pittsburg KS
66762

www.pittks.org

May 5, 2011

To the Honorable Mayor, Members of the City Commission and the 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, 2010. 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, 2010. 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 was incorporated in 1880 and is the largest city in southeast Kansas. The official population per the 2010 census is 20,233, which represents 5.14 percent in growth compared to year 2000. 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 a full range of services which include police and fire protection, construction and maintenance of its streets and highways, community development and planning, water, wastewater and stormwater utility services, municipal airport, municipal auditorium and parks and recreational activities.

The annual budget provides a foundation for the City's financial planning and control. Per Kansas statute the following year's adopted annual budget must be submitted to the State of Kansas by the end of August of the current year. The City Commission is also required by Kansas statute to hold a public hearing to discuss the budget prior to adoption. 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.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the specific environment within which the City operates.

Local economy. The local economy is varied and diverse with the City's principal employers comprised of education, manufacturing, medical, and retail. Major employers include Pittsburg State University, Via Christi Health, Pittsburg Public Schools, Wal-Mart, Pitt Plastics Inc., and Miller's Inc. The area is also served by several financial institutions and insurance companies. Pittsburg State University is the major economic presence with a current enrollment of over 7,100 students.

Compared to the prior fiscal year, retail sales tax receipts decreased by 3.06%, and property tax receipts decreased by 8.45%. Franchise tax receipts increased by 3.06%. The 2009 property valuation assessments to support the 2010 budget decreased by 5.46 percent due to various property tax exemptions and no new growth in valuation.

The Pittsburg micro-area (Crawford County) unemployment rate rose from 6.8 percent in December 2009 to 7.1 percent in December 2010. Unemployment is expected to remain fairly stable due to the stabilizing effect that Pittsburg State University has on the community.

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, low interest loans provided by the Kansas Department of Health and Environment, one fourth of the City's one half percent general sales tax revenue, federal grant awards, and the annual operating budget for capital outlay.

Major initiatives for the year. With the continued economic downturn, the City's management continued to be proactive in 2010. The City's management lowered expectations for tax revenues and continued to trim expenditures. The 2010 mill levy rate was kept approximately the same as 2009 even though the City's assessed valuation declined. Utility rates were raised to build reserves to pay for future public utility debt.

The City proceeded on construction of the water treatment plant improvements, a new public utilities building was erected, and several large pieces of utility equipment were purchased. These items are being funded by the American Recovery and Reinvestment Act (ARRA) and by low interest loans provided by the Kansas Department of Health and Environment (KDHE).

The City's former National Guard building and land was given to the City in 2010. Due to the proximity of this site to the City's new public utilities building, City's management decided to utilize this facility as a public utilities annex.

Major initiatives for the future. During the 2011 budgeting process, steps were taken to set the budget based upon expected lowered tax revenues and little to no increases in expenditures. City staffing is expected to remain at the 2010 level.

The City will be acquiring easements and construction is expected to begin in the summer of 2011 on the Atkinson Road bridge project. Currently this project is being funded by a bond anticipation note. The bond anticipation note is to be repaid and permanent financing with general obligation bonds is expected during 2011.

The 20th and Broadway intersection improvements project is expected to begin in 2012 or 2013. The estimated cost of this project is approximately \$500,000. Expected funding sources are a Kansas Department of Transportation (KDOT) grant and general obligation bonds.

The Quincy Avenue improvements project from Broadway to Stilwell Street is expected to begin in 2013 or 2014. The estimated cost of this project is approximately \$6 million. Expected funding sources are a KDOT grant and general obligation bonds.

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, 2009. This was the thirteenth 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 Pittsburgh's finances. We look forward to the challenges and opportunities of the future.

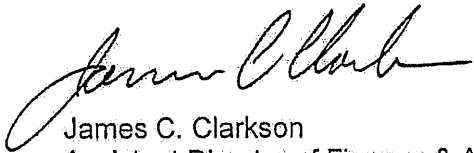
Respectfully submitted,



John D. VanGorden
Interim City Manager



Jon B. Garrison
Director of Finance & Administration



James C. Clarkson
Assistant Director of Finance & Administration

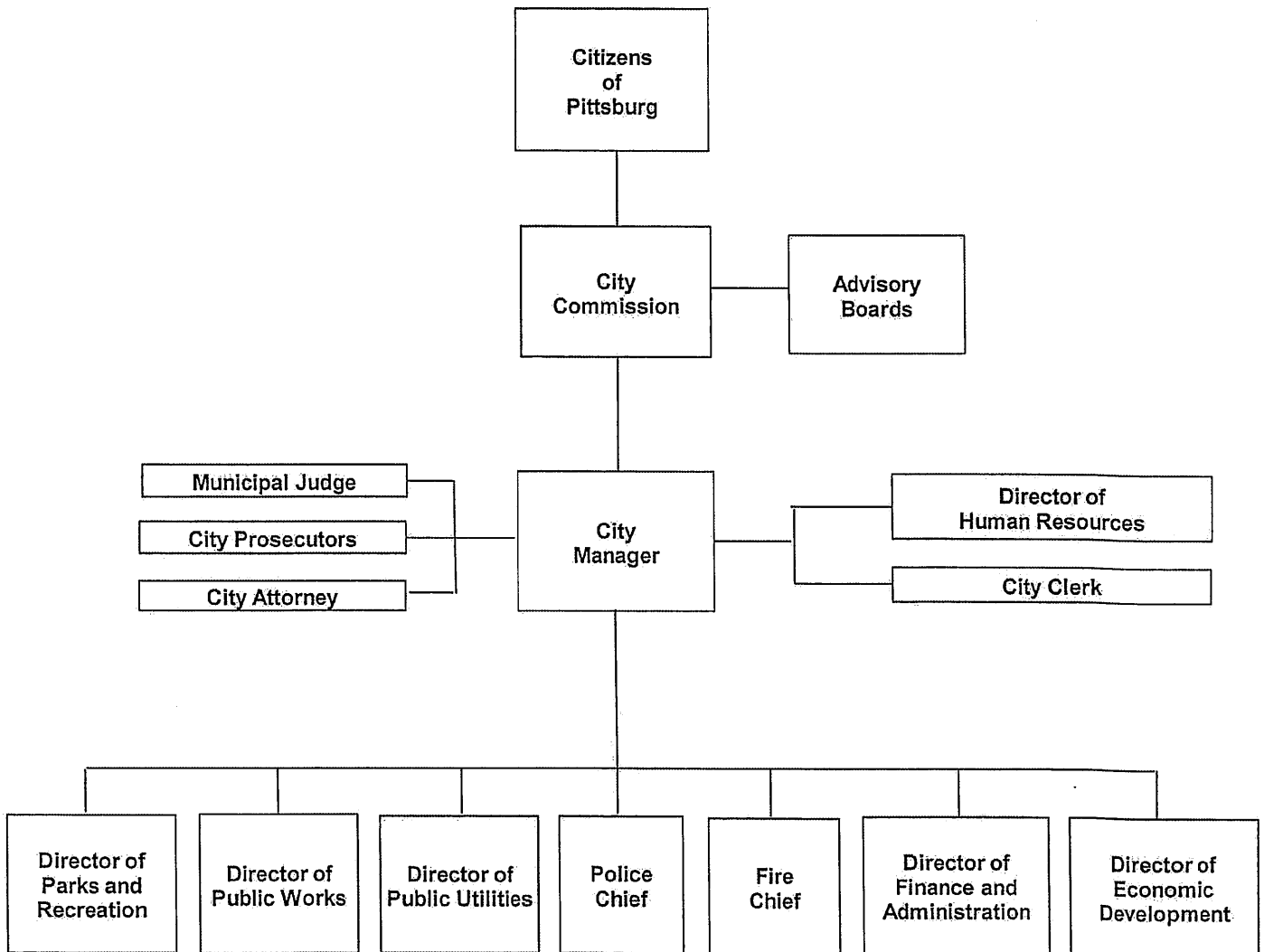
CITY OF PITTSBURG, KANSAS

LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2010

<u>TITLE</u>	<u>NAME</u>
ELECTED:	
Mayor	Patrick O'Bryan
President of the Board	Marty Beezley
Commissioner	Rudy Draper
Commissioner	Pamela Henderson
Commissioner	William H. Rushton
APPOINTED:	
Interim City Manager	John D. VanGorden
Director of Finance and Administration	Jon B. Garrison
Director of Public Works	William A. Beasley
Director of Human Resources	Megan A. Fry
Director of Economic Development	Mark D. Turnbull
Director of Parks & Recreation	Kimberly J. Vogel
Director of Public Utilities	John H. Bailey
Chief of Police	Melinda D. Hulvey
Fire Chief	Steven S. Crain
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, 2009

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 AUDITOR'S 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, 2010, 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 the 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, 2010, 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.

BERBERICH TRAHAN & CO., P.A.
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In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011, 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 16 and the Schedule of Funding Progress on page 72 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.

Berberick Trahan & Co., P.A.

May 5, 2011

Management's Discussion and Analysis

As management of the City of Pittsburg (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, 2010. 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-IV of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2010 by \$64,366,136. Of this amount, \$8,256,227 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,564,753 compared to the prior fiscal year.
- At the close of 2010, the City's governmental funds reported combined ending fund balances of \$14,805,373, a decrease of \$810,818 in comparison with the prior fiscal year. Approximately half of this total amount, \$7,426,907 is available for spending at the City's discretion.
- At the close of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$3,802,240, or 33.43% of total general fund expenditures.
- The City's total debt increased by \$1,902,804 (4.89%) during 2010. This increase was a result of utility improvement projects.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government, public safety, public works, sanitation and health, culture and recreation, industrial promotion and social welfare. The business-type activities of the City include water, wastewater and stormwater utilities.

The government-wide financial statements not only include the City itself (known as the primary government), but also a legally separate Library for which the City is financially accountable. Financial information presented for this component unit is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 17-18 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 ten individual governmental funds. Major fund 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, and the debt service fund. Data from the other seven 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 19-29 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 30-33 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 34-71 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 Pittsburgh'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. These combining and individual funds statements can be found on pages 73-81 of this report.

Government-wide Financial Analysis

Net Assets

City of Pittsburgh's Net Assets

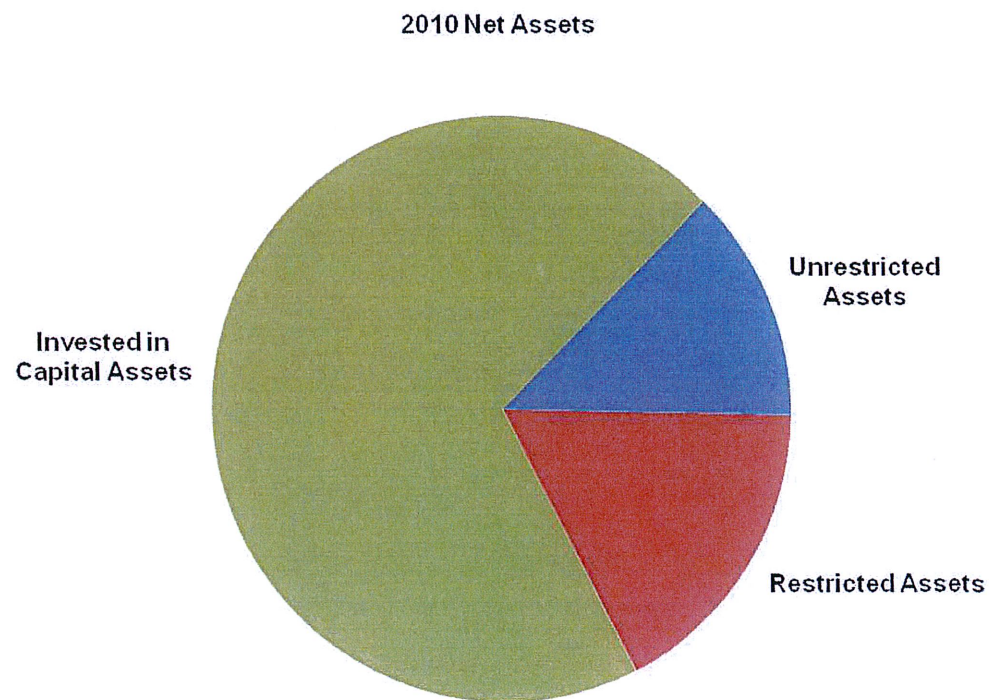
	2009	2010	2009	2010	2009	2010
	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary
	Activities	Activities	Activities	Activities	Government	Government
Current and other assets	\$ 23,185,712	\$ 22,821,425	\$ 4,579,330	\$ 5,940,869	\$ 27,765,042	\$ 28,762,294
Capital assets	<u>47,484,120</u>	<u>46,379,727</u>	<u>34,172,007</u>	<u>39,358,421</u>	<u>81,656,127</u>	<u>85,738,148</u>
Total assets	<u>70,669,832</u>	<u>69,201,152</u>	<u>38,751,337</u>	<u>45,299,290</u>	<u>109,421,169</u>	<u>114,500,442</u>
Long-term liabilities outstanding	31,139,515	28,293,448	8,782,519	13,538,280	39,922,034	41,831,728
Other liabilities	<u>6,187,547</u>	<u>6,659,070</u>	<u>510,205</u>	<u>1,643,508</u>	<u>6,697,752</u>	<u>8,302,578</u>
Total liabilities	<u>37,327,062</u>	<u>34,952,518</u>	<u>9,292,724</u>	<u>15,181,788</u>	<u>46,619,786</u>	<u>50,134,306</u>
Net assets:						
Invested in capital assets, net of related debt	18,912,152	19,014,339	25,604,200	26,033,232	44,516,352	45,047,571
Restricted	11,140,376	11,062,338	-	-	11,140,376	11,062,338
Unrestricted	<u>3,290,242</u>	<u>4,171,957</u>	<u>3,854,413</u>	<u>4,084,270</u>	<u>7,144,655</u>	<u>8,256,227</u>
Total net assets	<u>\$ 33,342,770</u>	<u>\$ 34,248,634</u>	<u>\$ 29,458,613</u>	<u>\$ 30,117,502</u>	<u>\$ 62,801,383</u>	<u>\$ 64,366,136</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 \$64,366,136 at the close of the 2010 fiscal year. By far the largest portion of the City's net assets (69.99%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding.

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

An additional portion (17.19%) 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.

The pie chart below reflects the composition of the primary government's net assets.



Governmental Activities

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

City of Pittsburgh's Changes in Net Assets

	2009	2010	2009	2010	2009	2010
	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary
	Activities	Activities	Activities	Activities	Government	Government
Revenues						
Program revenues:						
Charges for services	\$ 2,911,630	\$ 3,059,051	\$ 6,918,904	\$ 7,260,585	\$ 9,830,534	\$ 10,319,636
Operating grants and contributions	2,521,993	2,561,926	-	-	2,521,993	2,561,926
Capital grants and contributions	389,608	428,241	-	360,390	389,608	788,631
General revenues						
Taxes	13,194,061	12,570,152	-	-	13,194,061	12,570,152
Other	157,971	52,103	32,553	9,529	190,524	61,632
Total revenues	<u>19,175,263</u>	<u>18,671,473</u>	<u>6,951,457</u>	<u>7,630,504</u>	<u>26,126,720</u>	<u>26,301,977</u>
Expenses						
General government	3,008,246	2,969,488	-	-	3,008,246	2,969,488
Public safety	6,171,275	6,282,764	-	-	6,171,275	6,282,764
Public works	3,174,612	3,486,750	-	-	3,174,612	3,486,750
Sanitation and health	160,796	147,196	-	-	160,796	147,196
Culture and recreation	2,103,992	2,166,482	-	-	2,103,992	2,166,482
Industrial promotion	744,554	858,158	-	-	744,554	858,158
Economic development	6,993	-	-	-	6,993	-
Social welfare	1,581,580	1,485,203	-	-	1,581,580	1,485,203
Interest on long term debt	1,390,747	1,250,376	-	-	1,390,747	1,250,376
Water/wastewater utility	-	-	5,159,259	5,379,825	5,159,259	5,379,825
Stormwater utility	-	-	663,837	710,982	663,837	710,982
Total expenses	<u>18,342,795</u>	<u>18,646,417</u>	<u>5,823,096</u>	<u>6,090,807</u>	<u>24,165,891</u>	<u>24,737,224</u>
Change in net assets before transfers	832,468	25,056	1,128,361	1,539,697	1,960,829	1,564,753
Transfers	<u>1,376,828</u>	<u>880,808</u>	<u>(1,376,828)</u>	<u>(880,808)</u>	-	-
Change in net assets	2,209,296	905,864	(248,467)	658,889	1,960,829	1,564,753
Net assets, beginning	<u>31,133,474</u>	<u>33,342,770</u>	<u>29,707,080</u>	<u>29,458,613</u>	<u>60,840,554</u>	<u>62,801,383</u>
Net assets, ending	<u>\$ 33,342,770</u>	<u>\$ 34,248,634</u>	<u>\$ 29,458,613</u>	<u>\$ 30,117,502</u>	<u>\$ 62,801,383</u>	<u>\$ 64,366,136</u>

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

Governmental activities comprised 70.99% of the total revenues generated by the City and 75.38% of the City's expenses. Compared to 2009, total charges for services increased \$489,102 with business-type activities gaining \$341,681 and governmental activities gaining \$147,421.

The majority of the increase in the governmental activities charges for service is a result of increased municipal court fines and fees. The increase in business type activity charges for services can be attributed to a planned annual utility rate increase. This planned rate increase is used to build up reserves to pay for the water treatment plant improvements project future debt.

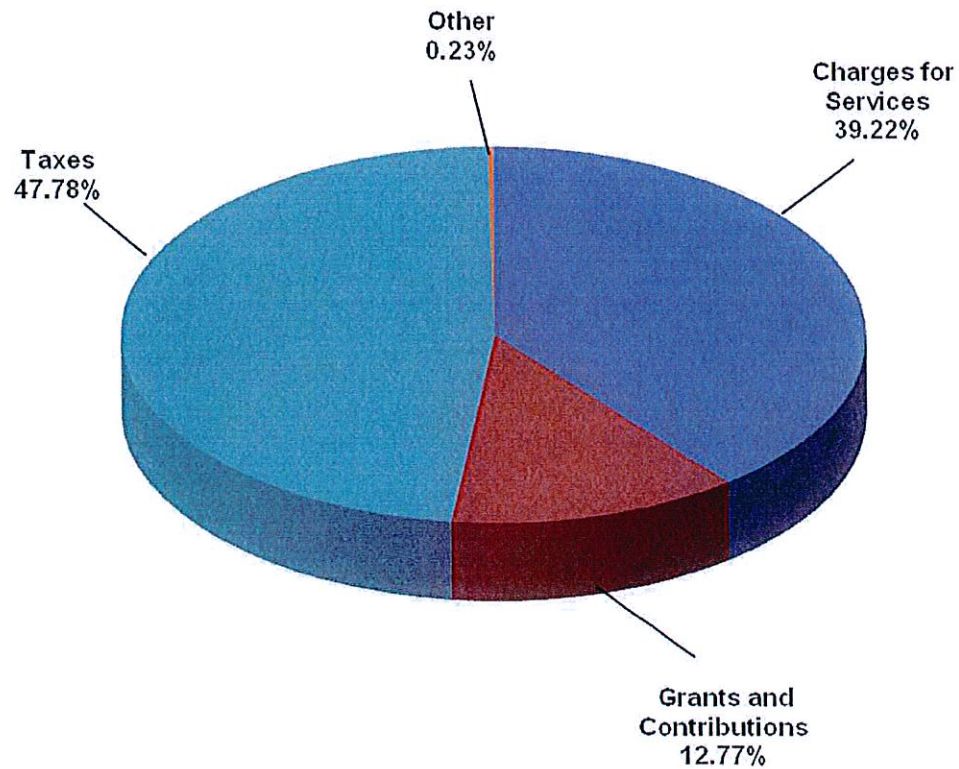
Capital grants and contributions increased by \$360,390 in business type activities compared to 2009. This change was due to the acquisition of the old National Guard Armory site, which was converted to the City's public utility annex.

Comparing 2010 to 2009, governmental expense increased mainly due to increased depreciation expense in general government and public works.

The business-type activities, while comprising the smaller percentages of revenues and expenses of the City, showed a gain of \$1,539,697 in net assets, before transfers. Overall the business-type net assets recorded an increase of \$658,889 in 2010. This gain can mainly be attributed to an increase in capital contributions (the old National Guard Armory) and a decrease in transfers out compared to 2009.

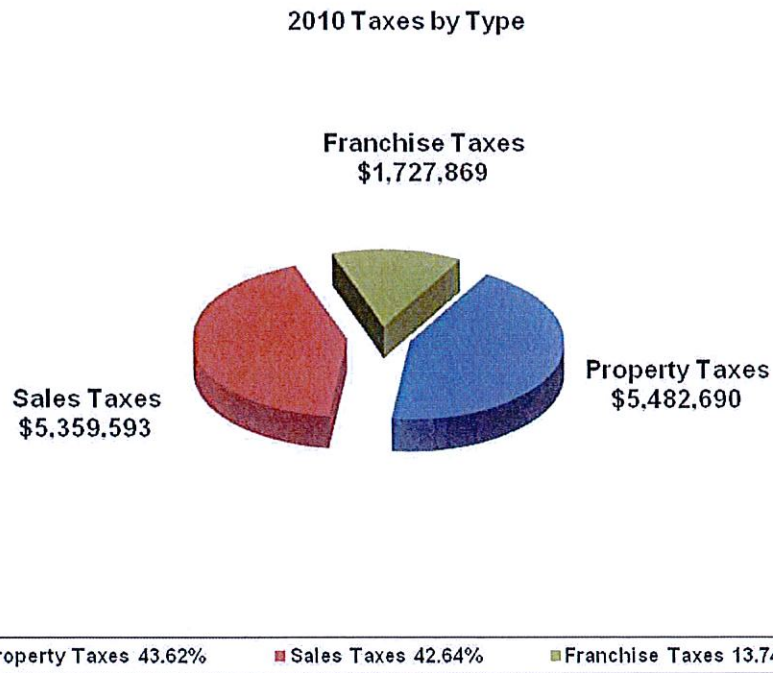
The following pie chart shows the composition of the 2010 primary government revenues.

2010 Revenues By Source



The components of the City's taxes are property tax, sales tax and franchise tax. As can be seen by the following chart, property taxes comprised the largest portion of tax revenues for 2010. Property tax revenue decreased 8.45% compared to 2009 due to a decrease in assessed valuation and a slight decrease in the mill levy.

The following pie chart depicts the City's tax revenues by source.



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

	2008 Levy to support <u>2009 Budget</u>	2009 Levy To support <u>2010 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
General Fund	\$ 31.916	\$ 30.899	\$ (1.017)	(3.19) %
Debt Service Fund	7.998	8.996	.998	12.48 %
Component Unit	<u>5.553</u>	<u>5.553</u>	<u>0.000</u>	0.00 %
Total Mill Levy	<u>\$ 45.467</u>	<u>\$ 45.448</u>	<u>\$ (0.019)</u>	(0.04) %

The City's general fund mill rate decreased due to the City's desire to keep the overall mill levy rate approximately the same as the prior fiscal year. The debt service fund mill rate increased to pay down future debt obligations.

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

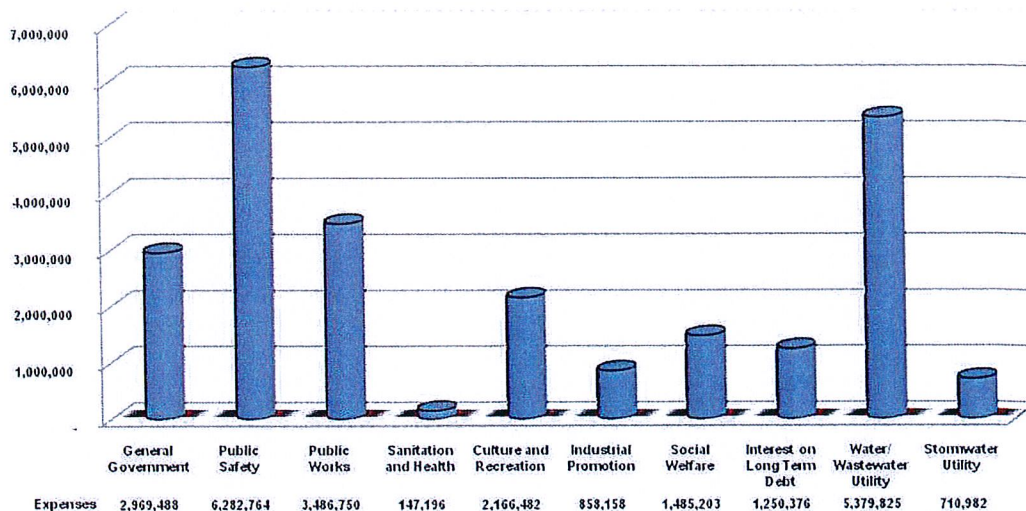
City of Pittsburgh's Assessed Valuation

	2008 Valuation To support <u>2009 Budget</u>	2009 Valuation To support <u>2010 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
Real Property	\$112,073,796	\$110,421,015	\$ (1,652,781)	(1.47)%
Personal Property	13,641,480	8,375,855	(5,265,625)	(38.60)%
State Assessed	<u>6,075,593</u>	<u>5,797,909</u>	<u>(277,684)</u>	(4.57)%
Total	<u>\$131,790,869</u>	<u>\$124,594,779</u>	<u>\$ (7,196,090)</u>	(5.46)%

The change in assessed valuation reflects various tax exemptions granted by the state and changes in state law regarding machinery and equipment.

The following bar graph shows the composition of the 2010 primary government expenses.

2010 Cost of City Services



The City's general government, public safety, public works and water/wastewater utility activities are the dominant expense categories. These four activities account for 73.25% of the total cost of City services for 2010. The total cost of services of the City's primary government for 2010 was \$24,737,224. This represents an increase of \$571,333 compared to 2009. The portion of these services paid by the City's taxpayers was \$12,570,152. For 2010 all cost of service categories had increased expenses except for general government, sanitation and health, social welfare, and long term interest expense.

Analysis of the Fund Financial Statements

Governmental Funds

The City's governmental funds ending fund balances decreased by a total of \$810,818 from the prior year, with the general fund decreasing by \$151,051. The general fund decrease in 2010 is due to lower assessed valuation and a lower mill levy rate which resulted in lower property tax revenues. Also the City had decreased sales tax collections in 2010 compared to 2009. Franchise tax revenues increased by 3.06% in 2010.

Compared to 2009 the total governmental fund revenues before transfers declined \$715,823 and the total governmental fund expenditures before transfers declined \$1,354,641. The decline in revenue can mainly be attributed to lower general fund revenues. The decline in expenditures is largely due to decreased capital project activity in 2010. General fund revenues were down 4.75% and general fund expenditures were up 3.50% compared to 2009.

The revolving loans fund balance recorded an increase of \$168,602 which is due to lower industrial promotion expense in 2010. The debt service fund balance decrease of \$364,470 was mainly due to fewer left over project funds being transferred in 2010.

Proprietary Funds

The water and wastewater utility fund had an increase of \$533,333 in cash and cash equivalents for 2010. This represents an increase of 40.04% from fiscal year 2009; this increase can be attributed to increased rates and decreased transfers out in 2010.

The stormwater utility fund had a decrease of \$228,994 in cash and cash equivalents for 2010. This represents a decrease of 16.77% from fiscal year 2009; this decrease can be attributed to increased operating expense and increased transfers out in 2010.

The combined utility operating income increased by \$86,038 in 2010 which reflects a percentage increase of 6.17%. This is mainly the result of an increase in utility rates which have been instituted to pay for improvements to the utility systems.

Utility projects substantially completed during 2010 are the new public utilities building, the southeast sanitary sewer pump station, the Meadowbrook Mall sanitary sewer lift station, various sanitary sewer line repairs, and various manhole rehabilitations. The water treatment plant improvements project is still in process.

General Fund Budgetary Highlights

The legally adopted budget for the General Fund was not amended by the City Commission during 2010. 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	Tax revenues are under budget due to lower than expected property tax and sales tax collections.
General government	The general government department is over budget due to higher personnel costs and higher than expected health claims paid.
Public safety	The Police department is under budget due to lower than expected personnel costs.
Public works	Atkinson Airport is under budget due to the fact that the airport had less than expected fuel costs and fuel sales.
Culture & recreation	The parks and recreation department is under budget due to lower personnel costs. The Four Oaks Complex is over budget due higher personnel costs. The auditorium department is under budget due to no expense being incurred against the auditorium reserve.
Transfers out	Transfers out is over budget mainly due to transferring additional funds from the general fund to the street and highway fund.

Capital Asset and Debt Administration

Capital Assets

The total amount invested in capital assets for the primary government at December 31, 2010 was \$85,738,148, net of accumulated depreciation. The capital assets increased by 5.00% from the 2009 total. The decrease in the governmental type activities can mainly be attributed to depreciation expense. The majority of the increase in the business type activities can be attributed to the new Armory, the southeast sanitary sewer pump station, the Meadowbrook Mall sanitary sewer lift station, the bypass sanitary sewer line and various sanitary sewer line repairs.

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	
	2009	2010	2009	2010
Land	\$ 3,531,506	\$ 3,566,486	\$ 436,690	\$ 544,760
Buildings and improvements	25,678,225	24,784,119	12,237,773	12,777,922
Machinery and equipment	3,370,852	3,200,497	936,476	1,558,590
Infrastructure	14,811,356	14,557,833	19,888,273	21,625,794
Construction in progress	92,181	270,792	672,795	2,851,355
Total	<u>\$ 47,484,120</u>	<u>\$ 46,379,727</u>	<u>\$ 34,172,007</u>	<u>\$ 39,358,421</u>

For additional information on capital assets, please refer to note 8 in the notes to the basic financial statements on page 52.

Debt Administration

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

City of Pittsburgh's Outstanding Debt (general obligation bonds and other debt)

	Governmental Activities		Business-Type Activities	
	2009	2010	2009	2010
General Obligation Bonds	\$21,578,483	\$19,065,099	\$ 3,671,517	\$ 3,144,901
K.D.H.E. Construction Loans	-	-	4,896,290	10,180,288
Custom Energy Note Payable	1,694,340	1,598,146	-	-
Tax Increment Bonds (TIF)	5,715,000	5,500,000	-	-
Transportation Development District Bonds (TDD)	1,340,000	1,310,000	-	-
Total	<u>\$30,327,823</u>	<u>\$27,473,245</u>	<u>\$ 8,567,807</u>	<u>\$13,325,189</u>

The City finances capital projects in a variety of ways: bond anticipation notes, general obligation bonds, special revenue bonds, intergovernmental grants and loans. The City's general obligation bonds are rated A1 by Moody's Investors Service.

The City's outstanding general obligation bonds at December 31, 2010, totaled \$22,210,000; of this \$19,065,099 is considered direct tax supported debt. This direct tax supported outstanding general obligation balance represents an 11.65% decrease from the 2009 balance. No new direct tax supported general obligation debt was issued in 2010 while \$2,513,384 was retired in 2010.

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 \$40,658,921 which is significantly higher than the general obligation bond outstanding debt.

Business-type activity debt decreased by 14.34% from 2009. No new business-type activity bonded debt was issued in 2010 while \$526,616 was retired in 2010. 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, water treatment plant and collection systems. During 2010 the City incurred \$5,668,967 in new loan proceeds and retired \$384,969 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 in the notes to basic financial statements on page 56.

Requests for Information

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

**BASIC
FINANCIAL STATEMENTS**

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET ASSETS

December 31, 2010

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Public Library
Assets:				
Cash and cash equivalents	\$ 13,065,482	\$ 3,002,177	\$ 16,067,659	\$ 439,045
Restricted cash	-	191,828	191,828	-
Receivables, net of allowance for uncollectibles:				
Taxes	6,128,688	-	6,128,688	657,778
Accounts	99,402	778,872	878,274	-
Intergovernmental	171,479	-	171,479	-
Other	-	1,699,771	1,699,771	-
Restricted investments	337,432	-	337,432	-
Leases receivable	1,066,751	-	1,066,751	-
Loans receivable	1,335,204	-	1,335,204	-
Deferred charges	515,097	40,897	555,994	-
Inventories	79,247	222,588	301,835	-
Prepaid items	22,643	4,736	27,379	927
Capital assets, net of accumulated depreciation:				
Land	3,566,486	544,760	4,111,246	215,415
Construction in progress	270,792	2,851,355	3,122,147	-
Buildings and improvements	24,784,119	12,777,922	37,562,041	2,663,322
Machinery and equipment	3,200,497	1,558,590	4,759,087	39,962
Infrastructure	14,557,833	21,625,794	36,183,627	-
Total assets	69,201,152	45,299,290	114,500,442	4,016,449
Liabilities:				
Accounts payable and other current liabilities	583,332	1,347,430	1,930,762	22,969
Bonds anticipation notes payable	1,020,000	-	1,020,000	-
Accrued interest payable	320,622	104,250	424,872	-
Unearned revenue	4,735,116	-	4,735,116	657,778
Liabilities payable from restricted cash	-	191,828	191,828	-
Noncurrent liabilities:				
Due within one year	3,288,189	821,743	4,109,932	12,910
Due in more than one year	25,005,259	12,716,537	37,721,796	16,782
Total liabilities	34,952,518	15,181,788	50,134,306	710,439
Net assets:				
Invested in capital assets, net of related debt	19,014,339	26,033,232	45,047,571	2,918,699
Restricted for:				
Debt service	1,703,871	-	1,703,871	-
Revolving loans	7,770,428	-	7,770,428	-
Housing	980,659	-	980,659	-
Street and highway	215,005	-	215,005	-
Public safety center	75,202	-	75,202	-
Other purposes	317,173	-	317,173	-
Unrestricted	4,171,957	4,084,270	8,256,227	387,311
Total net assets	\$ 34,248,634	\$ 30,117,502	\$ 64,366,136	\$ 3,306,010

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

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	
Primary government:							
Governmental activities:							
General government	\$ 2,969,488	\$ 1,430,551	\$ 78,498	\$ -	\$ (1,460,439)	\$ -	\$ -
Public safety - police	3,324,541	-	96,392	-	(3,228,149)	-	(3,228,149)
Public safety - fire	2,232,712	-	-	168,750	(2,063,962)	-	(2,063,962)
Public safety - other	725,511	1,440	-	-	(724,071)	-	(724,071)
Public works	3,486,750	707,999	686,999	259,491	(1,832,261)	-	(1,832,261)
Sanitation and health	147,196	26,375	76,551	-	(44,270)	-	(44,270)
Culture and recreation	2,166,482	533,713	79,535	-	(1,553,234)	-	(1,553,234)
Industrial promotion	858,158	355,717	-	-	(502,441)	-	(502,441)
Social welfare	1,485,203	3,256	1,543,951	-	62,004	-	62,004
Interest on long-term debt	1,250,376	-	-	-	(1,250,376)	-	(1,250,376)
Total governmental activities	18,646,417	3,059,051	2,561,926	428,241	(12,597,199)	-	(12,597,199)
Business-type activities:							
Water/wastewater	5,379,825	6,532,118	-	-	-	1,152,293	1,152,293
Stormwater	710,982	728,467	-	360,390	-	377,875	377,875
Total business-type activities	6,090,807	7,260,585	-	360,390	-	1,530,168	1,530,168
Total primary government	\$ 24,737,224	\$ 10,319,636	\$ 2,561,926	\$ 788,631	(12,597,199)	1,530,168	(11,067,031)
Component unit:							(819,020)
Public library	\$ 912,716	\$ 11,759	\$ 81,937	\$ -	-	-	-
General revenues:							
Property taxes					5,482,690	-	5,482,690
Sales taxes					5,359,593	-	5,359,593
Franchise taxes					1,727,869	-	1,727,869
Unrestricted investment earnings					52,103	9,529	61,632
Transfers					880,808	(880,808)	-
Total general revenues and transfers					13,503,063	(871,279)	12,631,784
Change in net assets					905,864	658,889	1,564,753
Net assets, beginning					33,342,770	29,458,613	62,801,383
Net assets, ending					\$ 34,248,634	\$ 30,117,502	\$ 64,366,136
							\$ 3,306,010

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2010

	General
Assets:	
Cash and cash equivalents	\$ 3,674,529
Receivables (net of allowance for uncollectibles):	
Taxes	4,623,420
Accounts	63,574
Intergovernmental	14,737
Restricted investments	-
Leases receivable	-
Loans receivable	-
Advances to other funds	-
Inventories	79,247
Prepaid items	18,893
Total assets	\$ 8,474,400
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 88,244
Accrued payroll	235,177
Accrued self-insurance claims	85,000
Other	96,005
Deferred revenue	3,660,124
Bond anticipation notes payable	-
Advances from other funds	-
Total liabilities	4,164,550
Fund balances:	
Reserved for:	
Encumbrances	135,970
Inventories	79,247
Prepaid items	18,893
Advances	-
Revolving loan program	-
Insurance claims	263,500
Unreserved, designated, reported in:	
General fund	10,000
Unreserved, undesignated, reported in:	
General fund	3,802,240
Special revenue funds	-
Capital projects fund	-
Debt service fund	-
Total fund balances	4,309,850
Total liabilities and fund balances	\$ 8,474,400

See accompanying notes to basic financial statements.

Revolving Loans	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 5,399,371	\$ 1,387,623	\$ 2,603,959	\$ 13,065,482
140,213	1,365,055	-	6,128,688
18,942	-	16,886	99,402
-	-	156,742	171,479
-	337,432	-	337,432
1,066,751	-	-	1,066,751
1,135,974	-	199,230	1,335,204
38,971	-	-	38,971
-	-	-	79,247
2,114	-	1,636	22,643
<u>\$ 7,802,336</u>	<u>\$ 3,090,110</u>	<u>\$ 2,978,453</u>	<u>\$ 22,345,299</u>
\$ 27,566	\$ -	\$ 29,324	\$ 145,134
4,342	-	17,674	257,193
-	-	-	85,000
-	-	-	96,005
901,208	1,326,916	9,375	5,897,623
-	-	1,020,000	1,020,000
-	-	38,971	38,971
<u>933,116</u>	<u>1,326,916</u>	<u>1,115,344</u>	<u>7,539,926</u>
33,593	-	-	169,563
-	-	-	79,247
2,114	-	1,636	22,643
38,971	-	-	38,971
6,794,542	-	-	6,794,542
-	-	-	263,500
-	-	-	10,000
-	-	-	3,802,240
-	-	1,546,905	1,546,905
-	-	314,568	314,568
-	1,763,194	-	1,763,194
<u>6,869,220</u>	<u>1,763,194</u>	<u>1,863,109</u>	<u>14,805,373</u>
<u>\$ 7,802,336</u>	<u>\$ 3,090,110</u>	<u>\$ 2,978,453</u>	<u>\$ 22,345,299</u>

CITY OF PITTSBURG, KANSAS

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

December 31, 2010

Total fund balance in Governmental Fund Balance Sheet	\$ 14,805,373
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.	46,379,727
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,162,507
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.	(233,128)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(27,865,845)</u>
Net assets of governmental activities	<u>\$ 34,248,634</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, 2010

	<u>General</u>
Revenues:	
Taxes:	
Property	\$ 4,022,871
Sales	4,297,763
Franchise	1,727,869
Licenses and permits	141,234
Intergovernmental	185,526
Charges for services	1,697,246
Fines and fees	427,215
Special assessments	-
Investment earnings	15,231
Lease income	-
Miscellaneous	208,568
Total revenues	<u>12,723,523</u>
Expenditures:	
Current:	
General government	2,824,648
Public safety - police	2,938,621
Public safety - fire	2,016,858
Public safety - other	690,160
Public works	840,176
Sanitation and health	75,334
Culture and recreation	1,735,955
Industrial promotion	-
Social welfare	-
Debt service:	
Principal	-
Interest	-
Debt issuance costs	-
Capital outlay	251,505
Total expenditures	<u>11,373,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,350,266</u>
Other financing sources (uses):	
Transfers in	909,290
Transfers out	(2,410,607)
Total other financing sources (uses)	<u>(1,501,317)</u>
Net change in fund balances	(151,051)
Fund balances, beginning	4,460,901
Fund balances, ending	<u>\$ 4,309,850</u>

See accompanying notes to basic financial statements.

Revolving Loans	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,459,819	\$ -	\$ 5,482,690
796,402	265,428	-	5,359,593
-	-	-	1,727,869
-	-	-	141,234
-	-	2,663,568	2,849,094
-	-	-	1,697,246
-	-	-	427,215
-	75,820	-	75,820
23,818	3,618	9,436	52,103
458,610	-	-	458,610
12,895	6,452	168,564	396,479
<u>1,291,725</u>	<u>1,811,137</u>	<u>2,841,568</u>	<u>18,667,953</u>
-	-	-	2,824,648
-	-	-	2,938,621
-	-	-	2,016,858
-	-	-	690,160
-	-	1,278,881	2,119,057
-	-	69,387	144,721
-	-	-	1,735,955
818,995	-	-	818,995
-	-	1,485,494	1,485,494
-	2,854,576	-	2,854,576
-	1,197,533	-	1,197,533
-	-	11,943	11,943
-	-	1,269,513	1,521,018
<u>818,995</u>	<u>4,052,109</u>	<u>4,115,218</u>	<u>20,359,579</u>
<u>472,730</u>	<u>(2,240,972)</u>	<u>(1,273,650)</u>	<u>(1,691,626)</u>
-	1,876,502	982,898	3,768,690
(304,128)	-	(173,147)	(2,887,882)
<u>(304,128)</u>	<u>1,876,502</u>	<u>809,751</u>	<u>880,808</u>
168,602	(364,470)	(463,899)	(810,818)
6,700,618	2,127,664	2,327,008	15,616,191
<u>\$ 6,869,220</u>	<u>\$ 1,763,194</u>	<u>\$ 1,863,109</u>	<u>\$ 14,805,373</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2010

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

Net change in fund balances - total governmental funds	\$ (810,818)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(1,104,395)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,519
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.	2,854,576
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(37,018)</u>
Change in net assets of governmental activities	<u>\$ 905,864</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 11,620,727	\$ 11,105,720	\$ (515,007)
Intergovernmental	140,507	172,601	32,094
Licenses and permits	170,000	141,234	(28,766)
Charges for services	3,879,131	3,737,369	(141,762)
Fines and fees	352,500	427,215	74,715
Investment income	60,000	15,231	(44,769)
Miscellaneous	88,018	208,568	120,550
Total revenues	16,310,883	15,807,938	(502,945)
Expenditures:			
General government:			
General administration:			
Personnel services	603,293	639,602	(36,309)
Contractual services	192,453	202,575	(10,122)
Commodities	23,250	25,315	(2,065)
Total general administration expenditures	818,996	867,492	(48,496)
Group hospitalization:			
Claims paid	1,701,579	1,776,850	(75,271)
Human resources:			
Personnel services	134,165	131,796	2,369
Contractual services	25,928	38,262	(12,334)
Commodities	14,000	15,826	(1,826)
Total human resources expenditures	174,093	185,884	(11,791)
Information systems:			
Personnel services	239,769	291,723	(51,954)
Contractual services	152,750	134,768	17,982
Commodities services	67,481	54,814	12,667
Capital outlay	50,000	37,831	12,169
Total information systems expenditures	\$ 510,000	\$ 519,136	\$ (9,136)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Facility maintenance:			
Personnel services	\$ 138,510	\$ 142,970	\$ (4,460)
Contractual services	833	2,301	(1,468)
Commodities	100,657	119,083	(18,426)
Total facility maintenance expenditures	240,000	264,354	(24,354)
Municipal court:			
Personnel services	290,811	287,428	3,383
Contractual services	38,670	42,443	(3,773)
Commodities	10,000	14,351	(4,351)
Total municipal court expenditures	339,481	344,222	(4,741)
Safety department:			
Personnel services	64,103	62,734	1,369
Contractual service	19,558	17,948	1,610
Commodities	44,000	18,999	25,001
Total safety department expenditures	127,661	99,681	27,980
Sales tax capital outlay:			
Capital outlay	112,000	244,540	(132,540)
Reserve	242,608	2,380	240,228
Total sales tax capital outlay expenditures	354,608	246,920	107,688
Total general government expenditures	4,266,418	4,304,539	(38,121)
Public safety:			
Police department:			
Personnel services	2,845,221	2,767,721	77,500
Contractual services	386,860	406,621	(19,761)
Commodities	203,500	176,137	27,363
Total police department expenditures	\$ 3,435,581	\$ 3,350,479	\$ 85,102

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Fire department:			
Personnel services	\$ 2,063,756	\$ 2,030,303	\$ 33,453
Contractual services	151,753	168,900	(17,147)
Commodities	76,000	80,023	(4,023)
Total fire department expenditures	2,291,509	2,279,226	12,283
Public safety - other:			
Codes enforcement:			
Personnel services	505,715	483,388	22,327
Contractual services	73,240	96,469	(23,229)
Commodities	22,650	20,464	2,186
Total codes enforcement expenditures	601,605	600,321	1,284
Animal control:			
Personnel services	45,486	37,252	8,234
Contractual services	21,024	20,535	489
Commodities	13,500	15,459	(1,959)
Total animal control expenditures	80,010	73,246	6,764
Public safety sales tax:			
Reserve	1,572,666	-	1,572,666
Total public safety - other	2,254,281	673,567	1,580,714
Total public safety expenditures	7,981,371	6,303,272	1,678,099
Public works:			
Engineering department:			
Personnel services	107,563	107,231	332
Contractual services	27,769	26,717	1,052
Commodities	23,190	14,367	8,823
Total engineering department expenditures	\$ 158,522	\$ 148,315	\$ 10,207

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Atkinson Airport:			
Personnel services	\$ 151,160	\$ 168,047	\$ (16,887)
Contractual services	62,195	63,718	(1,523)
Commodities	808,915	543,822	265,093
Total Atkinson Airport expenditures	1,022,270	775,587	246,683
Total public works expenditures	1,180,792	923,902	256,890
Sanitation and health:			
Mt. Olive Cemetery:			
Personnel services	57,006	56,421	585
Contractual services	14,008	17,589	(3,581)
Commodities	15,000	15,519	(519)
Total sanitation and health expenditures	86,014	89,529	(3,515)
Culture and recreation:			
Parks and recreation department:			
Personnel services	615,559	554,493	61,066
Contractual services	124,128	147,816	(23,688)
Commodities	151,500	111,458	40,042
Total parks and recreation department expenditures	891,187	813,767	77,420
Aquatic center:			
Personnel services	100,450	104,549	(4,099)
Contractual services	34,415	31,461	2,954
Commodities	70,250	57,000	13,250
Capital outlay	-	5,475	(5,475)
Total aquatic center expenditures	205,115	198,485	6,630
JC ballpark turf reserve:			
Capital outlay	37,200	1,600	35,600
Total JC ballpark turf reserve expenditures	\$ 37,200	\$ 1,600	\$ 35,600

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Four Oaks Complex:			
Personnel services	\$ 212,233	\$ 246,788	\$ (34,555)
Contractual services	74,710	85,072	(10,362)
Commodities	94,821	78,492	16,329
Commodities	-	7,264	(7,264)
Total Four Oaks Complex expenditures	381,764	417,616	(35,852)
Memorial Auditorium and Convention Center:			
Personnel services	225,501	269,329	(43,828)
Contractual services	189,648	149,062	40,586
Commodities	66,250	55,778	10,472
Operating reserve	75,216	-	75,216
Total Memorial Auditorium and Convention Center	556,615	474,169	82,446
Total culture and recreation expenditures	2,071,881	1,905,637	166,244
Operating reserve	1,025,165	-	1,025,165
Total expenditures	16,611,641	13,526,879	3,084,762
Excess of revenues over (under) expenditures	(300,758)	2,281,059	2,581,817
Other financing sources (uses):			
Transfers in	832,740	909,291	76,551
Transfers out	(3,188,256)	(3,429,611)	(241,355)
Total other financing sources (uses)	(2,355,516)	(2,520,320)	(164,804)
Net change in fund balances	(2,656,274)	(239,261)	2,417,013
Fund balance, beginning	2,656,274	3,649,126	992,852
Fund balance, ending	\$ -	\$ 3,409,865	\$ 3,409,865

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2010

	Water/Wastewater	Stormwater	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,865,448	\$ 1,136,729	\$ 3,002,177
Restricted cash - customer deposits	191,828	-	191,828
Accounts receivable (net of allowance for uncollectibles)	754,699	24,173	778,872
Other receivable	1,699,771	-	1,699,771
Inventories	222,588	-	222,588
Prepaid items	4,277	459	4,736
Total current assets	4,738,611	1,161,361	5,899,972
Noncurrent assets:			
Deferred charges	18,556	22,341	40,897
Capital assets:			
Land	436,690	108,070	544,760
Buildings and improvements	20,534,418	301,363	20,835,781
Machinery and equipment	3,706,269	298,078	4,004,347
Construction in progress	2,778,080	73,275	2,851,355
Infrastructure	28,281,365	4,228,370	32,509,735
Less accumulated depreciation	(20,821,607)	(565,950)	(21,387,557)
Total capital assets, net of accumulated depreciation	34,915,215	4,443,206	39,358,421
Total noncurrent assets	34,933,771	4,465,547	39,399,318
Total assets	39,672,382	5,626,908	45,299,290
Liabilities:			
Current liabilities:			
Accounts payable	952,974	18,569	971,543
Retainage payable	316,808	-	316,808
Accrued payroll	50,266	8,813	59,079
Accrued interest payable	81,375	22,875	104,250
Accrued compensated absences - current	85,065	15,722	100,787
Customer deposits payable	191,828	-	191,828
General obligation bonds - current	330,340	218,484	548,824
Construction loan payable - current	172,132	-	172,132
Total current liabilities	2,180,788	284,463	2,465,251
Noncurrent liabilities:			
Accrued compensated absences	44,355	8,198	52,553
General obligation bonds payable (net of unamortized discounts)	1,098,928	1,497,149	2,596,077
Construction loan payable	10,008,156	-	10,008,156
Other postemployment benefit obligation	50,046	9,705	59,751
Total noncurrent liabilities	11,201,485	1,515,052	12,716,537
Total liabilities	13,382,273	1,799,515	15,181,788
Net assets:			
Invested in capital assets, net of related debt	23,305,659	2,727,573	26,033,232
Unrestricted	2,984,450	1,099,820	4,084,270
Total net assets	\$ 26,290,109	\$ 3,827,393	\$ 30,117,502

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, 2010

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 3,441,317	\$ -	\$ 3,441,317
Wastewater charges	2,861,531	-	2,861,531
Stormwater charges	-	719,641	719,641
Other charges	229,270	8,826	238,096
Total operating revenues	<u>6,532,118</u>	<u>728,467</u>	<u>7,260,585</u>
Operating expenses:			
Costs of sales and services	2,253,335	200,419	2,453,754
Administration	1,698,227	316,325	2,014,552
Depreciation	1,190,717	119,958	1,310,675
Total operating expenses	<u>5,142,279</u>	<u>636,702</u>	<u>5,778,981</u>
Operating income	<u>1,389,839</u>	<u>91,765</u>	<u>1,481,604</u>
Nonoperating revenues (expenses):			
Interest revenue	5,480	4,049	9,529
Interest expense	(237,546)	(74,280)	(311,826)
Total nonoperating revenues (expenses)	<u>(232,066)</u>	<u>(70,231)</u>	<u>(302,297)</u>
Income before transfers and capital contributions	1,157,773	21,534	1,179,307
Capital contributions	-	360,390	360,390
Transfers in	169,959	-	169,959
Transfers out	(925,023)	(125,744)	(1,050,767)
Change in net assets	402,709	256,180	658,889
Total net assets, beginning	<u>25,887,400</u>	<u>3,571,213</u>	<u>29,458,613</u>
Total net assets, ending	<u>\$ 26,290,109</u>	<u>\$ 3,827,393</u>	<u>\$ 30,117,502</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2010

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 5,417,209	\$ 729,385	\$ 6,146,594
Payments to suppliers	(1,091,186)	(184,844)	(1,276,030)
Payments to employees	(1,702,527)	(313,646)	(2,016,173)
Net cash provided by operating activities	<u>2,623,496</u>	<u>230,895</u>	<u>2,854,391</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(755,064)	(125,744)	(880,808)
Interest paid on deposits	(742)	-	(742)
Net cash used in noncapital financing activities	<u>(755,806)</u>	<u>(125,744)</u>	<u>(881,550)</u>
Cash flows from capital and related financing activities:			
Proceeds from capitalization grant/construction loan payable	5,668,967	-	5,668,967
Payments on capitalization grant/construction loan payable	(384,969)	-	(384,969)
Acquisition and construction of capital assets	(5,253,743)	(49,043)	(5,302,786)
Purchases of capital assets	(833,913)	-	(833,913)
Principal paid on capital debt	(314,572)	(212,044)	(526,616)
Interest paid on capital debt	(222,471)	(77,107)	(299,578)
Net cash used in capital and related financing activities	<u>(1,340,701)</u>	<u>(338,194)</u>	<u>(1,678,895)</u>
Cash flows from investing activities:			
Interest received	<u>5,480</u>	<u>4,049</u>	<u>9,529</u>
Net increase (decrease) in cash and cash equivalents	532,469	(228,994)	303,475
Cash and cash equivalents and restricted cash, beginning of year	<u>1,524,807</u>	<u>1,365,723</u>	<u>2,890,530</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 2,057,276</u>	<u>\$ 1,136,729</u>	<u>\$ 3,194,005</u>

(Continued)

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2010

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,389,839	\$ 91,765	\$ 1,481,604
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	1,190,717	119,958	1,310,675
Amortization of deferred charges	6,185	3,437	9,622
Changes in assets and liabilities:			
Receivables, net	(1,114,045)	918	(1,113,127)
Inventories	45,510	-	45,510
Prepaid items	(15)	(54)	(69)
Accounts payable	1,110,469	12,192	1,122,661
Accrued compensated absences	(1,438)	2,454	1,016
Other postemployment benefits	(2,862)	225	(2,637)
Customer deposits	(864)	-	(864)
Net cash provided by operating activities	<u>\$ 2,623,496</u>	<u>\$ 230,895</u>	<u>\$ 2,854,391</u>
Cash consists of:			
Cash and cash equivalents	\$ 1,865,448	\$ 1,136,729	\$ 3,002,177
Restricted cash	191,828	-	191,828
	<u>\$ 2,057,276</u>	<u>\$ 1,136,729</u>	<u>\$ 3,194,005</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

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 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, 2010, interest earnings allocated to the various funds were \$ 56,877.

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, 2010, 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	\$ 3,660,124
Revolving loans fund long-term portion of capital leases receivable	901,208
Debt service fund property taxes receivable	1,326,916
Capital projects fund deferred revenue	<u>9,375</u>
	<u>\$ 5,897,623</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 upon which the 2010 levy was based was approximately \$ 124,595,000.

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 2010 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$ 30.899
Debt Service Fund	8.996
Component unit:	
Public Library	<u>5.553</u>
	<u>\$ 45.448</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 \$ 1,000 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 \$ 11,062,338 of restricted net assets, of which \$ 75,202 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, 2010, 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. 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.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, was issued in November 2010. The objective of this statement is to improve financial reporting by modifying certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria and guidance for reporting component units as if they were part of the primary government (that is, blending). Additionally, this statement requires a primary government to report its equity interest in a component unit as an asset. The provisions of this statement are effective for periods beginning after June 15, 2012.

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 \$ 27,865,845 difference are as follows:

Bonds payable	\$ (25,875,099)
Less: Deferred charge for issuance costs	515,097
Less: Issuance discount	107,857
Custom energy note payable	(1,598,148)
Accrued interest payable	(320,622)
Compensated absences	<u>(694,930)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (27,865,845)</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 \$ 1,104,395 difference are as follows:

Capital outlay	\$ 1,160,567
Depreciation expense	<u>(2,264,962)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (1,104,395)</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 \$ 2,854,576 difference are as follows:

Principal repayments:

Bonds	\$ 2,758,384
Custom energy lease	96,192
	<hr/>

Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<hr/> <hr/> \$ 2,854,576
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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 \$ 37,018 difference are as follows:

Compensated absences	\$ (6,408)
Other post employment benefits	10,289
Accrued interest	31,418
Amortization of issuance costs	(59,925)
Amortization of bond discounts	(12,392)
	<hr/>

Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<hr/> <hr/> \$ (37,018)
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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, the special parks and recreation fund, and the Section 8 fund. Budgets were not prepared for the Community Development Block Grant fund, the capital projects fund, the PHA/Presbyterian Church Housing fund and the revolving loans fund. All budgets are prepared utilizing the cash 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 2010. Special Highway fund budgeted expenditures increased from \$ 1,225,686 to \$ 1,410,884 and Special Parks and Recreation fund budgeted expenditures increased from \$ 74,921 to \$ 80,000.

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 a 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>
Excess of revenue over expenditures, GAAP basis	\$ 1,350,266
Add:	
Sales tax transfers	1,059,213
Change in prepaid items	1,231
Change in salaries payable	25,887
Deduct:	
Change in encumbrances	(88,187)
Change in inventories	(5,512)
Change in grants receivable	(8,329)
Change in taxes receivable	(1,996)
Change in payable	(46,514)
Health claims	(5,000)
Excess of revenue over expenditures, budgetary basis	<u>\$ 2,281,059</u>

A Budget and Actual Statement was not prepared for the revolving loans fund because that fund is not required to have a legally adopted budget.

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, 2010, 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, 2010, 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	\$ 337,432	\$ 337,432	\$ -	\$ -	\$ -

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, 2010.

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, 2010, the City's investments were not exposed to custodial credit risk.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Deposits and Investments (Continued)

Investments (Continued)

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

	Carrying Amount		
		Component	
	City	Unit - Public	Total
		Library	
Cash and cash equivalents	\$ 16,067,659	\$ 439,045	\$ 16,506,704
Restricted cash and cash equivalents	191,828	-	191,828
Restricted investments	337,432	-	337,432
	<u>\$ 16,596,919</u>	<u>\$ 439,045</u>	<u>\$ 17,035,964</u>

6 - Loans Receivable

Loans receivable, aggregating approximately \$ 1,335,000 at December 31, 2010, 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, the Presbyterian Church Fund Program and the City's Revolving Loans 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, 2010 the lease receivable balance was \$ 1,066,751.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7 - Leases (Continued)

Future minimum lease payments to be received are as follows:

2011	\$ 165,543
2012	165,543
2013	165,543
2014	165,543
2015	134,881
2016 - 2020	373,548
2021 - 2025	<u>56,100</u>
Total minimum lease payments	1,226,701
Less: amounts representing interest	<u>(159,950)</u>
Present value of minimum lease payments	<u>\$ 1,066,751</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, 2010 rental income related to these leases was \$ 243,919. Future minimum lease income is as follows:

2011	\$ 266,747
2012	183,710
2013	151,310
2014	151,310
2015	151,310
2016 - 2020	<u>160,949</u>
	<u>\$ 1,065,336</u>

The asset cost of the buildings the City leases is \$ 2,556,590, with accumulated depreciation of \$ 799,370 resulting in net carrying value of \$ 1,757,220 at December 31, 2010.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8 - Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,531,506	\$ 34,980	\$ -	\$ -	\$ 3,566,486
Construction in progress	92,181	865,561	(686,950)	-	270,792
Total capital assets not being depreciated	3,623,687	900,541	(686,950)	-	3,837,278
Capital assets being depreciated:					
Buildings and improvements	37,131,420	131,650	-	-	37,263,070
Machinery and equipment	8,703,722	360,474	(179,863)	5,995	8,890,328
Infrastructure	25,813,992	470,900	-	-	26,284,892
Total capital assets being depreciated	71,649,134	963,024	(179,863)	5,995	72,438,290
Less accumulated depreciation for:					
Buildings and improvements	(11,453,195)	(1,022,320)	(3,436)	-	(12,478,951)
Machinery and equipment	(5,332,870)	(518,219)	165,854	(4,596)	(5,689,831)
Infrastructure	(11,002,636)	(724,423)	-	-	(11,727,059)
Total accumulated depreciation	(27,788,701)	(2,264,962)	162,418	(4,596)	(29,895,841)
Total capital assets being depreciated, net	43,860,433	(1,301,938)	(17,445)	1,399	42,542,449
Governmental activities capital assets, net	\$ 47,484,120	\$ (401,397)	\$ (704,395)	\$ 1,399	\$ 46,379,727

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 436,690	\$ 108,070	\$ -	\$ -	\$ 544,760
Construction in progress	672,795	5,684,326	(3,505,766)	-	2,851,355
Total capital assets not being depreciated	1,109,485	5,792,396	(3,505,766)	-	3,396,115
Capital assets being depreciated:					
Buildings and improvements	19,853,491	982,290	-	-	20,835,781
Machinery and equipment	3,328,502	835,313	(153,473)	(5,995)	4,004,347
Infrastructure	30,115,481	2,394,254	-	-	32,509,735
Total capital assets being depreciated	53,297,474	4,211,857	(153,473)	(5,995)	57,349,863
Less accumulated depreciation for:					
Buildings and improvements	(7,615,718)	(441,681)	(460)	-	(8,057,859)
Machinery and equipment	(2,392,026)	(212,379)	154,052	4,596	(2,445,757)
Infrastructure	(10,227,208)	(656,615)	(118)	-	(10,883,941)
Total accumulated depreciation	(20,234,952)	(1,310,675)	153,474	4,596	(21,387,557)
Total capital assets being depreciated, net	33,062,522	2,901,182	1	(1,399)	35,962,306
Business-type activities capital assets, net	\$ 34,172,007	\$ 8,693,578	\$ (3,505,765)	\$ (1,399)	\$ 39,358,421

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	\$ 177,506
Public safety - police	264,052
Public safety - fire	216,220
Public safety - other	29,251
Public works	1,146,004
Sanitation and health	3,005
Economic development	36,187
Culture and recreation	392,737
	<hr/>

Total depreciation expense - governmental activities	<hr/> <hr/> \$ 2,264,962
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Business-type activities:

Water and sewer	\$ 1,190,717
Stormwater	119,958
	<hr/>

Total depreciation expense - business-type activities	<hr/> <hr/> \$ 1,310,675
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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, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 215,415	\$ -	\$ -	\$ 215,415
Construction in progress	24,699	123,251	(147,950)	-
Total capital assets not being depreciated	240,114	123,251	(147,950)	215,415
Capital assets being depreciated:				
Buildings and improvements	3,418,016	152,788	-	3,570,804
Machinery and equipment	15,830	84,680	-	100,510
Total capital assets being depreciated	3,433,846	237,468	-	3,671,314
Less accumulated depreciation for:				
Buildings and improvements	(829,302)	(78,180)	-	(907,482)
Machinery and equipment	(10,434)	(50,114)	-	(60,548)
Total accumulated depreciation	(839,736)	(128,294)	-	(968,030)
Total capital assets being depreciated, net	2,594,110	109,174	-	2,703,284
Public Library capital assets, net	\$ 2,834,224	\$ 232,425	\$ (147,950)	\$ 2,918,699

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, 2010 for capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
General government:		
Paving projects	\$ 348,202	\$ 400,000
Bridge projects	161,049	750,000
Auditorium projects	87,392	200,000
	<u>\$ 596,643</u>	<u>\$ 1,350,000</u>
Business-type:		
Water/wastewater	\$ 2,778,080	\$ 8,715,580
Stormwater	5,280,157	6,394,500
	<u>\$ 8,058,237</u>	<u>\$ 15,110,080</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, 2010 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2010	Outstanding December 31, 2010
General Obligation Bonds:					
Governmental activities:					
Series 2001-B	4.00 - 4.30%	\$ 2,675,000	2011	\$ 305,000	\$ 320,000
Series 2003-A	2.10 - 3.30%	3,025,000	2013	300,000	495,000
Series 2005-A	2.70 - 3.60%	1,460,000	2015	145,000	795,000
Series 2006-A	3.35 - 3.75%	545,000	2016	50,000	360,000
Series 2006-B	3.70 - 3.90%	1,140,000	2016	110,000	735,000
Series 2006-C	3.55 - 3.80%	2,000,000	2016	185,000	1,280,000
Series 2007-A	4.00%	1,285,000	2017	117,956	954,367
Series 2007-B	4.00%	13,000,000	2018	920,000	10,530,000
Series 2008-A	2.30 - 3.60%	2,950,380	2018	265,800	2,445,360
Series 2009-A	1.50 - 3.25%	1,265,000	2019	114,628	1,150,372
				2,513,384	19,065,099
Business-type activities:					
Series 2001-A	4.15 - 4.70%	4,715,000	2013	255,000	860,000
Series 2007-A	4.00%	2,310,000	2017	212,044	1,715,633
Series 2008-A	2.30 - 3.60%	379,620	2018	34,200	314,640
Series 2009-A	1.50 - 3.25%	280,000	2019	25,372	254,628
				526,616	3,144,901
				<u>\$ 3,040,000</u>	<u>\$ 22,210,000</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
Series 2009-A: Callable September 1, 2017 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	\$	320,000	\$ 320,000
Series 2003-A		160,000	170,000
Series 2005-A		150,000	165,000
Series 2006-A		55,000	65,000
Series 2006-B		110,000	135,000
Series 2006-C		195,000	235,000
Series 2007-A		121,516	151,895
Series 2007-B		985,000	1,800,000
Series 2008-A		274,660	345,540
Series 2009-A		115,000	145,000
Business-type activities:			
Series 2001-A		270,000	300,000
Series 2007-A		218,484	273,105
Series 2008-A		35,340	44,460
Series 2009-A		25,000	30,000

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2010 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2011	\$ 2,486,176	\$ 711,669	\$ 548,824	\$ 126,978
2012	2,270,967	621,775	579,033	102,042
2013	2,388,401	540,310	596,599	78,415
2014	2,322,622	453,291	312,378	53,334
2015	2,446,273	366,825	323,727	41,715
2016 - 2020	7,150,660	555,941	784,340	50,787
	<u>\$ 19,065,099</u>	<u>\$ 3,249,811</u>	<u>\$ 3,144,901</u>	<u>\$ 453,271</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 \$ 2,719,496 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, 2010 are as follows:

	Principal	Interest and Service Fee	Total
2011	\$ 172,132	\$ 84,587	\$ 256,719
2012	177,615	79,105	256,720
2013	183,272	73,448	256,720
2014	189,109	67,610	256,719
2015	195,132	61,587	256,719
2016-2020	1,072,936	210,659	1,283,595
2021-2025	729,300	40,857	770,157
	<u>\$ 2,719,496</u>	<u>\$ 617,853</u>	<u>\$ 3,337,349</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%. During 2010, the City entered into a third loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 2,394,500 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.83%. During 2010, the City entered into a fourth loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Supply Loan Fund. The agreement enabled the City to borrow \$ 8,737,424 to finance improvements to the water treatment plant. The loan will be repaid over twenty years at an interest rate of 3.72%. As of December 31, 2010, the City has drawn \$ 7,460,792 on these loans, 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 draws have 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, 2010 are as follows:

	Principal	Interest	Total
2011	\$ 100,177	\$ 64,492	\$ 164,669
2012	104,325	60,343	164,668
2013	108,645	56,023	164,668
2014	113,144	51,524	164,668
2015	117,829	46,839	164,668
2016 - 2020	666,505	156,838	823,343
2021 - 2025	387,523	24,149	411,672
	<u>\$ 1,598,148</u>	<u>\$ 460,208</u>	<u>\$ 2,058,356</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, 2010 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 35,000	\$ 62,040	\$ 97,040
2012	40,000	60,240	100,240
2013	40,000	58,320	98,320
2014	45,000	56,280	101,280
2015	50,000	54,000	104,000
2016 - 2020	325,000	227,400	552,400
2021 - 2025	470,000	133,200	603,200
2026 - 2030	<u>305,000</u>	<u>16,440</u>	<u>321,440</u>
	<u>\$ 1,310,000</u>	<u>\$ 667,920</u>	<u>\$ 1,977,920</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, 2010 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 235,000	\$ 268,582	\$ 503,582
2012	255,000	257,558	512,558
2013	275,000	245,632	520,632
2014	295,000	232,807	527,807
2015	320,000	218,970	538,970
2016 - 2020	2,005,000	833,658	2,838,658
2021 - 2025	2,115,000	249,778	2,364,778
	<u>\$ 5,500,000</u>	<u>\$ 2,306,985</u>	<u>\$ 7,806,985</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, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 21,578,483	\$ -	\$ (2,513,384)	\$ 19,065,099	\$ 2,486,176
Transportation Development District					
Sales Tax Revenue Bonds	1,340,000	-	(30,000)	1,310,000	35,000
Special Obligation Tax Increment					
Revenue Bonds	5,715,000	-	(215,000)	5,500,000	235,000
Less deferred amounts:					
For issuance discounts	(120,249)	-	12,392	(107,857)	-
Custom energy note payable	1,694,340	-	(96,192)	1,598,148	100,177
Other postemployment benefits	243,417	-	(10,289)	233,128	-
Compensated absences	688,524	458,270	(451,864)	694,930	431,836
Governmental activity long-term liabilities	\$ 31,139,515	\$ 458,270	\$ (3,304,337)	\$ 28,293,448	\$ 3,288,189
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 3,671,517	\$ -	\$ (526,616)	\$ 3,144,901	\$ 548,824
Construction loan payable	4,896,290	5,668,967	(384,969)	10,180,288	172,132
Other postemployment benefits	62,388	-	(2,637)	59,751	-
Compensated absences	152,324	103,020	(102,004)	153,340	100,787
Business-type activity long-term liabilities	\$ 8,782,519	\$ 5,771,987	\$ (1,016,226)	\$ 13,538,280	\$ 821,743
Component unit activities:					
Other postemployment benefits	\$ 17,522	\$ -	\$ (740)	\$ 16,782	\$ -
Compensated absences	14,260	23,497	(24,847)	12,910	12,910
Component unit activity long-term liabilities	\$ 31,782	\$ 23,497	\$ (25,587)	\$ 29,692	\$ 12,910

For the governmental activities, compensated absences and net pension obligation 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, 2010, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 6,400,000.

11 - Bond Anticipation Notes Payable

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

Bond anticipation note activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond anticipation notes	\$ -	\$ 1,020,000	\$ -	\$ 1,020,000
<u>Issue</u>		<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
2010A		\$ 1,020,000	1.00%	7/15/2011

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 for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salary for all employees hired after July 1, 2009. 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 2010 was 7.14%. The City employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$ 363,201, \$ 302,183, and \$ 305,955, 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 2010 is 15.57%. 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, 2010, 2009, and 2008 were \$ 500,881, \$ 533,190, and \$ 572,747, 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 dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to retirees and their dependents 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 dependents 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 2010, the City contributed \$ 226,749 to the plan. Plan members receiving benefits contributed \$ 45,705.

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	9,700
Adjustment to annual required contribution	<u>(16,015)</u>
Annual OPEB cost (expense)	213,083
Contributions made	<u>(226,749)</u>
Decrease in net OPEB obligation	(13,666)
Net OPEB obligation, January 1, 2010	<u>323,327</u>
Net OPEB obligation, December 31, 2010	<u>\$ 309,661</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years 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>
2010	\$ 213,083	106.42%	\$ 309,661
2009	\$ 207,967	30.86%	\$ 323,327
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 January 1, 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 remaining amortization period at December 31, 2010 was 27 years. The UAAL is being amortized using the level dollar method on an open basis.

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. The claims liability of \$ 85,000 reported at December 31, 2010 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, 2010, the City had approximately \$ 263,500 reserved in the General Fund for payment of health claims. The changes in health care claims payable for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Claims payable, beginning of year	\$ 90,000	\$ -
Incurred claims and change in estimate	1,446,574	1,331,157
Claim payments	(1,451,574)	(1,241,157)
Claims payable, end of year	<u>\$ 85,000</u>	<u>\$ 90,000</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Interfund Transactions

Interfund transfers for the year ended December 31, 2010, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major governmental funds		
General Fund	\$ 909,290	\$ 2,410,607
Revolving Loans Fund	-	304,128
Debt Service Fund	1,876,502	-
Nonmajor governmental funds	982,898	173,147
Major proprietary funds		
Water/Wastewater	169,959	925,023
Stormwater	-	125,744
	<u>\$ 3,938,649</u>	<u>\$ 3,938,649</u>
Total transfers		

Transfers are used to (1) move revenues from the fund that statutes or the budget requires to collect them to the fund that statutes or the 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.

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

Advances from revolving loans fund to:

Nonmajor governmental funds	<u>\$ 38,971</u>
-----------------------------	------------------

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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.

Reserved for Insurance Claims

An account to segregate monies that are reserved for health claims (see Note 14).

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

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.

Capital Projects Fund

CAPITAL PROJECTS - accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

CITY OF PITTSBURG, KANSAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2010

	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	Capital Projects	
Assets:								
Cash and cash equivalents	\$ -	\$ 62,002	\$ 142,920	\$ 780,564	\$ 264,862	\$ -	\$ 1,353,611	\$ 2,603,959
Receivables (net of allowance for uncollectibles):								
Accounts	-	-	16,021	865	-	-	-	16,886
Intergovernmental	-	-	156,742	-	-	-	-	156,742
Loans receivable	-	-	-	199,230	-	-	-	199,230
Prepaid items	-	-	1,636	-	-	-	-	1,636
Total assets	\$ -	\$ 62,002	\$ 317,319	\$ 980,659	\$ 264,862	\$ -	\$ 1,353,611	\$ 2,978,453
Liabilities:								
Accounts payable	\$ -	\$ 240	\$ 18,577	\$ -	\$ 384	\$ 455	\$ 9,668	\$ 29,324
Accrued payroll	-	-	14,213	-	3,461	-	-	17,674
Deferred revenue	-	-	-	-	-	-	9,375	9,375
Bond anticipation notes payable	-	-	-	-	-	-	1,020,000	1,020,000
Advances from other funds	-	-	38,971	-	-	-	-	38,971
Total liabilities	-	240	71,761	-	3,845	455	1,039,043	1,115,344
Fund balances:								
Reserved for prepaid items	-	-	1,636	-	-	-	-	1,636
Unreserved, undesignated	-	61,762	243,922	980,659	261,017	(455)	314,568	1,861,473
Total fund balances	-	61,762	245,558	980,659	261,017	(455)	314,568	1,863,109
Total liabilities and fund balances	\$ -	\$ 62,002	\$ 317,319	\$ 980,659	\$ 264,862	\$ -	\$ 1,353,611	\$ 2,978,453

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2010

	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	Capital Projects
Revenues:							
Intergovernmental	\$ 76,551	\$ 76,551	\$ 684,874	\$ -	\$ 1,446,668	\$ 97,283	\$ 281,641
Investment earnings	-	-	-	5,303	624	-	3,509
Miscellaneous	-	-	8,678	900	3,256	2,984	152,746
Total revenues	76,551	76,551	693,552	6,203	1,450,548	100,267	437,896
Expenditures:							
Current:							
Public works	-	-	1,278,881	-	-	-	-
Sanitation and health	-	69,387	-	-	-	-	-
Social welfare	-	-	-	16,404	1,371,807	97,283	-
Debt service:							
Debt issuance costs	-	-	-	-	-	-	11,943
Capital outlay	-	-	36,080	-	-	3,439	1,229,994
Total expenditures	-	69,387	1,314,961	16,404	1,371,807	100,722	1,241,937
Excess (deficiency) of revenues over (under) expenditures	76,551	7,164	(621,409)	(10,201)	78,741	(455)	(804,041)
Other financing sources (uses):							
Transfers in	-	-	700,000	-	-	-	282,898
Transfers out	(76,551)	-	(3,630)	-	-	-	(92,966)
Total other financing sources (uses)	(76,551)	-	696,370	-	-	-	189,932
Net change in fund balances	-	7,164	74,961	(10,201)	78,741	(455)	(614,109)
Fund balances, beginning	-	54,598	170,597	990,860	182,276	-	928,677
Fund balances, ending	\$ -	\$ 61,762	\$ 245,558	\$ 980,659	\$ 261,017	\$ (455)	\$ 314,568

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 74,921	\$ 80,000	\$ 76,551	\$ (3,449)
Other financing uses:				
Transfers out	(74,921)	(80,000)	(76,551)	3,449
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -

(Continued)

CITY OF PITTSBURG, KANSAS

SPECIAL ALCOHOL AND DRUG FUND

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

Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 74,921	\$ 76,551	\$ 1,630
Miscellaneous	500	-	(500)
Total revenues	75,421	76,551	1,130
Expenditures:			
Personnel services	-	7,430	(7,430)
Contractual services	49,947	53,133	(3,186)
Commodities	25,474	8,824	16,650
Total expenditures	75,421	69,387	6,034
Net change in fund balances	-	7,164	7,164
Fund balances, beginning	-	54,598	54,598
Fund balances, ending	\$ -	\$ 61,762	\$ 61,762

(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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 720,686	\$ 647,804	\$ 685,002	\$ 37,198
Miscellaneous	5,000	-	8,678	8,678
Total revenues	725,686	647,804	693,680	45,876
Expenditures:				
Personnel services	573,388	573,388	564,044	9,344
Contractual services	378,572	378,572	379,791	(1,219)
Commodities	247,226	432,424	349,337	83,087
Capital outlay	-	-	36,080	(36,080)
Debt service	26,500	26,500	22,832	3,668
Total expenditures	1,225,686	1,410,884	1,352,084	58,800
Excess of revenues over (under) expenditures	(500,000)	(763,080)	(658,404)	104,676
Other financing sources:				
Transfers in	500,000	700,000	700,000	-
Net change in fund balances	-	(63,080)	41,596	104,676
Fund balances, beginning	-	-	65,174	65,174
Fund balances, ending	\$ -	\$ (63,080)	\$ 106,770	\$ 169,850

(Continued)

CITY OF PITTSBURG, KANSAS

SECTION 8 FUND

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

Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,410,000	\$ 1,369,239	\$ (40,761)
Investment earnings	7,000	624	(6,376)
Miscellaneous	3,000	3,256	256
Total revenues	<u>1,420,000</u>	<u>1,373,119</u>	<u>(46,881)</u>
Expenditures:			
Personnel services	162,227	126,428	35,799
Contractual services	1,240,449	1,226,700	13,749
Commodities	17,324	18,275	(951)
Total expenditures	<u>1,420,000</u>	<u>1,371,403</u>	<u>48,597</u>
Net change in fund balances	-	1,716	1,716
Fund balances, beginning	<u>-</u>	<u>(1,920)</u>	<u>(1,920)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ (204)</u>	<u>\$ (204)</u>

(Continued)

CITY OF PITTSBURG, KANSAS

DEBT SERVICE FUND

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

Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,229,007	\$ 1,163,121	\$ (65,886)
Special assessments	-	75,820	75,820
Investment earnings	25,000	8,368	(16,632)
Miscellaneous	120,056	72,435	(47,621)
Total revenues	1,374,063	1,319,744	(54,319)
Expenditures:			
Principal	3,635,701	3,766,162	(130,461)
Interest	1,440,708	1,478,920	(38,212)
Reserves	1,110,278	-	1,110,278
Total expenditures	6,186,687	5,245,082	941,605
Excess of revenues over (under) expenditures	(4,812,624)	(3,925,338)	887,286
Other financing sources:			
Transfers in	3,460,094	3,580,049	119,955
Net change in fund balances	(1,352,530)	(345,289)	1,007,241
Fund balances, beginning	1,352,530	1,732,913	380,383
Fund balances, ending	\$ -	\$ 1,387,624	\$ 1,387,624

CITY OF PITTSBURG, KANSAS

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

December 31, 2010

Assets:

Cash and cash equivalents	\$ 439,045
Taxes receivable	657,778
Prepaid items	<u>927</u>
Total assets	<u>\$ 1,097,750</u>

Liabilities and fund balances:

Liabilities:

Accounts payable	\$ 5,144
Accrued payroll	17,825
Deferred revenue	<u>657,778</u>
Total liabilities	<u>680,747</u>

Fund balances:

Unreserved	416,076
Reserved for prepaid items	<u>927</u>
Total fund balances	<u>417,003</u>

Total liabilities and fund balances	<u>\$ 1,097,750</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, 2010

Revenues:	
Taxes	\$ 721,981
Fines and fees	11,757
Investment earnings	1,921
Miscellaneous	<u>81,937</u>
Total revenues	<u>817,596</u>
Expenditures:	
Current:	
Education	868,394
Capital outlay	<u>130,885</u>
Total expenditures	<u>999,279</u>
Net change in fund balance	(181,683)
Fund balance, beginning	<u>598,686</u>
Fund balance, ending	<u>\$ 417,003</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.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	82 - 85
Revenue Capacity 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.	86 - 90
Debt Capacity 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.	91 - 95
Demographic and Economic Information 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.	96 - 97
Operating Information 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.	98 - 100

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 18,912,152	\$ 19,014,339
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783	11,967,446	11,140,376	11,062,338
Unrestricted	9,052,993	(3,148,102)	2,807,899	3,671,353	710,472	(693,934)	3,290,242	4,171,957
Total governmental activities net assets	\$ 27,816,031	\$ 21,284,508	\$ 23,412,503	\$ 24,056,770	\$ 27,231,442	\$ 31,133,474	\$ 33,342,770	\$ 34,248,634
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	\$ 25,604,200	\$ 26,033,232
Unrestricted	2,542,944	2,916,297	3,380,284	3,603,895	3,779,952	4,098,445	3,854,413	4,084,270
Total business-type activities net assets	\$ 25,064,731	\$ 27,156,047	\$ 27,928,577	\$ 28,753,770	\$ 29,217,740	\$ 29,707,080	\$ 29,458,613	\$ 30,117,502
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	\$ 44,516,352	\$ 45,047,571
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783	11,967,446	11,140,376	11,062,338
Unrestricted	11,595,937	(231,805)	6,187,883	7,275,248	4,490,424	3,404,511	7,144,655	8,266,227
Total primary government net assets	\$ 52,880,762	\$ 48,440,555	\$ 51,341,080	\$ 52,810,540	\$ 56,449,182	\$ 60,840,554	\$ 62,801,383	\$ 64,386,136

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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 1,009,561	\$ 1,179,618	\$ 1,657,462	\$ 1,719,514	\$ 2,016,811	\$ 4,947,762	\$ 3,008,246	\$ 1,669,466
Public safety - police	2,490,674	2,742,941	2,723,840	3,245,047	3,418,799	3,188,354	3,208,579	3,324,541
Public safety - fire	1,922,917	2,106,592	2,301,123	2,389,005	2,369,396	2,332,987	2,258,471	2,232,712
Public safety - other	605,879	539,687	541,165	838,345	1,025,008	902,272	764,225	725,511
Public works	2,438,803	2,640,695	2,726,584	2,672,843	3,325,255	3,850,853	3,174,612	3,486,780
Sanitation and health	124,782	138,940	140,372	184,849	185,134	257,332	160,796	147,196
Culture and recreation	1,611,690	2,026,632	2,127,719	2,287,838	2,325,059	2,293,768	2,103,992	2,166,482
Industrial promotion	980,716	468,424	585,270	1,160,483	1,135,420	748,216	744,564	858,168
Economic development	-	5,724,575	81,992	898,362	4,889	3,577	6,993	-
Social welfare	1,483,446	2,027,295	3,021,661	2,284,301	1,484,883	1,848,068	1,681,580	1,486,203
Interest on long-term debt	287,181	308,218	383,323	656,775	1,213,673	1,480,128	1,380,747	1,250,376
Total governmental expenses	13,031,819	19,801,435	16,593,511	18,602,342	18,506,397	21,141,020	18,342,795	18,645,417
Business-type activities:								
Water/wastewater	4,861,635	4,912,302	4,568,704	4,871,241	4,744,357	5,234,505	5,159,249	5,379,825
Stormwater	-	124,315	214,919	244,875	315,859	808,866	593,837	710,862
Total business-type activities expenses	4,861,635	5,036,617	4,783,623	5,116,116	5,060,216	5,741,371	5,823,086	6,090,687
Total primary government expenses	\$ 17,893,454	\$ 24,838,052	\$ 21,377,134	\$ 23,718,458	\$ 23,566,613	\$ 26,882,391	\$ 24,165,881	\$ 24,737,224
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 983,967	\$ 979,982	\$ 1,005,800	\$ 1,019,778	\$ 1,282,267	\$ 1,397,898	\$ 1,287,878	\$ 1,430,551
Public works	380,733	464,049	628,343	634,584	711,533	956,763	863,940	707,599
Industrial promotion	282,563	373,723	218,036	248,229	875,887	882,427	354,752	356,717
Other activities	555,960	484,435	560,429	538,747	540,658	638,602	585,060	564,764
Operating grants and contributions	2,627,148	2,980,625	5,003,186	3,245,013	2,800,229	3,187,536	2,521,993	2,661,938
Capital grants and contributions	136,341	22,130	797,210	1,941,305	811,868	3,844,846	389,608	428,241
Total governmental activities program revenues	4,967,833	5,305,245	8,209,818	7,633,654	6,802,540	10,368,171	5,823,231	6,048,216
Business-type activities:								
Charges for services:								
Water/wastewater	5,555,225	5,283,009	5,377,606	5,893,887	5,684,715	5,773,171	6,205,333	6,532,118
Stormwater	-	613,118	626,740	643,211	689,396	690,687	713,671	728,467
Capital grants and contributions	-	-	13,500	33,178	4,442	4,282	-	360,390
Total business-type activities program revenues	5,555,225	5,906,127	6,011,846	6,570,277	6,358,547	6,468,040	6,918,604	7,620,975
Total primary government program revenues	\$ 10,523,058	\$ 11,211,372	\$ 14,221,664	\$ 14,003,931	\$ 13,161,087	\$ 16,836,211	\$ 12,742,135	\$ 13,670,193
Net (Expense)/Revenue								
Governmental activities	\$ (8,063,886)	\$ (14,596,190)	\$ (8,383,893)	\$ (10,989,888)	\$ (11,703,857)	\$ (10,772,849)	\$ (12,319,564)	\$ (12,597,199)
Business-type activities	693,590	869,510	1,228,223	1,253,861	1,298,531	726,888	1,095,608	1,530,168
Total primary government net expense	\$ (7,370,396)	\$ (13,726,680)	\$ (7,155,670)	\$ (9,715,727)	\$ (10,405,326)	\$ (10,046,180)	\$ (11,423,786)	\$ (11,067,031)
General Revenues and other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 4,134,743	\$ 4,514,287	\$ 4,847,531	\$ 4,824,011	\$ 5,340,410	\$ 5,894,064	\$ 5,888,774	\$ 6,482,680
Sales taxes	3,113,979	3,405,928	3,553,907	3,688,000	5,522,057	5,674,509	5,528,868	5,358,693
Franchise taxes	1,186,843	1,184,393	1,387,418	1,888,116	1,897,643	1,793,552	1,676,819	1,727,869
Investment earnings	220,274	151,783	420,902	763,520	1,229,571	925,469	157,971	52,103
Transfers	115,469	(1,201,734)	521,930	542,308	895,349	387,167	1,376,828	880,908
Total governmental activities	8,771,328	8,064,667	10,511,688	11,613,355	14,789,039	14,674,881	14,728,860	13,503,063
Business-type activities:								
Investment earnings	15,921	20,072	86,237	113,538	164,788	149,828	32,553	9,529
Transfers	(115,489)	1,201,734	(621,930)	(542,306)	(999,349)	(387,167)	(1,376,828)	(880,809)
Total business-type activities	(99,568)	1,221,806	(495,693)	(428,768)	(834,561)	(237,339)	(1,344,275)	(871,279)
Total primary government	\$ 8,671,760	\$ 9,286,473	\$ 10,055,995	\$ 11,185,187	\$ 13,954,468	\$ 14,437,552	\$ 13,384,645	\$ 12,631,784
Change in Net Assets								
Governmental activities	\$ 707,342	\$ (6,531,523)	\$ 2,127,995	\$ 644,267	\$ 3,085,173	\$ 3,902,032	\$ 2,209,296	\$ 905,864
Business-type activities	594,022	2,091,316	772,530	825,193	463,970	489,340	(248,467)	658,889
Total primary government	\$ 1,301,364	\$ (4,440,207)	\$ 2,900,525	\$ 1,469,460	\$ 3,549,143	\$ 4,391,372	\$ 1,960,829	\$ 1,564,753

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)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 462,895	\$ 323,375	\$ 871,540	\$ 1,012,561	\$ 1,078,301	\$ 1,010,457	\$ 878,015	\$ 106,177	\$ 420,642	\$ 497,610
Unreserved	1,056,408	1,478,468	1,379,522	1,603,994	2,202,370	1,762,970	1,471,471	3,880,335	4,040,259	3,812,240
Total general fund	\$ 1,519,303	\$ 1,801,843	\$ 2,251,062	\$ 2,616,555	\$ 3,280,671	\$ 2,773,427	\$ 2,349,486	\$ 3,986,512	\$ 4,460,901	\$ 4,309,850
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	\$ 6,743,667	\$ 6,870,856
Unreserved, reported in:										
Special revenue funds	6,256,132	259,338	237,312	96,085	1,353,807	1,235,257	1,495,481	1,496,186	1,355,282	1,546,905
Capital projects funds	370,337	(1,085,760)	(53,658)	(6,216,400)	(116,608)	1,420,714	11,912,183	1,939,470	928,677	314,568
Debt service funds	458,189	435,571	-	-	969,826	1,369,189	2,945,291	1,826,040	2,127,664	1,763,194
Total all other governmental funds	\$ 7,084,658	\$ 5,644,134	\$ 7,061,968	\$ 881,834	\$ 8,551,675	\$ 10,556,675	\$ 22,316,643	\$ 11,318,295	\$ 11,155,290	\$ 10,495,523

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 8,088,897	\$ 8,056,910	\$ 8,435,565	\$ 9,114,608	\$ 9,568,856	\$ 10,308,129	\$ 12,560,110	\$ 13,362,225	\$ 13,194,061	\$ 12,570,152
Licenses and permits	126,784	125,541	119,413	113,690	144,040	104,417	216,596	170,404	166,013	141,234
Intergovernmental	2,584,931	2,847,297	2,576,022	2,804,501	4,491,076	4,012,530	2,767,243	6,169,100	2,854,625	2,849,094
Charges for services	1,066,136	1,147,132	1,401,914	1,368,142	1,591,104	1,609,459	1,703,422	1,965,141	1,709,552	1,897,246
Fines and fees	256,053	301,663	289,401	345,862	323,046	312,958	399,816	349,695	366,367	427,215
Special assessments	104,925	95,561	88,580	70,509	59,074	57,645	26,572	34,875	49,263	75,820
Investment earnings	545,217	327,822	220,274	151,793	420,902	783,520	1,229,571	925,499	157,971	52,103
Lease income	16,573	123,587	138,587	314,676	277,915	340,478	576,732	542,847	537,694	458,610
Miscellaneous	325,053	183,636	413,476	326,428	1,466,474	1,307,824	825,925	1,180,128	348,230	396,479
Total revenues	13,114,569	13,209,149	13,663,232	14,611,209	18,342,487	18,817,060	20,305,987	24,699,914	19,383,776	18,667,953
Expenditures										
General government	886,223	1,442,819	933,982	1,057,511	1,561,875	1,535,479	1,906,313	4,712,494	2,695,357	2,824,648
Public safety-police	2,636,304	2,559,537	2,455,770	2,505,294	2,629,829	3,101,059	3,289,331	3,051,104	2,958,470	2,938,621
Public safety-fire	1,719,870	1,799,414	1,779,901	1,922,396	2,163,437	2,190,419	2,254,080	2,107,722	2,008,788	2,016,858
Public safety-other	687,539	507,361	489,379	510,274	814,626	904,123	985,134	867,333	679,447	690,160
Public works	2,213,114	1,792,416	1,762,966	1,804,893	1,811,334	1,947,035	2,306,195	2,604,829	1,933,140	2,119,057
Sanitation and health	115,884	105,220	118,897	115,052	135,128	159,202	178,870	283,084	156,667	144,721
Culture and recreation	1,751,031	1,805,646	1,544,131	1,650,630	1,806,666	1,915,072	1,962,361	1,846,578	1,693,206	1,735,955
Industrial promotion	278,997	252,483	943,259	434,191	547,032	1,121,960	1,409,273	1,432,577	711,829	818,995
Economic development					81,992	898,362	4,869	3,577	5,993	-
Social welfare	1,210,815	1,273,255	1,483,548	1,884,603	3,020,775	2,279,705	1,469,391	1,550,188	1,579,956	1,485,494
Capital outlay	2,163,148	2,712,127	744,521	6,789,928	2,810,671	4,816,592	5,696,108	16,704,405	3,272,406	1,521,018
Debt service principal	716,482	963,573	876,466	1,049,491	940,000	7,385,000	1,500,000	2,455,309	2,648,183	2,854,576
Debt service interest & fees	376,919	336,261	280,258	222,695	261,574	680,233	751,531	1,545,238	1,334,208	1,197,533
Bond issuance costs	-	-	59,080	-	-	407,706	266,163	91,268	33,570	11,943
Total expenditures	14,757,926	15,350,112	13,432,158	19,846,858	18,574,839	29,301,947	23,979,619	39,225,706	21,714,220	20,359,579
Excess of revenues over (under) expenditures	(1,643,357)	(2,140,963)	231,074	(5,335,749)	(232,452)	(10,484,887)	(3,673,632)	(14,525,792)	(2,330,444)	(1,691,626)
Other Financing Sources (Uses)										
Bonds issued	2,657,125	-	1,533,240	-	1,460,000	11,390,000	14,285,000	2,950,380	1,265,000	-
Discount on bonds	-	-	-	-	(166,389)	-	-	-	-	-
Bond anticipation notes issued	1,607,586	-	-	-	6,285,000	-	-	-	-	-
Custom energy note payable issued	-	-	-	-	-	-	-	1,826,933	-	-
Transfers in	1,613,807	1,127,983	1,048,447	1,055,097	1,920,602	8,230,825	2,297,727	2,313,905	4,770,242	880,808
Transfers out	(1,877,636)	(1,023,386)	(932,958)	(875,269)	(1,099,193)	(7,471,593)	(986,817)	(1,928,748)	(3,393,414)	-
Total other financing sources (uses)	4,000,880	104,597	1,648,729	179,828	8,566,409	11,982,643	15,595,910	5,164,470	2,641,828	880,808
Net change in fund balances	\$ 2,357,523	\$ (2,036,366)	\$ 1,878,803	\$ (5,155,921)	\$ 8,333,957	\$ 1,497,756	\$ 11,922,278	\$ (9,361,322)	\$ 311,384	\$ (910,818)
Debt service as a percentage of noncapital expenditures	8.7%	10.3%	9.4%	9.7%	7.6%	34.4%	13.8%	18.2%	21.8%	21.1%

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

<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>	<u>Total Direct Rate</u>			
						<u>Water</u>		<u>Sewer</u>	
						<u>Base Rate (1)</u>	<u>Usage Rate (2)</u>	<u>Base Rate (1)</u>	<u>Usage Rate (2)</u>
2001	996	965	31	3.11%	2,123	\$ 6.15	Variable	\$ 10.73	Variable
2002	1,051	971	80	7.63%	2,075	\$ 6.33	Variable	\$ 11.05	Variable
2003	972	948	23	2.40%	2,143	\$ 6.52	Variable	\$ 11.39	Variable
2004	907	870	37	4.04%	1,474	\$ 6.72	Variable	\$ 11.74	Variable
2005	917	833	84	9.11%	1,338	\$ 6.93	Variable	\$ 12.10	Variable
2006	936	860	76	8.17%	875	\$ 7.14	Variable	\$ 12.47	Variable
2007	910	852	58	6.37%	1,633	\$ 7.36	Variable	\$ 12.85	Variable
2008	926	814	112	12.10%	1,348	\$ 7.78	Variable	\$ 13.58	Variable
2009	848	718	130	15.33%	1,227	\$ 8.50	Variable	\$ 14.84	Variable
2010	881	745	136	15.44%	1,087	\$ 9.38	Variable	\$ 16.36	Variable

Note: Gallons are presented in millions.

1) Fiscal years 2008, 2009 and 2010 water and sewer base rates are blended amounts.

2) See rate schedule.

City of Pittsburg, Kansas
Annual Tap Sales
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Meter Taps Sold</u>	<u>Sewer Taps Sold</u>	<u>Total Taps</u>
2001	74	24	98
2002	97	9	106
2003	80	9	89
2004	63	24	87
2005	72	23	95
2006	60	32	92
2007	56	32	88
2008	40	34	74
2009	38	31	69
2010	27	21	48

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(1) Sewer customers by type not available for years 2001-2005.

(2) Total sewer customers not available for years 2001-2002.

Note: na means data unavailable.

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

	2001	2002	2003	2004	2005	2006	2007	Effective Jan 1st 2008	Effective Jul 1st 2008	Effective Jan 1st 2009	Effective Jul 1st 2009	Effective Jan 1st 2010	Effective Jul 1st 2010
<u>WATER RATES PER MONTH, INSIDE CITY LIMITS</u>													
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 6.15	\$ 6.33	\$ 6.52	\$ 6.72	\$ 6.93	\$ 7.14	\$ 7.38	\$ 7.59	\$ 7.97	\$ 8.21	\$ 8.79	\$ 9.06	\$ 9.70
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	2.52	2.60	2.68	2.77	2.86	2.95	3.04	3.14	3.30	3.40	3.64	3.75	4.02
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	2.37	2.44	2.52	2.60	2.68	2.77	2.86	2.95	3.10	3.20	3.43	3.54	3.79
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.26	2.33	2.40	2.48	2.56	2.64	2.72	2.81	2.96	3.05	3.27	3.37	3.61
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.10	2.16	2.23	2.30	2.37	2.45	2.53	2.61	2.75	2.84	3.04	3.14	3.36
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	1.98	2.04	2.11	2.18	2.25	2.32	2.39	2.47	2.60	2.68	2.87	2.96	3.17
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	1.84	1.90	1.96	2.02	2.09	2.16	2.23	2.30	2.42	2.50	2.68	2.76	2.96
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.68	1.71	1.77	1.83	1.89	1.95	2.01	2.08	2.19	2.26	2.42	2.50	2.68
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.53	1.58	1.63	1.68	1.74	1.80	1.86	1.92	2.02	2.09	2.24	2.31	2.48
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.42	1.46	1.51	1.56	1.61	1.67	1.71	1.77	1.86	1.92	2.06	2.13	2.28
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.29	1.33	1.37	1.42	1.47	1.52	1.57	1.62	1.71	1.77	1.90	1.96	2.10
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.20	1.24	1.28	1.32	1.36	1.41	1.46	1.51	1.59	1.64	1.76	1.82	1.95
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.11	1.14	1.18	1.22	1.26	1.30	1.34	1.39	1.46	1.51	1.62	1.67	1.79
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.01	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.35	1.39	1.49	1.54	1.65
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	0.93	0.96	0.99	1.02	1.06	1.10	1.14	1.18	1.24	1.28	1.37	1.42	1.52

WATER RATES PER MONTH, OUTSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 12.30	\$ 12.67	\$ 13.05	\$ 13.46	\$ 13.87	\$ 14.29	\$ 14.72	\$ 15.17	\$ 15.93	\$ 16.41	\$ 17.56	\$ 18.09	\$ 19.36
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	4.50	4.64	4.78	4.93	5.08	5.24	5.40	5.57	5.85	6.03	6.46	6.66	7.13
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	3.50	3.61	3.72	3.84	3.96	4.08	4.21	4.34	4.56	4.70	5.03	5.18	5.55
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.52	2.60	2.68	2.77	2.86	2.95	3.04	3.14	3.30	3.40	3.64	3.75	4.02
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.37	2.44	2.52	2.60	2.68	2.77	2.86	2.95	3.10	3.20	3.43	3.54	3.79
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.26	2.33	2.40	2.48	2.56	2.64	2.72	2.81	2.96	3.05	3.27	3.37	3.61
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	2.10	2.16	2.23	2.30	2.37	2.45	2.53	2.61	2.75	2.84	3.04	3.14	3.36
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.98	2.04	2.11	2.18	2.25	2.32	2.39	2.47	2.60	2.68	2.87	2.96	3.17
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.77	1.82	1.88	1.94	2.00	2.06	2.13	2.20	2.31	2.38	2.55	2.63	2.82
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.62	1.67	1.73	1.79	1.85	1.91	1.97	2.03	2.14	2.21	2.37	2.45	2.63
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.49	1.53	1.58	1.63	1.68	1.74	1.80	1.86	1.96	2.02	2.17	2.24	2.40
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.37	1.41	1.46	1.51	1.56	1.61	1.66	1.71	1.80	1.86	2.00	2.06	2.21
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.26	1.30	1.34	1.39	1.44	1.49	1.54	1.59	1.67	1.72	1.85	1.91	2.05
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.16	1.19	1.23	1.27	1.31	1.35	1.40	1.45	1.53	1.58	1.70	1.76	1.89
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	1.06	1.11	1.15	1.19	1.23	1.27	1.31	1.35	1.42	1.47	1.58	1.63	1.75

SANITARY SEWER RATES PER MONTH, INSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 10.73	\$ 11.05	\$ 11.39	\$ 11.74	\$ 12.10	\$ 12.47	\$ 12.85	\$ 13.24	\$ 13.91	\$ 14.33	\$ 15.34	\$ 15.80	\$ 16.91
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	1.51	1.56	1.61	1.66	1.71	1.77	1.83	1.89	1.99	2.05	2.20	2.27	2.43

SANITARY SEWER RATES PER MONTH, OUTSIDE CITY LIMITS

1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 21.44	\$ 22.08	\$ 22.75	\$ 23.44	\$ 24.15	\$ 24.88	\$ 25.63	\$ 26.40	\$ 27.72	\$ 28.56	\$ 30.56	\$ 31.48	\$ 33.69
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	3.01	3.10	3.20	3.30	3.40	3.51	3.62	3.73	3.92	4.04	4.33	4.46	4.78

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

1. PER ERU (2)	na	na	na	\$ 2.97	\$ 2.97	\$ 3.06	\$ 3.16	\$ 3.26	\$ 3.26	\$ 3.36	\$ 3.36	\$ 3.46	\$ 3.46
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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.

Note: na means data unavailable.

**City of Pittsburg, Kansas
Ten Largest Utility Customers
Current Year and Nine Years Ago**

<u>Customer</u>	Fiscal Year 2010			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Pittsburg State University	\$ 277,302	8.06%	\$ 259,434	9.16%
Sugar Creek	216,771	6.30%	89,326	3.15%
Via Christi Hospital	75,772	2.20%	75,772	2.67%
Parkview Estates	64,717	1.88%	64,717	2.28%
USD 250 Public Schools	64,916	1.89%	52,422	1.85%
Corner Stone Village	30,772	0.89%	30,772	1.09%
Millers Professional Imaging	24,721	0.72%	24,721	0.87%
Walmart	24,628	0.72%	24,628	0.87%
Broadway Tower Corporation	23,443	0.68%	23,443	0.83%
Pitt-Plastics Inc.	21,160	0.61%	21,160	0.75%
Subtotal (10 largest)	824,202	23.95%	666,395	23.52%
Balance from other customers	2,617,115	76.05%	2,167,004	76.48%
Grand totals	<u>\$ 3,441,317</u>	<u>100.00%</u>	<u>\$ 2,833,399</u>	<u>100.00%</u>

<u>Customer</u>	Fiscal Year 2001			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Pittsburg State University	193,802	7.20%	163,603	7.04%
Sugar Creek	156,333	5.81%	85,422	3.68%
Premdor Entry Systems	90,448	3.36%	88,628	3.82%
Superior Industries	72,019	2.68%	72,019	3.10%
Parkview Estates	59,413	2.21%	59,413	2.56%
Via Christi Hospital	54,944	2.04%	54,944	2.37%
Miller's Professional Imaging	46,088	1.71%	47,682	2.05%
New Horizons of Pittsburg	31,960	1.19%	31,960	1.38%
Golden Living Center	25,498	0.95%	25,498	1.10%
USD 250 Public Schools	24,544	0.91%	21,544	0.93%
Mission Clay Products	41,452	1.54%	1,825	0.08%
Subtotal (10 largest)	796,501	29.60%	652,538	28.11%
Balance from other customers	1,894,455	70.40%	1,669,989	71.89%
Grand totals	<u>\$ 2,690,956</u>	<u>100.00%</u>	<u>\$ 2,322,527</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	Capital Lease	Sales Tax	Transportation District Bonds (1)	Increment Financing Bonds (2)	Utility Revenue Bonds	General Obligation Bonds (3)				K.D.H.E. Loans
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	-	-	-	-	-	-	1,810,000	3,951,901	22,366,901	4.6%	1,162
2007	21,830,000	-	-	-	-	-	-	3,895,000	4,372,902	37,657,902	7.7%	1,957
2008	22,580,297	-	1,786,707	-	-	-	-	3,864,703	4,552,400	40,129,107	8.1%	2,054
2009	21,578,483	-	1,694,340	-	-	-	-	3,671,517	4,896,290	38,895,630	7.0%	1,981
2010	19,065,099	-	1,598,146	-	-	-	-	3,144,901	10,180,288	40,798,434	7.1%	2,016

(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>
2001	\$ 11,225,000	\$ 458,189	\$ 10,766,811	\$ 563,632,305	1.91%	\$ 560
2002	9,790,000	435,571	9,354,429	593,003,564	1.58%	486
2003	9,965,000	609,330	9,355,670	626,864,145	1.49%	486
2004	8,415,000	605,728	7,809,272	649,124,481	1.20%	406
2005	8,460,000	935,554	7,524,446	724,715,132	1.04%	391
2006	10,710,000	940,220	9,769,780	742,714,633	1.32%	508
2007	25,725,000	2,188,158	23,536,842	786,786,859	2.99%	1,223
2008	26,445,000	1,389,729	25,055,271	858,685,005	2.92%	1,283
2009	25,250,000	1,732,912	23,517,088	853,339,722	2.76%	1,197
2010	22,210,000	1,387,623	20,822,377	839,013,748	2.48%	1,029

City of Pittsburg, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Crawford County	\$ 5,490,000	52.25%	\$ 2,868,525
Frontenac U.S.D. 249	5,545,000	4.91%	272,260
Pittsburg U.S.D. 250	23,570,000	84.29%	<u>19,867,153</u>
Subtotal, overlapping debt			23,007,938
City direct debt (2)			<u>19,065,099</u>
Total direct and overlapping debt			<u>\$ 42,073,037</u>

(1) Source: Crawford County Clerk

(2) The City's direct debt total excludes general obligation debt being repaid by business-type activities.

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

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Valuation (1)	\$ 135,529,735
Legal Debt Limit (2)	40,658,921
General Obligation Bonds	22,210,000
Less Amount Available in Debt Service Fund	<u>(1,387,623)</u>
Total net debt applicable to limit	<u>20,822,377</u>
Legal debt margin	<u>\$ 19,836,544</u>

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 33,078,030	\$ 34,602,484	\$ 36,272,164	\$ 37,617,070	\$ 39,889,902	\$ 41,694,028	\$ 43,703,108	\$ 44,244,609	\$ 41,876,403	\$ 40,658,921
Total net debt applicable to limit	<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>	<u>23,517,088</u>	<u>20,822,377</u>
Legal debt margin	<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>	<u>\$ 18,359,315</u>	<u>\$ 19,836,544</u>
Total net debt applicable to the limit as a percentage of debt limit	33.15%	27.03%	25.98%	20.76%	19.20%	23.43%	53.86%	56.63%	56.16%	51.21%

(1) Includes motor vehicle valuation, source Crawford County Clerk.

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

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

Fiscal Year	Sales Tax Transportation District Bonds (2)						Tax Increment Financing Bonds (3)					
	Sales Tax Increment	Other Income	Less Expenses	Net Available Revenue	Coverage	Sales Tax Increment	Property Tax Increment	Other Income	Less Expenses	Net Available Revenue	Debt Service	
											Principal	Interest
2006	\$ 61,121	\$ 7,513	\$ 404	\$ 68,230	1.94	\$ 150,760	\$ 63,607	\$ 29,119	\$ 1,569	\$ 241,917	\$ -	\$ 157,484
2007	79,596	4,288	2,854	81,010	1.13	199,151	243,348	16,066	6,862	451,703	140,000	299,480
2008	78,864	1,542	1,874	78,432	0.91	201,424	275,761	5,171	3,773	478,583	195,000	289,765
2009	73,512	68	1,936	71,644	0.75	192,439	333,919	261	3,370	523,249	260,000	280,368
2010	66,697	4	1,754	64,947	0.69	198,731	298,698	23	3,023	492,429	215,000	287,957

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

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

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

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

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Pittsburg State University Enrollment (4)</u>	<u>Unemployment Rate (5)</u>	<u>Median Age (1)</u>
2001	19,243	\$ 424,308,150	\$ 22,050	2,637	6,723	4.4%	28.1
2002	19,243	437,662,792	22,744	2,562	6,751	3.9%	28.1
2003	19,243	447,303,535	23,245	2,551	6,731	4.9%	28.1
2004	19,243	463,275,225	24,075	2,655	6,537	4.1%	28.1
2005	19,243	487,425,190	25,330	2,400	6,628	4.3%	28.1
2006	19,243	487,425,190	26,565	2,680	6,859	4.4%	28.1
2007	19,243	487,425,190	27,144	2,702	7,087	4.8%	28.1
2008	19,536	494,846,880	28,246	2,640	7,127	6.1%	28.1
2009	19,639	554,723,194	28,246	2,704	7,277	6.8%	28.1
2010	20,233	571,501,318	28,246	2,656	7,131	7.1%	28.1

(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 (Crawford County, Kansas)

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

<u>Employer</u>	<u>Product</u>	<u>2010</u>			<u>2001</u>		
		<u>Estimated Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment (3)</u>	<u>Estimated Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment (3)</u>
Pittsburg State University	University	1,796	1	8.77%	1,173	1	6.44%
Via Christi Health	Hospital	794	2	3.88%	640	3	3.51%
Pittsburg U.S.D. # 250	Public School K-12	538	3	2.63%	870	2	4.77%
Wal-Mart Supercenter	Retail & Grocery	380	4	1.88%	380	5	2.08%
Pitt Plastics Inc.	Polyethylene Bags	330	5	1.61%	340	7	1.86%
Miller's Inc.	Professional Photo Finishing	238	6	1.16%	452	4	2.48%
Pitsco, Inc.	Educational Systems	204	7	1.00%	182	9	1.00%
City of Pittsburg (2)	City Government	204	8	1.00%	202	8	1.11%
Masonite	Steel Door Manufacturer	145	9	0.71%	401	5	2.20%
Names & Numbers	Phone Directories	135	10	0.66%	na	na	na
Total		<u>4,764</u>		<u>23.28%</u>	<u>4,642</u>		<u>25.45%</u>

(1) Source: City of Pittsburg

(2) Includes component unit.

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

Note: na means data unavailable.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Number of Percent Employees of Total	Number of Percent Employees of Total	Number of Percent Employees of Total	Number of Percent Employees of Total	Number of Percent Employees of Total	Number of Percent Employees of Total	Number of Percent Employees of Total	Number of Percent Employees of Total	Number of Percent Employees of Total	Number of Percent Employees of Total
Governmental-type Activities										
General Government										
General Administration Department	3	1.6%	3	1.6%	7	3.7%	8	3.8%	8	4.2%
Human Resources Department	3	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%
Information Systems Department	3	1.5%	3	1.5%	3	1.5%	4	2.0%	4	2.1%
Total General Government	8	4.1%	8	4.1%	12	6.2%	14	6.8%	14	7.3%
Public Safety										
Police Department	50	25.7%	50	25.6%	49	25.2%	51	24.9%	48	25.1%
Fire Department	34	17.4%	34	17.4%	34	17.4%	34	16.6%	32	16.7%
Codes Enforcement Department	7	3.6%	6	3.1%	11	5.6%	11	5.4%	8	4.1%
Safety Department	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%
Animal Control Department	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%
Municipal Court Department	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%
Total Public Safety	98	50.3%	97	49.7%	101	51.8%	104	50.8%	96	50.1%
Public Works										
Engineering Department	3	1.5%	2	1.0%	2	1.0%	2	1.0%	2	1.0%
Facility Maintenance (2)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3	1.6%
Street & Highway Department	14	7.2%	14	7.2%	13	6.7%	13	6.3%	12	6.3%
Atkinson Airport Department	4	2.1%	4	2.1%	4	2.0%	4	2.0%	3	1.5%
Total Public Works	21	10.8%	20	10.3%	19	9.7%	19	9.3%	20	10.4%
Sanitation and Health										
Mt. Olive Cemetery Department	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%
Culture and Recreation										
Parks & Recreation Department	9	4.6%	9	4.6%	8	4.6%	11	5.4%	10	5.2%
Four Oaks Complex Department	3	1.5%	3	1.5%	3	1.5%	4	2.0%	4	2.1%
Memorial Auditorium Department	5	2.6%	5	2.6%	5	2.6%	5	2.4%	4	2.1%
Total Culture and Recreation	17	8.7%	17	8.7%	17	8.7%	20	9.8%	18	9.4%
Industrial Development										
Economic Development Department	2	1.0%	2	1.0%	2	1.0%	2	1.0%	1	0.5%
Social Welfare										
Community Development & Housing	3	1.5%	4	2.1%	5	2.6%	4	2.0%	3	1.6%
Total for Governmental-type Activities	150	76.9%	150	76.9%	157	80.5%	164	80.0%	153	79.7%
Business-type Activities										
Water/Wastewater Utility	8	4.1%	8	4.2%	8	4.0%	8	3.9%	8	4.3%
Water Treatment Department	13	6.7%	13	6.7%	9	4.6%	9	4.4%	7	3.6%
Water Maintenance Department	10	5.1%	10	5.1%	7	3.6%	7	3.4%	7	3.6%
Wastewater Treatment Department	2	1.0%	2	1.0%	5	2.6%	7	3.4%	5	2.6%
Wastewater Maintenance Department	12	6.2%	11	5.6%	6	3.1%	6	2.9%	5	2.6%
Utility Administration Department	45	23.1%	45	23.1%	35	17.9%	37	18.0%	32	16.7%
Total Water/Wastewater Utility	88	45.1%	88	45.1%	66	33.6%	66	33.6%	54	27.8%
Storm Water Utility										
Stormwater department (1)	-	0.0%	-	0.0%	3	1.5%	4	2.0%	7	3.6%
Total for Business-type Activities	45	23.1%	45	23.1%	38	19.5%	41	20.0%	39	20.3%
Total Full-time Employees	195	100.0%	195	100.0%	195	100.0%	205	100.0%	192	100.0%

1) Stormwater department began with year 2004.

2) Facility Maintenance department began with year 2009.

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Building permits issued	339	372	370	385	513	501	673	552	478	507
Building inspections conducted	1,809	1,990	1,377	1,696	750	1,069	1,628	1,370	1,309	1,096
Police										
Physical arrests	798	1,149	982	1,073	1,149	930	988	1,277	1,491	1,620
Parking violations	1,429	2,053	2,193	1,857	1,146	882	1,416	1,317	1,154	1,458
Traffic violations	2,388	2,359	2,483	3,529	3,019	2,823	3,416	2,998	2,442	2,039
Fire										
Fire calls	na	na	236	150	156	181	120	131	129	313
Emergency calls	na	na	132	1,154	1,335	1,231	1,355	1,255	854	571
Other calls	na	na	326	620	753	811	716	604	752	898
Other public works										
Street resurfacing (tons of asphalt)	14,132	9,101	6,239	3,973	4,674	5,491	3,289	5,041	1,840	2,533
Airport (gallons sold)	135,265	149,346	149,300	156,658	184,084	181,848	205,904	222,403	180,055	177,407
Parks and recreation										
Aquatic center (attendance)	na	na	na	24,703	28,473	28,420	29,790	29,646	27,974	30,661
Golf course (rounds of golf)	na	na	na	na	12,867	10,516	9,459	10,592	9,653	9,911
Memorial auditorium (events)	na	na	429	359	440	308	288	392	261	247
Water										
Average daily consumption (gallons)	2,728,967	2,879,748	2,661,753	2,477,992	2,512,452	2,564,255	2,494,501	2,460,721	2,247,419	2,349,718
Peak daily consumption (gallons)	4,998,000	5,599,000	5,348,000	3,962,000	4,962,000	4,900,000	4,552,000	4,738,000	3,733,000	5,444,000
Wastewater										
Average daily sewage treatment (gallons)	5,816,438	5,683,561	5,871,506	4,037,808	3,664,657	2,396,986	4,470,895	3,691,753	3,362,808	2,985,439

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	145	145	145	145	141	141.5	141.5	141.5	141.5
Streetslights	1,986	2,067	2,082	2,089	2,102	2,108	2,115	2,096	2,095	2,095
Traffic Signals	39	39	39	39	39	39	38	38	39	39
Parks and recreation										
Public parks	9	9	9	9	9	9	10	10	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	165	165.5	165.5	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	126	127	127	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	23,040,000	23,040,000	23,040,000
Stormwater										
Storm sewers (miles)	na	na	na	na	na	18	18.5	19.0	19.0	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, 2010

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	\$ 56,292
U.S. Department of Housing and Urban Development: Section 8 Housing Cluster: Section 8 Housing Choice Vouchers	14.871	1,371,807
Passed through Kansas Housing Resources Corporation: Emergency Shelter Grant	14.231	80,171
HOME Investment Partnerships Program	14.239	17,112
Total U.S. Department of Housing and Urban Development		1,469,090
Environmental Protection Agency: Passed through Kansas Department of Health and Environment: ARRA - Capitalization Grants for Clean Water State Revolving Funds, Federal Award No. 2W-97705301	ARRA - 66.458	2,377,208
ARRA - Capitalization Grants for Drinking Water State Revolving Funds, Federal Award No. 2F-97705401	ARRA - 66.468	2,133,108
Total Environmental Protection Agency		4,510,316
U.S. Department of Transportation: Airport Improvement Program	20.106	99,445
Passed through Kansas Department of Transportation: State and Community Highway Safety	20.600	2,838
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	3,695
National Highway Transportation Safety Administration Discretionary Safety Grants	20.614	2,071
Total U.S. Department of Transportation		108,049
U.S. Department of Justice: Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.738	18,368
ARRA - Public Safety Partnership and Community Policing Grants	ARRA - 16.710	36,759
Total U.S. Department of Justice		55,127
Department of Homeland Security-Federal Emergency Management Agency: Passed through Kansas Highway Patrol: Assistance to Firefighters Grant	97.044	168,750
National Endowment for the Arts Passed through Kansas Arts Commission: Promotion of the Arts Partnership Agreements	45.025	5,446
Total expenditures of federal awards		\$ 6,373,070

See accompanying notes to schedule of
expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2010

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). 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, 2010

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Noncompliance material to financial statements:	None

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	2010-1
Type of auditor’s 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:	2010-1

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
ARRA - 66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds
ARRA - 66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds

CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Auditee qualified as a low-risk auditee: Yes

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2010-1 – Significant Deficiency

Federal Program – Environmental Protection Agency: Passed through Kansas Department of Health and Environment Capitalization Grants for Clean Water State Revolving Funds, Federal Award No. 2W-97705301, (CFDA 66.458) and Capitalization Grants for Drinking Water State Revolving Funds, Federal Award No. 2F-97705401, (CFDA 66.468)

Condition – The City did not verify whether the entities with which it entered into covered transactions were suspended, debarred or otherwise excluded.

Criteria – For contracts funded by Federal grants, the City is required to check the Excluded Parties List System or have a certification signed by all parties with whom the City contracts if the goods or services are expected to equal or exceed \$ 25,000.

Cause – The City was unaware of the extent this requirement.

Effect – The City could enter into a contract with a suspended or debarred party.

Questioned Costs – Unknown.

Recommendation – The City should implement procedures that would verify that entities with whom it contracts with for equal to or greater than \$ 25,000 are not suspended or debarred.

Management's Response/Corrective Action Plan (Unaudited) – The City did check all current contractors and subcontractors after becoming aware of this requirement and found no suspensions or debarments. In the future the City will check all contractors and subcontractors for suspensions or debarments in advance of awarding bids.

CITY OF PITTSBURG, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2010

None.



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

**INDEPENDENT AUDITOR'S 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

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

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

Berberich Trahan & Co., P.A.

May 5, 2011



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

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Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

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 these specified parties.

Berberich Trahan & Co., P.A.

May 5, 2011