

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

CITY OF PITTSBURG, KANSAS

For the Fiscal Year Ended
December 31, 2012

Prepared by:
DEPARTMENT OF FINANCE
City of Pittsburg, Kansas

CITY OF PITTSBURG, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2012

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INTRODUCTORY SECTION



FINANCE AND ADMINISTRATION

(620) 231-4100

201 West 4th Street · Pittsburg KS
66762

www.pittks.org

May 7, 2013

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, 2012. The report was prepared by the City's Department of Finance. 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, 2012. 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. 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, medical, manufacturing and retail. For a list of major employers, refer to page 99 in the statistical section. The area is also served by several financial institutions and insurance companies. Pittsburg State University is the area's major economic presence with a current enrollment of approximately 7,300 students.

Comparing tax receipts to the prior fiscal year (after factoring out the special street sales tax portion), retail sales tax receipts increased by 4.20%, property tax receipts decreased by 0.09% and franchise tax receipts decreased by 3.20%. The 2011 property valuation assessments to support the 2012 budget decreased by 4.15% due to various property tax exemptions and no new growth in valuation.

The Pittsburg micro-area (Crawford County) unemployment rate decreased from 6.8 percent in December 2011 to 5.5 percent in December 2012. 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 five 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 projected funding sources for these future 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, and federal and state grant awards.

Major initiatives for the year. With little economic growth expected, the City's management continued to be proactive in 2012, forecasting 3% growth in sales tax revenues and flat growth from other tax revenues. The City continued to trim expenditures where possible. The 2012 mill levy rate was kept approximately the same as 2011 even though the City's assessed valuation declined. Utility rates were raised to build reserves to pay for future public utility debt.

The one quarter percent sales tax for street improvements was utilized to mill and resurface Centennial from Knollview to Rouse, resurface several southeast quadrant residential streets, resurface North Georgia from 4th to Jefferson, and resurface North Walnut from 5th to 20th streets.

The City continued with construction of the water treatment plant improvements. As of this report date, the project is approximately 99% complete. This project is being funded with a low interest rate Kansas Department of Health & Environment (KDHE) loan and federal stimulus funding.

Completed major water line projects for the year were the Turner Addition water main replacement and the new Lonestar Road water main. Completed major sanitary sewer projects for the year were the manhole rehab 2011 project and the sanitary sewer inliner project. Completed major stormwater project for the year was the East 7th Street storm sewer. These projects were funded with KDHE loan funds, bond anticipation notes and public utility operating funds.

Major initiatives for the future. During the 2013 budgeting process, steps were taken to set the budget based upon projected flat growth in tax revenues and little to no increase in expenditures. City staffing is expected to remain at the 2012 level except for public safety with plans to add more police officers in the future.

The projected bid date for the resurfacing of south Broadway from 2nd Street to Quincy Avenue is August 2013. The estimated cost is approximately \$550,000. Expected funding sources are a Kansas Department of Transportation (KDOT) grant and general obligation bonds.

The projected bid date for the upcoming 20th Street and Broadway intersection improvements project is late 2013. The estimated cost of this project is approximately \$2 million. Expected funding sources are a KDOT grant and general obligation bonds.

The projected bid date for the upcoming Centennial and Broadway intersection improvements project is late 2013. The estimated cost of this project is approximately \$1.1 million. Expected funding sources are a KDOT grant, economic development revolving loan funds and general obligation bonds.

Due to economic constraints the scope of the Quincy Avenue improvements project was changed to only go from Broadway to the Joplin Street intersection. The project is expected to be bid in early 2015. The estimated cost of this project is approximately \$3.2 million. Expected funding sources are a KDOT grant and general obligation bonds.

Resurfacing of North Broadway from 11th to 19th streets is projected for the summer of 2015. Expected funding sources are a KDOT grant and City street sales tax funds.

The City along with business, education and community leaders identified a need for a citizen driven visioning effort to strategically address the community's opportunities and challenges through the year 2030. Specific areas of focus will be housing, economic development, infrastructure and public wellness.

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, 2011. This was the sixteenth 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. 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,

A handwritten signature in black ink that reads "Daron Hall". The signature is fluid and cursive, with the first name "Daron" and last name "Hall" clearly distinguishable.

Daron Hall
City Manager

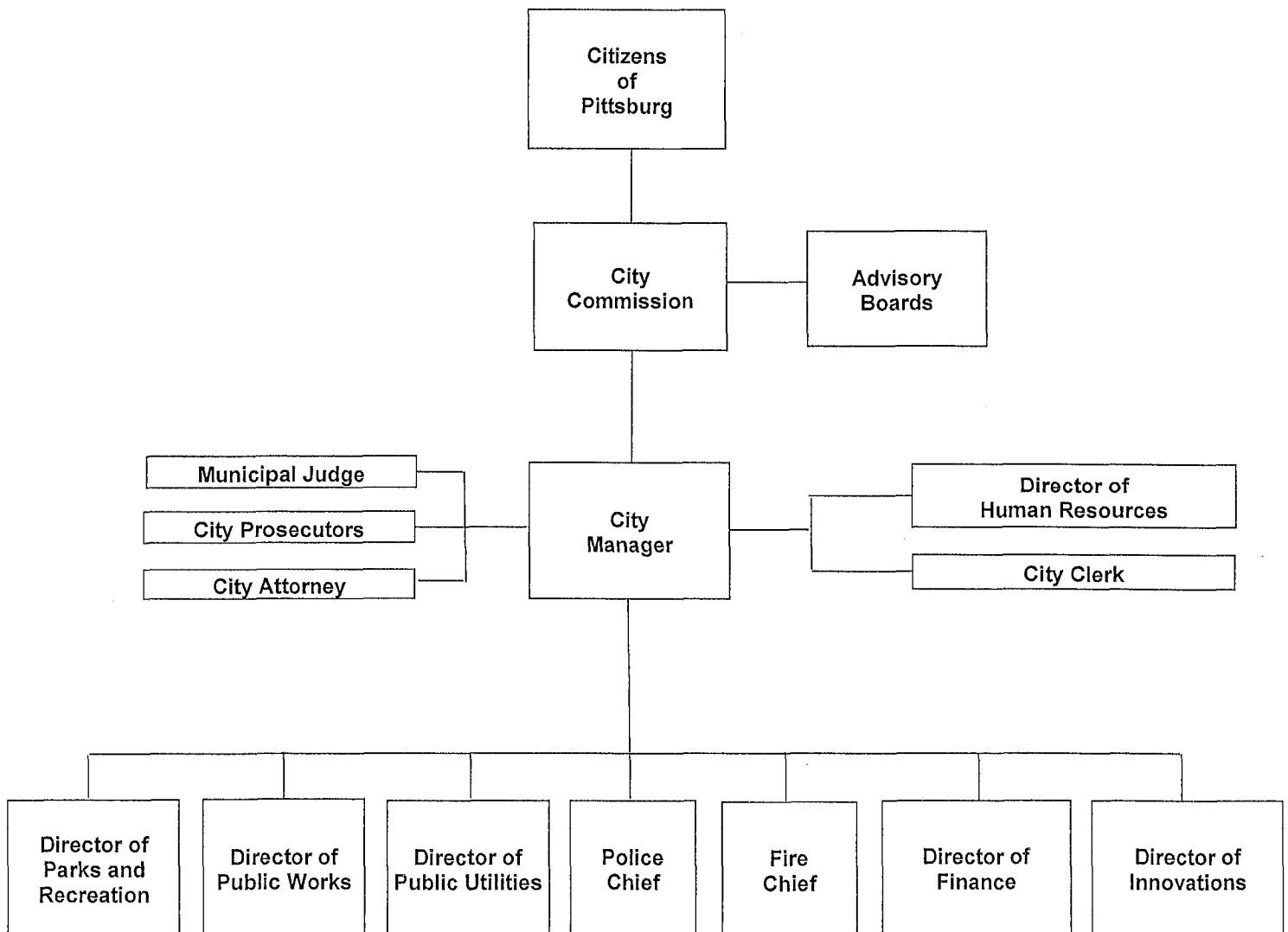
A handwritten signature in blue ink that reads "Jamie Clarkson". The signature is fluid and cursive, with the first name "Jamie" and last name "Clarkson" clearly distinguishable.

Jamie Clarkson
Director of Finance

CITY OF PITTSBURG, KANSAS
LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2012

<u>TITLE</u>	<u>NAME</u>
ELECTED:	
Mayor	John Ketterman
President of the Board	Michael Gray
Commissioner	Marty Beezley
Commissioner	Rudy Draper
Commissioner	Patrick O'Bryan
APPOINTED:	
City Manager	Daron Hall
City Attorney	Henry Menghini
City Clerk	Tammy Nagel
Director of Human Resources	Megan Fry
Director of Innovations	Jay Byers
Director of Parks & Recreation	Kim Vogel
Director of Public Utilities	John Bailey
Director of Public Works	Bill Beasley
Interim Director of Finance	Jamie Clarkson
Interim Fire Chief	Mike Simons
Police Chief	Mendy Hulvey

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, 2011

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.



Christopher P. Morinell

President

Jeffrey R. Enner

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:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 16 and the Schedule of Funding Progress on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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*, and the introductory and statistical sections 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Berberich Trahan & Co., P.A.

May 7, 2013
Topeka, Kansas

Management's Discussion and Analysis

As management of the City of Pittsburgh (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-V of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2012 by \$69,991,577. Of this amount, \$16,514,925 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,897,513 compared to the prior fiscal year.
- At the close of 2012, the City's general fund reports an ending fund balance of \$4,475,706 which is a decrease of \$55,060 compared with the prior fiscal year.
- The City's total debt decreased by \$1,331,229 (3.33%) during 2012.

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 City implemented Governmental Accounting Standards Board (GASB) statement number 63 for fiscal year ending December 31, 2012. The objective of GASB 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and their effects on a government's net position.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 eleven 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, capital projects, 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 34-73 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 75-81 of this report.

Government-wide Financial Analysis

Net Position

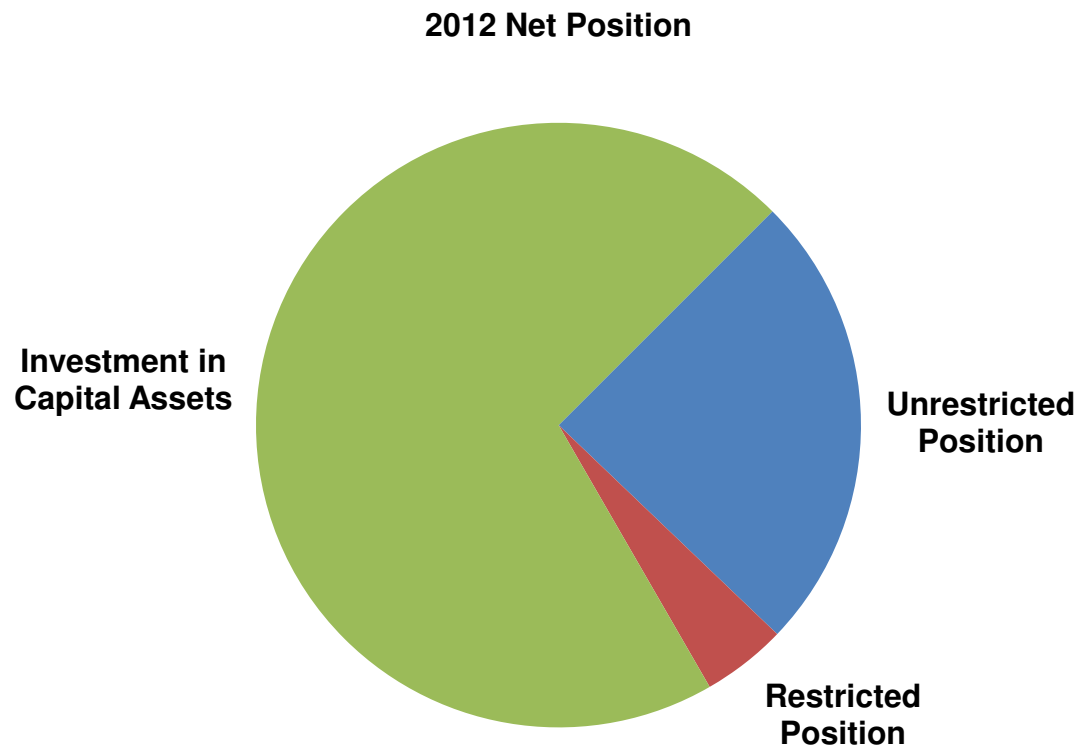
City of Pittsburgh's Net Position

	2011	2012	2011	2012	2011	2012
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
Current and other assets	\$ 22,342,226	\$ 22,660,964	\$ 5,736,756	\$ 4,835,601	\$ 28,078,982	\$ 27,496,565
Capital assets	<u>45,865,649</u>	<u>45,296,100</u>	<u>43,491,255</u>	<u>45,771,941</u>	<u>89,356,904</u>	<u>91,068,041</u>
Total assets	<u>68,207,875</u>	<u>67,957,064</u>	<u>49,228,011</u>	<u>50,607,542</u>	<u>117,435,886</u>	<u>118,564,606</u>
Long-term liabilities outstanding	25,524,374	25,025,280	15,671,510	16,747,899	41,195,884	41,773,159
Other liabilities	<u>7,026,987</u>	<u>5,868,494</u>	<u>1,118,957</u>	<u>931,382</u>	<u>8,145,944</u>	<u>6,799,876</u>
Total liabilities	<u>32,551,361</u>	<u>30,893,774</u>	<u>16,790,467</u>	<u>17,679,261</u>	<u>49,341,828</u>	<u>48,573,035</u>
Net position:						
Net investment in capital assets	20,114,287	21,432,517	28,121,473	29,302,925	48,235,760	50,735,442
Restricted	3,094,841	2,741,204	-	-	3,094,841	2,741,204
Unrestricted	<u>12,447,386</u>	<u>12,889,569</u>	<u>4,316,071</u>	<u>3,625,356</u>	<u>16,763,457</u>	<u>16,514,925</u>
Total net position	<u>\$ 35,656,514</u>	<u>\$ 37,063,290</u>	<u>\$ 32,437,544</u>	<u>\$ 32,928,281</u>	<u>\$ 68,094,058</u>	<u>\$ 69,991,571</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$69,991,571 at the close of the 2012 fiscal year. By far the largest portion of the City's net position (72.49%) 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 (3.92%) of the City's net position represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position 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 position.



Governmental Activities

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

City of Pittsburgh's Changes in Net Position

	2011	2012	2011	2012	2011	2012
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
Revenues:						
Program revenues						
Charges for services	\$ 3,059,535	\$ 3,275,878	\$ 8,188,301	\$ 8,472,049	\$ 11,247,836	\$ 11,747,927
Operating grants and contributions	2,588,253	2,543,607	54,903	-	2,643,156	2,543,607
Capital grants and contributions	797,414	152,815	1,217,250	-	2,014,664	152,815
General revenues:						
Taxes	13,456,448	13,876,293	-	-	13,456,448	13,876,293
Other	21,488	15,791	3,399	1,990	24,887	17,781
Total revenues	<u>19,923,138</u>	<u>19,864,384</u>	<u>9,463,853</u>	<u>8,474,039</u>	<u>29,386,991</u>	<u>28,338,423</u>
Expenses:						
General government	3,032,941	3,491,546	-	-	3,032,941	3,491,546
Public safety	6,299,446	6,667,942	-	-	6,299,446	6,667,942
Public works	3,744,665	3,655,973	-	-	3,744,665	3,655,973
Sanitation and health	159,171	170,180	-	-	159,171	170,180
Culture and recreation	2,197,692	2,084,676	-	-	2,197,692	2,084,676
Industrial promotion	675,027	615,680	-	-	675,027	615,680
Economic development	36,187	36,187	-	-	36,187	36,187
Social welfare	1,661,078	1,506,020	-	-	1,661,078	1,506,020
Interest on long term debt	1,172,414	1,245,026	-	-	1,172,414	1,245,026
Water/wastewater utility	-	-	5,863,122	6,288,781	5,863,122	6,288,781
Stormwater utility	-	-	817,326	678,899	817,326	678,899
Total expenses	<u>18,978,621</u>	<u>19,473,230</u>	<u>6,680,448</u>	<u>6,967,680</u>	<u>25,659,069</u>	<u>26,440,910</u>
Increase (decrease) in net position before transfers	944,517	391,154	2,783,405	1,506,359	3,727,922	1,897,513
Transfers	<u>463,363</u>	<u>1,015,622</u>	<u>(463,363)</u>	<u>(1,015,622)</u>	-	-
Increase(decrease) in net position	1,407,880	1,406,776	2,320,042	490,737	3,727,922	1,897,513
Net position, beginning	<u>34,248,634</u>	<u>35,656,514</u>	<u>30,117,502</u>	<u>32,437,544</u>	<u>64,366,136</u>	<u>68,094,058</u>
Net position, ending	<u>\$ 35,656,514</u>	<u>\$ 37,063,290</u>	<u>\$ 32,437,544</u>	<u>\$ 32,928,281</u>	<u>\$ 68,094,058</u>	<u>\$ 69,991,571</u>

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

Governmental activities comprised 69.46% of the total revenues generated by the City and 73.65% of the City's expenses. Compared to 2011, governmental activities charges for services increased \$216,827 (7.09%) and business-type activities charges for services increased \$283,748 (3.47%).

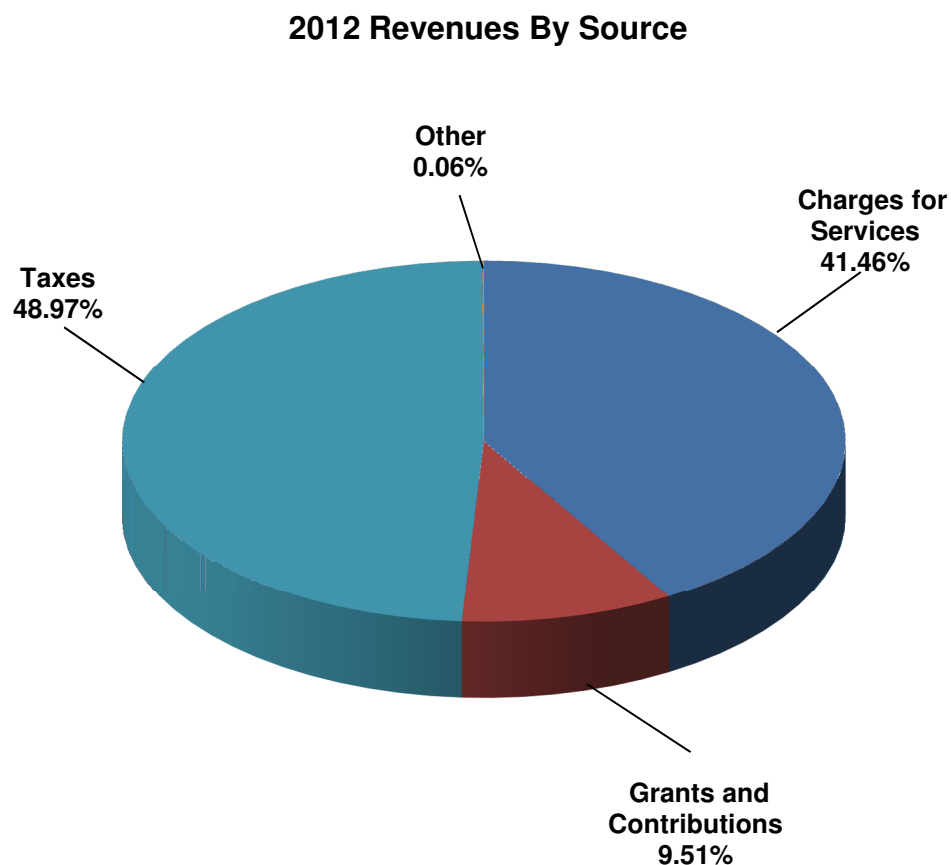
The increase in governmental activity charges for services can be attributed to increased municipal court fines and fees and increased airport jet fuel sales. The increase in business type activity charges for services can be attributed to a planned annual utility rate increase in 2012. This planned rate increase is used to build up reserves to pay for the water treatment plant improvements project future debt.

Capital grants and contributions decreased by \$1,861,849 in 2012 compared to 2011. The bulk of this decrease was due to Federal Emergency Management Agency (FEMA) providing funds for a ladder fire truck in 2011 and the American Recovery and Reinvestment Act (ARRA) providing loan forgiveness of \$1,217,250 in 2011 towards the water treatment plant improvements project debt.

Comparing 2012 to 2011, governmental expense increased mainly due to increased health claims expense as the City is self-insured.

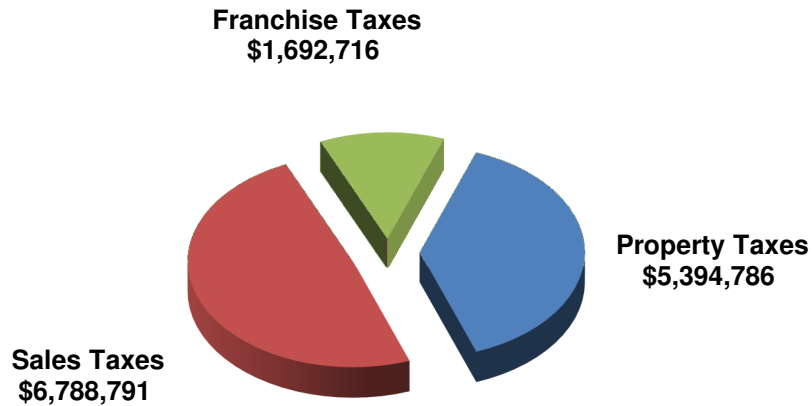
The business-type activities, while comprising the smaller percentages of revenues and expenses of the City, showed an increase of \$1,506,359 in net position, before transfers. Overall the business-type net position recorded an increase of \$490,737 in 2012. This gain can mainly be attributed to an increase in utility rates.

The following pie chart shows the composition of the 2012 primary government revenues.



The components of the City's taxes are sales tax, property tax and franchise tax. As can be seen by the following chart, sales taxes comprised the largest portion of tax revenues for 2012. As mentioned in the transmittal letter, sales tax revenue increased by 4.20% compared to 2011. Property tax revenue was relatively flat with a slight decline compared to 2011 due to declining assessed valuation and little change in the mill levy. This is the third straight fiscal year with a decline in property tax revenues. Franchise tax revenue decreased by 3.20%. The pie chart below depicts the City's tax revenues by source.

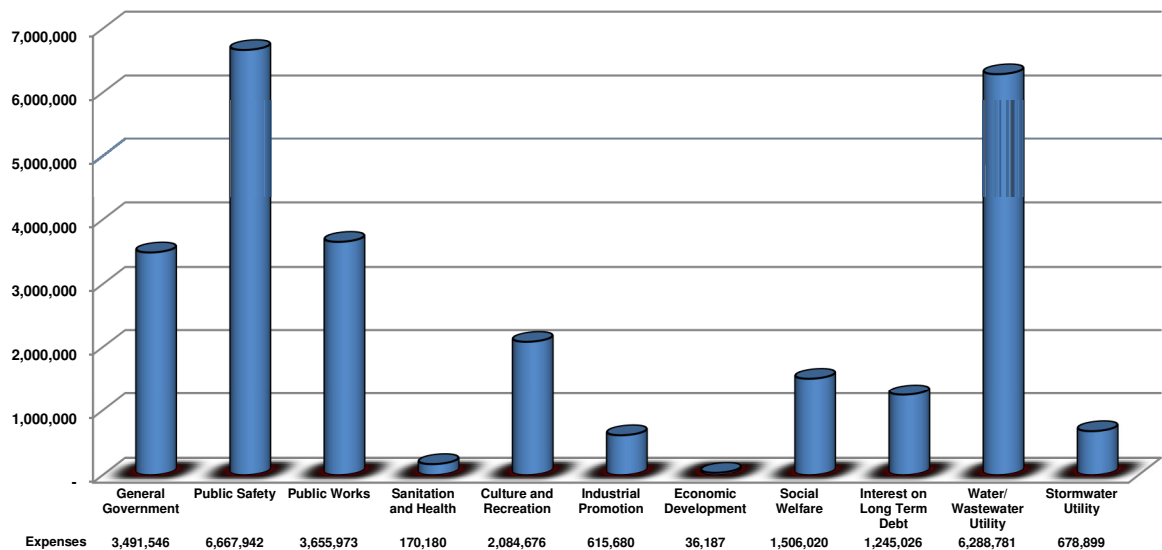
2012 Taxes by Type



■ Property Taxes 38.88%	■ Sales Taxes 48.92%	■ Franchise Taxes 12.19%
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The following bar graph shows the composition of the 2012 primary government expenses.

2012 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 76.03% of the total cost of City services for 2012. The total cost of services of the City's primary government for 2012 was \$26,440,910. This represents an increase of \$781,841 compared to 2011. The portion of these services paid by the City's taxpayers was \$13,876,293. For 2012 the cost of service categories with the largest increase in expenses compared to 2011 are general government, public safety, and the water/wastewater utility.

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

City of Pittsburg's Mill Levy Rates

	2010 Levy to support <u>2011 Budget</u>	2011 Levy To support <u>2012 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
General Fund	\$ 30.907	\$ 30.956	\$ 0.049	0.158 %
Debt Service Fund	8.998	9.015	0.017	0.189 %
Component Unit	<u>5.554</u>	<u>5.645</u>	<u>0.091</u>	1.638 %
Total Mill Levy	<u>\$ 45.459</u>	<u>\$ 45.616</u>	<u>\$ 0.157</u>	0.345 %

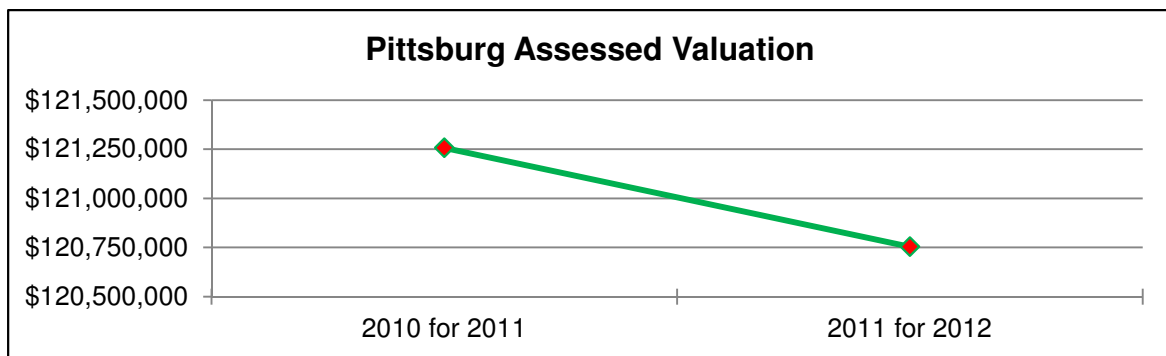
The City's mill rate increased very little due to City's management desire to keep the overall mill levy rate approximately the same as the prior fiscal year.

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

City of Pittsburg's Assessed Valuation

	2010 Valuation To support <u>2011 Budget</u>	2011 Valuation To support <u>2012 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
Real Property	\$108,516,746	\$109,001,659	\$ 484,913	.45 %
Personal Property	7,076,805	5,865,032	(1,211,773)	(17.12) %
State Assessed	<u>5,663,533</u>	<u>5,728,538</u>	<u>65,005</u>	1.15 %
Total	<u>\$121,257,084</u>	<u>\$120,595,229</u>	<u>\$ (661,855)</u>	(.55) %

The change in assessed valuation reflects no overall increase in property values and various tax exemptions granted by the state and changes in state law regarding machinery and equipment.



Analysis of the Fund Financial Statements

Governmental Funds

The City's governmental funds ending fund balances increased by a total of \$1,541,846 from the prior year, while the general fund decreased by \$55,060. The general fund decrease in 2012 is mainly due to increased health claims expense. After factoring out the special street sales tax that took effect July 1, 2011, the City had an increase in sales tax collections of 4.20% in 2012 compared to 2011. Franchise tax revenues decreased by 2.21% in 2012.

Compared to 2011 the total governmental fund revenues before transfers decreased \$53,540 and the total governmental fund expenditures before transfers increased \$434,828. The decrease in revenue can mainly be attributed to decreased intergovernmental revenue in the capital projects fund. The increase in expenditures is largely due to increased revolving loans capital outlay and increased health insurance claims expense in 2012. General fund revenues were up 3.43% and general fund expenditures were up 7.33% compared to 2011.

The capital projects fund balance recorded an increase of \$1,520,289 which is due to 2012 bond and note proceeds.

Proprietary Funds

The water and wastewater utility fund had a marginal increase of \$41,803 in cash and cash equivalents for 2012. There was a decrease of \$511,480 in current assets and a decrease in current liabilities of \$123,992 compared to 2011. These changes can be attributed to investment in capital assets.

The stormwater utility fund had a decrease of \$381,661 in cash and cash equivalents for 2012. This represents a decrease of 41.75% from fiscal year 2011; again these changes can be attributed to investment in capital assets.

The combined utility operating income increased by \$46,028 in 2012 which reflects a percentage increase of 2.30%. For 2012 operating revenue increased by \$283,748 while operating expense increased by \$237,720.

Utility projects substantially completed during 2012 are the water treatment plant improvements, the sanitary manhole rehab, various sanitary sewer line improvements and the East 7th stormwater improvements.

General Fund Budgetary Highlights

The legally adopted budget for the Special Alcohol and Drug Fund was amended by the City Commission during 2012. For the General Fund, 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 over budget due to higher than expected sales tax collections.
Charges for services	Charges for services are over budget due to increased fuel sales at the airport.
General government	The general government department is under budget due lower than expected health claims expense.
Public safety	Public safety sales tax reserve is under budget due no expense being incurred against the public safety sales tax reserve.
Public works	Atkinson Airport is over budget due to the fact that the airport had higher than expected fuel sales and increased fuel for resale costs.
Culture & recreation	The JC ballpark reserve is under budget due to marginal expense being incurred. The auditorium department is under budget due to lower than expected expense being incurred.
Transfers in	Transfers in are over budget due to transferring additional funds from the water/wastewater utility fund to the general fund.

Capital Asset and Debt Administration

Capital Assets

The total net investment in capital assets for the primary government at December 31, 2012 was \$91,068,041, net of accumulated depreciation. The net capital assets increased by 1.91% from the 2011 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 water treatment plant improvements construction, the manhole rehabilitation project, water well #8 improvements, the water meter radio read upgrades and various sanitary sewer line improvements.

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

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

	Governmental Activities		Business-Type Activities	
	2011	2012	2011	2012
Land	\$ 3,566,486	\$ 3,566,486	\$ 582,812	\$ 582,812
Buildings and improvements	24,001,904	23,703,121	12,430,375	20,563,806
Machinery and equipment	3,843,461	3,507,100	1,375,479	1,337,132
Infrastructure	13,840,099	14,109,689	21,615,943	22,853,801
Construction in progress	<u>613,699</u>	<u>409,704</u>	<u>7,486,646</u>	<u>434,390</u>
Total	<u>\$ 45,865,649</u>	<u>\$ 45,296,100</u>	<u>\$ 43,491,255</u>	<u>\$ 45,771,941</u>

For additional information on capital assets, please refer to note 8 in the notes to the basic financial statements on page 54.

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	
	2011	2012	2011	2012
General Obligation Bonds	\$16,579,281	\$15,164,578	\$ 2,595,719	\$ 2,015,422
K.D.H.E. Construction Loans	-	-	12,774,063	14,048,337
Custom Energy Note Payable	1,497,969	1,393,644	-	-
Bond Anticipation Notes Payable	-	1,144,743	-	405,257
Tax Increment Bonds (TIF)	5,265,000	5,010,000	-	-
Transportation Development District Bonds (TDD)	<u>1,275,000</u>	<u>1,235,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$24,617,250</u>	<u>\$23,947,965</u>	<u>\$ 15,369,782</u>	<u>\$16,469,016</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, 2012, totaled \$17,180,000; of this \$15,164,578 is considered direct tax supported debt. This direct tax supported outstanding general obligation bond balance represents an 8.53% decrease from the 2011 balance. New direct tax supported general obligation bond debt of \$855,000 was issued in 2012 while \$2,269,703 was retired in 2012.

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 \$40,575,801 which is significantly higher than the general obligation bond outstanding debt.

Business-type activity bonded debt decreased by 22.36% from 2011. No new business-type activity bonded debt was issued in 2012 while \$580,297 was retired in 2012. The City's water/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 2012 the City incurred \$1,973,156 in new loan proceeds and repaid \$698,882 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 58.

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 or the Assistant Director of Finance, 201 W. 4th Street, Pittsburg, KS 66762.

**BASIC
FINANCIAL STATEMENTS**

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			Component Unit
	Governmental	Business-type		Public
	Activities	Activities	Total	Library
Assets:				
Cash and cash equivalents	\$ 12,842,464	\$ 3,279,986	\$ 16,122,450	\$ 386,154
Restricted cash	-	209,365	209,365	-
Receivables, net of allowance for uncollectibles:				
Taxes	6,275,159	-	6,275,159	665,625
Accounts	118,274	853,900	972,174	-
Intergovernmental	165,227	-	165,227	-
Other	-	218,785	218,785	-
Restricted investments	321,126	-	321,126	-
Leases receivable	803,293	-	803,293	-
Loans receivable	1,637,282	-	1,637,282	-
Deferred charges	395,245	21,652	416,897	-
Inventories	71,674	239,717	311,391	-
Prepaid items	31,220	12,196	43,416	2,892
Capital assets, net of accumulated depreciation:				
Land	3,566,486	582,812	4,149,298	215,415
Construction in progress	409,704	434,390	844,094	-
Buildings and improvements	23,703,121	20,563,806	44,266,927	2,504,333
Machinery and equipment	3,507,100	1,337,132	4,844,232	61,449
Infrastructure	14,109,689	22,853,801	36,963,490	-
Total assets	67,957,064	50,607,542	118,564,606	3,835,868
Liabilities:				
Accounts payable and other current liabilities	907,467	545,389	1,452,856	33,096
Accrued interest payable	261,070	176,628	437,698	-
Unearned revenue	4,699,957	-	4,699,957	665,625
Liabilities payable from restricted cash	-	209,365	209,365	-
Noncurrent liabilities:				
Due within one year	3,438,773	911,634	4,350,407	8,445
Due in more than one year	21,586,507	15,836,245	37,422,752	21,942
Total liabilities	30,893,774	17,679,261	48,573,035	729,108
Net position:				
Net investment in capital assets	21,432,517	29,302,925	50,735,442	2,781,197
Restricted for:				
Debt service	1,382,253	-	1,382,253	-
Housing	1,077,280	-	1,077,280	-
Street and highway	58,006	-	58,006	-
Other purposes	223,665	-	223,665	2,892
Unrestricted	12,889,569	3,625,356	16,514,925	322,671
Total net position	\$ 37,063,290	\$ 32,928,281	\$ 69,991,571	\$ 3,106,760

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Unit
								Public Library
Primary government:								
Governmental activities:								
General government	\$ 3,491,546	\$ 1,310,417	\$ 77,786	\$ -	\$ (2,103,343)	\$ -	\$ (2,103,343)	\$ -
Public safety - police	3,591,609	-	215,893	-	(3,375,716)	-	(3,375,716)	-
Public safety - fire	2,508,893	-	-	-	(2,508,893)	-	(2,508,893)	-
Public safety - other	567,440	3,068	-	-	(564,372)	-	(564,372)	-
Public works	3,655,973	989,594	678,551	146,715	(1,841,113)	-	(1,841,113)	-
Sanitation and health	170,180	21,850	75,548	6,100	(66,682)	-	(66,682)	-
Culture and recreation	2,084,676	565,717	86,554	-	(1,432,405)	-	(1,432,405)	-
Industrial promotion	615,680	380,974	-	-	(234,706)	-	(234,706)	-
Economic development	36,187	-	-	-	(36,187)	-	(36,187)	-
Social welfare	1,506,020	4,258	1,409,275	-	(92,487)	-	(92,487)	-
Interest on long-term debt	1,245,026	-	-	-	(1,245,026)	-	(1,245,026)	-
Total governmental activities	19,473,230	3,275,878	2,543,607	152,815	(13,500,930)	-	(13,500,930)	-
Business-type activities:								
Water/wastewater	6,288,781	7,697,439	-	-	-	1,408,658	1,408,658	-
Stormwater	678,899	774,610	-	-	-	95,711	95,711	-
Total business-type activities	6,967,680	8,472,049	-	-	-	1,504,369	1,504,369	-
Total primary government	\$ 26,440,910	\$ 11,747,927	\$ 2,543,607	\$ 152,815	(13,500,930)	1,504,369	(11,996,561)	-
Component unit:								
Public library	\$ 893,773	\$ 17,138	\$ 95,870	\$ -	-	-	-	(780,765)
General revenues:								
Property taxes					5,394,786	-	5,394,786	735,255
Sales taxes					6,788,791	-	6,788,791	-
Franchise taxes					1,692,716	-	1,692,716	-
Unrestricted investment earnings					15,791	1,990	17,781	294
Transfers					1,015,622	(1,015,622)	-	-
Total general revenues and transfers					14,907,706	(1,013,632)	13,894,074	735,549
Change in net position					1,406,776	490,737	1,897,513	(45,216)
Net position, beginning					35,656,514	32,437,544	68,094,058	3,151,976
Net position, ending					\$ 37,063,290	\$ 32,928,281	\$ 69,991,571	\$ 3,106,760

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2012

	General	Revolving Loans
Assets:		
Cash and cash equivalents	\$ 3,993,419	\$ 5,153,037
Receivables (net of allowance for uncollectibles):		
Taxes	4,767,535	149,837
Accounts	71,045	9,231
Intergovernmental	16,769	-
Restricted investments	-	-
Leases receivable	-	803,293
Loans receivable	-	1,420,761
Inventories	71,674	-
Prepaid items	26,715	1,357
Total assets	<u>\$ 8,947,157</u>	<u>\$ 7,537,516</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 147,261	\$ 54,102
Accrued payroll	288,193	3,485
Accrued self-insurance claims	130,000	-
Other	146,739	-
Deferred revenue	3,759,258	637,750
Total liabilities	<u>4,471,451</u>	<u>695,337</u>
Fund balances:		
Nonspendable:		
Not in spendable form	98,389	1,357
Restricted:		
Debt service	-	-
Capital projects	-	-
Housing	-	-
Street and Highway	-	-
Other	-	-
Assigned	95,929	6,840,822
Unassigned	4,281,388	-
Total fund balances	<u>4,475,706</u>	<u>6,842,179</u>
Total liabilities and fund balances	<u>\$ 8,947,157</u>	<u>\$ 7,537,516</u>

See accompanying notes to basic financial statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 1,211,202	\$ 1,067,000	\$ 1,417,806	\$ 12,842,464
-	1,195,896	161,891	6,275,159
-	-	37,998	118,274
-	-	148,458	165,227
-	321,126	-	321,126
-	-	-	803,293
-	-	216,521	1,637,282
-	-	-	71,674
-	-	3,148	31,220
<u>\$ 1,211,202</u>	<u>\$ 2,584,022</u>	<u>\$ 1,985,822</u>	<u>\$ 22,265,719</u>
\$ 44,197	\$ -	\$ 70,319	\$ 315,879
-	-	23,171	314,849
-	-	-	130,000
-	-	-	146,739
-	1,135,813	-	5,532,821
<u>44,197</u>	<u>1,135,813</u>	<u>93,490</u>	<u>6,440,288</u>
-	-	3,148	102,894
-	1,448,209	-	1,448,209
1,156,005	-	-	1,156,005
-	-	1,077,280	1,077,280
-	-	86,590	86,590
-	-	73,461	73,461
11,000	-	651,853	7,599,604
-	-	-	4,281,388
<u>1,167,005</u>	<u>1,448,209</u>	<u>1,892,332</u>	<u>15,825,431</u>
<u>\$ 1,211,202</u>	<u>\$ 2,584,022</u>	<u>\$ 1,985,822</u>	<u>\$ 22,265,719</u>

CITY OF PITTSBURG, KANSAS

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

December 31, 2012

Total fund balance in Governmental Fund Balance Sheet	\$ 15,825,431
Amounts reported for governmental activities in the statement of net position different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	45,296,100
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	832,864
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.	(555,602)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(24,335,503)</u>
Net position of governmental activities	<u><u>\$ 37,063,290</u></u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended December 31, 2012

	General	Revolving Loans
Revenues:		
Taxes:		
Property	\$ 4,041,193	\$ -
Sales	4,658,968	844,432
Franchise	1,692,716	-
Licenses and permits	193,797	-
Intergovernmental	297,340	-
Charges for services	2,064,698	-
Fines and fees	477,897	-
Special assessments	-	-
Investment earnings	3,775	9,959
Lease income	-	473,120
Miscellaneous	95,219	42,201
Total revenues	<u>13,525,603</u>	<u>1,369,712</u>
Expenditures:		
Current:		
General government	3,252,217	-
Public safety - police	3,187,410	-
Public safety - fire	2,287,487	-
Public safety - other	556,296	-
Public works	1,073,288	-
Sanitation and health	81,422	-
Culture and recreation	1,682,095	-
Industrial promotion	-	628,199
Social welfare	-	-
Debt service:		
Principal	-	-
Interest	-	-
Debt issuance costs	-	-
Capital outlay	290,808	693,275
Total expenditures	<u>12,411,023</u>	<u>1,321,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,114,580</u>	<u>48,238</u>
Other financing sources (uses):		
General obligation bonds issued	-	-
Bond anticipation note issued	-	-
Transfers in	971,375	10,874
Transfers out	(2,141,015)	(3,991)
Total other financing sources (uses)	<u>(1,169,640)</u>	<u>6,883</u>
Net change in fund balances	(55,060)	55,121
Fund balances, beginning	<u>4,530,766</u>	<u>6,787,058</u>
Fund balances, ending	<u>\$ 4,475,706</u>	<u>\$ 6,842,179</u>

See accompanying notes to basic financial statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,353,593	\$ -	\$ 5,394,786
-	368,228	917,163	6,788,791
-	-	-	1,692,716
-	-	-	193,797
78,707	-	2,264,414	2,640,461
-	-	-	2,064,698
-	-	-	477,897
-	65,723	-	65,723
969	(3,806)	4,894	15,791
-	-	-	473,120
65,954	6,451	14,208	224,033
145,630	1,790,189	3,200,679	20,031,813
-	-	-	3,252,217
-	-	-	3,187,410
-	-	-	2,287,487
-	-	-	556,296
410	-	1,420,947	2,494,645
-	-	78,873	160,295
-	-	-	1,682,095
-	-	-	628,199
-	-	1,464,910	1,464,910
-	2,669,028	-	2,669,028
163,640	991,182	-	1,154,822
46,089	-	-	46,089
401,433	-	536,323	1,921,839
611,572	3,660,210	3,501,053	21,505,332
(465,942)	(1,870,021)	(300,374)	(1,473,519)
855,000	-	-	855,000
1,144,743	-	-	1,144,743
2,143	1,846,174	454,396	3,284,962
(15,655)	-	(108,679)	(2,269,340)
1,986,231	1,846,174	345,717	3,015,365
1,520,289	(23,847)	45,343	1,541,846
(353,284)	1,472,056	1,846,989	14,283,585
\$ 1,167,005	\$ 1,448,209	\$ 1,892,332	\$ 15,825,431

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, 2012

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

Net change in fund balances - total governmental funds	\$ 1,541,846
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.	(569,550)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(167,424)
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 position. 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.	669,285
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>(67,381)</u>
Change in net position of governmental activities	<u><u>\$ 1,406,776</u></u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 12,170,457	\$ 12,170,457	\$ 12,464,262	\$ 293,805
Intergovernmental	181,629	181,629	313,032	131,403
Licenses and permits	170,000	170,000	193,797	23,797
Charges for services	3,907,017	3,907,017	4,060,715	153,698
Fines and fees	431,500	431,500	477,897	46,397
Investment income	15,000	15,000	3,775	(11,225)
Miscellaneous	121,905	121,905	107,950	(13,955)
Total revenues	16,997,508	16,997,508	17,621,428	623,920
Expenditures:				
General government:				
General administration:				
Personnel services	552,577	552,577	644,560	(91,983)
Contractual services	182,453	182,453	205,277	(22,824)
Commodities	21,250	21,250	26,508	(5,258)
Total general administration expenditures	756,280	756,280	876,345	(120,065)
Group hospitalization:				
Claims paid	2,328,716	2,328,716	2,041,550	287,166
Human resources:				
Personnel services	140,843	140,843	137,543	3,300
Contractual services	30,022	30,022	35,894	(5,872)
Commodities	14,000	14,000	14,450	(450)
Total human resources expenditures	184,865	184,865	187,887	(3,022)
Information systems:				
Personnel services	240,667	240,667	234,012	6,655
Contractual services	157,750	157,750	175,256	(17,506)
Commodities services	62,000	62,000	88,812	(26,812)
Capital outlay	49,583	49,583	10,826	38,757
Total information systems expenditures	\$ 510,000	\$ 510,000	\$ 508,906	\$ 1,094

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Facility maintenance:				
Personnel services	\$ 149,094	\$ 149,094	\$ 136,458	\$ 12,636
Contractual services	833	833	2,061	(1,228)
Commodities	77,073	77,073	86,480	(9,407)
Capital outlay	-	-	3,185	(3,185)
Total facility maintenance expenditures	227,000	227,000	228,184	(1,184)
Municipal court:				
Personnel services	267,021	267,021	257,178	9,843
Contractual services	43,770	43,770	43,382	388
Commodities	10,000	10,000	11,518	(1,518)
Total municipal court expenditures	320,791	320,791	312,078	8,713
Sales tax capital outlay:				
Capital outlay	122,000	122,000	349,342	(227,342)
Reserve	226,896	226,896	26,440	200,456
Total sales tax capital outlay expenditures	348,896	348,896	375,782	(26,886)
Total general government expenditures	4,676,548	4,676,548	4,530,732	145,816
Public safety:				
Police department:				
Personnel services	3,011,078	3,011,078	3,025,844	(14,766)
Contractual services	380,360	380,360	395,018	(14,658)
Commodities	153,935	153,935	200,803	(46,868)
Total police department expenditures	3,545,373	3,545,373	3,621,665	(76,292)
Fire department:				
Personnel services	2,228,739	2,228,739	2,284,220	(55,481)
Contractual services	207,380	207,380	168,572	38,808
Commodities	91,750	91,750	99,297	(7,547)
Total fire department expenditures	\$ 2,527,869	\$ 2,527,869	\$ 2,552,089	\$ (24,220)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Public safety - other:				
Codes enforcement:				
Personnel services	\$ 458,269	\$ 458,269	\$ 446,315	\$ 11,954
Contractual services	46,595	46,595	63,583	(16,988)
Commodities	18,000	18,000	20,403	(2,403)
Total codes enforcement expenditures	522,864	522,864	530,301	(7,437)
Animal control:				
Personnel services	42,226	42,226	49,043	(6,817)
Contractual services	20,524	20,524	20,120	404
Commodities	12,123	12,123	16,727	(4,604)
Total animal control expenditures	74,873	74,873	85,890	(11,017)
Public safety sales tax:				
Reserve	1,643,573	1,643,573	-	1,643,573
Total public safety - other	2,241,310	2,241,310	616,191	1,625,119
Total public safety expenditures	8,314,552	8,314,552	6,789,945	1,524,607
Public works:				
Engineering department:				
Personnel services	126,806	126,806	131,928	(5,122)
Contractual services	26,769	26,769	25,346	1,423
Commodities	15,729	15,729	12,967	2,762
Total engineering department expenditures	169,304	169,304	170,241	(937)
Atkinson Airport:				
Personnel services	150,093	150,093	154,902	(4,809)
Contractual services	61,696	61,696	73,528	(11,832)
Commodities	498,062	498,062	755,534	(257,472)
Total Atkinson Airport expenditures	709,851	709,851	983,964	(274,113)
Total public works expenditures	\$ 879,155	\$ 879,155	\$ 1,154,205	\$ (275,050)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Sanitation and health:				
Mt. Olive Cemetery:				
Personnel services	\$ 54,575	\$ 54,575	\$ 63,420	\$ (8,845)
Contractual services	17,116	17,116	17,293	(177)
Commodities	14,566	14,566	16,038	(1,472)
Total sanitation and health expenditures	86,257	86,257	96,751	(10,494)
Culture and recreation:				
Parks and recreation department:				
Personnel services	599,836	599,836	598,033	1,803
Contractual services	137,335	137,335	126,113	11,222
Commodities	125,171	125,171	128,159	(2,988)
Total parks and recreation department expenditures	862,342	862,342	852,305	10,037
Aquatic center:				
Personnel services	89,940	89,940	95,697	(5,757)
Contractual services	31,410	31,410	33,630	(2,220)
Commodities	60,623	60,623	51,698	8,925
Capital outlay	7,433	7,433	-	7,433
Total aquatic center expenditures	189,406	189,406	181,025	8,381
JC ballpark turf reserve:				
Capital outlay	50,613	50,613	3,413	47,200
Total JC ballpark turf reserve expenditures	50,613	50,613	3,413	47,200
Four Oaks Complex:				
Personnel services	200,408	200,408	199,472	936
Contractual services	80,590	80,590	73,353	7,237
Commodities	77,984	77,984	66,942	11,042
Capital outlay	-	-	684	(684)
Total Four Oaks Complex expenditures	\$ 358,982	\$ 358,982	\$ 340,451	\$ 18,531

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Memorial Auditorium and Convention Center:				
Personnel services	\$ 300,725	\$ 300,725	\$ 303,010	\$ (2,285)
Contractual services	143,381	143,381	131,241	12,140
Commodities	53,250	53,250	42,902	10,348
Operating reserve	21,917	21,917	-	21,917
Total Memorial Auditorium and Convention Center	519,273	519,273	477,153	42,120
Total culture and recreation expenditures	1,980,616	1,980,616	1,854,347	126,269
Operating reserve	589,400	589,400	-	589,400
Total expenditures	16,526,528	16,526,528	14,425,980	2,100,548
Excess of revenues over (under) expenditures	470,980	470,980	3,195,448	2,724,468
Other financing sources (uses):				
Transfers in	861,183	861,183	971,373	110,190
Transfers out	(4,172,302)	(4,172,302)	(4,205,895)	(33,593)
Total other financing sources (uses)	(3,311,119)	(3,311,119)	(3,234,522)	76,597
Net change in fund balances	(2,840,139)	(2,840,139)	(39,074)	2,801,065
Fund balance, beginning	2,840,139	2,840,139	3,715,795	875,656
Fund balance, ending	\$ -	\$ -	\$ 3,676,721	\$ 3,676,721

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2012

	Water/Wastewater	Stormwater	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,747,436	\$ 532,550	\$ 3,279,986
Restricted cash - customer deposits	209,365	-	209,365
Accounts receivable (net of allowance for uncollectibles)	826,833	27,067	853,900
Other receivable	218,785	-	218,785
Inventories	239,717	-	239,717
Prepaid items	11,112	1,084	12,196
Total current assets	<u>4,253,248</u>	<u>560,701</u>	<u>4,813,949</u>
Noncurrent assets:			
Deferred charges	6,185	15,467	21,652
Capital assets:			
Land	474,742	108,070	582,812
Buildings and improvements	29,109,080	463,149	29,572,229
Machinery and equipment	3,493,710	364,656	3,858,366
Construction in progress	434,390	-	434,390
Infrastructure	30,665,675	4,508,653	35,174,328
Less accumulated depreciation	(22,963,706)	(886,478)	(23,850,184)
Total capital assets, net of accumulated depreciation	<u>41,213,891</u>	<u>4,558,050</u>	<u>45,771,941</u>
Total noncurrent assets	<u>41,220,076</u>	<u>4,573,517</u>	<u>45,793,593</u>
Total assets	<u>45,473,324</u>	<u>5,134,218</u>	<u>50,607,542</u>
Liabilities:			
Current liabilities:			
Accounts payable	329,993	5,454	335,447
Retainage payable	129,133	-	129,133
Accrued payroll	68,718	12,091	80,809
Accrued interest payable	159,707	16,921	176,628
Accrued compensated absences - current	117,008	13,477	130,485
Customer deposits payable	209,365	-	209,365
General obligation bonds - current	363,343	234,534	597,877
Construction loan payable - current	183,272	-	183,272
Total current liabilities	<u>1,560,539</u>	<u>282,477</u>	<u>1,843,016</u>
Noncurrent liabilities:			
Accrued compensated absences	43,242	4,980	48,222
Bond anticipation note payable	405,257	-	405,257
General obligation bonds payable (net of unamortized discounts)	383,026	1,034,519	1,417,545
Construction loan payable	13,865,065	-	13,865,065
Other postemployment benefit obligation	85,326	14,830	100,156
Total noncurrent liabilities	<u>14,781,916</u>	<u>1,054,329</u>	<u>15,836,245</u>
Total liabilities	<u>16,342,455</u>	<u>1,336,806</u>	<u>17,679,261</u>
Net position:			
Net investment in capital assets	26,013,928	3,288,997	29,302,925
Unrestricted	3,116,941	508,415	3,625,356
Total net position	<u>\$ 29,130,869</u>	<u>\$ 3,797,412</u>	<u>\$ 32,928,281</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended December 31, 2012

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 3,957,780	\$ -	\$ 3,957,780
Wastewater charges	3,338,509	-	3,338,509
Stormwater charges	-	765,245	765,245
Other charges	401,150	9,365	410,515
Total operating revenues	<u>7,697,439</u>	<u>774,610</u>	<u>8,472,049</u>
Operating expenses:			
Costs of sales and services	2,554,412	153,655	2,708,067
Administration	1,974,903	329,536	2,304,439
Depreciation	1,284,150	128,982	1,413,132
Total operating expenses	<u>5,813,465</u>	<u>612,173</u>	<u>6,425,638</u>
Operating income	<u>1,883,974</u>	<u>162,437</u>	<u>2,046,411</u>
Nonoperating revenues (expenses):			
Loss on disposal	(19,299)	(9,881)	(29,180)
Interest revenue	1,735	255	1,990
Interest expense	(456,017)	(56,845)	(512,862)
Total nonoperating revenues (expenses)	<u>(473,581)</u>	<u>(66,471)</u>	<u>(540,052)</u>
Income before transfers	1,410,393	95,966	1,506,359
Transfers out	<u>(987,593)</u>	<u>(28,029)</u>	<u>(1,015,622)</u>
Change in net position	422,800	67,937	490,737
Total net position, beginning	<u>28,708,069</u>	<u>3,729,475</u>	<u>32,437,544</u>
Total net position, ending	<u>\$ 29,130,869</u>	<u>\$ 3,797,412</u>	<u>\$ 32,928,281</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2012

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 8,264,067	\$ 773,560	\$ 9,037,627
Payments to suppliers	(2,740,428)	(176,620)	(2,917,048)
Payments to employees	(1,987,084)	(340,220)	(2,327,304)
	<u>3,536,555</u>	<u>256,720</u>	<u>3,793,275</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(987,593)	(28,029)	(1,015,622)
	<u>(987,593)</u>	<u>(28,029)</u>	<u>(1,015,622)</u>
Cash flows from capital and related financing activities:			
Proceeds from capitalization grant/construction loan payable	1,973,156	-	1,973,156
Payments on capitalization grant/construction loan payable	(698,882)	-	(698,882)
Proceeds from bond anticipation note payable	405,257	-	405,257
Acquisition and construction of capital assets	(3,214,654)	(322,612)	(3,537,266)
Purchases of capital assets	(185,732)	-	(185,732)
Principal paid on capital debt	(352,188)	(228,109)	(580,297)
Interest paid on capital debt	(435,851)	(59,886)	(495,737)
	<u>(2,508,894)</u>	<u>(610,607)</u>	<u>(3,119,501)</u>
Cash flows from investing activities:			
Interest received	1,735	255	1,990
	<u>1,735</u>	<u>255</u>	<u>1,990</u>
Net increase (decrease) in cash and cash equivalents	41,803	(381,661)	(339,858)
Cash and cash equivalents and restricted cash, beginning of year	<u>2,914,998</u>	<u>914,211</u>	<u>3,829,209</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 2,956,801</u>	<u>\$ 532,550</u>	<u>\$ 3,489,351</u>

(Continued)

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2012

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,883,974	\$ 162,437	\$ 2,046,411
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,284,150	128,982	1,413,132
Amortization of deferred charges	6,186	3,437	9,623
Changes in assets and liabilities:			
Receivables, net	559,363	(1,050)	558,313
Inventories	65	-	65
Prepaid items	(6,145)	(559)	(6,704)
Accounts payable	(186,122)	(25,843)	(211,965)
Accrued compensated absences	6,655	(3,192)	3,463
Other postemployment benefits	(18,836)	(7,492)	(26,328)
Customer deposits	7,265	-	7,265
Net cash provided by operating activities	<u>\$ 3,536,555</u>	<u>\$ 256,720</u>	<u>\$ 3,793,275</u>
Cash consists of:			
Cash and cash equivalents	\$ 2,747,436	\$ 532,550	\$ 3,279,986
Restricted cash	209,365	-	209,365
	<u>\$ 2,956,801</u>	<u>\$ 532,550</u>	<u>\$ 3,489,351</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

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 position and the statement of activities) report information on all of the activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes for which a 60-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes receivable are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, cemetery, parks, recreation, and administration.

The revolving loans fund accounts for revolving loan proceeds involving various revenue sources including local sales tax proceeds utilized for industrial development purposes, revolving funds from rental rehabilitation grants, and revolving funds received from industrial development grants.

The capital projects fund accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

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

The City reports the following major proprietary funds:

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

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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.

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, 2012, interest earnings allocated to the various funds were \$ 17,781.

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

1 - Summary of Significant Accounting Policies (Continued)

Cash and Investments (Continued)

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, 2012, 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	\$ 3,759,258
Revolving loans fund long-term portion of capital leases receivable	637,750
Debt service fund property taxes receivable	<u>1,135,813</u>
	<u>\$ 5,532,821</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 2012 levy was based was approximately \$ 121,000,000.

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 2012 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$ 30.956
Debt Service Fund	9.015
Component unit:	
Public Library	<u>5.645</u>
	<u>\$ 45.616</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 position. 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)

Net Position

The City's net position is classified as follows:

Net investment in capital assets – This represents the City's total investment in capital assets, net of accumulated depreciation and related debt.

Restricted net position – This includes resources that are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

The government-wide statement of net position reports \$ 2,741,204 of restricted net position, of which \$ 157,239 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.

Unrestricted net position – This includes resources derived from charges for services, property taxes, state appropriations and interest. The resources are used for transactions relating to the general operations of the City and may be used to meet current expenses in accordance with approved budgets.

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2012, fund balances for governmental funds are made up of the following:

Nonspendable fund balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to remain intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

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

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Committed fund balance – includes amounts that can only be used for specific purposes determined by a formal action (resolution) of the City’s highest level of decision-making authority, the City Commission. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (resolution).

Assigned fund balance – comprised of amounts intended to be used by the City for specific purposes that are neither restricted or committed. Intent is expressed by (1) the City Commission or (2) the City Manager to which the City Commission has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Governmental Accounting Standards Board Statements

At December 31, 2012, 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. 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.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. In addition, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. Accounting changes adopted to conform to the provisions of the statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was issued in June 2012. The objective of this statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and to enhance its value for assessing accountability and interperiod measure of pension expense. This statement enhances decision-usefulness and accountability through new note disclosures and required supplementary information. This statement also improves the consistency and transparency of the information reported by employers and governmental nonemployer contributing entities about pension transactions. Additionally, this statement improves the comparability of reported pension information through changes related to the attribution methods used to determine service cost and the total pension liability, requirements for immediate recognition in pension expense of certain items, and the establishment of standardized expense recognition periods for amounts reported as deferred outflows of resources and deferred inflows of resources related pensions. The provisions of this statement are effective for period beginning after June 15, 2014.

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 Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. 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 \$ 24,335,503 difference are as follows:

Bonds payable	\$ (21,409,578)
Less: Deferred charge for issuance costs	395,245
Less: Issuance discount	84,382
Custom energy note payable	(1,393,644)
Bond anticipation note payable	(1,144,743)
Accrued interest payable	(261,070)
Compensated absences	<u>(606,095)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (24,335,503)</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 position 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 \$ 569,550 difference are as follows:

Capital outlay	\$ 1,702,345
Depreciation expense	<u>(2,271,895)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (569,550)</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 position. 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 \$ 669,285 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (855,000)
Issuance of bond anticipation notes	(1,144,743)
Principal repayments:	
Bonds	2,564,703
Custom energy lease	<u>104,325</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ 669,285</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ 67,381 difference are as follows:

Compensated absences	\$ 73,173
Other post employment benefits	(231,858)
Accrued interest	27,310
Amortization of issuance costs	(59,926)
Arbitrage	135,426
Amortization of bond discounts	<u>(11,506)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ (67,381)</u></u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. The City has legally adopted annual budgets for the general fund, the debt service fund, the street and highway fund, the special alcohol and drug fund, 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 Home Grant 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 was one budget amendment during 2012. Special alcohol fund budgeted expenditures increased from \$ 79,543 to \$ 138,706.

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 Balances – 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	\$ 1,114,580
Add:	
Sales tax transfers	2,105,087
Change in inventories	5,932
Change in salaries payable	31,815
Change in grants receivable	15,692
Health claims payable	25,000
Deduct:	
Change in payable	(28,817)
Change in encumbrances	(33,611)
Change in prepaid items	(6,528)
Change in taxes receivable	<u>(33,702)</u>
Excess of revenue over expenditures, budgetary basis	<u><u>\$ 3,195,448</u></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, 2012, 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, 2012, 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	\$ 321,126	\$ 321,126	\$ -	\$ -	\$ -

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, 2012.

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, 2012, the City's investments were not exposed to custodial credit risk.

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

5 - Deposits and Investments (Continued)

Investments (Continued)

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

	Carrying Amount		
	City	Component Unit - Public Library	Total
Cash and cash equivalents	\$ 16,122,450	\$ 386,154	\$ 16,508,604
Restricted cash and cash equivalents	209,365	-	209,365
Restricted investments	321,126	-	321,126
	<u>\$ 16,652,941</u>	<u>\$ 386,154</u>	<u>\$ 17,039,095</u>

6 - Loans Receivable

Loans receivable, aggregating approximately \$ 1,637,000 at December 31, 2012, 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, 2012 the lease receivable balance was \$ 803,293.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Leases (Continued)

Future minimum lease payments to be received are as follows:

2013	\$ 165,543
2014	165,543
2015	134,881
2016	128,748
2017	61,200
2018 - 2022	<u>239,700</u>
Total minimum lease payments	895,615
Less: amounts representing interest	<u>(92,322)</u>
Present value of minimum lease payments	<u><u>\$ 803,293</u></u>

Noncancellable operating revenue leases for City land and buildings expire in 2015, 2018 and 2027. 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, 2012 rental income related to these leases was \$ 253,265. Future minimum lease income is as follows:

2013	\$ 305,000
2014	306,701
2015	264,986
2016	128,420
2017	128,420
2018 - 2022	305,000
2023 - 2027	<u>239,380</u>
	<u><u>\$ 1,677,907</u></u>

The asset cost of the buildings the City leases is \$ 2,999,865, with accumulated depreciation of \$ 1,503,190 resulting in net carrying value of \$ 1,496,675 at December 31, 2012.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,566,486	\$ -	\$ -	\$ -	\$ 3,566,486
Construction in progress	613,699	292,046	(496,041)	-	409,704
Total capital assets not being depreciated	4,180,185	292,046	(496,041)	-	3,976,190
Capital assets being depreciated:					
Buildings and improvements	37,504,001	710,165	-	-	38,214,166
Machinery and equipment	9,817,169	219,081	(217,665)	(94,780)	9,723,805
Infrastructure	26,284,892	980,064	-	-	27,264,956
Total capital assets being depreciated	73,606,062	1,909,310	(217,665)	(94,780)	75,202,927
Less accumulated depreciation for:					
Buildings and improvements	(13,502,097)	(1,008,948)	-	-	(14,511,045)
Machinery and equipment	(5,973,708)	(552,473)	214,696	94,780	(6,216,705)
Infrastructure	(12,444,793)	(710,474)	-	-	(13,155,267)
Total accumulated depreciation	(31,920,598)	(2,271,895)	214,696	94,780	(33,883,017)
Total capital assets being depreciated, net	41,685,464	(362,585)	(2,969)	-	41,319,910
Governmental activities capital assets, net	\$ 45,865,649	\$ (70,539)	\$ (499,010)	\$ -	\$ 45,296,100

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	\$ 582,812	\$ -	\$ -	\$ -	\$ 582,812
Construction in progress	7,486,646	1,540,366	(8,592,622)	-	434,390
Total capital assets not being depreciated	8,069,458	1,540,366	(8,592,622)	-	1,017,202
Capital assets being depreciated:					
Buildings and improvements	20,959,294	8,612,935	-	-	29,572,229
Machinery and equipment	3,664,263	196,139	(96,816)	94,780	3,858,366
Infrastructure	33,208,149	1,966,179	-	-	35,174,328
Total capital assets being depreciated	57,831,706	10,775,253	(96,816)	94,780	68,604,923
Less accumulated depreciation for:					
Buildings and improvements	(8,528,919)	(479,504)	-	-	(9,008,423)
Machinery and equipment	(2,288,784)	(205,307)	67,637	(94,780)	(2,521,234)
Infrastructure	(11,592,206)	(728,321)	-	-	(12,320,527)
Total accumulated depreciation	(22,409,909)	(1,413,132)	67,637	(94,780)	(23,850,184)
Total capital assets being depreciated, net	35,421,797	9,362,121	(29,179)	-	44,754,739
Business-type activities capital assets, net	\$ 43,491,255	\$ 10,902,487	\$ (8,621,801)	\$ -	\$ 45,771,941

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	\$ 179,496
Public safety - police	309,248
Public safety - fire	235,355
Public safety - other	17,499
Public works	1,114,362
Sanitation and health	1,062
Economic development	36,187
Culture and recreation	378,686
	<hr/>

Total depreciation expense - governmental activities	<hr/> <hr/> \$ 2,271,895
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Business-type activities:

Water/wastewater	\$ 1,284,150
Stormwater	128,982
	<hr/>

Total depreciation expense - business-type activities	<hr/> <hr/> \$ 1,413,132
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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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 215,415	\$ -	\$ -	\$ 215,415
Total capital assets not being depreciated	215,415	-	-	215,415
Capital assets being depreciated:				
Buildings and improvements	3,580,808	-	-	3,580,808
Machinery and equipment	124,430	37,615	-	162,045
Total capital assets being depreciated	3,705,238	37,615	-	3,742,853
Less accumulated depreciation for:				
Buildings and improvements	(991,145)	(85,330)	-	(1,076,475)
Machinery and equipment	(70,558)	(30,038)	-	(100,596)
Total accumulated depreciation	(1,061,703)	(115,368)	-	(1,177,071)
Total capital assets being depreciated, net	2,643,535	(77,753)	-	2,565,782
Public Library capital assets, net	\$ 2,858,950	\$ (77,753)	\$ -	\$ 2,781,197

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, 2012 for capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
General government:		
Bridge projects	\$ 590,000	\$ 750,000
Improvement projects	<u>421,493</u>	<u>7,943,174</u>
	<u>\$ 1,011,493</u>	<u>\$ 8,693,174</u>
Business-type:		
Water/wastewater	<u>\$ 15,563,192</u>	<u>\$ 16,588,208</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, 2012 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2012	Outstanding December 31, 2012
General Obligation Bonds:					
Governmental activities:					
Series 2003-A	3.30%	\$ 3,025,000	2013	\$ 165,000	\$ 170,000
Series 2005-A	3.30 - 3.60%	1,460,000	2015	155,000	490,000
Series 2006-A	3.55 - 3.75%	545,000	2016	55,000	250,000
Series 2006-B	3.80 - 3.90%	1,140,000	2016	115,000	510,000
Series 2006-C	3.65 - 3.80%	2,000,000	2016	200,000	885,000
Series 2007-A	4.00%	1,285,000	2017	126,891	705,946
Series 2007-B	4.00%	13,000,000	2018	1,055,000	8,490,000
Series 2008-A	3.10 - 3.60%	2,950,380	2018	279,090	1,891,610
Series 2009-A	1.80 - 3.25%	1,265,000	2019	118,722	917,022
Series 2012-A	1.00 - 2.00%	855,000	2022	-	855,000
				<u>2,269,703</u>	<u>15,164,578</u>
Business-type activities:					
Series 2001-A	4.70 - 5.50%	4,715,000	2013	290,000	300,000
Series 2007-A	4.00%	2,310,000	2017	228,109	1,269,054
Series 2008-A	3.10 - 3.60%	379,620	2018	35,910	243,390
Series 2009-A	1.80 - 3.25%	280,000	2019	26,278	202,978
				<u>580,297</u>	<u>2,015,422</u>
				<u>\$ 2,850,000</u>	<u>\$ 17,180,000</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 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 2003-A	\$	170,000	\$ 170,000
Series 2005-A		160,000	165,000
Series 2006-A		60,000	65,000
Series 2006-B		120,000	135,000
Series 2006-C		210,000	235,000
Series 2007-A		130,451	151,976
Series 2007-B		1,130,000	1,800,000
Series 2008-A		287,950	345,540
Series 2009-A		118,722	145,000
Series 2012-A		75,000	95,000
Business-type activities:			
Series 2001-A		300,000	300,000
Series 2007-A		234,549	273,024
Series 2008-A		37,050	44,460
Series 2009-A		26,278	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, 2012 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2013	\$ 2,462,123	\$ 553,583	\$ 597,877	\$ 78,384
2014	2,405,438	463,865	309,562	53,280
2015	2,533,182	376,540	321,818	41,720
2016	2,486,497	283,512	333,503	29,576
2017	2,404,323	190,986	345,677	16,859
2018 - 2022	2,873,015	121,768	106,985	4,617
	<u>\$ 15,164,578</u>	<u>\$ 1,990,254</u>	<u>\$ 2,015,422</u>	<u>\$ 224,436</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 \$ 2,369,750 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, 2012 are as follows:

	Principal	Interest and Service Fee	Total
2013	\$ 183,272	\$ 73,448	\$ 256,720
2014	189,109	67,610	256,719
2015	195,132	61,587	256,719
2016	201,347	55,373	256,720
2017	207,759	48,960	256,719
2018-2022	1,142,370	141,226	1,283,596
2023-2027	250,761	5,959	256,720
	<u>\$ 2,369,750</u>	<u>\$ 454,163</u>	<u>\$ 2,823,913</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 \$ 2,594,500 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, 2012, the City has drawn \$ 11,678,587 on these loans, which is shown as a liability in the water/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, 2012 are as follows:

	Principal	Interest	Total
2013	\$ 108,645	\$ 56,023	\$ 164,668
2014	113,144	51,524	164,668
2015	117,829	46,839	164,668
2016	122,708	41,960	164,668
2017	127,790	36,878	164,668
2018 - 2022	722,847	100,494	823,341
2023 - 2027	80,681	1,654	82,335
	<u>\$ 1,393,644</u>	<u>\$ 335,372</u>	<u>\$ 1,729,016</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, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 40,000	\$ 58,320	\$ 98,320
2014	45,000	56,280	101,280
2015	50,000	54,000	104,000
2016	55,000	51,480	106,480
2017	60,000	48,720	108,720
2018 - 2022	375,000	193,800	568,800
2023 - 2027	610,000	83,040	693,040
	<u>\$ 1,235,000</u>	<u>\$ 545,640</u>	<u>\$ 1,780,640</u>

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 275,000	\$ 238,068	\$ 513,068
2014	295,000	225,242	520,242
2015	320,000	211,405	531,405
2016	345,000	199,367	544,367
2017	370,000	185,465	555,465
2018 - 2022	2,315,000	614,338	2,929,338
2023 - 2027	<u>1,090,000</u>	<u>66,763</u>	<u>1,156,763</u>
	<u>\$ 5,010,000</u>	<u>\$ 1,740,648</u>	<u>\$ 6,750,648</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, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 16,579,281	\$ 855,000	\$ (2,269,703)	\$ 15,164,578	\$ 2,462,123
Transportation Development District					
Sales Tax Revenue Bonds	1,275,000	-	(40,000)	1,235,000	40,000
Special Obligation Tax Increment					
Revenue Bonds	5,265,000	-	(255,000)	5,010,000	275,000
Less deferred amounts:					
For issuance discounts	(95,888)	-	11,506	(84,382)	-
Custom energy note payable	1,497,969	-	(104,325)	1,393,644	108,645
Bond anticipation note payable	-	1,144,743	-	1,144,743	-
Other postemployment benefits	323,744	231,858	-	555,602	-
Compensated absences	679,268	516,747	(589,920)	606,095	553,005
Governmental activity long-term liabilities	<u>\$ 25,524,374</u>	<u>\$ 2,748,348</u>	<u>\$ (3,247,442)</u>	<u>\$ 25,025,280</u>	<u>\$ 3,438,773</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 2,595,719	\$ -	\$ (580,297)	\$ 2,015,422	\$ 597,877
Construction loan payable	12,774,063	1,973,156	(698,882)	14,048,337	183,272
Bond anticipation note payable	-	405,257	-	405,257	-
Other postemployment benefits	126,484	-	(26,328)	100,156	-
Compensated absences	175,244	140,252	(136,789)	178,707	130,485
Business-type activity long-term liabilities	<u>\$ 15,671,510</u>	<u>\$ 2,518,665</u>	<u>\$ (1,442,296)</u>	<u>\$ 16,747,879</u>	<u>\$ 911,634</u>
Component unit activities:					
Other postemployment benefits	\$ 42,566	\$ -	\$ (20,624)	\$ 21,942	\$ -
Compensated absences	8,833	27,631	(28,019)	8,445	8,445
Component unit activity long-term liabilities	<u>\$ 51,399</u>	<u>\$ 27,631</u>	<u>\$ (48,643)</u>	<u>\$ 30,387</u>	<u>\$ 8,445</u>

For the governmental activities, compensated absences and net OPEB benefit 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, 2012, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 4,690,000.

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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond anticipation notes:				
Governmental activities	<u>\$ 1,230,000</u>	<u>\$ 1,144,743</u>	<u>\$ 1,230,000</u>	<u>\$ 1,144,743</u>
Business-type activities	<u>\$ -</u>	<u>\$ 405,257</u>	<u>\$ -</u>	<u>\$ 405,257</u>
<u>Issue</u>		<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
2012A		\$ 1,550,000	0.45%	7/1/2014

The bond anticipation note issued by the City in both governmental and business-type activities funds has an initial maturity of at least one year beyond the balance sheet date of the period issued. Therefore, the note is considered long-term debt and has been included in long-term liabilities on the statement of net position.

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 2012 was 8.34%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. There was a moratorium on the collection of Group Death and Disability insurance premium from April 1, 2012 through June 30, 2012. The City employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$ 411,903, \$ 426,966 and \$ 363,201, 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 2012 is 18.29%. 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, 2012, 2011, and 2010 were \$ 672,804, \$ 575,839, and \$ 500,881, 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 2012, the City contributed \$ 92,479 to the plan. Plan members receiving benefits contributed \$ 68,806.

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	\$ 287,012
Interest on net OPEB obligation	14,783
Adjustment to annual required contribution	<u>(24,410)</u>
Annual OPEB cost (expense)	277,385
Contributions made	<u>(92,479)</u>
Increase in net OPEB obligation	184,906
Net OPEB obligation, January 1, 2012	<u>492,794</u>
Net OPEB obligation, December 31, 2012	<u><u>\$ 677,700</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 277,385	33.34%	\$ 677,700
2011	\$ 280,963	34.82%	\$ 492,794
2010	\$ 213,083	106.42%	\$ 309,661

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, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 2,926,543. 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 \$ 2,926,543. The covered payroll (annual payroll of active employees covered by the plan) was \$ 8,167,820 and the ratio of the UAAL to the covered payroll was 35.8 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, 2011 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3 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, 2012 was 29 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 \$ 130,000 reported at December 31, 2012 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.

The changes in health care claims payable for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Claims payable, beginning of year	\$ 105,000	\$ 85,000
Incurred claims and change in estimate	1,698,361	1,236,515
Claim payments	<u>(1,673,361)</u>	<u>(1,216,515)</u>
Claims payable, end of year	<u><u>\$ 130,000</u></u>	<u><u>\$ 105,000</u></u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Interfund Transactions

Interfund transfers for the year ended December 31, 2012, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major governmental funds:		
General Fund	\$ 971,375	\$ 2,141,015
Revolving Loans Fund	10,874	3,991
Capital Projects Fund	2,143	15,655
Debt Service Fund	1,846,174	-
Nonmajor governmental funds	454,396	108,679
Major proprietary funds:		
Water/Wastewater	-	987,593
Stormwater	-	28,029
	<u> </u>	<u> </u>
Total transfers	<u>\$ 3,284,962</u>	<u>\$ 3,284,962</u>

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.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

16 - Commitments and Contingencies – Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2012, the City's recorded encumbrances in governmental funds were as follows:

General	\$ 95,929
Revolving loans	13,460
Other nonmajor governmental funds	<u>18,607</u>
	<u>\$ 127,996</u>

17 - Contingencies

The City is involved in various lawsuits incurred through normal operations. It is the opinion of the City's management that the outcome of this litigation will not result in a material loss to the City in excess of applicable insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PITTSBURG, KANSAS

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 %
1/1/2011	-	2,926,543	2,926,543	0.0	8,167,820	35.8

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

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.

HOME GRANT - grant funded through the State of Kansas Housing Resource Corporation for the purpose of rehabilitating owner occupied homes in the community.

CITY OF PITTSBURG, KANSAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	Special Revenue							Total
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/ Presbyterian Church Housing	Section 8	Community Development Block Grants	Home Grant	Nonmajor Governmental Funds
Assets:								
Cash and cash equivalents	\$ 29,175	\$ 44,286	\$ 503,758	\$ 686,311	\$ 124,585	\$ -	\$ 29,691	\$ 1,417,806
Receivables (net of allowance for uncollectibles):								
Accounts	-	-	1,075	7,430	-	-	29,493	37,998
Intergovernmental	-	-	148,458	-	-	-	-	148,458
Taxes	-	-	161,891	-	-	-	-	161,891
Loans receivable	-	-	-	216,521	-	-	-	216,521
Prepaid items	-	-	3,148	-	-	-	-	3,148
Total assets	<u>\$ 29,175</u>	<u>\$ 44,286</u>	<u>\$ 818,330</u>	<u>\$ 910,262</u>	<u>\$ 124,585</u>	<u>\$ -</u>	<u>\$ 59,184</u>	<u>\$ 1,985,822</u>
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 58,230	\$ 6,954	\$ 951	\$ -	\$ 4,184	\$ 70,319
Accrued payroll	-	-	18,509	34	4,628	-	-	23,171
Total liabilities	<u>-</u>	<u>-</u>	<u>76,739</u>	<u>6,988</u>	<u>5,579</u>	<u>-</u>	<u>4,184</u>	<u>93,490</u>
Fund balances:								
Nonspendable:								
Not in spendable form	-	-	3,148	-	-	-	-	3,148
Restricted:								
Housing	-	-	-	903,274	119,006	-	55,000	1,077,280
Street and Highway	-	-	86,590	-	-	-	-	86,590
Other	29,175	44,286	-	-	-	-	-	73,461
Assigned	-	-	651,853	-	-	-	-	651,853
Total fund balances	<u>29,175</u>	<u>44,286</u>	<u>741,591</u>	<u>903,274</u>	<u>119,006</u>	<u>-</u>	<u>55,000</u>	<u>1,892,332</u>
Total liabilities and fund balances	<u>\$ 29,175</u>	<u>\$ 44,286</u>	<u>\$ 818,330</u>	<u>\$ 910,262</u>	<u>\$ 124,585</u>	<u>\$ -</u>	<u>\$ 59,184</u>	<u>\$ 1,985,822</u>

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2012

	Special Revenue							
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/ Presbyterian Church Housing	Section 8	Community Development Block Grants	Home Grant	Total Nonmajor Governmental Funds
Revenues:								
Intergovernmental	\$ 75,548	\$ 75,548	\$ 674,551	\$ -	\$ 1,318,328	\$ 90,947	\$ 29,492	\$ 2,264,414
Sales taxes	-	-	917,163	-	-	-	-	917,163
Investment earnings	-	-	344	4,448	102	-	-	4,894
Miscellaneous	-	-	8,944	-	4,258	1,006	-	14,208
Total revenues	75,548	75,548	1,601,002	4,448	1,322,688	91,953	29,492	3,200,679
Expenditures:								
Current:								
Public works	-	-	1,420,947	-	-	-	-	1,420,947
Sanitation and health	-	78,873	-	-	-	-	-	78,873
Social welfare	-	-	-	12,455	1,357,832	94,623	-	1,464,910
Capital outlay	-	11,552	484,023	10,250	-	1,006	29,492	536,323
Total expenditures	-	90,425	1,904,970	22,705	1,357,832	95,629	29,492	3,501,053
Excess (deficiency) of revenues over (under) expenditures	75,548	(14,877)	(303,968)	(18,257)	(35,144)	(3,676)	-	(300,374)
Other financing sources (uses):								
Transfers in	-	-	395,720	-	-	3,676	55,000	454,396
Transfers out	(46,373)	-	(3,630)	(58,676)	-	-	-	(108,679)
Total other financing sources (uses)	(46,373)	-	392,090	(58,676)	-	3,676	55,000	345,717
Net change in fund balances	29,175	(14,877)	88,122	(76,933)	(35,144)	-	55,000	45,343
Fund balances, beginning	-	59,163	653,469	980,207	154,150	-	-	1,846,989
Fund balances, ending	\$ 29,175	\$ 44,286	\$ 741,591	\$ 903,274	\$ 119,006	\$ -	\$ 55,000	\$ 1,892,332

CITY OF PITTSBURG, KANSAS

SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(BUDGETARY BASIS) - BUDGET AND ACTUAL

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 79,043	\$ 75,548	\$ (3,495)
Expenditures:			
Capital outlay	50,600	-	50,600
Excess of revenues over expenditures	28,443	75,548	47,105
Other financing uses:			
Transfers out	(28,443)	(46,373)	(17,930)
Net change in fund balances	-	29,175	29,175
Fund balances, beginning	-	-	-
Fund balances, ending	\$ -	\$ 29,175	\$ 29,175

(Continued)

CITY OF PITTSBURG, KANSAS

SPECIAL ALCOHOL AND DRUG FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(BUDGETARY BASIS) - BUDGET AND ACTUAL

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 79,043	\$ 79,043	\$ 75,548	\$ (3,495)
Miscellaneous	500	500	-	(500)
Total revenues	79,543	79,543	75,548	(3,995)
Expenditures:				
Personnel services	-	-	13,841	(13,841)
Contractual services	53,695	53,695	51,715	1,980
Commodities	25,848	85,011	13,317	71,694
Capital outlay	-	-	11,552	(11,552)
Total expenditures	79,543	138,706	90,425	48,281
Net change in fund balances	-	(59,163)	(14,877)	44,286
Fund balances, beginning	-	59,163	59,163	-
Fund balances, ending	\$ -	\$ -	\$ 44,286	\$ 44,286

(Continued)

CITY OF PITTSBURG, KANSAS

STREET AND HIGHWAY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(BUDGETARY BASIS) - BUDGET AND ACTUAL

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 647,804	\$ 680,688	\$ 32,884
Investment earnings	5,000	344	(4,656)
Miscellaneous	-	8,944	8,944
Total revenues	652,804	689,976	37,172
Expenditures:			
Personnel services	594,331	611,495	(17,164)
Contractual services	378,073	287,921	90,152
Commodities	1,089,900	529,232	560,668
Debt service	26,500	20,892	5,608
Total expenditures	2,088,804	1,449,540	639,264
Excess of revenues over (under) expenditures	(1,436,000)	(759,564)	676,436
Other financing sources:			
Transfers in	1,436,000	1,302,933	(133,067)
Net change in fund balances	-	543,369	543,369
Fund balances, beginning	-	368,649	368,649
Fund balances, ending	\$ -	\$ 912,018	\$ 912,018

(Continued)

CITY OF PITTSBURG, KANSAS

SECTION 8 FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(BUDGETARY BASIS) - BUDGET AND ACTUAL

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,394,112	\$ 1,352,713	\$ (41,399)
Investment earnings	624	102	(522)
Miscellaneous	3,256	4,258	1,002
	<u>1,397,992</u>	<u>1,357,073</u>	<u>(40,919)</u>
Total revenues			
Expenditures:			
Personnel services	156,736	118,989	37,747
Contractual services	1,226,614	1,221,881	4,733
Commodities	14,642	16,137	(1,495)
	<u>1,397,992</u>	<u>1,357,007</u>	<u>40,985</u>
Total expenditures			
Net change in fund balances	-	66	66
Fund balances, beginning	-	5	5
Fund balances, ending	<u>\$ -</u>	<u>\$ 71</u>	<u>\$ 71</u>

(Continued)

CITY OF PITTSBURG, KANSAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(BUDGETARY BASIS) - BUDGET AND ACTUAL

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,208,651	\$ 1,175,400	\$ (33,251)
Special assessments	-	65,723	65,723
Investment earnings	5,000	944	(4,056)
Miscellaneous	72,434	72,433	(1)
Total revenues	1,286,085	1,314,500	28,415
Expenditures:			
Principal	3,949,667	3,948,207	1,460
Interest	1,494,033	1,484,739	9,294
Reserves	992,151	2,000	990,151
Total expenditures	6,435,851	5,434,946	1,000,905
Excess of revenues over (under) expenditures	(5,149,766)	(4,120,446)	1,029,320
Other financing sources:			
Transfers in	4,124,074	4,128,977	4,903
Net change in fund balances	(1,025,692)	8,531	1,034,223
Fund balances, beginning	1,025,692	1,058,470	32,778
Fund balances, ending	\$ -	\$ 1,067,001	\$ 1,067,001

CITY OF PITTSBURG, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

December 31, 2012

Assets:	
Cash and cash equivalents	\$ 386,154
Taxes receivable	665,625
Prepaid items	<u>2,892</u>
Total assets	<u><u>\$ 1,054,671</u></u>
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 12,013
Accrued payroll	21,083
Deferred revenue	<u>665,625</u>
Total liabilities	<u>698,721</u>
Fund balances:	
Nonspendable:	
Not in spendable form	2,892
Unassigned	<u>353,058</u>
Total fund balances	<u>355,950</u>
Total liabilities and fund balances	<u><u>\$ 1,054,671</u></u>

CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2012

Revenues:	
Taxes	\$ 735,255
Fines and fees	17,138
Investment earnings	294
Miscellaneous	<u>95,870</u>
Total revenues	<u>848,557</u>
Expenditures:	
Current:	
Education	<u>837,032</u>
Total expenditures	<u>837,032</u>
Net change in fund balance	11,525
Fund balance, beginning	<u>344,425</u>
Fund balance, ending	<u><u>\$ 355,950</u></u>

STATISTICAL SECTION

Statistical Section

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

<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.	84 - 87
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.	88 - 92
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.	93 - 97
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.	98 - 99
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.	100 - 102

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Net investment in capital assets	\$ 18,763,038	\$ 16,756,655	\$ 11,635,596	\$ 11,057,847	\$ 15,301,187	\$ 19,859,962	\$ 18,912,152	\$ 19,014,339	\$ 20,114,287	\$ 21,432,517
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783	11,967,446	11,140,376	11,062,338	3,094,841	2,741,204
Unrestricted	9,052,993	(3,148,102)	2,807,699	3,671,353	710,472	(693,934)	3,290,242	4,171,957	12,447,386	12,889,569
Total governmental activities net position	\$ 27,816,031	\$ 21,284,508	\$ 23,412,503	\$ 24,056,770	\$ 27,231,442	\$ 31,133,474	\$ 33,342,770	\$ 34,248,634	\$ 35,656,514	\$ 37,063,290
Business-type activities										
Net investment in capital assets	\$ 22,521,787	\$ 24,239,750	\$ 24,548,293	\$ 25,149,875	\$ 25,437,788	\$ 25,608,635	\$ 25,604,200	\$ 26,033,232	\$ 28,121,473	\$ 29,302,925
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	4,316,071	3,625,356
Total business-type activities net position	\$ 25,064,731	\$ 27,156,047	\$ 27,928,577	\$ 28,753,770	\$ 29,217,740	\$ 29,707,080	\$ 29,458,613	\$ 30,117,502	\$ 32,437,544	\$ 32,928,281
Primary government										
Net investment in capital assets	\$ 41,284,825	\$ 40,996,405	\$ 36,183,889	\$ 36,207,722	\$ 40,738,975	\$ 45,468,597	\$ 44,516,352	\$ 45,047,571	\$ 48,235,760	\$ 50,735,442
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783	11,967,446	11,140,376	11,062,338	3,094,841	2,741,204
Unrestricted	11,595,937	(231,805)	6,187,983	7,275,248	4,490,424	3,404,511	7,144,655	8,256,227	16,763,457	16,514,925
Total primary government net position	\$ 52,880,762	\$ 48,440,555	\$ 51,341,080	\$ 52,810,540	\$ 56,449,182	\$ 60,840,654	\$ 62,801,383	\$ 64,366,136	\$ 68,094,058	\$ 69,991,571

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 1,009,561	\$ 1,179,618	\$ 1,057,462	\$ 1,719,514	\$ 2,016,811	\$ 4,947,762	\$ 3,008,246	\$ 2,969,466	\$ 3,632,941	\$ 3,491,549
Public safety - police	2,490,674	2,742,841	2,723,840	3,249,047	3,418,799	3,168,354	3,209,579	3,324,541	3,325,659	3,591,803
Public safety - fire	1,922,917	2,105,552	2,301,123	2,389,005	2,389,396	2,232,987	2,258,471	2,232,712	2,428,825	2,608,393
Public safety - other	505,879	539,657	841,165	938,345	1,025,908	902,272	704,225	725,511	547,062	567,440
Public works	2,438,803	2,640,595	2,729,584	2,872,843	3,325,255	3,580,553	3,174,812	3,468,750	3,744,665	3,655,973
Sanitation and health	124,782	135,940	140,372	164,949	185,134	257,332	160,798	147,196	153,171	170,150
Culture and recreation	1,811,650	2,025,822	2,127,716	2,267,538	2,325,059	2,253,755	2,103,592	2,165,492	2,197,602	2,984,676
Industrial promotion	986,719	469,424	555,270	1,150,463	1,135,420	748,216	744,554	858,168	675,027	815,950
Economic development	-	5,724,575	81,892	868,302	4,889	3,577	8,393	-	36,187	36,187
Social welfare	1,483,446	2,027,295	3,021,661	2,284,301	1,464,683	1,546,056	1,581,580	1,485,203	1,661,078	1,506,020
Interest on long-term debt	287,151	305,218	363,323	668,778	1,213,673	1,469,128	1,399,747	1,260,378	1,177,414	1,245,029
Total governmental expenses	13,031,819	19,801,435	16,593,511	18,603,342	18,506,397	21,141,020	18,342,705	18,548,417	18,978,621	19,473,230
Business-type activities:										
Water/wastewater	4,861,635	4,912,302	4,568,704	4,871,241	4,744,367	5,234,505	5,159,259	5,379,825	5,863,122	6,288,781
Stormwater	-	124,315	214,919	244,875	315,859	509,598	663,837	719,982	817,326	878,859
Total business-type activities expenses	4,861,635	5,036,617	4,783,623	5,116,116	5,060,226	5,744,103	5,823,096	6,099,807	6,680,448	7,167,640
Total primary government expenses	\$ 17,893,454	\$ 24,838,052	\$ 21,377,134	\$ 23,719,458	\$ 23,566,623	\$ 26,885,123	\$ 24,165,801	\$ 24,737,224	\$ 25,659,069	\$ 26,640,870
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 983,967	\$ 979,982	\$ 1,005,000	\$ 1,019,776	\$ 1,262,267	\$ 1,397,598	\$ 1,287,878	\$ 1,430,551	\$ 1,267,293	\$ 1,310,417
Public works	350,733	484,049	628,343	638,584	711,533	956,763	883,040	707,999	914,790	950,594
Industrial promotion	282,669	973,759	216,038	240,229	975,687	962,427	965,717	929,756	360,974	360,974
Other activities	655,080	484,435	550,429	639,747	540,658	538,802	585,000	564,784	537,894	594,893
Operating grants and contributions	2,627,149	2,940,926	5,003,198	3,248,013	2,800,229	3,167,635	2,621,393	2,581,626	2,688,253	2,543,607
Capital grants and contributions	138,341	22,130	797,210	1,841,205	811,986	3,944,846	388,908	428,241	797,414	152,815
Total governmental activities program revenues	4,997,833	5,305,245	8,209,818	7,639,654	8,802,540	10,358,171	5,823,231	6,049,218	8,445,202	5,972,300
Business-type activities:										
Charges for services:										
Water/wastewater	5,555,225	5,293,009	5,377,606	5,693,687	5,884,715	5,773,171	6,205,333	6,532,116	7,442,028	7,897,439
Stormwater	-	613,118	920,740	943,211	899,390	699,507	713,971	726,497	746,273	774,610
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	13,500	33,179	4,442	4,282	-	362,350	1,817,200	-
Total business-type activities program revenues	5,555,225	5,906,127	6,311,846	6,710,077	6,788,547	6,486,940	6,919,904	7,520,875	9,460,454	8,472,049
Total primary government program revenues	\$ 10,553,058	\$ 11,211,372	\$ 14,521,664	\$ 14,350,731	\$ 15,591,087	\$ 16,845,111	\$ 12,743,135	\$ 13,570,093	\$ 17,905,656	\$ 14,444,349
Net (Expense)/Revenue										
Governmental activities	\$ (8,083,988)	\$ (14,066,190)	\$ (8,363,693)	\$ (10,869,688)	\$ (11,703,857)	\$ (10,772,649)	\$ (12,519,594)	\$ (12,597,199)	\$ (12,533,419)	\$ (13,500,930)
Business-type activities	693,590	869,510	1,228,723	1,253,861	1,288,531	775,699	1,095,808	1,530,168	2,780,006	1,504,369
Total primary government net expense	\$ (7,370,398)	\$ (13,226,680)	\$ (7,134,970)	\$ (9,615,827)	\$ (10,415,326)	\$ (9,996,950)	\$ (11,423,786)	\$ (11,067,031)	\$ (9,753,413)	\$ (11,996,561)
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 4,134,743	\$ 4,514,287	\$ 4,647,531	\$ 4,924,011	\$ 5,340,410	\$ 5,854,064	\$ 5,958,774	\$ 5,482,690	\$ 5,369,589	\$ 5,394,786
Sales taxes	3,113,979	3,405,829	3,553,907	3,680,000	3,222,057	3,074,509	3,528,008	3,359,293	6,307,818	6,788,791
Franchise taxes	1,168,843	1,194,393	1,367,418	1,688,118	1,897,643	1,783,652	1,875,619	1,727,869	1,748,741	1,692,716
Investment earnings	220,274	151,793	420,902	763,520	1,229,571	925,499	167,971	52,103	21,468	15,791
Transfers	115,485	(1,201,734)	521,930	542,306	959,349	387,157	1,378,828	850,808	463,383	1,015,622
Total governmental activities	8,771,328	8,064,667	10,511,688	11,613,955	14,789,030	14,674,881	14,728,850	13,503,963	13,941,299	14,907,708
Business-type activities:										
Investment earnings	15,921	20,072	66,237	113,538	164,786	149,828	32,553	9,829	3,399	1,990
Transfers	(115,485)	1,201,734	(521,930)	(542,306)	(959,349)	(387,157)	(1,378,828)	(850,808)	(463,383)	(1,015,622)
Total business-type activities	(99,564)	1,221,806	(455,693)	(428,768)	(794,563)	(237,329)	(1,346,275)	(840,979)	(459,984)	(1,013,632)
Total primary government	\$ 8,671,764	\$ 9,286,473	\$ 10,055,995	\$ 11,185,187	\$ 14,054,467	\$ 14,437,552	\$ 13,382,575	\$ 12,663,184	\$ 13,481,315	\$ 13,894,076
Change in Net Position										
Governmental activities	\$ 707,342	\$ (5,531,523)	\$ 2,127,995	\$ 644,267	\$ 3,085,173	\$ 3,902,032	\$ 2,209,256	\$ 905,864	\$ 1,407,860	\$ 1,406,776
Business-type activities	594,027	2,091,316	772,530	825,193	483,970	489,340	(248,467)	658,889	2,320,042	460,737
Total primary government	\$ 1,301,369	\$ (14,440,207)	\$ 2,900,525	\$ 1,469,460	\$ 3,569,143	\$ 4,391,372	\$ 1,960,789	\$ 1,564,753	\$ 3,727,902	\$ 1,867,513

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund										
Reserved	\$ 871,540	\$ 1,012,561	\$ 1,078,301	\$ 1,010,457	\$ 878,015	\$ 106,177	\$ 420,642	\$ 497,610	\$ -	\$ -
Unreserved	1,379,522	1,603,994	2,202,370	1,762,970	1,471,471	3,880,335	4,040,259	3,812,240	-	-
Nonspendable (1)	-	-	-	-	-	-	-	-	97,793	98,389
Restricted (1)	-	-	-	-	-	-	-	-	-	-
Assigned (1)	-	-	-	-	-	-	-	-	62,068	95,929
Unassigned (1)	-	-	-	-	-	-	-	-	4,370,905	4,281,388
Total general fund	<u>\$ 2,251,062</u>	<u>\$ 2,616,555</u>	<u>\$ 3,280,671</u>	<u>\$ 2,773,427</u>	<u>\$ 2,349,486</u>	<u>\$ 3,986,512</u>	<u>\$ 4,460,901</u>	<u>\$ 4,309,850</u>	<u>\$ 4,530,766</u>	<u>\$ 4,475,706</u>
All Other Governmental Funds										
Reserved	\$ 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	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	(53,658)	(6,216,400)	(116,608)	1,420,714	11,912,183	1,939,470	928,677	314,568	-	-
Debt service funds	-	-	969,826	1,369,189	2,945,291	1,826,040	2,127,664	1,763,194	-	-
Nonspendable (1)	-	-	-	-	-	-	-	-	4,396	4,505
Restricted (1)	-	-	-	-	-	-	-	-	3,070,343	3,841,545
Assigned (1)	-	-	-	-	-	-	-	-	7,031,364	7,503,675
Unassigned (1)	-	-	-	-	-	-	-	-	(353,284)	-
Total all other governmental funds	<u>\$ 7,061,968</u>	<u>\$ 881,834</u>	<u>\$ 8,551,675</u>	<u>\$ 10,556,675</u>	<u>\$ 22,316,643</u>	<u>\$ 11,318,295</u>	<u>\$ 11,155,290</u>	<u>\$ 10,495,523</u>	<u>\$ 9,752,819</u>	<u>\$ 11,349,725</u>

(1) New categories associated with implementation of GASB 54 for year ending December 31, 2011.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 8,435,565	\$ 9,114,608	\$ 9,568,856	\$ 10,308,129	\$ 12,560,110	\$ 13,362,225	\$ 13,194,061	\$ 12,570,152	\$ 13,456,448	\$ 13,876,293
Licenses and permits	119,413	113,690	144,040	104,417	216,596	170,404	166,013	141,234	162,257	193,797
Intergovernmental	2,576,022	2,804,501	4,491,076	4,012,530	2,767,243	6,169,100	2,854,625	2,849,094	3,332,993	2,640,461
Charges for services	1,401,914	1,369,142	1,591,104	1,609,459	1,703,422	1,965,141	1,709,552	1,697,246	1,954,380	2,064,698
Fines and fees	289,401	345,862	323,046	312,958	399,816	349,695	366,367	427,215	431,301	477,897
Special assessments	68,580	70,509	59,074	57,645	26,572	34,875	49,263	75,820	59,375	65,723
Investment earnings	220,274	151,793	420,902	763,520	1,229,571	925,499	157,971	52,103	21,488	15,791
Lease income	138,587	314,676	277,915	340,478	576,732	542,847	537,694	458,610	445,966	473,120
Miscellaneous	413,476	326,428	1,466,474	1,307,924	825,925	1,180,128	348,230	396,479	221,145	224,033
Total revenues	13,663,232	14,611,209	18,342,487	18,817,060	20,305,987	24,699,914	19,383,776	18,667,953	20,085,353	20,031,813
Expenditures										
General government	933,982	1,057,511	1,561,875	1,535,479	1,906,313	4,712,494	2,695,357	2,824,648	2,630,219	3,252,217
Public safety-police	2,455,770	2,505,294	2,629,829	3,101,059	3,289,331	3,051,104	2,958,470	2,938,621	2,986,364	3,187,410
Public safety-fire	1,779,901	1,922,396	2,153,437	2,190,419	2,254,080	2,107,722	2,009,788	2,016,858	2,196,533	2,287,487
Public safety-other	469,379	510,274	814,626	904,123	985,134	867,333	679,447	690,160	539,551	556,296
Public works	1,762,966	1,804,893	1,811,334	1,947,035	2,306,195	2,604,829	1,933,140	2,119,057	2,486,441	2,494,645
Sanitation and health	118,897	115,052	135,128	159,202	178,870	253,084	156,667	144,721	157,824	160,295
Culture and recreation	1,544,131	1,650,630	1,806,666	1,915,072	1,962,361	1,846,578	1,693,206	1,735,955	1,766,694	1,682,095
Industrial promotion	943,259	434,191	547,032	1,121,960	1,409,273	1,432,577	711,829	818,995	676,439	628,199
Economic development	-	-	81,992	898,362	4,869	3,577	6,993	-	-	-
Social welfare	1,483,548	1,884,603	3,020,775	2,279,705	1,469,391	1,550,188	1,579,956	1,485,494	1,659,555	1,464,910
Capital outlay	744,521	6,789,928	2,810,671	4,816,592	5,696,108	16,704,405	3,272,406	1,521,018	1,982,135	1,921,839
Debt service principal	876,466	1,049,491	940,000	7,365,000	1,500,000	2,455,309	2,649,183	2,854,576	2,855,994	2,669,028
Debt service interest & fees	260,258	222,695	261,574	660,233	751,531	1,545,238	1,334,208	1,197,533	1,111,344	1,154,822
Debt issuance costs	59,080	-	-	407,706	266,163	91,268	33,570	11,943	21,411	46,089
Total expenditures	13,432,158	19,946,958	18,574,939	29,301,947	23,979,619	39,225,706	21,714,220	20,359,579	21,070,504	21,505,332
Excess of revenues over (under) expenditures	231,074	(5,335,749)	(232,452)	(10,484,887)	(3,673,632)	(14,525,792)	(2,330,444)	(1,691,626)	(985,151)	(1,473,519)
Other Financing Sources (Uses)										
Bonds issued	1,533,240	-	1,460,000	11,390,000	14,285,000	2,950,380	1,265,000	-	-	855,000
Discount on bonds	-	-	-	(166,389)	-	-	-	-	-	-
Bond anticipation notes issued	-	-	6,285,000	-	-	-	-	-	-	1,144,743
Custom energy note payable issued	-	-	-	-	-	1,826,933	-	-	-	-
Transfers in	1,048,447	1,055,097	1,920,602	8,230,625	2,297,727	2,313,905	4,770,242	880,808	3,436,406	3,284,962
Transfers out	(932,958)	(875,269)	(1,099,193)	(7,471,593)	(986,817)	(1,926,748)	(3,393,414)	-	(2,973,043)	(2,269,340)
Total other financing sources (uses)	1,648,729	179,828	8,566,409	11,982,643	15,595,910	5,164,470	2,641,828	880,808	463,363	3,015,365
Net change in fund balances	\$ 1,879,803	\$ (5,155,921)	\$ 8,333,957	\$ 1,497,756	\$ 11,922,278	\$ (9,361,322)	\$ 311,384	\$ (810,818)	\$ (521,788)	\$ 1,541,846
Debt service as a percentage of noncapital expenditures	9.4%	9.7%	7.6%	34.4%	13.8%	18.2%	21.8%	21.1%	20.7%	19.5%

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

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate			
						Water		Sewer	
						Base Rate (1)	Usage Rate (2)	Base Rate (1)	Usage Rate (2)
2003	972	948	24	2.47%	2,143	\$ 6.52	Variable	\$ 11.39	Variable
2004	907	870	37	4.04%	1,474	\$ 6.72	Variable	\$ 11.74	Variable
2005	917	833	84	9.11%	1,338	\$ 6.93	Variable	\$ 12.10	Variable
2006	936	860	76	8.17%	875	\$ 7.14	Variable	\$ 12.47	Variable
2007	910	852	58	6.37%	1,633	\$ 7.36	Variable	\$ 12.85	Variable
2008	926	814	112	12.10%	1,348	\$ 7.78	Variable	\$ 13.58	Variable
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
2011	942	739	203	21.55%	975	\$ 10.34	Variable	\$ 18.03	Variable
2012	888	703	185	20.83%	952	\$ 11.01	Variable	\$ 19.20	Variable

Note: Gallons are presented in millions.

1) Fiscal years 2008, 2009, 2010, 2011 and 2012 water and sewer base rates are blended amounts.

2) See rate schedule on page 91.

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

Fiscal Year	Water Meter Taps <u>Sold</u>	Sewer Taps <u>Sold</u>	<u>Total Taps</u>
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
2011	26	9	35
2012	18	14	32

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

Fiscal Year	WATER				SEWER (1)				TOTAL	
	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>OTHER</u>	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>OTHER</u>	<u>WATER</u>	<u>SEWER</u>
2003	7,663	598	51	228	na	na	na	na	8,540	7,837
2004	7,677	586	50	229	na	na	na	na	8,542	7,802
2005	7,684	581	49	209	na	na	na	na	8,523	7,839
2006	7,702	585	52	212	7,115	534	42	130	8,551	7,821
2007	7,733	556	50	205	7,156	529	44	130	8,544	7,859
2008	7,632	551	53	214	7,109	513	42	133	8,450	7,797
2009	7,744	539	51	222	7,061	506	43	129	8,556	7,739
2010	7,701	537	51	219	7,070	497	43	133	8,508	7,743
2011	7,713	528	51	222	7,032	494	40	147	8,514	7,713
2012	7,711	529	51	224	7,076	493	44	121	8,515	7,734

(1) Sewer customers by type not available for years 2003-2005.

Note: na means data unavailable.

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

						Effective Jan 1st	Effective Jul 1st	Effective Jan 1st	Effective Jul 1st	Effective Jan 1st	Effective Jul 1st	Effective Jan 1st	Effective Jul 1st	Effective Jan 1st
<u>WATER RATES PER MONTH, INSIDE CITY LIMITS</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>	<u>2012</u>
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 6.52	\$ 6.72	\$ 6.93	\$ 7.14	\$ 7.36	\$ 7.59	\$ 7.97	\$ 8.21	\$ 8.79	\$ 9.06	\$ 9.70	\$ 9.99	\$ 10.69	\$ 11.01
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	2.68	2.77	2.86	2.95	3.04	3.14	3.30	3.40	3.64	3.75	4.02	4.14	4.43	4.56
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	2.52	2.60	2.68	2.77	2.86	2.95	3.10	3.20	3.43	3.54	3.79	3.90	4.17	4.30
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.40	2.48	2.56	2.64	2.72	2.81	2.96	3.05	3.27	3.37	3.61	3.72	3.98	4.10
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.23	2.30	2.37	2.45	2.53	2.61	2.75	2.84	3.04	3.14	3.36	3.46	3.70	3.81
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.11	2.18	2.25	2.32	2.39	2.47	2.60	2.68	2.87	2.96	3.17	3.27	3.50	3.61
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	1.96	2.02	2.09	2.16	2.23	2.30	2.42	2.50	2.68	2.76	2.96	3.05	3.26	3.36
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.77	1.83	1.89	1.95	2.01	2.08	2.19	2.26	2.42	2.50	2.68	2.76	2.95	3.04
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.63	1.68	1.74	1.80	1.86	1.92	2.02	2.09	2.24	2.31	2.48	2.55	2.73	2.81
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.51	1.56	1.61	1.66	1.71	1.77	1.86	1.92	2.06	2.13	2.28	2.35	2.51	2.59
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.37	1.42	1.47	1.52	1.57	1.62	1.71	1.77	1.90	1.96	2.10	2.16	2.31	2.38
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.28	1.32	1.36	1.41	1.46	1.51	1.59	1.64	1.76	1.82	1.95	2.01	2.15	2.21
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.18	1.22	1.26	1.30	1.34	1.39	1.46	1.51	1.62	1.67	1.79	1.84	1.97	2.03
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.08	1.12	1.16	1.20	1.24	1.28	1.35	1.39	1.49	1.54	1.65	1.70	1.82	1.87
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	0.99	1.02	1.06	1.10	1.14	1.18	1.24	1.28	1.37	1.42	1.52	1.57	1.68	1.73

<u>WATER RATES PER MONTH, OUTSIDE CITY LIMITS</u>														
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 13.06	\$ 13.46	\$ 13.87	\$ 14.29	\$ 14.72	\$ 15.17	\$ 15.93	\$ 16.41	\$ 17.56	\$ 18.09	\$ 19.36	\$ 19.94	\$ 21.34	\$ 21.98
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	4.78	4.93	5.08	5.24	5.40	5.57	5.85	6.03	6.46	6.66	7.13	7.34	7.85	8.09
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	3.72	3.84	3.96	4.08	4.21	4.34	4.56	4.70	5.03	5.18	5.55	5.72	6.12	6.30
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.68	2.77	2.86	2.95	3.04	3.14	3.30	3.40	3.64	3.75	4.02	4.14	4.43	4.56
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.52	2.60	2.68	2.77	2.86	2.95	3.10	3.20	3.43	3.54	3.79	3.90	4.17	4.30
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.40	2.48	2.56	2.64	2.72	2.81	2.96	3.05	3.27	3.37	3.61	3.72	3.98	4.10
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	2.23	2.30	2.37	2.45	2.53	2.61	2.75	2.84	3.04	3.14	3.36	3.46	3.70	3.81
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	2.11	2.18	2.25	2.32	2.39	2.47	2.60	2.68	2.87	2.96	3.17	3.27	3.50	3.61
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.88	1.94	2.00	2.06	2.13	2.20	2.31	2.38	2.55	2.63	2.82	2.90	3.10	3.19
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.73	1.79	1.85	1.91	1.97	2.03	2.14	2.21	2.37	2.45	2.63	2.71	2.90	2.99
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.58	1.63	1.68	1.74	1.80	1.86	1.96	2.02	2.17	2.24	2.40	2.47	2.64	2.72
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.46	1.51	1.56	1.61	1.66	1.71	1.80	1.86	2.00	2.06	2.21	2.28	2.44	2.51
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.34	1.39	1.44	1.49	1.54	1.59	1.67	1.72	1.85	1.91	2.05	2.11	2.26	2.33
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.23	1.27	1.31	1.35	1.40	1.45	1.53	1.58	1.70	1.76	1.89	1.95	2.09	2.15
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	1.15	1.19	1.23	1.27	1.31	1.35	1.42	1.47	1.58	1.63	1.75	1.80	1.93	1.99

<u>SANITARY SEWER RATES PER MONTH, INSIDE CITY LIMITS</u>														
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 11.39	\$ 11.74	\$ 12.10	\$ 12.47	\$ 12.85	\$ 13.24	\$ 13.91	\$ 14.33	\$ 15.34	\$ 15.80	\$ 16.91	\$ 17.42	\$ 18.64	\$ 19.20
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	1.61	1.66	1.71	1.77	1.83	1.89	1.99	2.05	2.20	2.27	2.43	2.50	2.68	2.76

<u>SANITARY SEWER RATES PER MONTH, OUTSIDE CITY LIMITS</u>														
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 22.75	\$ 23.44	\$ 24.15	\$ 24.88	\$ 25.63	\$ 26.40	\$ 27.72	\$ 28.56	\$ 30.56	\$ 31.48	\$ 33.69	\$ 34.70	\$ 37.13	\$ 38.24
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	3.20	3.30	3.40	3.51	3.62	3.73	3.92	4.04	4.33	4.46	4.78	4.92	5.26	5.42

<u>STORMWATER RATES PER MONTH, INSIDE CITY LIMITS ONLY (1)</u>														
1. PER ERU (2)	na	\$ 2.97	\$ 2.97	\$ 3.06	\$ 3.16	\$ 3.26	\$ 3.26	\$ 3.36	\$ 3.36	\$ 3.46	\$ 3.46	\$ 3.56	\$ 3.56	\$ 3.67

(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 2012			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Sugar Creek Packing Company	\$ 172,831	4.37%	\$ 236,690	7.09%
Pittsburg State University	185,284	4.68%	86,290	2.58%
Via Christi Hospital	47,654	1.20%	36,969	1.11%
USD 250 Public Schools	44,088	1.11%	22,421	0.67%
Sycamore Village Residences	36,323	0.92%	23,839	0.71%
Crimson Villas	41,721	1.05%	14,958	0.45%
Parkview Community	30,232	0.76%	19,751	0.59%
University Commons	26,370	0.67%	18,808	0.56%
Corner Stone Village	23,472	0.59%	16,796	0.50%
Golden Living Center	15,715	0.40%	13,144	0.39%
Subtotal (10 largest)	623,690	15.76%	489,666	14.67%
Balance from other customers	3,334,090	84.24%	2,848,843	85.33%
Grand totals	<u>\$ 3,957,780</u>	<u>100.00%</u>	<u>\$ 3,338,509</u>	<u>100.00%</u>

<u>Customer</u>	Fiscal Year 2003			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Superior Industries	\$ 215,178	7.72%	\$ 190,175	7.40%
Pittsburg State University	105,398	3.78%	76,167	2.97%
Sugar Creek Packing Company	75,295	2.70%	79,637	3.10%
Via Christi Hospital	43,322	1.55%	28,985	1.13%
Miller's Professional Imaging	35,896	1.29%	27,995	1.09%
Parkview Community	33,217	1.19%	20,901	0.81%
Premdor Entry Systems	22,070	0.79%	17,376	0.68%
USD 250 Public Schools	23,578	0.85%	14,434	0.56%
Medicalodge	19,295	0.69%	14,877	0.58%
New Horizons of Pittsburg	14,461	0.52%	11,089	0.43%
Golden Living Center	14,461	0.52%	10,148	0.40%
Subtotal (10 largest)	602,171	21.61%	491,784	19.15%
Balance from other customers	2,184,932	78.39%	2,076,496	80.85%
Grand totals	<u>\$ 2,787,103</u>	<u>100.00%</u>	<u>\$ 2,568,280</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	Bond Anticipation Notes	Kansas Partnership Loan	FCIP Capital Lease	Sales Tax Transportation District Bonds (1)	Tax Increment Financing Bonds (2)	General Obligation Bonds (3)	Bond Anticipation Notes	K.D.H.E. Loans			
2003	\$ 6,755,000	\$ -	\$ 69,491	\$ -	\$ -	\$ -	\$ 3,210,000	\$ -	\$ 3,592,898	\$ 13,627,389	3.0%	\$ 708
2004	5,775,000	-	-	-	-	-	2,640,000	-	3,628,144	12,043,144	2.6%	626
2005	6,295,000	-	-	-	-	-	2,165,000	-	3,505,528	11,965,528	2.5%	622
2006	8,900,000	-	-	-	1,395,000	6,310,000	1,810,000	-	3,951,901	22,366,901	4.6%	1,162
2007	21,830,000	-	-	-	1,390,000	6,170,000	3,895,000	-	4,372,902	37,657,902	7.7%	1,957
2008	22,580,297	-	-	1,786,707	1,370,000	5,975,000	3,864,703	-	4,552,400	40,129,107	8.1%	2,054
2009	21,578,483	-	-	1,694,340	1,340,000	5,715,000	3,671,517	-	4,896,290	38,895,630	7.0%	1,981
2010	19,065,099	-	-	1,598,146	1,310,000	5,500,000	3,144,901	-	10,180,288	40,798,434	7.1%	2,016
2011	16,579,281	-	-	1,497,969	1,275,000	5,265,000	2,595,719	-	12,774,063	39,987,032	7.0%	1,976
2012	15,164,578	1,144,743	-	1,393,644	1,235,000	5,010,000	2,015,422	405,257	14,048,337	40,416,981	6.7%	1,998

(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 (1)</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
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
2011	19,175,000	1,058,470	18,116,530	854,706,247	2.12%	895
2012	17,180,000	1,067,000	16,113,000	1,059,236,154	1.52%	796

(1) Source: Crawford County Clerk

City of Pittsburg, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2012

<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	\$ 3,580,698	52.25%	\$ 1,870,915
Frontenac U.S.D. 249	3,088,000	4.91%	151,621
Pittsburg U.S.D. 250	23,464,524	84.29%	<u>19,778,247</u>
Subtotal, overlapping debt			21,800,783
City direct debt (2)			<u>15,164,578</u>
Total direct and overlapping debt			<u>\$ 36,965,361</u>

(1) Source: Crawford County Clerk

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

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Valuation (1)	\$ 135,252,670
Legal Debt Limit (2)	40,575,801
General Obligation Bonds	17,180,000
Less Amount Available in Debt Service Fund	<u>(1,067,000)</u>
Total net debt applicable to limit	<u>16,113,000</u>
Legal debt margin	<u>\$ 24,462,801</u>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 36,272,164	\$ 37,617,070	\$ 39,889,902	\$ 41,694,028	\$ 43,703,108	\$ 44,244,609	\$ 41,876,403	\$ 40,658,921	\$ 40,479,510	\$ 40,575,801
Total net debt applicable to limit	<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>	<u>18,116,530</u>	<u>16,113,000</u>
Legal debt margin	<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>	<u>\$ 22,362,980</u>	<u>\$ 24,462,801</u>
Total net debt applicable to the limit as a percentage of debt limit	25.98%	20.76%	19.20%	23.43%	53.86%	56.63%	56.16%	51.21%	44.75%	39.71%

(1) Includes motor vehicle assessed 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 Seven Fiscal Years (1)

Sales Tax Transportation District Bonds (2)								Tax Increment Financing Bonds (3)							
Fiscal Year	Sales Tax Increment	Other Income	Less Expenses	Net Available Revenue	Debt Service		Coverage	Sales Tax Increment	Property Tax Increment	Other Income	Less Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest							Principal	Interest	
2006	\$ 61,121	\$ 7,513	\$ 404	\$ 68,230	\$ -	\$ 35,154	1.94	\$ 150,760	\$ 63,607	\$ 29,119	\$ 1,569	\$ 241,917	\$ -	\$ 157,484	1.54
2007	79,596	4,268	2,854	81,010	5,000	66,840	1.13	199,151	243,348	16,066	6,862	451,703	140,000	299,480	1.03
2008	78,864	1,542	1,974	78,432	20,000	66,240	0.91	201,424	275,761	5,171	3,773	478,583	195,000	289,765	0.99
2009	73,512	68	1,936	71,644	30,000	65,040	0.75	192,439	333,919	261	3,370	523,249	260,000	280,368	0.97
2010	66,697	4	1,754	64,947	30,000	63,600	0.69	198,731	296,698	23	3,023	492,429	215,000	267,957	1.02
2011	74,663	2	11,009	63,656	35,000	62,040	0.66	268,328	278,638	20	3,020	543,966	235,000	257,832	1.10
2012	77,302	2	1,752	75,552	40,000	60,240	0.75	290,926	178,193	17	3,017	466,119	255,000	246,807	0.93

(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>
2003	19,243	447,303,535	23,245 (2)	2,561	6,731	4.9%	28.1
2004	19,243	463,275,225	24,075 (2)	2,655	6,537	4.1%	28.1
2005	19,243	487,425,190	25,330 (2)	2,400	6,628	4.3%	28.1
2006	19,243	487,425,190	26,565 (2)	2,680	6,859	4.4%	28.1
2007	19,243	487,425,190	27,144 (2)	2,702	7,087	4.8%	28.1
2008	19,536	494,846,880	28,246 (2)	2,640	7,127	6.1%	28.1
2009	19,639	554,723,194	28,246 (2)	2,704	7,277	6.8%	28.1
2010	20,233	571,501,318	28,246 (2)	2,656	7,131	7.1%	28.1
2011	20,233	605,270,195	29,915 (2)	2,765	7,275	6.8%	28.1
2012	20,233	597,723,286	29,542 (2)	2,848	7,289	5.5%	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>2012</u>			<u>2003</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	1,867	1	9.98%	1,175	1	6.46%
Pittsburg U.S.D. # 250	Public School K-12	684	2	3.66%	500	4	2.75%
Via Christi Health	Regional Hospital	677	3	3.62%	850	2	4.68%
Wal-Mart Supercenter	Retail & Grocery	380	4	2.03%	458	6	2.52%
Pitt Plastics Inc.	Polyethylene Bags	293	5	1.57%	350	7	1.93%
Miller's Inc.	Professional Photo Finishing	287	6	1.53%	500	5	2.75%
NPC International	Corporate Offices	274	7	1.46%	na	na	na
Masonite	Steel Door Manufacturer	225	8	1.20%	350	8	1.93%
Pitsco, Inc.	Educational Systems	222	9	1.19%	150	11	0.83%
City of Pittsburg (2)	City Government	208	10	1.11%	199	9	1.09%
Community Health Center	Health Care	164	11	0.88%	na	na	na
Names and Numbers	Publishing	160	12	0.86%	163	10	0.90%
New Hope Services	Nursing Care	122	13	0.65%	na	na	na
WATCO Companies Inc.	Railroads	120	14	0.64%	na	na	na
Via Christi Village	Nursing Home	120	15	0.64%	na	na	na
Superior Industries	Aluminum Wheel Manufacturer	na	na	na	741	3	4.08%
Total		<u>5,803</u>		<u>31.00%</u>	<u>5,436</u>		<u>29.90%</u>

(1) Source: Pittsburg Chamber of Commerce

(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

	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Governmental-type Activities																				
<u>General Government</u>																				
General Administration Department (4)	3	1.7%	2	1.0%	7	3.6%	7	3.4%	8	3.9%	8	3.9%	8	4.2%	8	4.1%	9	4.5%	-	0.0%
City Manager																			2	1.0%
City Attorney																			1	0.5%
City Clerk																			1	0.5%
Finance Department																			4	2.0%
Human Resources Department	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	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	2.0%	4	1.9%	4	2.1%	3	1.5%	4	2.0%	3	1.5%
Total General Government	8	4.2%	7	3.6%	12	6.2%	13	6.4%	14	6.8%	14	6.8%	14	7.3%	13	6.7%	15	7.5%	13	6.5%
<u>Public Safety</u>																				
Police Department	50	25.6%	49	25.3%	49	25.1%	50	24.5%	51	24.9%	52	25.1%	48	25.0%	49	25.3%	50	24.9%	52	26.1%
Fire Department	34	17.4%	34	17.5%	34	17.4%	34	16.7%	34	16.6%	34	16.4%	32	16.7%	33	17.0%	35	17.4%	36	18.1%
Codes Enforcement Department	6	3.1%	6	3.1%	11	5.6%	11	5.4%	11	5.4%	11	5.3%	8	4.2%	8	4.1%	8	4.0%	6	3.0%
Safety Department (3)	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	-	0.0%	-	0.0%
Animal Control Department	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	2	1.0%
Municipal Court Department	5	2.6%	4	2.1%	5	2.6%	6	2.9%	6	2.9%	6	2.9%	6	3.1%	6	3.1%	6	3.0%	5	2.7%
Total Public Safety	97	49.7%	95	49.0%	101	51.8%	103	50.6%	104	50.8%	105	50.8%	96	50.1%	98	50.6%	100	49.9%	101	50.9%
<u>Public Works</u>																				
Engineering Department	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%
Facility Maintenance (2)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3	1.6%	3	1.5%	3	1.5%	3	1.5%
Street & Highway Department	14	7.2%	13	6.7%	13	6.7%	13	6.4%	13	6.3%	13	6.3%	12	6.3%	12	6.2%	12	6.0%	12	6.0%
Atkinson Airport Department	4	2.1%	4	2.1%	4	2.1%	4	2.0%	4	2.0%	4	1.9%	3	1.6%	3	1.5%	3	1.5%	3	1.5%
Total Public Works	20	10.3%	19	9.8%	19	9.7%	19	9.3%	19	9.3%	19	9.2%	20	10.4%	20	10.3%	20	10.0%	20	10.0%
<u>Sanitation and Health</u>																				
ML Olive Cemetery Department	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%
<u>Culture and Recreation</u>																				
Parks Department	9	4.6%	9	4.6%	9	4.6%	11	5.4%	11	5.4%	11	5.3%	10	5.2%	10	5.2%	10	5.0%	8	4.0%
Recreation Department																			2	1.0%
Four Oaks Complex Department	3	1.5%	3	1.5%	3	1.5%	4	2.0%	4	2.0%	4	1.9%	4	2.1%	4	2.1%	4	2.0%	3	1.5%
Memorial Auditorium Department	5	2.6%	5	2.6%	5	2.6%	5	2.5%	5	2.4%	5	2.4%	4	2.1%	4	2.1%	5	2.5%	5	2.5%
Total Culture and Recreation	17	8.7%	17	8.8%	17	8.7%	20	9.8%	20	9.8%	20	9.7%	18	9.4%	18	9.3%	19	9.5%	18	9.0%
<u>Industrial Development</u>																				
Economic Development Department	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	1	0.5%	1	0.5%	2	1.0%	1	0.5%
<u>Social Welfare</u>																				
Community Development & Housing	5	2.6%	5	2.6%	5	2.6%	5	2.5%	4	2.0%	4	1.9%	3	1.6%	3	1.5%	3	1.5%	3	1.5%
Total for Governmental-type Activities	150	77.0%	146	75.3%	157	80.5%	163	79.9%	164	80.0%	165	79.7%	153	79.7%	154	79.4%	160	79.6%	157	78.9%
Business-type Activities																				
<u>Water-Wastewater Utility</u>																				
Water Treatment Department	8	4.1%	8	4.1%	8	4.1%	8	3.9%	8	3.9%	8	3.9%	8	4.2%	8	4.1%	8.6	4.3%	8.6	4.3%
Water Maintenance Department	14	7.2%	14	7.2%	9	4.6%	9	4.4%	9	4.4%	9	4.3%	7	3.6%	7	3.6%	7.6	3.8%	8.6	4.3%
Wastewater Treatment Department	10	5.1%	7	3.6%	7	3.6%	7	3.4%	7	3.4%	7	3.4%	7	3.6%	7	3.6%	6.6	3.3%	6.6	3.3%
Wastewater Maintenance Department	2	1.0%	5	2.6%	5	2.6%	5	2.6%	7	3.4%	7	3.4%	5	2.8%	5	2.8%	5.6	2.8%	5.6	2.8%
Utility Administration department	11	5.6%	11	5.7%	6	3.1%	6	2.9%	6	2.9%	7	3.4%	5	2.6%	6	3.1%	5	2.5%	6	3.0%
Total Water-Wastewater Utility	45	23.0%	45	23.2%	35	17.9%	37	18.1%	37	18.0%	38	18.4%	32	16.7%	33	17.0%	33.4	16.6%	35.4	17.7%
<u>Storm Water Utility</u>																				
Stormwater department (1)	-	0.0%	3	1.5%	3	1.5%	4	2.0%	4	2.0%	4	1.9%	7	3.6%	7	3.6%	7.6	3.8%	6.6	3.4%
Total for Business-type Activities	45	23.0%	48	24.7%	38	19.5%	41	20.1%	41	20.0%	42	20.3%	39	20.3%	40	20.6%	41	20.4%	42	21.1%
Total Full-time Employees	195	100.0%	194	100.0%	195	100.0%	204	100.0%	205	100.0%	207	100.0%	192	100.0%	194	100.0%	201	100.0%	199	100.0%

1) Stormwater department began with year 2004.

2) Facility Maintenance department began with year 2009.

3) Safety position was moved to the Fire Department in 2011.

4) General Administration department split out beginning with year 2012.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Function/Program</u>										
General government										
Building permits issued	370	385	513	501	673	552	478	507	547	787
Building inspections conducted	1,377	1,696	750	1,069	1,628	1,370	1,309	1,096	868	791
Police										
Physical arrests	982	1,073	1,149	930	988	1,277	1,491	1,620	1,305	1,414
Parking violations	2,193	1,857	1,146	882	1,416	1,317	1,154	1,458	2,192	1,390
Traffic violations	2,483	3,529	3,019	2,823	3,416	2,998	2,442	2,039	2,154	2,316
Fire										
Fire calls	236	150	156	181	120	131	129	313	313	385
Emergency calls/EMS	132	1,154	1,335	1,231	1,355	1,255	854	571	619	709
Other calls	326	620	753	811	716	604	752	898	1,071	736
Other public works										
Street resurfacing (tons of asphalt)	6,239	3,973	4,674	5,491	3,289	5,041	1,840	2,533	5,689	6,351
Airport (gallons sold)	149,300	156,658	184,084	181,848	205,904	222,403	180,055	177,407	196,216	194,205
Parks and recreation										
Aquatic center (attendance)	na	24,703	28,473	28,420	29,790	29,646	27,974	30,661	31,285	25,710
Golf course (rounds of golf)	na	na	12,867	10,516	9,459	10,592	9,653	9,911	7,904	6,159
Memorial auditorium (events)	429	359	440	308	288	392	261	247	458	385
Water										
Average daily consumption (gallons)	2,661,753	2,477,992	2,512,452	2,564,255	2,494,501	2,460,721	2,247,419	2,349,718	2,517,244	2,374,877
Peak daily consumption (gallons)	5,348,000	3,962,000	4,962,000	4,900,000	4,552,000	4,738,000	3,733,000	5,444,000	4,950,000	4,530,000
Wastewater										
Average daily sewage treatment (gallons)	5,871,506	4,037,808	3,664,657	2,396,986	4,470,895	3,691,753	3,362,808	2,985,439	2,670,137	2,607,397

Note: na means data unavailable.

Sources: Various city departments.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Fire Stations	3	3	3	3	3	3	3	3	3	3
Other public works										
Streets (miles)	145	145	145	141	141.5	141.5	141.5	141.5	141.5	141.5
Streetlights	2,082	2,089	2,102	2,108	2,115	2,096	2,095	2,095	2,097	2,036
Traffic Signals	39	39	39	39	38	38	39	39	39	39
Parks and recreation										
Public parks	9	9	9	9	10	10	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	165	165.5	165.5	165.5	165.5	168.5	172.0
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	126	127	127	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	20,000,000	20,000,000	20,000,000
Stormwater										
Storm sewers (miles)	na	na	na	18	18.5	19.0	19.0	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, 2012

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	\$ 61,293
U.S. Department of Housing and Urban Development:		
Section 8 Housing Cluster:		
Section 8 Housing Choice Vouchers	14.871	1,318,328
Passed through Kansas Housing Resources Corporation:		
Emergency Shelter Grant	14.231	29,755
HOME Investment Partnerships Program	14.239	29,492
HOME Investment Partnerships Program	14.239	64,868
Total U.S. Department of Housing and Urban Development		1,442,443
Environmental Protection Agency:		
Passed through Kansas Department of Health and Environment:		
ARRA - Capitalization Grants for Drinking Water State Revolving Funds, Federal Award No. 2F-97705401	66.458	24,799
U.S. Department of Transportation:		
Airport Improvement Program	20.106	29,823
Passed through Kansas Department of Transportation:		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	4,800
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	4,664
Occupant Protection Incentive Grant	20.602	4,706
Total U.S. Department of Transportation		43,993
U.S. Department of Justice:		
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.738	2,996
ARRA - Public Safety Partnership and Community Policing Grants - 2009	16.710	55,161
ARRA - Public Safety Partnership and Community Policing Grants - 2011	16.710	85,827
Total U.S. Department of Justice		143,984
Total expenditures of federal awards		\$ 1,716,512

See accompanying notes to schedule of
expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2012

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, 2012

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: 2012-1

Noncompliance material to financial statements: None

Federal Awards

Internal control over major programs:

Material weaknesses identified: None

Significant deficiencies identified that are not
considered to be material weaknesses: None reported

Type of 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: None

Identification of major programs:

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

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

Significant Deficiency – 2012-1

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

Condition – There was a lack of segregation of duties related to the turnover of the Director of Finance. During this time of the transition, the Assistant Director of Finance had the ability to access, create and modify accounting modules and reports which includes having access to the payroll system, creating journal entries with no review or approval and also the signature authority on the City’s checks with access to cash.

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

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

Management’s Response (Unaudited) – The City’s finance director terminated employment with the City in the fall of 2012. The assistant director of finance assumed both roles as a replacement would not be selected until fiscal year 2013. Due to this temporary lack of staffing, segregation of duties was not possible.

Corrective Action Plan (Unaudited) – In February 2013 the City promoted the assistant director to director and hired a new assistant director in March 2013. This action will alleviate the segregation of duties issue.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

CITY OF PITTSBURG, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2012

Finding 2011-1

Federal Program – Department of Homeland Security – Federal Emergency Management Agency: Passed through Kansas Highway Patrol, Assistance to Firefighters Grant (CDFA 97.044)

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

Criteria – According to 2 CFR 180, 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 of 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 it contracts with in amounts 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 sub-contractors after becoming aware of this requirement and found no suspensions or debarments. In the future the City will check all contractors and sub-contractors for suspensions or debarments in advance of awarding bids.

Follow-Up – The City verified all contractors and subcontractors for suspensions or debarments in advance to comply with this Federal program. This finding is considered resolved.



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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berberich Trahan & Co., P.A.

May 7, 2013



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Pittsburg, Kansas (the City)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2012. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berberich Trahan & Co., P.A.

May 7, 2013