

The City of **Pittsburg, Kansas**
**Comprehensive Annual
Financial Report**
For The Year Ended December 31, 2016



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF PITTSBURG, KANSAS

**For the Fiscal Year Ended
December 31, 2016**

Prepared by:

DEPARTMENT OF FINANCE

City of Pittsburg, Kansas

CITY OF PITTSBURG, KANSAS

Comprehensive Annual Financial Report
Year ended December 31, 2016

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INTRODUCTORY SECTION



April 24, 2017

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, 2016. 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 Mize Houser and Company was selected by the City Commission to audit the records of the City for the year ended December 31, 2016. 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 estimated 2016 population is 20,398. 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 13.1 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.

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 89 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 7,200 students.

Comparing tax receipts to the prior fiscal year, retail sales tax receipts increased by 1.72%, property tax receipts were relatively flat increasing by only 0.17% and franchise tax receipts increased by 0.83% due to an electric rate increase in November 2016. The 2015 property valuation assessments to support the 2016 budget remained flat with a slight decrease of 0.07%.

The Pittsburg micro-area (Crawford County) unemployment rate increased slightly from 4.3 percent in December 2015 to 4.4 percent in December 2016. Unemployment is expected to remain fairly stable due to the stabilizing effect that Pittsburg State University has on the community and with the opening of the Kansas Crossing Casino in the spring of 2017.

Long-term financial planning. The City utilizes a five year financial forecast and plan. Three prior year actuals, the current year estimated and four future years are projected in the forecast. This allows for better budget planning and decision making.

The City also 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 (KDHE), utility operating funds, one fourth of the City's one half percent general sales tax revenue, the City's public safety sales tax and federal and state grant awards.

Major initiatives for the year. Planning and negotiations began on the Block 22 project. This a partnership between the City of Pittsburg, Pittsburg State University and a private development group to renovate four historic buildings in the heart of downtown Pittsburg. This project will combine student housing with dedicated innovation space for students and entrepreneurs. It will also include offices for the University Center for Business and Innovation Development. The properties will be managed and operated by the university.

The City initiated a fiber backbone network project to connect City facilities and public safety agencies along with core institutions in the area. This project will take several years to complete.

Completed major street improvement projects that were funded with the street sales tax included the milling and paving of west Jefferson from Walnut to Georgia, south Rouse from Quincy south to the railroad tracks and west 20th from Pine west to the U.S. 69 bypass.

Completed major water line projects for the year were the replacement of an eight inch line on south Catalpa from Jefferson to Washington and from College to Woodland and also on Woodland from Jefferson to Martin. Also completed was a new eight inch water line replacement in the Hobson addition on Hobson Drive and Hobson Place. A new eight inch water line was placed on 31st Street from Michigan to the west end of the street.

Major initiatives for the future. The South Rouse street improvements project which will consist of a new three lane road with center turn lane with curb and gutters from the Centennial and Rouse intersection south to the City limits at an estimated cost of \$4.5 million. The funding source is general obligation bonds.

The south Rouse Hike and Bike Trail is to be constructed at the same time as the south Rouse street project at an estimated cost of \$937,289. This trail will be situated on the west side of Rouse Avenue and run from the south City limits to Centennial Drive. Funding sources are a KDOT grant and private donations.

Resurfacing of East 4th Street (K-126) from the 4th Street overpass to the east City limits is projected for the spring of 2017. Funding sources are a KDOT grant and City street sales tax funds.

A new 600 foot extension to the airport runway 16/34 is planned in the spring of 2017 at an estimated cost of \$1 million. Funding sources are a Federal Aviation Administration grant and general obligation bonds.

The design and build of the Wastewater Treatment Plant trickling filters is scheduled for 2017 with an estimated cost of \$350,000. In 2018 there are plans to sandblast and repaint the south water tower at an estimated cost of \$650,000. Funding source for both projects is the Public Utility operating budget.

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, 2015. This was the twentieth 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,



Daron Hall
City Manager



Jamie Clarkson
Director of Finance

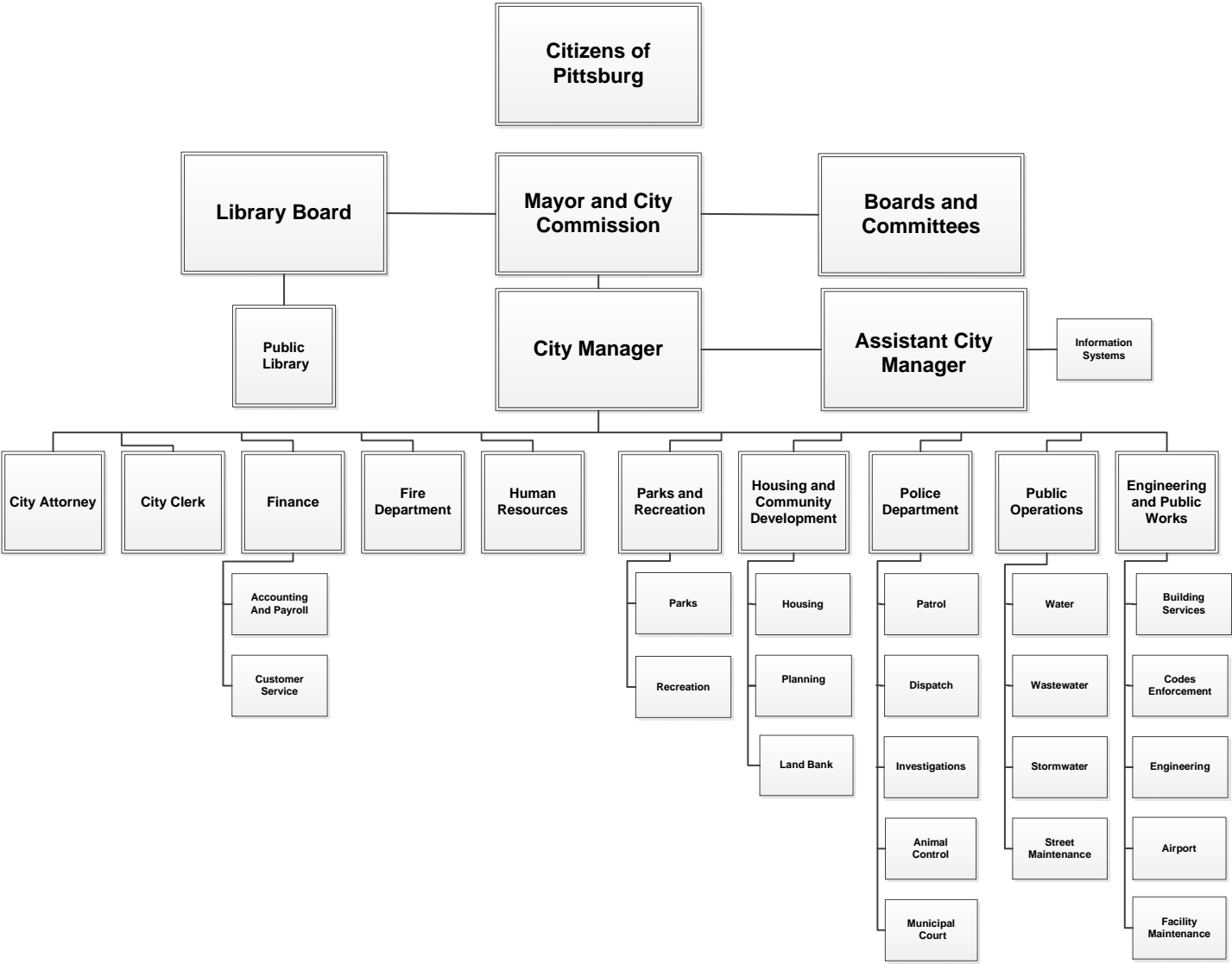
CITY OF PITTSBURG, KANSAS

LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2016

<u>TITLE</u>	<u>NAME</u>
ELECTED:	
Mayor	John Ketterman
President of the Board	Michael Gray
Commissioner	Chuck Munsell
Commissioner	Jeremy Johnson
Commissioner	Monica Murnan
APPOINTED:	
City Manager	Daron Hall
Assistant City Manager	Jay Byers
City Attorney	Henry Menghini
City Clerk	Tammy Nagel
Director of Finance	Jamie Clarkson
Director of Parks & Recreation	Kim Vogel
Director of Housing & Community Development	Becky Gray
Director of Public Utilities	Matt Bacon
Director of Public Works	Cameron Alden
Fire Chief	Mike Simons
Police Chief	Mendy Hulvey

ORGANIZATIONAL CHART





Government Finance Officers Association

**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, 2015

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Mayor 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 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as 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 an opinion on the financial statement based on our audit. We conducted our audit 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 the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pittsburg, Kansas, as of December 31, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in 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 3 through 14, the schedule of funding progress on page 58, the schedule of the City's proportionate share of the net pension liability on page 59, and the schedule of City contributions on page 59 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.

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 introductory section, combining nonmajor fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary comparison schedules and 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. The 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 account 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 information is fairly stated in all material respects in relation to the 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 April 24, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mike Houser: Company PA

Certified Public Accountants
Lawrence, Kansas
April 24, 2017

Management's Discussion and Analysis

As management of the City of Pittsburg (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The City's bond rating of AA- was retained in 2016.
- The City's total debt increased by \$6,586,638 or 21.57% during 2016.
- The assets of the City exceeded its liabilities at the close of 2016 by \$75,188,820. Of this amount, \$2,329,943 may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of 2016, the City's general fund reports an ending fund balance of \$4,724,137 which is an increase of \$457,497 compared to the prior fiscal year.

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 objective is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

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 15-16 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 thirteen 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 nine 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 17-23 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 24-27 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 28-57 of this report.

Other Information

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

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to basic financial statements. These combining and individual funds statements can be found on pages 61-67 of this report.

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.

Government-wide Financial Analysis

Net Position

City of Pittsburgh's Net Position

	2015	2016	2015	2016	2015	2016
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
Current and other assets	\$ 20,076,089	\$ 32,515,038	\$ 3,843,310	\$ 4,596,498	\$ 23,919,399	\$ 37,111,536
Capital Assets	50,072,802	49,533,979	46,122,475	45,219,149	96,195,277	94,753,128
Deferred outflows of resources	<u>982,036</u>	<u>2,919,357</u>	<u>56,315</u>	<u>164,306</u>	<u>1,038,351</u>	<u>3,083,663</u>
Total assets and deferred outflows of resources	\$ 71,130,927	\$ 84,968,374	\$ 50,022,100	\$ 49,979,953	\$ 121,153,027	\$ 134,948,327
Long-term liabilities outstanding	24,964,080	34,919,299	13,086,614	11,970,980	38,050,694	46,890,279
Other liabilities	4,433,224	5,167,157	1,845,139	1,853,254	6,278,363	7,020,411
Deferred inflows of resources	<u>5,752,697</u>	<u>5,812,520</u>	<u>64,091</u>	<u>36,297</u>	<u>5,816,788</u>	<u>5,848,817</u>
Total liabilities and deferred inflows of resources	<u>35,150,001</u>	<u>45,898,976</u>	<u>14,995,844</u>	<u>13,860,531</u>	<u>50,145,845</u>	<u>59,759,507</u>
Net position:						
Net investment in capital assets	34,093,008	36,171,156	32,890,346	33,201,935	66,983,354	69,373,091
Restricted	2,916,067	3,485,786	-	-	2,916,067	3,485,786
Unrestricted	<u>(1,028,149)</u>	<u>(587,544)</u>	<u>2,135,910</u>	<u>2,917,487</u>	<u>1,107,761</u>	<u>2,329,943</u>
Total Net Position	\$ 35,980,926	\$ 39,069,398	\$ 35,026,256	\$ 36,119,422	\$ 71,007,182	\$ 75,188,820

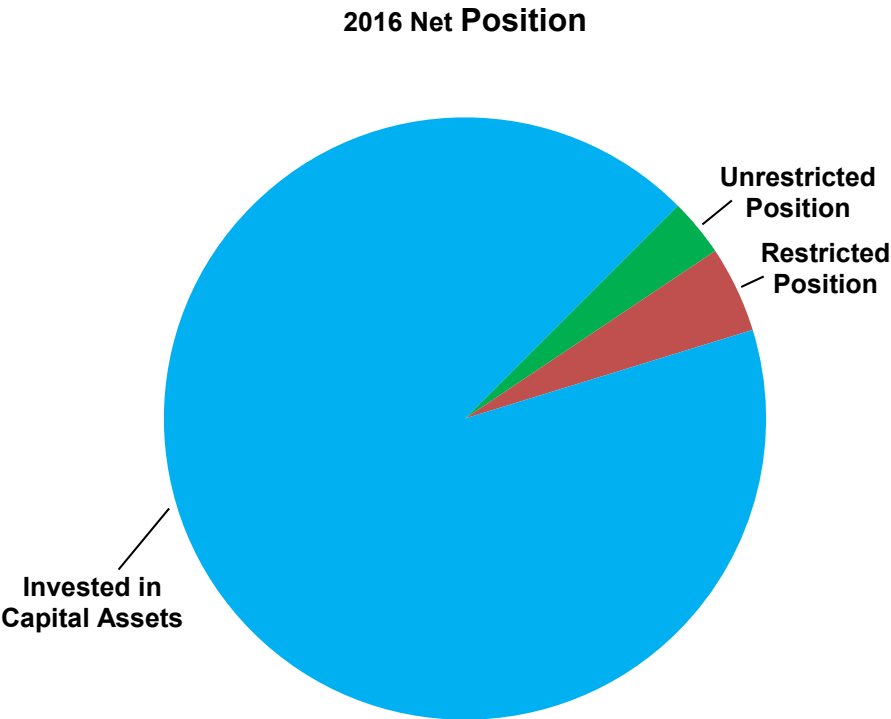
The GASB 68 (Accounting and Financial Reporting for Pensions) has an impact on deferred outflows of resources, deferred inflows of resources and the noncurrent liability. The City's net pension liability is \$12,679,413 as of December 31, 2016. This represents an increase of \$2,526,020 over the prior year. The GASB 68 impacts the unrestricted net position of the City. For more information on GASB 68 see page 49 in the Notes to the Basic Financial Statements.

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 \$75,188,820 at the close of the 2016 fiscal year. By far the largest portion of the City's net position (92.27%) 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 (4.64%) of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position balance of \$2,329,943 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

	2015	2016	2015	2016	2015	2016
	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary
	Activites	Activites	Activities	Activities	Government	Government
Revenues						
Program revenues:						
Charges for services	\$ 2,504,456	\$ 2,479,615	\$ 8,466,236	\$ 8,846,314	\$ 10,970,692	\$ 11,325,929
Operating grants and contributions	1,341,055	1,278,576	-	-	1,341,055	1,278,576
Capital grants and contributions	4,268,203	3,334,419	2,649,087	41,080	6,917,290	3,375,499
General revenues						
Taxes	17,107,161	17,314,791	-	-	17,107,161	17,314,791
Other	597,453	514,427	907	4,941	598,360	519,368
Total revenues	25,818,328	24,921,828	11,116,230	8,892,335	36,934,558	33,814,163
Expenses						
General Government	3,642,682	3,898,821	-	-	3,642,682	3,898,821
Public Safety	8,386,332	8,669,238	-	-	8,386,332	8,669,238
Public Works	4,336,369	4,185,851	-	-	4,336,369	4,185,851
Sanitation and Health	157,904	165,314	-	-	157,904	165,314
Culture and Recreation	2,142,337	2,441,061	-	-	2,142,337	2,441,061
Industrial Promotion	1,667,559	981,068	-	-	1,667,559	981,068
Economic Development	87,670	35,878	-	-	87,670	35,878
Social Welfare	1,760,555	1,803,091	-	-	1,760,555	1,803,091
Interest on Long Term Debt	697,179	824,065	-	-	697,179	824,065
Water/ Wastewater Utility	-	-	6,275,894	6,039,288	6,275,894	6,039,288
Stormwater Utility	-	-	621,388	588,850	621,388	588,850
Total expenses	22,878,587	23,004,387	6,897,282	6,628,138	29,775,869	29,632,525
Increase in net position before transfers	2,939,741	1,917,441	4,218,948	2,264,197	7,158,689	4,181,638
Transfers	1,682,976	1,171,031	(1,682,976)	(1,171,031)	-	-
Increase in net position	4,622,717	3,088,472	2,535,972	1,093,166	7,158,689	4,181,638
Net position, beginning	41,056,179	35,980,926	33,323,392	35,026,256	74,379,571	71,007,182
Prior period adjustment	(9,697,970)	-	(833,108)	-	(10,531,078)	-
Net position, ending	\$ 35,980,926	\$ 39,069,398	\$ 35,026,256	\$ 36,119,422	\$ 71,007,182	\$ 75,188,820

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

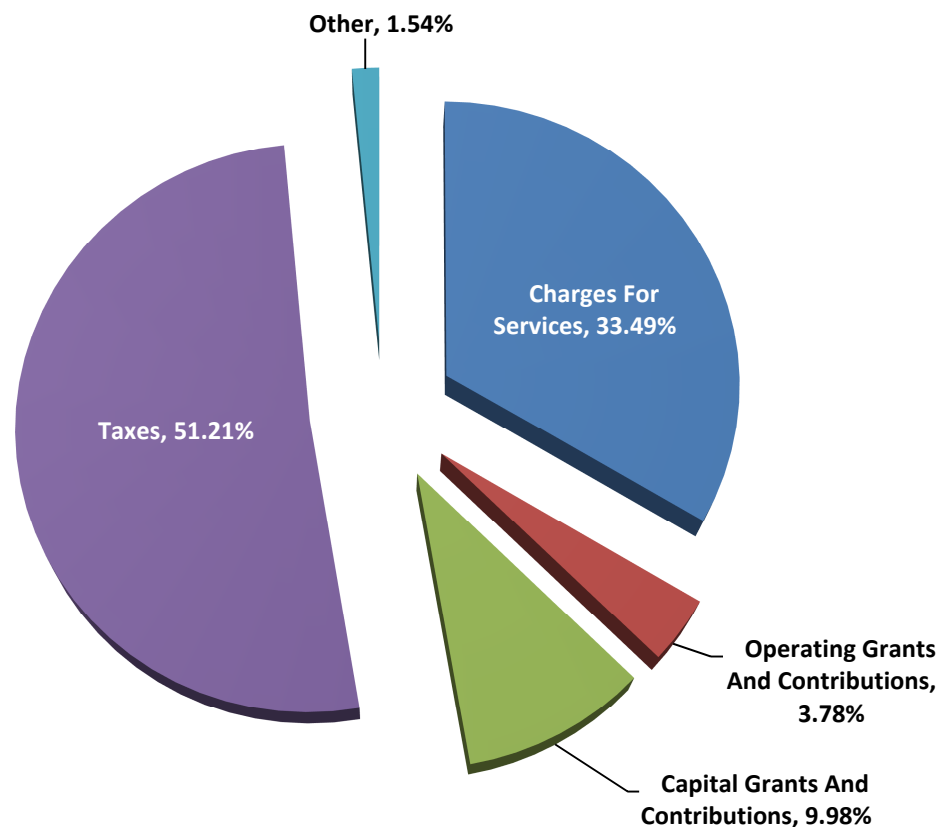
Governmental activities comprised 73.70% of the total revenues generated by the City and 77.63% of the City's expenses. Comparing 2016 to 2015, governmental activities charges for services remained relatively flat. Governmental capital grants and contributions decreased by \$933,784 in 2016 compared to 2015. This decrease can be attributed to less road construction grant funding in 2016. Tax revenues increased by \$207,630 (1.21%) compared to 2015. This change is due to increased sales and franchise tax collections in 2016.

Comparing the 2016 to 2015 governmental activities expenses, general government expense increased due to higher employee health plan costs, public safety expense increased due to increased personnel, equipment and technology expenditures and industrial promotion decreased due to lower external project contributions and decreased loan forgiveness.

The business-type activities, while comprising the smaller percentages of revenues and expenses of the City, showed an increase of \$2,264,197 in net position, before transfers. Overall the business-type net position recorded an increase of \$1,093,166 in 2016. This gain can mainly be attributed to increased charges for services and decreased debt expense.

The following pie chart shows the composition of the 2016 primary government revenues.

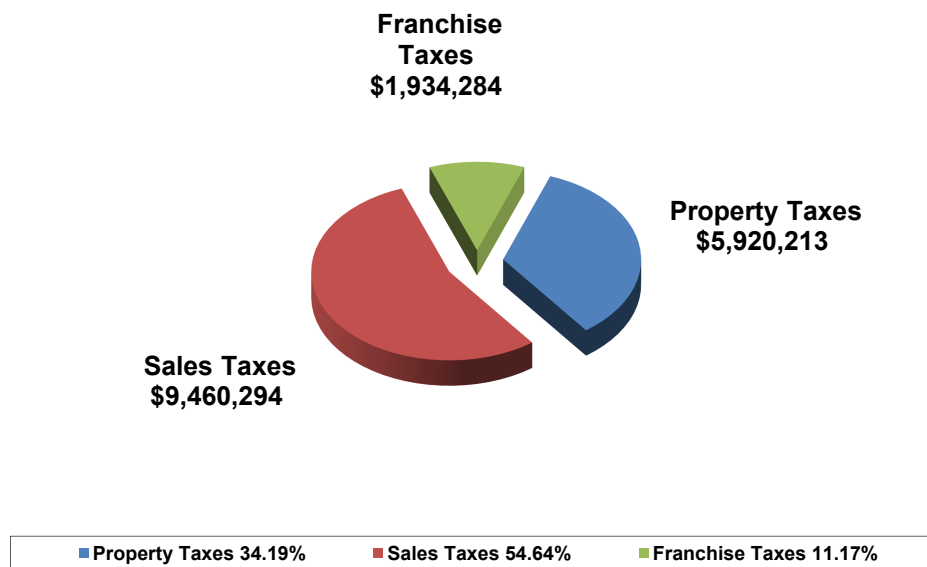
2016 Revenues by Source



The components of the City's taxes are sales tax, property tax and franchise tax. As mentioned in the transmittal letter, compared to 2016, sales tax revenue was up, franchise tax revenue increased slightly and property tax revenue remained flat. Property valuations remained relatively flat compared to 2015. Sales tax continues to be the City's largest revenue source in 2016. This is due to the public safety sales tax that went into effect January 1, 2014.

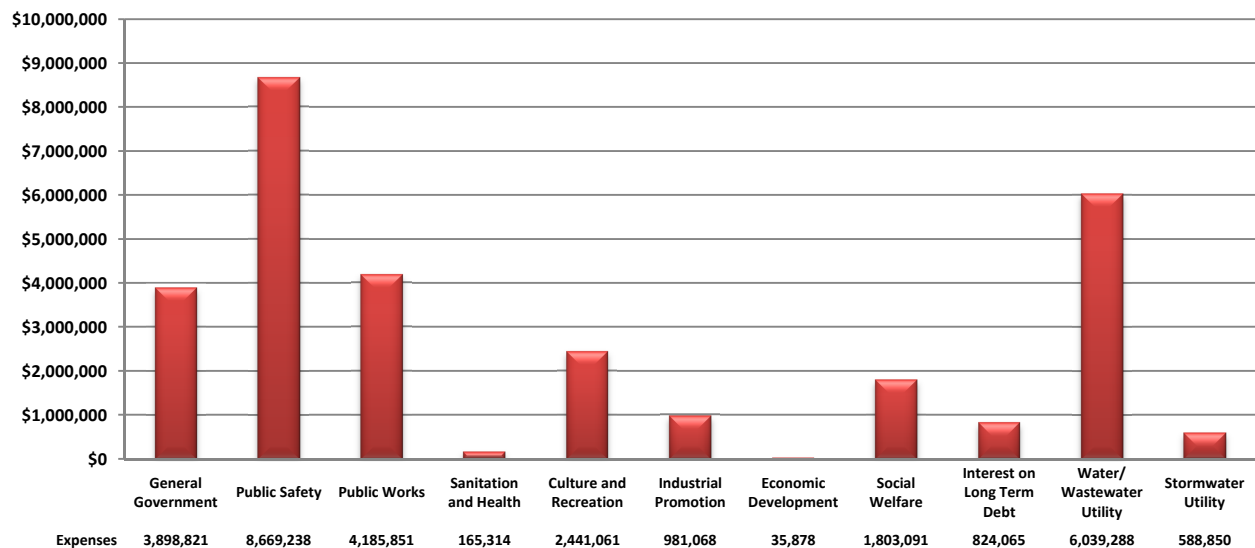
The pie chart below depicts the City's tax revenues by source with sales taxes comprising the largest portion of tax revenues for 2016.

2016 Taxes by Type



The following bar graph shows the composition of the 2016 primary government expenses.

2016 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 76.92% of the total cost of City services for 2016. The total cost of services of the City's primary government for 2016 was \$29,632,525. This represents a decrease of \$143,344 (0.48%) compared to 2015. The portion of these City services paid by the City's taxpayers was \$17,314,791 (58.43%).

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

	2014 Levy to support <u>2015 Budget</u>	2015 Levy To support <u>2016 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
General Fund	\$ 33.851	\$ 35.076	\$ 1.225	3.618 %
Debt Service Fund	8.880	7.457	(1.423)	(16.025)%
Component Unit	<u>5.760</u>	<u>5.938</u>	<u>0.178</u>	3.090 %
Total Mill Levy	<u>\$ 48.491</u>	<u>\$ 48.471</u>	<u>\$ (0.020)</u>	(0.041)%

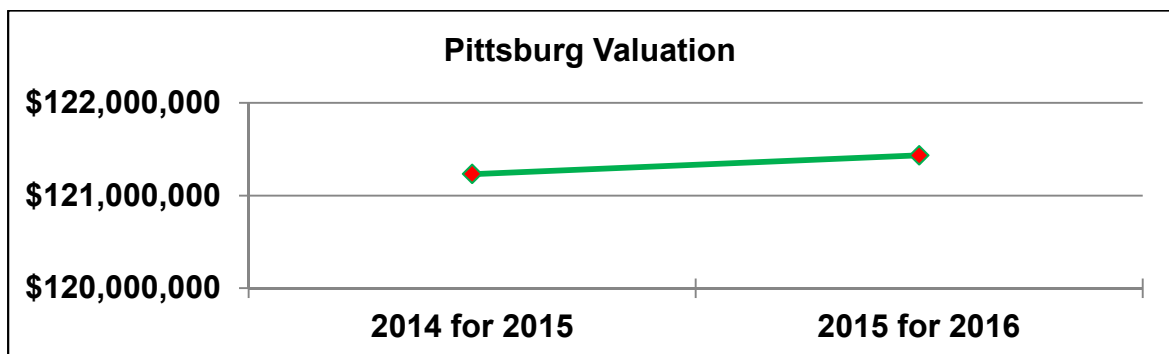
The City's mill rate changed very little due to City's management desire to keep the overall mill levy rate approximately the same as the prior fiscal year.

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

City of Pittsburg's Assessed Valuation

	2014 Valuation To support <u>2015 Budget</u>	2015 Valuation To support <u>2016 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
Real Property	\$110,656,658	\$110,571,937	\$ (84,721)	(0.077)%
Personal Property	4,939,558	4,598,915	(340,643)	(6.896)%
State Assessed	<u>5,634,698</u>	<u>6,262,025</u>	<u>627,327</u>	11.133 %
Total	<u>\$121,230,914</u>	<u>\$121,432,877</u>	<u>\$ 201,963</u>	0.018 %

The change in assessed valuation reflects a minor increase in property values.



Analysis of the Fund Financial Statements

Governmental Funds

The City's governmental funds ending fund balances increased by a total of \$11,981,611 from the prior year, with the general fund increasing by \$457,497. Capital projects increased by \$10,578,850 due to general obligation bonds being issued to fund the South Rouse Street improvements, the airport runway improvements, the North Walnut Street improvements and the Kansas Crossing Casino utility infrastructure.

Compared to 2015 the total governmental fund revenues before transfers increased \$680,873 while the total governmental fund expenditures before transfers decreased \$2,041,098. The increase in revenue can mainly be attributed to intergovernmental revenues from the Federal Aviation Administration. The decrease in expenditures is largely due to the lower capital outlay expense, lower debt expense and lower industrial promotion expense in 2016. Before transfers, general fund revenues were up 2.49% while general fund expenditures were down 1.12%.

Proprietary Funds

The water and wastewater utility fund had an increase of \$718,182 in cash and cash equivalents for 2016. There was an increase of \$691,530 in current assets and a slight increase in current liabilities of \$25,414 compared to 2015. These changes can be attributed to the City's desire to retain cash reserves for future capital projects.

The stormwater utility fund had an increase of \$58,286 in cash and cash equivalents for 2016. This can be attributed to a 1.00% rate increase in 2016 and decreased operating expenses.

The combined utility operating income increased by \$649,039 in 2016 which reflects a percentage increase of 32.97%. For 2016 operating revenue increased by \$380,078 while operating expense decreased by \$268,961 which was mainly due to increased charges for services and lower operating expense.

Major utility projects completed during 2016 are the new water lines on South Catalpa, Woodland, and in the Hobson addition. A new fiber ring to connect the City's utility operations was begun and the upgrade of the wastewater treatment plant controls continued.

General Fund Budgetary Highlights

The legally adopted budget for the Special Parks and Recreation Fund and the Section 8 Housing Fund were amended by the City Commission during 2016. The General Fund original and final budget are the same. The following general fund revenue and expenditure categories experienced significant differences between the budgeted amount and the actual amount. A brief explanation of the differences is included.

CATEGORY	EXPLANATION
Taxes	Taxes are under budget due to lower than expected sales taxes, property taxes and franchise taxes.
Charges for Services	Charges for services were less than budget mainly due to lower than expected group hospitalization contributions because of staff vacancies and airport fuel sales because of lower fuel prices.
General government	The general government department is under budget due to lower than expected group hospitalization health claims expense.
Public Safety	While the building services division was over budget due to personnel expense the overall public safety department is under budget due the budgeted reserves in the public safety debt sales tax.
Public Works	Public works is under budget due to lower than expected aviation fuel for sale prices.
Operating Reserve	The general fund reserve is under budget due to no expense being incurred.
Transfers out	Transfers out are over budget due to the advance principal payment of 2007A public safety sales tax bonded debt.

Capital Asset and Debt Administration

Capital Assets

The total investment in capital assets for the primary government at December 31, 2016 was \$94,753,128, net of accumulated depreciation. The net capital assets decreased by 1.50% from the 2015 total. The decrease can mainly be attributed to depreciation.

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

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

	Governmental Activities		Business-Type Activities	
	2015	2016	2015	2016
Land	\$ 3,566,486	\$ 3,566,486	\$ 582,812	\$ 582,812
Buildings and improvements	20,791,486	19,796,158	19,305,589	18,641,957
Machinery and equipment	5,052,074	5,068,024	2,290,045	2,114,618
Infrastructure	20,491,228	20,712,504	23,850,105	23,879,762
Construction in progress	<u>171,528</u>	<u>390,807</u>	<u>93,924</u>	<u>0</u>
Total	<u>\$ 50,072,802</u>	<u>\$ 49,533,979</u>	<u>\$ 46,122,475</u>	<u>\$ 45,219,149</u>

For additional information on capital assets, please refer to note 8 in the notes to the basic financial statements on pages 40-41.

Debt Administration

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

City of Pittsburg's Outstanding Debt

	Governmental Activities		Business-Type Activities	
	2015	2016	2015	2016
General Obligation Bonds	\$10,651,202	\$18,884,307	\$ 8,743,798	\$ 7,805,693
K.D.H.E. Construction Loans	-	-	4,126,327	3,873,650
Tax Increment Bonds (TIF)	4,070,000	3,875,000	-	-
Transportation Development District Bonds (TDD)	1,100,000	1,045,000	-	-
Capital Leases	<u>1,845,535</u>	<u>1,639,850</u>	<u>-</u>	<u>-</u>
Total	<u>\$17,666,737</u>	<u>\$25,444,157</u>	<u>\$ 12,870,125</u>	<u>\$11,679,343</u>

The City finances capital projects in a variety of ways: bond anticipation notes, general obligation bonds, special revenue bonds, intergovernmental grants and loans. As mentioned previously, the City's 2016 general obligation bonds are rated AA- by Standard and Poor's Ratings Services. 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 \$40,980,164 which is significantly higher than the general obligation bond outstanding debt.

The City's outstanding general obligation bonds at December 31, 2016, totaled \$26,690,000; of this \$12,384,307 is considered direct tax supported debt. This direct tax supported outstanding general obligation bond balance represents a 16.27% increase from the 2015 balance. The majority of this increase is due to funding needed for the upcoming South Rouse Street improvements project which has an estimated cost of \$4.5 million. New direct tax supported general obligation bond debt of \$5,000,000 was issued in 2016 while \$3,266,895 was retired in 2016. A capital lease was incurred in 2016 for the purchase of a street dump truck.

Kansas Crossing Casino was awarded a state license to operate a casino in southeast Kansas in 2015. Construction began in the summer of 2016 with an expected opening date of April 2017. Special assessment general obligation bonds in the amount of \$6.5 million were issued in 2016 to finance the construction of the utility infrastructure for the casino. These bonds will be repaid with special assessments against the casino property.

No new business-type activity bonded debt was issued in 2016 while \$938,105 was retired in 2016. The remaining KDHE loans are for improvements at the wastewater plant, water treatment plant and collection systems. During 2016 the City incurred \$41,079 in new loan proceeds and repaid \$293,756 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 pages 43-48.

BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET POSITION
December 31, 2016

	Primary Government			Component Unit
	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Public Library
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 22,207,567	\$ 3,297,371	\$ 25,504,938	\$ 477,031
Restricted cash	-	212,190	212,190	-
Receivables (net of allowance for uncollectibles)				
Taxes	7,391,887	-	7,391,887	739,804
Accounts	503,093	908,523	1,411,616	-
Intergovernmental	224,804	-	224,804	-
Other	-	-	-	-
Restricted investments	639,707	-	639,707	-
Loans receivable	1,181,971	-	1,181,971	-
Leases receivable	279,666	-	279,666	-
Inventory	33,395	158,703	192,098	-
Prepaid expenses	52,948	19,711	72,659	3,185
Total current assets	<u>32,515,038</u>	<u>4,596,498</u>	<u>37,111,536</u>	<u>1,220,020</u>
Noncurrent assets:				
Capital assets, nondepreciable				
Land	3,566,486	582,812	4,149,298	215,415
Construction in progress	390,807	-	390,807	-
Capital assets, depreciable	88,397,902	74,839,398	163,237,300	3,794,858
Less: Accumulated depreciation	<u>42,821,216</u>	<u>30,203,061</u>	<u>73,024,277</u>	<u>1,515,453</u>
Total noncurrent assets	<u>49,533,979</u>	<u>45,219,149</u>	<u>94,753,128</u>	<u>2,494,820</u>
Total assets	<u>82,049,017</u>	<u>49,815,647</u>	<u>131,864,664</u>	<u>3,714,840</u>
Deferred outflows of resources				
Pension - contributions subsequent to the measurement date	667,439	49,720	717,159	20,315
Pension - difference between expected and actual experience	426,863	5,172	432,035	2,113
Pension - net difference between projected and actual earnings on pension plan investments	1,490,245	105,251	1,595,496	43,006
Pension - changes in proportion	<u>334,810</u>	<u>4,163</u>	<u>338,973</u>	<u>1,701</u>
Total deferred outflows of resources	<u>2,919,357</u>	<u>164,306</u>	<u>3,083,663</u>	<u>67,135</u>
Total assets and deferred outflows of resources	<u>\$ 84,968,374</u>	<u>\$ 49,979,953</u>	<u>\$ 134,948,327</u>	<u>\$ 3,781,975</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Current liabilities:				
Accounts payable and other current liabilities	\$ 750,951	\$ 181,722	\$ 932,673	\$ 9,484
Accrued interest payable	129,565	132,447	262,012	-
Liabilities payable from restricted cash	-	212,190	212,190	-
Current portion of compensated absences	326,731	67,902	394,633	6,481
Current portion of capital lease payable	367,583	-	367,583	-
Current portion of general obligation bonds payable	3,162,327	967,673	4,130,000	-
Current portion of revenue bonds payable	430,000	-	430,000	-
Current portion of construction loan payable	-	291,320	291,320	-
Total current liabilities	<u>5,167,157</u>	<u>1,853,254</u>	<u>7,020,411</u>	<u>15,965</u>
Noncurrent liabilities:				
Compensated absences	429,881	84,248	514,129	8,115
Net OPEB obligation	1,042,501	237,532	1,280,033	43,969
Net pension liability	11,788,434	890,979	12,679,413	364,056
Capital lease payable	1,272,267	-	1,272,267	-
General obligation bonds payable	9,356,998	7,175,891	16,532,889	-
Special assessment bonds payable	6,539,218	-	6,539,218	-
Revenue bonds payable	4,490,000	-	4,490,000	-
Construction loan payable	-	3,582,330	3,582,330	-
Total noncurrent liabilities	<u>34,919,299</u>	<u>11,970,980</u>	<u>46,890,279</u>	<u>416,140</u>
Total liabilities	<u>40,086,456</u>	<u>13,824,234</u>	<u>53,910,690</u>	<u>432,105</u>
Deferred inflows of resources:				
Deferred revenue - property taxes	5,443,678	-	5,443,678	739,804
Pension - difference between expected and actual experience	153,791	16,081	169,872	6,570
Pension - changes of assumptions	85,938	8,335	94,273	3,406
Pension - change in proportion	<u>129,113</u>	<u>11,881</u>	<u>140,994</u>	<u>4,855</u>
Total deferred inflows of resources	<u>5,812,520</u>	<u>36,297</u>	<u>5,848,817</u>	<u>754,635</u>
Total liabilities and deferred inflows of resources	<u>\$ 45,898,976</u>	<u>\$ 13,860,531</u>	<u>\$ 59,759,507</u>	<u>\$ 1,186,740</u>
Net Position:				
Net investment in capital assets	\$ 36,171,156	\$ 33,201,935	\$ 69,373,091	\$ 2,494,820
Restricted for:				
Debt service	1,545,701	-	1,545,701	-
Housing	686,395	-	686,395	-
Street and highway	1,104,673	-	1,104,673	-
Other purposes	149,017	-	149,017	3,185
Unrestricted	<u>[587,544]</u>	<u>2,917,487</u>	<u>2,329,943</u>	<u>97,230</u>
Total net position	<u>\$ 39,069,398</u>	<u>\$ 36,119,422</u>	<u>\$ 75,188,820</u>	<u>\$ 2,595,235</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

					Net [Expenses] Revenue and Changes in Net Position			
	Program Revenues				Primary Government			Component Unit
		Operating	Capital		Total	Total	Total	
	Charges for	Grants and	Grants and		Governmental	Business-type	Primary	Public
	Expenses	Services	Contributions	Contributions	Activities	Activities	Government	Library
Governmental activities:								
General government	\$ 3,898,821	\$ 1,014,900	\$ 149,764	\$ -	\$ [2,734,157]	\$ -	\$ [2,734,157]	\$ -
Public safety - police	4,949,716	-	32,475	-	[4,917,241]	-	[4,917,241]	-
Public safety - fire	3,051,659	-	103,889	-	[2,947,770]	-	[2,947,770]	-
Public safety - other	667,863	2,652	-	-	[665,211]	-	[665,211]	-
Public works	4,185,851	676,310	704,897	1,624,961	[1,179,683]	-	[1,179,683]	-
Sanitation and health	165,314	-	85,847	-	[79,467]	-	[79,467]	-
Culture and recreation	2,441,061	515,597	85,847	23,126	[1,816,491]	-	[1,816,491]	-
Industrial promotion	981,068	270,156	-	-	[710,912]	-	[710,912]	-
Economic development	35,878	-	27,222	-	[8,656]	-	[8,656]	-
Social welfare	1,803,091	-	88,635	1,686,332	[28,124]	-	[28,124]	-
Interest on long-term debt	824,065	-	-	-	[824,065]	-	[824,065]	-
Total governmental activities	23,004,387	2,479,615	1,278,576	3,334,419	[15,911,777]	-	[15,911,777]	-
Business-type activities:								
Water/wastewater	6,039,288	8,022,592	-	29,879	-	2,013,183	2,013,183	-
Stormwater	588,850	823,722	-	11,201	-	246,073	246,073	-
Total business-type activities	6,628,138	8,846,314	-	41,080	-	2,259,256	2,259,256	-
Total primary government	\$ 29,632,525	\$ 11,325,929	\$ 1,278,576	\$ 3,375,499	[15,911,777]	2,259,256	[13,652,521]	-
Component units:								
Public library	\$ 1,084,898	\$ 17,977	\$ 112,636	\$ -	-	-	-	[954,285]
Total component units	\$ 1,084,898	\$ 17,977	\$ 112,636	\$ -	\$ -	\$ -	\$ -	\$ [954,285]
General Revenues:								
Property taxes					5,920,213	-	5,920,213	784,634
Sales taxes					9,460,294	-	9,460,294	-
Franchise taxes					1,934,284	-	1,934,284	-
Unrestricted investment revenues					26,016	4,941	30,957	2,312
Miscellaneous					488,411	-	488,411	-
Transfers, net					1,171,031	[1,171,031]	-	-
Subtotal general revenues					19,000,249	[1,166,090]	17,834,159	786,946
Change in net position					3,088,472	1,093,166	4,181,638	[167,339]
Net position - beginning					35,980,926	35,026,256	71,007,182	2,762,574
Net position - ending					\$ 39,069,398	\$ 36,119,422	\$ 75,188,820	\$ 2,595,235

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Revolving Loans</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 3,537,024	\$ 3,919,972	\$ 12,248,559	\$ 882,012	\$ 1,620,000	\$ 22,207,567
Receivables (net of allowance for uncollectibles):						
Taxes	5,913,495	168,314	-	1,131,401	178,677	7,391,887
Accounts	92,974	380,885	-	-	29,234	503,093
Intergovernmental	-	-	22,709	-	202,095	224,804
Restricted investments	-	-	-	639,707	-	639,707
Leases receivable	-	279,666	-	-	-	279,666
Loans receivable	-	997,186	-	-	184,785	1,181,971
Due from other funds	44,158	-	-	-	-	44,158
Inventory	33,395	-	-	-	-	33,395
Prepaid items	45,794	1,052	-	-	6,102	52,948
Total assets	\$ 9,666,840	\$ 5,747,075	\$ 12,271,268	\$ 2,653,120	\$ 2,220,893	\$ 32,559,196
Liabilities and deferred inflows of resources:						
Liabilities:						
Accounts payable	\$ 113,870	\$ 12,072	\$ 15,698	\$ -	\$ 86,642	\$ 228,282
Accrued payroll	164,384	-	-	-	6,711	171,095
Accrued self-insurance claims	150,000	-	-	-	-	150,000
Due to other funds	-	-	-	-	44,158	44,158
Other	81,844	-	-	-	119,730	201,574
Total liabilities	510,098	12,072	15,698	-	257,241	795,109
Deferred inflows of resources:						
Unavailable revenue - property taxes	4,432,605	-	-	1,011,073	-	5,443,678
Unavailable revenue - special assessments	-	-	-	64,231	-	64,231
Unavailable revenue - other	-	218,466	-	-	-	218,466
Total deferred inflows of resources	4,432,605	218,466	-	1,075,304	-	5,726,375
Fund balance:						
Nonspendable	79,189	1,052	-	-	6,102	86,343
Restricted:						
Debt service	-	-	-	1,577,816	-	1,577,816
Capital projects	-	-	12,255,570	-	1,128,119	13,383,689
Housing	-	-	-	-	686,395	686,395
Other	-	-	-	-	149,017	149,017
Assigned						
Other	140,307	-	-	-	-	140,307
Industrial promotion	-	5,515,485	-	-	-	5,515,485
Unassigned	4,504,641	-	-	-	[5,981]	4,498,660
Total fund balances	4,724,137	5,516,537	12,255,570	1,577,816	1,963,652	26,037,712
Total liabilities, deferred inflows of resources and fund balances	\$ 9,666,840	\$ 5,747,075	\$ 12,271,268	\$ 2,653,120	\$ 2,220,893	\$ 32,559,196

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCE TO THE
NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2016

Total Governmental Fund Balances		\$ 26,037,712
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

The cost of capital assets is	\$ 92,355,195	
Accumulated depreciation is	<u>42,821,216</u>	49,533,979

Pension contributions are reported an expense in the funds and as a deferred outflow of resources in the governmental activities in the statement of net position.		2,919,357
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Pension fundings are reported an a revenue in the funds and as a deferred inflow of resources in the governmental activities in the statement of net position.		[368,842]
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Other long-term assets are not available to pay for current-period and, therefore, are reported as unavailable revenue in the funds		282,697
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A long-term liability is recorded for he 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.		[1,042,501]
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The following liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year end consist of:

Compensated absences	756,612	
Net pension liability	11,788,434	
General obligation bond payable	12,519,325	
Special assessment bond payable	6,539,218	
Capital lease payable	1,639,850	
Revenue bond payable	4,920,000	
Accrued interest on the bonds	<u>129,565</u>	<u>[38,293,004]</u>

Net Position of Governmental Activities		\$ <u>39,069,398</u>
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CITY OF PITTSBURG, KANSAS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>General</u>	<u>Revolving Loans</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property	\$ 4,624,188	\$ -	\$ -	\$ 1,296,025	\$ -	\$ 5,920,213
Sales taxes	7,155,295	924,323	-	384,749	995,927	9,460,294
Franchise taxes	1,934,284	-	-	-	-	1,934,284
Licenses and permits	270,156	-	-	-	-	270,156
Intergovernmental	286,127	-	1,344,421	-	2,678,781	4,309,329
Charges for services	1,782,057	-	-	-	-	1,782,057
Fines and fees	427,402	-	-	-	-	427,402
Special assessments	21,881	-	-	38,589	-	60,470
Investment earnings	8,705	7,842	4,913	-	4,556	26,016
Lease income	-	325,931	-	-	-	325,931
Miscellaneous	267,619	53,065	99,509	29,867	38,351	488,411
Total revenues	<u>16,777,714</u>	<u>1,311,161</u>	<u>1,448,843</u>	<u>1,749,230</u>	<u>3,717,615</u>	<u>25,004,563</u>
Expenditures:						
Current:						
General government	3,665,567	-	-	-	-	3,665,567
Public safety - police	4,433,000	-	-	-	-	4,433,000
Public safety - fire	2,609,637	-	-	-	-	2,609,637
Public safety - other	511,541	-	-	-	-	511,541
Public works	857,968	-	13	-	1,330,885	2,188,866
Sanitation and health	77,977	-	-	-	80,251	158,228
Economic development	-	-	-	-	35,878	35,878
Culture and recreation	1,842,473	-	-	-	-	1,842,473
Industrial promotion	-	944,718	-	-	-	944,718
Social welfare	-	-	-	-	1,798,485	1,798,485
Debt service:						
Principal	-	-	-	3,516,895	-	3,516,895
Interest	-	-	-	551,880	-	551,880
Debt issuance costs	-	-	248,812	10,745	-	259,557
Capital outlay	1,361,528	-	1,795,631	-	360,028	3,517,187
Total expenditures	<u>15,359,691</u>	<u>944,718</u>	<u>2,044,456</u>	<u>4,079,520</u>	<u>3,605,527</u>	<u>26,033,912</u>
Excess [deficiency] of revenues over [under] expenditures	<u>1,418,023</u>	<u>366,443</u>	<u>[595,613]</u>	<u>[2,330,290]</u>	<u>112,088</u>	<u>[1,029,349]</u>
Other financing sources [uses]:						
General obligation bonds issued	-	-	5,000,000	-	-	5,000,000
Premium on general obligation bonds issued	-	-	143,963	-	-	143,963
Special assessment bonds issued	-	-	6,500,000	-	-	6,500,000
Premium on special assessment bonds issued	-	-	39,218	-	-	39,218
Capital lease	156,748	-	-	-	-	156,748
Transfers in	1,399,005	70,909	37,432	2,581,028	321,918	4,410,292
Transfers [out]	<u>[2,516,279]</u>	<u>[84,067]</u>	<u>[546,150]</u>	<u>-</u>	<u>[92,765]</u>	<u>[3,239,261]</u>
Total other financing sources [uses]	<u>[960,526]</u>	<u>[13,158]</u>	<u>11,174,463</u>	<u>2,581,028</u>	<u>229,153</u>	<u>13,010,960</u>
Net change in fund balance	457,497	353,285	10,578,850	250,738	341,241	11,981,611
Fund balance - Beginning of year	<u>4,266,640</u>	<u>5,163,252</u>	<u>1,676,720</u>	<u>1,327,078</u>	<u>1,622,411</u>	<u>14,056,101</u>
Fund balance - End of year	<u>\$ 4,724,137</u>	<u>\$ 5,516,537</u>	<u>\$ 12,255,570</u>	<u>\$ 1,577,816</u>	<u>\$ 1,963,652</u>	<u>\$ 26,037,712</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Total Net Change In Fund Balances - Governmental Funds \$ 11,981,611

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

Capital outlays to purchase or build assets are reported in governmental funds
as expenditures. However, for governmental activities those costs are shown
in the statement of net position and allocated over their estimated useful lives
as annual depreciation expenses in the statement of activities. This is the
amount by which capital outlays exceeds depreciation in the period.

Capital outlays	2,398,683	
Loss on sale of asset	[5,286]	
Depreciation expense	<u>[2,932,221]</u>	[538,824]

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds. [82,735]

Interest on long-term debt in the statement of activities differs from the amount
reported in the governmental funds because interest is recorded as an
expenditure in the funds when it is due, and thus requires the use of current
financial resources. In the statement of activities, however, interest expense
is recognized as the interest accrues, regardless of when it is due. This is
the amount by which interest increased. [11,350]

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.

Compensated absences	[20,796]	
Net other post employment benefits	<u>[164,967]</u>	[185,763]

Pension payments are reported as expenditures in the governmental funds and
do not affect the statement of net activities. [112,589]

The issuance of long-term debt 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 has any effect on net position. [7,961,878]

Changes In Net Position of Governmental Activities \$ 3,088,472

CITY OF PITTSBURG, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND
For the Year Ended December 31, 2016

		<u>Budgeted Amounts</u>		Variance with
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues:				
Taxes	\$ 15,929,176	\$ 16,266,542	\$ 16,266,542	\$ [337,366]
Special assessments	21,881	-	-	21,881
Intergovernmental	305,554	199,750	199,750	105,804
Licenses and permits	270,156	220,000	220,000	50,156
Charges for services	3,375,401	3,627,312	3,627,312	[251,911]
Fines and fees	427,402	443,800	443,800	[16,398]
Investment income	8,705	2,000	2,000	6,705
Miscellaneous	267,619	252,922	252,922	14,697
Total revenues	<u>20,605,894</u>	<u>21,012,326</u>	<u>21,012,326</u>	<u>[406,432]</u>
Expenditures:				
General Government:				
General administration:				
Personnel services	757,071	753,693	753,693	[3,378]
Contractual services	150,086	154,369	154,369	4,283
Commodities	15,453	16,500	16,500	1,047
Total general administration	<u>922,610</u>	<u>924,562</u>	<u>924,562</u>	<u>1,952</u>
Group hospitalization:				
Claims paid	1,999,908	2,361,346	2,361,346	361,438
Human resources:				
Personnel services	116,415	124,842	124,842	8,427
Contractual services	120,192	76,539	76,539	[43,653]
Commodities	4,208	5,775	5,775	1,567
Total human resources	<u>240,815</u>	<u>207,156</u>	<u>207,156</u>	<u>[33,659]</u>
Information systems:				
Personnel services	320,722	319,817	319,817	[905]
Contractual services	149,281	159,374	159,374	10,093
Commodities	79,591	69,650	69,650	[9,941]
Capital outlay	30,986	65,000	65,000	34,014
Total information systems	<u>580,580</u>	<u>613,841</u>	<u>613,841</u>	<u>33,261</u>
Facility maintenance:				
Personnel services	148,911	149,708	149,708	797
Contractual services	2,658	2,689	2,689	31
Commodities	78,992	81,775	81,775	2,783
Total facility maintenance	<u>230,561</u>	<u>234,172</u>	<u>234,172</u>	<u>3,611</u>
Municipal court:				
Personnel services	280,058	288,168	288,168	8,110
Contractual services	39,725	36,909	36,909	[2,816]
Commodities	7,797	5,050	5,050	[2,747]
Total municipal court	<u>327,580</u>	<u>330,127</u>	<u>330,127</u>	<u>2,547</u>
Sales tax capital outlay:				
Capital outlay	463,921	349,960	349,960	[113,961]
Reserve	-	61,595	61,595	61,595
Total sales tax capital outlay	<u>463,921</u>	<u>411,555</u>	<u>411,555</u>	<u>[52,366]</u>
Total general government	<u>4,765,975</u>	<u>5,082,759</u>	<u>5,082,759</u>	<u>316,784</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND (Continued)
For the Year Ended December 31, 2016

		<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Public safety:				
Police department:				
Personnel services	\$ 4,073,089	\$ 4,152,123	\$ 4,152,123	\$ 79,034
Contractual services	617,855	526,494	526,494	[91,361]
Commodities	212,178	277,475	277,475	65,297
Capital outlay	720,102	659,727	659,727	[60,375]
Total police department	5,623,224	5,615,819	5,615,819	[7,405]
Fire department:				
Personnel services	2,511,489	2,458,038	2,458,038	[53,451]
Contractual services	121,742	156,147	156,147	34,405
Commodities	111,606	77,900	77,900	[33,706]
Capital outlay	134,752	177,669	177,669	42,917
Total fire department	2,879,589	2,869,754	2,869,754	[9,835]
Public safety - other:				
Building services:				
Personnel services	243,371	160,645	160,645	[82,726]
Contractual services	11,624	23,359	23,359	11,735
Commodities	6,089	5,450	5,450	[639]
Total building services	261,084	189,454	189,454	[71,630]
Public safety - other:				
Codes enforcement:				
Personnel services	208,249	216,046	216,046	7,797
Contractual services	14,273	13,805	13,805	[468]
Commodities	5,511	4,925	4,925	[586]
Total codes enforcement	228,033	234,776	234,776	6,743
Public safety - other:				
Animal control:				
Personnel services	77,494	77,709	77,709	215
Contractual services	13,641	16,628	16,628	2,987
Commodities	8,321	9,600	9,600	1,279
Total animal control	99,456	103,937	103,937	4,481
Public safety sales tax:				
Reserve	-	2,648,403	2,648,403	2,648,403
Total public safety - other	588,573	3,176,570	3,176,570	2,587,997
Total public safety	9,091,386	11,662,143	11,662,143	2,570,757
Public works:				
Engineering department:				
Personnel services	274,554	272,004	272,004	[2,550]
Contractual services	14,214	16,375	16,375	2,161
Commodities	2,806	2,900	2,900	94
Total engineering department	291,574	291,279	291,279	[295]
Atkinson Airport:				
Personnel services	134,797	145,812	145,812	11,015
Contractual services	59,507	62,042	62,042	2,535
Commodities	421,991	590,450	590,450	168,459
Capital outlay	40,437	4,500	4,500	[35,937]
Reserve	-	47,933	47,933	47,933
Total Atkinson Airport	656,732	850,737	850,737	194,005
Total public works	948,306	1,142,016	1,142,016	193,710
Sanitation and health:				
Mt. Olive Cemetery:				
Personnel services	64,669	70,147	70,147	5,478
Contractual services	13,402	15,214	15,214	1,812
Commodities	8,075	7,650	7,650	[425]
Total sanitation and health	86,146	93,011	93,011	6,865

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND (Continued)
For the Year Ended December 31, 2016

		<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Culture and recreation:				
Parks and recreation:				
Personnel services	\$ 707,417	\$ 663,342	\$ 663,342	\$ [44,075]
Contractual services	153,522	144,662	144,662	[8,860]
Commodities	105,834	101,425	101,425	[4,409]
Total parks and recreation	<u>966,773</u>	<u>909,429</u>	<u>909,429</u>	<u>[57,344]</u>
Aquatic center:				
Personnel services	76,852	80,814	80,814	3,962
Contractual services	31,451	30,881	30,881	[570]
Commodities	41,032	42,075	42,075	1,043
Total aquatic center	<u>149,335</u>	<u>153,770</u>	<u>153,770</u>	<u>4,435</u>
JC ballpark turf reserve:				
Capital outlay	42,113	15,000	15,000	[27,113]
Reserve	-	94,935	94,935	94,935
Total JC ballpark turf reserve	<u>42,113</u>	<u>109,935</u>	<u>109,935</u>	<u>67,822</u>
Four Oaks Complex:				
Personnel services	205,568	212,874	212,874	7,306
Contractual services	69,384	70,549	70,549	1,165
Commodities	53,517	63,400	63,400	9,883
Total Four Oaks Complex	<u>328,469</u>	<u>346,823</u>	<u>346,823</u>	<u>18,354</u>
Memorial Auditorium and Convention Center:				
Personnel services	354,791	362,815	362,815	8,024
Contractual services	125,677	139,278	139,278	13,601
Commodities	47,095	34,525	34,525	[12,570]
Operating reserve	-	32,098	32,098	32,098
Capital outlay	7,023	15,000	15,000	7,977
Total Memorial Auditorium and Convention Center	<u>534,586</u>	<u>583,716</u>	<u>583,716</u>	<u>49,130</u>
Total culture and recreation	<u>2,021,276</u>	<u>2,103,673</u>	<u>2,103,673</u>	<u>82,397</u>
Operating reserve	-	1,353,518	1,353,518	1,353,518
Total expenditures	<u>16,913,089</u>	<u>21,437,120</u>	<u>21,437,120</u>	<u>4,524,031</u>
Excess [deficiency] of revenues over [under] expenditures	<u>3,692,805</u>	<u>[424,794]</u>	<u>[424,794]</u>	<u>4,117,599</u>
Other financing sources [uses]				
Transfer in	1,399,005	1,306,580	1,306,580	92,425
Transfer [out]	<u>[4,768,305]</u>	<u>[4,331,173]</u>	<u>[4,331,173]</u>	<u>[437,132]</u>
Total other financing sources [uses]	<u>[3,369,300]</u>	<u>[3,024,593]</u>	<u>[3,024,593]</u>	<u>[344,707]</u>
Net change in fund balances	323,505	[3,449,387]	[3,449,387]	3,772,892
Fund balance, January 1	<u>2,999,557</u>	<u>3,449,387</u>	<u>3,449,387</u>	<u>[449,830]</u>
Unreserved fund balance, December 31	<u>\$ 3,323,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,323,062</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Water/ Wastewater	Stormwater	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,982,240	\$ 315,131	\$ 3,297,371
Restricted cash - customer deposits	212,190	-	212,190
Accounts receivable (net of allowance for uncollectibles)	877,508	31,015	908,523
Inventory	158,703	-	158,703
Prepaid expenses	18,397	1,314	19,711
Total current assets	<u>4,249,038</u>	<u>347,460</u>	<u>4,596,498</u>
Noncurrent assets:			
Capital assets, nondepreciable:			
Land	474,742	108,070	582,812
Capital assets, depreciable	68,933,844	5,905,554	74,839,398
Less: Accumulated depreciation	<u>28,843,801</u>	<u>1,359,260</u>	<u>30,203,061</u>
Total noncurrent assets	<u>40,564,785</u>	<u>4,654,364</u>	<u>45,219,149</u>
Total assets	<u>44,813,823</u>	<u>5,001,824</u>	<u>49,815,647</u>
Deferred outflows of resources			
Pension - contributions subsequent to the measurement date	42,128	7,592	49,720
Pension - differences between expected and actual experience	4,382	790	5,172
Pension - net difference between projected and actual earnings on pension plan investments	89,180	16,071	105,251
Pension - changes in proportion	<u>3,527</u>	<u>636</u>	<u>4,163</u>
Total deferred outflows of resources	<u>139,217</u>	<u>25,089</u>	<u>164,306</u>
Total assets and deferred outflows of resources	<u>\$ 44,953,040</u>	<u>\$ 5,026,913</u>	<u>\$ 49,979,953</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current liabilities:			
Accounts payable	\$ 146,442	\$ 651	\$ 147,093
Accrued payroll	29,772	4,857	34,629
Accrued interest payable	128,806	3,641	132,447
Customer deposits payable	212,190	-	212,190
Current portion of compensated absences	58,477	9,425	67,902
Current portion of general obligation bonds payable	694,585	273,088	967,673
Current portion of construction loan payable	<u>291,320</u>	<u>-</u>	<u>291,320</u>
Total current liabilities	<u>1,561,592</u>	<u>291,662</u>	<u>1,853,254</u>
Noncurrent liabilities:			
Compensated absences	73,217	11,031	84,248
Net OPEB obligation	204,625	32,907	237,532
Net pension liability	754,937	136,042	890,979
General obligation bonds payable	7,175,891	-	7,175,891
Construction loan payable	<u>3,582,330</u>	<u>-</u>	<u>3,582,330</u>
Total noncurrent liabilities	<u>11,791,000</u>	<u>179,980</u>	<u>11,970,980</u>
Total liabilities	<u>13,352,592</u>	<u>471,642</u>	<u>13,824,234</u>
Deferred Inflows of Resources			
Pension - difference between expected and actual experience	13,626	2,455	16,081
Pension - changes of assumptions	7,062	1,273	8,335
Pension - change in proportion	<u>10,067</u>	<u>1,814</u>	<u>11,881</u>
Total deferred inflows of resources	<u>30,755</u>	<u>5,542</u>	<u>36,297</u>
Total liabilities and deferred inflows of resources	<u>\$ 13,383,347</u>	<u>\$ 477,184</u>	<u>\$ 13,860,531</u>
Net Position:			
Net investment in capital assets	\$ 28,820,659	\$ 4,381,276	\$ 33,201,935
Unrestricted	<u>2,749,034</u>	<u>168,453</u>	<u>2,917,487</u>
Total net position	<u>\$ 31,569,693</u>	<u>\$ 4,549,729</u>	<u>\$ 36,119,422</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Water/ Wastewater	Stormwater	Total Enterprise Funds
Operating revenues			
Charges for sales and services			
Water charges	\$ 3,767,486	\$ -	\$ 3,767,486
Wastewater charges	3,789,338	-	3,789,338
Stormwater charges	-	812,849	812,849
Other charges	465,768	10,873	476,641
Total operating revenues	<u>8,022,592</u>	<u>823,722</u>	<u>8,846,314</u>
Operating expenses			
Cost of sales and services	1,980,460	80,484	2,060,944
Administration	2,088,072	343,658	2,431,730
Depreciation	1,589,633	146,143	1,735,776
Total operating expenses	<u>5,658,165</u>	<u>570,285</u>	<u>6,228,450</u>
Operating income [loss]	<u>2,364,427</u>	<u>253,437</u>	<u>2,617,864</u>
Nonoperating revenues [expenses]			
Interest revenue	4,459	482	4,941
Interest expense	[381,123]	[18,565]	[399,688]
Total nonoperating revenues [expenses]	<u>[376,664]</u>	<u>[18,083]</u>	<u>[394,747]</u>
Income [loss] before transfers	<u>1,987,763</u>	<u>235,354</u>	<u>2,223,117</u>
Capital contributions	29,879	11,201	41,080
Transfers in	149,265	-	149,265
Transfers [out]	[1,316,667]	[3,629]	[1,320,296]
Total transfers and capital contributions	<u>[1,137,523]</u>	<u>7,572</u>	<u>[1,129,951]</u>
Change in net position	850,240	242,926	1,093,166
Net position, January 1	<u>30,719,453</u>	<u>4,306,803</u>	<u>35,026,256</u>
Net position, December 31	<u>\$ 31,569,693</u>	<u>\$ 4,549,729</u>	<u>\$ 36,119,422</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Water and Sewer	Stormwater	Total Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 8,012,094	\$ 820,399	\$ 8,832,493
Cash paid to suppliers	[1,957,922]	[80,763]	[2,038,685]
Cash paid to employees	<u>[2,076,036]</u>	<u>[342,756]</u>	<u>[2,418,792]</u>
Net cash provided by [used in] operating activities	<u>3,978,136</u>	<u>396,880</u>	<u>4,375,016</u>
Cash flows from capital and related financing activities			
Proceeds from capitalization grant/construction loan payable	53,119	-	53,119
Payments on capitalization grant/construction loan payable	[293,756]	-	[293,756]
Acquisition and construction of capital assets	[777,482]	[25,928]	[803,410]
Principal paid on capital debt	[675,105]	[287,133]	[962,238]
Interest paid on capital debt	<u>[396,677]</u>	<u>[22,386]</u>	<u>[419,063]</u>
Net cash provided by [used in] capital and related financing activities	<u>[2,089,901]</u>	<u>[335,447]</u>	<u>[2,425,348]</u>
Cash flows from investing activities			
Interest received	<u>4,459</u>	<u>482</u>	<u>4,941</u>
Cash flows from noncapital financing activities			
Transfers in	149,265	-	149,265
Transfers [out]	<u>[1,316,667]</u>	<u>[3,629]</u>	<u>[1,320,296]</u>
Net cash provided by [used in] noncapital financing activities	<u>[1,167,402]</u>	<u>[3,629]</u>	<u>[1,171,031]</u>
Net increase [decrease] in cash and cash equivalents	725,292	58,286	783,578
Cash and cash equivalents and restricted cash, January 1	<u>2,469,138</u>	<u>256,845</u>	<u>2,725,983</u>
Cash and cash equivalents and restricted cash, December 31	<u>\$ 3,194,430</u>	<u>\$ 315,131</u>	<u>\$ 3,509,561</u>
Noncash portion of the capital contributions	<u>\$ 29,879</u>	<u>\$ 11,201</u>	<u>\$ 41,080</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended December 31, 2016

	Water and Sewer	Stormwater	Total Enterprise Funds
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities			
Operating income [loss]	\$ 2,364,427	\$ 253,437	\$ 2,617,864
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities			
Depreciation expense	1,589,633	146,143	1,735,776
Changes in assets and liabilities:			
[Increase] decrease in accounts receivable	[17,608]	[3,323]	[20,931]
[Increase] decrease in inventory	48,807	-	48,807
Increase [decrease] in prepaid items	2,563	[49]	2,514
[Increase] decrease in deferred outflows	[91,501]	[16,490]	[107,991]
Increase [decrease] in accounts payable	[22,812]	[230]	[23,042]
Increase [decrease] in retainage payable	[6,020]	-	[6,020]
Increase [decrease] in accrued payroll	2,405	[54]	2,351
Increase [decrease] in accrued compensated absences	[2,513]	409	[2,104]
Increase [decrease] in deferred inflows	[23,550]	[4,244]	[27,794]
Increase [decrease] in net pension liability	94,789	17,081	111,870
Increase [decrease] in net OBEB obligation	32,406	4,200	36,606
Increase [decrease] in customer deposits	7,110	-	7,110
Net cash provided by [used in] operating activities	<u>\$ 3,978,136</u>	<u>\$ 396,880</u>	<u>\$ 4,375,016</u>
Cash consists of:			
Cash and cash equivalents	\$ 2,982,240	\$ 315,131	\$ 3,297,371
Restricted cash	<u>212,190</u>	<u>-</u>	<u>212,190</u>
	<u>\$ 3,194,430</u>	<u>\$ 315,131</u>	<u>\$ 3,509,561</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

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.

C. Measurement Focus, Basis of Accounting and Basis of 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.

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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.

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 unavailable 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 THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of 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.

D. 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, 2016, interest earnings allocated to the various funds were \$30,957.

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

E. 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, 2016, cash equivalents consisted of certificates of deposit included in pooled cash described above.

F. 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."

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables and Payables (Continued)

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

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

Governmental funds report unavailable 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. Governmental funds unavailable revenue is reported as follows:

General fund property taxes receivable	\$4,432,605
Revolving loans fund long-term portion of capital leases receivable	218,466
Debt service fund property taxes receivable	1,011,073
Debt serve fund special assessments receivable	<u>64,231</u>
	<u>\$5,726,375</u>

G. 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 2016 levy was based was approximately \$120,000,000.

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 2016 tax levy per \$1,000 of assessed valuation was as follows:

General Fund	\$ 35.076
Debt Service Fund	7.457
Component Unit:	
Public Library	<u>5.938</u>
	<u>\$ 48.471</u>

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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. Prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. 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.

J. 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.

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports changes in the pension liability proportion and differences between expected and actual experience are reported as deferred outflows of resources in the government activities.

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet and the governmental activities in the government-wide statement of net position. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. Governmental activities report unavailable revenues only from property taxes. Differences between expected and actual experience, differences between projected and actual investment earnings, changes in assumptions, and changes in the pension liability proportion are reported as deferred inflows for governmental activities. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. 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.

M. 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 are 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 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.

N. 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 \$3,485,786 of restricted net position.

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Position (Continued)

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.

O. Fund Balance

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, 2016, 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.

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. The authority for management to assign fund balance is provided by the City's purchasing policy.

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.

P. 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 THE BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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.

R. Pending Governmental Accounting Standards Board Statements

At December 31, 2016, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statement that might impact the City is as follows:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued in June 2015. The objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions included in the general purpose financial statements. The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Decision usefulness and accountability will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary of OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.

The provisions of this statement are effective for periods beginning after June 15, 2017.

Note 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. 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 "Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds." The details of this \$38,293,004 difference are as follows:

General obligation and special assessment bonds payable	\$ [18,884,307]
Less: Issuance discount	51,364
Plus: issuance premium	[225,600]
Capital lease payable	[1,639,850]
Revenue bonds payable	[4,920,000]
Accrued interest payable	[129,565]
Net pension liability	[11,788,434]
Compensated absences	<u>[756,612]</u>

Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ [38,293,004]</u>
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CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. 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 "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." The details of this \$7,961,878 difference are as follows:

Debt issued or incurred:	
Issuance of capital lease	\$ [156,748]
Issuance of general obligation and special assessment bonds	[11,500,000]
Premium on issuance of general obligation and special assessment bonds	[183,181]
Principal repayments:	
General obligation bonds	3,265,618
Capital lease	362,433
Revenue bonds	<u>250,000</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	
	<u>\$ [7,961,878]</u>

Note 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *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 CDBG TBRA Grants fund, the Land Bank fund, the KHRC Moderate Income Housing 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:

- Preparation of proposed budget for the succeeding calendar year on or before August 1 of each year.
- Publication of proposed budget on or before August 5 of each year.
- A minimum of ten days' notice of public hearing, published in a local newspaper, on or before August 15 of each year.
- Public hearing on or before August 15 of each year.
- Adoption of final budget on or before August 25 of each year.

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. *Budgetary Information (Continued)*. Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. City policy further limits the level of budgetary changes not requiring City Commission approval to the department level within an individual fund. Any change in level of appropriation beyond the departmental level in an individual fund requires action by the City Commission. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. There were two budget amendments during 2016. Special parks and recreation fund budgeted expenditures increased from \$85,000 to \$86,000, and the section 8 fund budgeted expenditures increased from \$1,350,274 to \$1,600,000.

Note 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	\$ 1,418,023
Add:	
Sales tax transfers	2,289,273
Change in inventories	7,944
Change in health care payable	5,000
Change in grants receivable	19,427
Change in encumbrances	[94,749]
Change in taxes receivable	[73,864]
Capital lease expenditures	156,748
Deduct:	
Change in prepaid items	[3,386]
Change in salaries payable	5,636
FCIP energy transfers	<u>[37,247]</u>
Excess of revenue over expenditures, budgetary basis	<u>\$ 3,692,805</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 THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 5. DEPOSITS AND INVESTMENTS

A. 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, 2016, 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.

B. Investments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2016, the City had the following investments:

<u>Investments Measure by the Net Asset Value (NAV)</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Goldman Sachs Financial Square Government Fund	<u>\$639,707</u>	<u>\$639,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The above investments are measured at the net asset value, have an ongoing redemption frequency and liquidity fees or redemption gates are not imposed on any of the investments. The money market investments are composed of U.S. Government securities that are fully collateralized. The City's investments are rated Aaa by Moody's and AAA by Standard & Poor's.

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

Credit Risk. Kansas statutes authorize the City and the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. The City's investment policy authorizes the purchases of U.S. Treasury securities, certificates of deposit, and temporary notes. The Library held no investments at December 31, 2016.

Concentrations of Credit Risk. The City places no limit on the amount it may invest in anyone issuer.

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2016, the City's investments were not exposed to custodial credit risk.

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

	<u>Carrying Amount</u>		
		Component Unit - Public Library	
	<u>City</u>	<u>Library</u>	<u>Total</u>
Cash and cash equivalents	\$ 25,504,938	\$ 477,031	\$ 25,981,969
Restricted cash and cash equivalents	212,190	-	212,190
Restricted investments	<u>639,707</u>	<u>-</u>	<u>639,707</u>
	<u>\$ 26,356,835</u>	<u>\$ 477,031</u>	<u>\$ 26,833,866</u>

Note 6. LOANS RECEIVABLE

Loans receivable, aggregating \$1,181,971 at December 31, 2016, 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.

Note 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, 2016 the lease receivable balance was \$279,666.

Future minimum lease payments to be received are as follows:

2017	\$ 61,200
2018	61,200
2019	61,200
2020	61,200
2021	<u>56,100</u>
Total minimum lease payments	300,900
Less: amounts representing interest	<u>[21,234]</u>
Present value of minimum lease payments	<u>\$ 279,666</u>

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 7. LEASES (Continued)

Noncancellable operating revenue leases for City land and buildings expire in 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, 2016 rental income related to these leases was \$128,420. Future minimum lease income is as follows:

2017	\$ 128,420
2018	75,194
2019	57,452
2020	57,452
2021	57,452
2022-2025	<u>215,443</u>
	<u>\$ 591,413</u>

The asset cost of the buildings the City leases is \$2,999,865, with accumulated depreciation of \$1,465,880 resulting in net carrying value of \$1,533,985 at December 31, 2016.

Note 8. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Primary Government	Balance at 12/31/15	Increase	Decreases	Transfers	Balance at 12/31/16
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,566,486	\$ -	\$ -	\$ -	\$ 3,566,486
Construction in progress	<u>171,528</u>	<u>1,435,050</u>	<u>1,215,771</u>	<u>-</u>	<u>390,807</u>
Total capital assets not being depreciated	<u>3,738,014</u>	<u>1,435,050</u>	<u>1,215,771</u>	<u>-</u>	<u>3,957,293</u>
Capital assets, being depreciated:					
Building and improvements	38,433,089	33,886	-	-	38,466,975
Machinery and equipment	11,987,870	838,365	335,028	[1,100]	12,490,107
Infrastructure	<u>36,133,666</u>	<u>1,307,154</u>	<u>-</u>	<u>-</u>	<u>37,440,820</u>
Total capital assets being depreciated	<u>86,554,625</u>	<u>2,179,405</u>	<u>335,028</u>	<u>[1,100]</u>	<u>88,397,902</u>
Less accumulated depreciation for:					
Building and improvements	17,643,164	1,029,214	-	-	18,672,378
Machinery and equipment	6,934,239	817,128	329,742	[1,100]	7,420,525
Infrastructure	<u>15,642,434</u>	<u>1,085,879</u>	<u>-</u>	<u>-</u>	<u>16,728,313</u>
Total accumulated depreciation	<u>40,219,837</u>	<u>2,932,221</u>	<u>329,742</u>	<u>[1,100]</u>	<u>42,821,216</u>
Total capital assets being depreciated, net	<u>46,334,788</u>	<u>[752,816]</u>	<u>5,286</u>	<u>-</u>	<u>45,576,686</u>
Governmental activities capital assets, net	<u>\$50,072,802</u>	<u>\$ 682,234</u>	<u>\$ 1,221,057</u>	<u>\$ -</u>	<u>\$49,533,979</u>

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 8. CAPITAL ASSETS (Continued)

	Balance at <u>12/31/15</u>	<u>Increase</u>	<u>Decreases</u>	<u>Transfers</u>	Balance at <u>12/31/16</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 582,812	\$ -	\$ -	\$ -	\$ 582,812
Construction in progress	<u>93,924</u>	<u>41,080</u>	<u>135,004</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>676,736</u>	<u>41,080</u>	<u>135,004</u>	<u>-</u>	<u>582,812</u>
Capital assets, being depreciated:					
Building and improvements	30,256,163	74,895	-	-	30,331,058
Machinery and equipment	5,151,640	586,842	1,440	1,100	5,738,142
Infrastructure	<u>38,505,561</u>	<u>264,637</u>	<u>-</u>	<u>-</u>	<u>38,770,198</u>
Total capital assets being depreciated	<u>73,913,364</u>	<u>926,374</u>	<u>1,440</u>	<u>1,100</u>	<u>74,839,398</u>
Less accumulated depreciation for:					
Building and improvements	10,958,043	663,632	-	-	11,621,675
Machinery and equipment	2,854,490	250,322	1,440	1,100	3,104,472
Infrastructure	<u>14,655,092</u>	<u>821,822</u>	<u>-</u>	<u>-</u>	<u>15,476,914</u>
Total accumulated depreciation	<u>28,467,625</u>	<u>1,735,776</u>	<u>1,440</u>	<u>1,100</u>	<u>30,203,061</u>
Total capital assets being depreciated, net	<u>45,445,739</u>	<u>[809,402]</u>	<u>-</u>	<u>-</u>	<u>44,636,337</u>
Business-type activities capital assets, net	<u>\$46,122,475</u>	<u>\$ [768,322]</u>	<u>\$ 135,004</u>	<u>\$ -</u>	<u>\$45,219,149</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 172,172
Public safety - police	451,535
Public safety - fire	299,165
Public safety - other	5,542
Public works	1,508,926
Sanitation and health	837
Industrial promotion	36,187
Culture and recreation	<u>457,857</u>
Total depreciation expense - governmental activities	<u>\$2,932,221</u>
Business-type activities:	
Water/wastewater	\$1,589,633
Stormwater	<u>146,143</u>
Total depreciation expense - business-type activities	<u>\$1,735,776</u>

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 8. CAPITAL ASSETS (Continued)

Capital asset activity for the Public Library component unit for the year ended December 31, 2016 was as follows:

	Balance at <u>12/31/15</u>	<u>Increase</u>	<u>Decreases</u>	Balance at <u>12/31/16</u>
Capital assets, not being depreciated:				
Land	\$ 215,415	\$ -	\$ -	\$ 215,415
Total capital assets not being depreciated	<u>215,415</u>	<u>-</u>	<u>-</u>	<u>215,415</u>
Capital assets, being depreciated:				
Building and improvements	3,580,808	59,000	-	3,639,808
Machinery and equipment	<u>152,551</u>	<u>41,510</u>	<u>39,011</u>	<u>155,050</u>
Total capital assets being depreciated	<u>3,733,359</u>	<u>100,510</u>	<u>39,011</u>	<u>3,794,858</u>
Less accumulated depreciation for:				
Building and improvements	1,331,775	87,256	-	1,419,031
Machinery and equipment	<u>94,863</u>	<u>40,570</u>	<u>39,011</u>	<u>96,422</u>
Total accumulated depreciation	<u>1,426,638</u>	<u>127,826</u>	<u>39,011</u>	<u>1,515,453</u>
Total capital assets being depreciated, net	<u>2,306,721</u>	<u>[27,316]</u>	<u>-</u>	<u>2,279,405</u>
Business-type activities capital assets, net	<u>\$ 2,522,136</u>	<u>\$ [27,316]</u>	<u>\$ -</u>	<u>\$ 2,494,820</u>

Note 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. Following is a summary of costs to December 31, 2016 for capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
General government:		
Airport projects	\$ 1,250,393	\$ 3,150,000
Security improvements	67,194	150,000
Auditorium improvements	168,977	250,000
Road and bridge projects	<u>394,204</u>	<u>6,512,573</u>
	<u>\$ 1,880,768</u>	<u>\$ 10,062,573</u>
Business-type:		
Water/wastewater	<u>\$ 4,160,066</u>	<u>\$ 11,100,000</u>

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 10. LONG-TERM DEBT

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds payable at December 31, 2016 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2016	Outstanding December 31, 2016
General Obligation Bonds:					
Governmental activities:					
Series 2006-A	3.65% to 3.75%	\$ 545,000	2016	\$ 65,000	\$ -
Series 2006-B	3.85% to 3.90%	1,140,000	2016	98,770	-
Series 2007-A	4.00%	1,285,000	2017	137,427	142,455
Series 2007-B	4.00%	13,000,000	2018	1,970,000	1,700,000
Series 2008-A	3.20% to 3.60%	2,950,380	2018	318,960	677,790
Series 2009-A	2.10% to 3.25%	1,265,000	2019	131,003	417,572
Series 2012-A	1.00% to 2.00%	855,000	2022	85,000	530,000
Series 2013-A	0.70% to 2.15%	1,420,000	2023	145,000	990,000
Series 2014-A	1.50% to 2.65%	3,398,395	2025	315,735	2,926,490
Series 2016-A	2.00%	5,000,000	2031	-	5,000,000
				<u>3,266,895</u>	<u>12,384,307</u>
Business-type activities:					
Series 2006-B	3.85% to 3.90%	305,942	2016	36,230	-
Series 2007-A	4.00%	2,310,000	2017	272,573	282,545
Series 2008-A	3.20% to 3.60%	379,620	2018	41,040	87,210
Series 2009-A	2.10% to 3.25%	280,000	2019	28,997	92,428
Series 2014-A	1.50% to 2.65%	1,606,605	2025	149,265	1,383,510
Series 2015-A	3.00%	6,370,000	2030	410,000	5,960,000
				<u>938,105</u>	<u>7,805,693</u>
				<u>\$ 4,205,000</u>	<u>\$ 20,190,000</u>
Special Assessment Bonds:					
Governmental activities:					
Series 2016-B	2.00% to 3.25%	\$6,500,000	2037	\$ -	\$ 6,500,000

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

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
Series 2013-A: Callable April 1, 2021 at par plus accrued interest

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 10. LONG-TERM DEBT (Continued)

A. 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 2007-A	\$ 135,812	\$ 151,961
Series 2007-B	1,205,000	1,800,000
Series 2008-A	296,810	345,540
Series 2009-A	122,816	143,284
Series 2012-A	80,000	95,000
Series 2013-A	140,000	160,000
Series 2014-A	156,170	373,450
Series 2016-A	300,000	755,000
Business-type activities:		
Series 2007-A	244,188	273,039
Series 2008-A	38,190	44,460
Series 2009-A	27,185	31,716
Series 2014-A	73,830	176,550
Series 2015-A	320,000	550,000
Special Assessment Bonds:		
Governmental activities:		
Series 2016-B	260,000	1,225,000

The future annual requirements for general obligation bonds outstanding as of December 31, 2016 are as follows:

Year	General Obligation Bonds				Special Assessment Bonds	
	Governmental Activities		Business-type Activities		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,162,327	\$ 280,776	\$ 967,673	\$ 224,869	\$ -	\$ 143,442
2018	1,345,651	191,971	699,349	195,132	260,000	166,043
2019	1,010,995	160,162	679,005	175,036	265,000	160,843
2020	882,895	139,088	662,105	156,520	270,000	155,543
2021	902,895	122,197	677,105	138,276	275,000	150,143
2022 - 2026	3,244,544	359,318	2,660,456	419,462	1,455,000	665,918
2027 - 2031	1,835,000	111,500	1,460,000	111,000	1,640,000	494,763
2032 - 2036	-	-	-	-	1,915,000	252,305
2037	-	-	-	-	420,000	13,650
	<u>\$ 12,384,307</u>	<u>\$ 1,365,012</u>	<u>\$ 7,805,693</u>	<u>\$ 1,420,295</u>	<u>\$ 6,500,000</u>	<u>\$ 2,202,650</u>

B. Construction Loan Payable

During 2010, 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 \$2,508,311 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.58%. The outstanding balance of \$1,039,850 is shown as a liability in the water/wastewater fund.

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 10. LONG-TERM DEBT (Continued)

B. Construction Loan Payable (Continued)

The future annual debt service requirements for the construction loan payable as of December 31, 2016 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 58,917	\$ 26,451
2018	60,596	24,920
2019	62,323	23,346
2020	64,099	21,726
2021	65,926	20,062
2022-2026	358,906	73,613
2027-2031	369,085	24,252
	<u>\$ 1,039,850</u>	<u>\$ 214,370</u>

During 2006, 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 \$4,500,000 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.67%. As of December 31, 2016, the City has drawn \$4,207,166 on this loan. The outstanding balance of \$2,312,095 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.

The City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Supply Revolving Fund. The agreement enabled the City to borrow \$554,592 to finance improvements to the water system. The loan will be repaid over twenty years at an interest rate of 2.49%. The outstanding balance of \$521,705 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, 2016 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 22,513	\$ 11,045
2018	23,077	10,560
2019	23,656	10,063
2020	24,248	9,554
2021	24,856	9,032
2022-2026	133,939	36,856
2027-2031	151,580	21,694
2032-2035	117,835	5,106
	<u>\$ 521,705</u>	<u>\$ 113,909</u>

C. 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 has been pledged, in the amount of \$2,359,794, to retire the bonds through the maturity date of April 1, 2027. The percent of the sales tax pledged is 100%.

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 10. LONG-TERM DEBT (Continued)

C. Transportation Development District Sales Tax Revenue Bonds (Continued)

The 2016 principal and interest for the revenue bonds was \$106,480 and the pledged revenues recognized for 2016 was \$98,330. 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, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 60,000	\$ 48,720	\$ 108,720
2018	65,000	45,720	110,720
2019	70,000	42,480	112,480
2020	75,000	39,000	114,000
2021	80,000	35,280	115,280
2022 - 2026	505,000	109,800	614,800
2027	190,000	4,560	194,560
	<u>\$1,045,000</u>	<u>\$ 325,560</u>	<u>\$1,370,560</u>

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

D. 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 property and sales tax collected has been pledged, in the amount of \$9,970,784, to retire the bonds through the maturity date of April 1, 2024. The percent of the sales tax pledged is 100%. The 2016 principal and interest for the revenue bonds was \$389,263 and the pledged revenues recognized for 2016 was \$568,789. 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, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 370,000	\$ 182,280	\$ 552,280
2018	400,000	163,415	563,415
2019	430,000	143,080	573,080
2020	460,000	121,275	581,275
2021	495,000	97,878	592,878
2022 - 2024	1,720,000	134,750	1,854,750
	<u>\$3,875,000</u>	<u>\$ 842,678</u>	<u>\$4,717,678</u>

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 10. LONG-TERM DEBT (Continued)

D. Special Obligation Tax Increment Revenue Bonds (Continued)

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

E. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$10,651,202	\$ 5,000,000	\$ 3,266,895	\$12,384,307	\$ 3,162,327
Less bond discount	[58,702]	-	[7,338]	[51,364]	-
Plus bond premium	48,479	143,963	6,060	186,382	-
Net general obligation bonds	10,640,979	5,143,963	3,265,617	12,519,325	3,162,327
Special assessment bonds	-	6,500,000	-	6,500,000	-
Plus bond premium	-	39,218	-	39,218	-
Net special assessment bonds	-	6,539,218	-	6,539,218	-
Transportation Development District					
Sales Tax Revenue Bonds	1,100,000	-	55,000	1,045,000	60,000
Special Obligation Tax Increment					
Revenue Bonds	4,070,000	-	195,000	3,875,000	370,000
Capital lease payable	1,845,535	156,748	362,433	1,639,850	367,583
Other postemployment benefits	877,534	178,225	13,258	1,042,501	-
Compensated absences	735,816	347,527	326,731	756,612	326,731
Governmental activity long-term liabilities	<u>\$19,269,864</u>	<u>\$12,365,681</u>	<u>\$ 4,218,039</u>	<u>\$27,417,506</u>	<u>\$ 4,286,641</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 8,743,798	\$ -	\$ 938,105	\$ 7,805,693	\$ 967,673
Plus bond premium	362,004	-	24,133	337,871	-
Net general obligation bonds	9,105,802	-	962,238	8,143,564	967,673
Construction loan payable	4,126,327	47,099	299,776	3,873,650	291,320
Other postemployment benefits	200,926	39,627	3,021	237,532	-
Compensated absences	154,254	66,726	68,830	152,150	67,902
Business-type activity long-term liabilities	<u>\$13,587,309</u>	<u>\$ 153,452</u>	<u>\$ 1,333,865</u>	<u>\$12,406,896</u>	<u>\$ 1,326,895</u>
Component unit activities:					
Other postemployment benefits	\$ 35,681	\$ 8,847	\$ 559	\$ 43,969	\$ -
Compensated absences	14,261	13,178	12,843	14,596	6,481
Component unit activity long-term liabilities	<u>\$ 49,942</u>	<u>\$ 22,025</u>	<u>\$ 13,402</u>	<u>\$ 58,565</u>	<u>\$ 6,481</u>

For the governmental activities, compensated absences and net OPEB obligation are generally liquidated by the general fund.

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 10. LONG-TERM DEBT (Continued)

F. 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, 2016, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$8,642,995.

- G. The City entered into various capital lease agreements for the acquisition of certain equipment in the amount of \$2,077,465. The annual debt service requirements to service the outstanding capital lease payable at December 31, 2016 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 367,583	\$ 31,239
2018	353,222	25,187
2019	356,297	19,424
2020	133,025	13,552
2021	103,643	10,525
2022 - 2024	<u>326,079</u>	<u>16,026</u>
	<u>\$ 1,639,850</u>	<u>\$ 115,953</u>

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 11. DEFINED BENEFIT PENSION PLAN

Description of Pension Plan. The City participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
- State/School employees
- Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the Local employees group and the Kansas Police and Firemen group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

Benefits. Benefits are established by statute and may only be changed by the State Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 11. DEFINED BENEFIT PENSION PLAN (Continued)

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.1% of total payroll for the fiscal year ended June 30, 2016.

The actuarially determined employer contribution rates (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows:

	Actuarial Employer Rate	Statutory Employer Capped Rate
Local government employees	9.18%	9.18%
Police and Firemen	22.68%	22.68%

Member contribution rates as a percentage of eligible compensation for the KPERS fiscal year June 30, 2016 are 6.00% for Local employees and 7.15% for Police and Firemen.

Employer Allocations. Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the City's share of the collective pension amounts as of December 31, 2016, are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended December 31, 2016.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the City's proportion for the Local employees group was 0.349%, which was a decrease of .006% from its proportion measured at June 30, 2015. At June 30, 2016, the City's proportion for the Police and Firemen group was 0.822%, which was an increase of .024% from its proportion measured at June 30, 2015.

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability. At December 31, 2016 and 2015, the City and Library reported a liability of \$13,043,469 and \$10,471,737, respectively, for its total proportionate share of the net pension liability for the Local and Police and Firemen groups.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016, using the following actuarial assumptions:

<u>Assumption</u>	<u>Rate</u>
Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 16.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2012.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47.00%	6.80%
Fixed income	13.00%	1.25%
Yield driven	8.00%	6.55%
Real return	11.00%	1.71%
Real estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term investments	<u>2.00%</u>	-0.25%
Total	<u>100.00%</u>	

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

Note 11. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount rate (8.00%)	1% Increase (9.00%)
Local	\$ 7,419,299	\$ 5,412,933	\$ 3,711,689
Police and Firemen	10,467,533	7,630,536	5,233,602
Total	<u>\$ 17,886,832</u>	<u>\$ 13,043,469</u>	<u>\$ 8,945,291</u>

Pension Expense. For the year ended December 31, 2016, the City recognized Local pension expense of \$477,766 and Police and Firemen pension expense of \$962,003, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The Library's portion of the Local pension expense was \$32,133.

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for Local and Police and Firemen groups from the following sources:

	City		Library	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$ 432,035	\$ 169,872	\$ 2,113	\$ 6,570
Net differences between projected and actual earnings on investments	1,595,496	-	43,006	-
Changes of assumptions	-	94,273	-	3,406
Changes in proportion	338,973	140,994	1,701	4,855
Total	<u>\$ 2,366,504</u>	<u>\$ 405,139</u>	<u>\$ 46,820</u>	<u>\$ 14,831</u>

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 11. DEFINED BENEFIT PENSION PLAN (Continued)

\$717,159 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>June 30,</u>	City		<u>Total</u>
	Local Group	Police and Firemen Group	
	Deferred [Inflows] Outflows <u>Amount</u>	Deferred [Inflows] Outflows <u>Amount</u>	
2017	\$ 39,418	\$ 258,171	\$ 297,589
2018	39,418	258,171	297,589
2019	222,154	553,194	775,348
2020	146,779	387,191	533,970
2021	[4,135]	61,004	56,869
Total	<u>\$ 443,634</u>	<u>\$ 1,517,731</u>	<u>\$ 1,961,365</u>

\$20,315 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>June 30,</u>	Library	
	Local Group	
	Deferred [Inflows] Outflows <u>Amount</u>	
2017	\$ 2,844	
2018	2,844	
2019	16,030	
2020	10,591	
2021	[320]	
Total	<u>\$ 31,989</u>	

Note 12. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan 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.

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 12. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

B. 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.

C. Funding Policy

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 2016, the City did not contribute to the plan.

D. 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	\$ 216,442
Interest on Net OPEB Obligation	33,424
Adjustment to Annual Required Contribution	<u>[56,843]</u>
Annual OPEB cost (expense)	193,023
Contributions made	<u>16,837</u>
Change in net OPEB obligation	209,860
Net OPEB obligation - beginning of year	<u>1,114,142</u>
Net OPEB obligation - end of year	<u>\$ 1,324,002</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the three preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 196,796	63.98%	\$ 1,005,544
December 31, 2015	195,306	44.40%	1,114,142
December 31, 2016	193,023	-8.72%	1,324,002

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 12. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

E. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,252,043. 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 \$2,252,043. The covered payroll (annual payroll of active employees covered by the plan) was \$8,023,937 and the ratio of the UAAL to the covered payroll was 28.07 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.

F. 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, 2014 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 inflationary impact assumption is 2.5%. The remaining amortization period at December 31, 2016 was 30 years. The UAAL is being amortized using the level dollar method on an open basis.

Note 13. 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 \$150,000 reported at December 31, 2016 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.

CITY OF PITTSBURG, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 13. RISK MANAGEMENT (Continued)

The changes in health care claims payable for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Unpaid claims, January 1	\$ 145,000	\$ 125,000
Incurring claims (including IBNRs)	1,384,060	1,859,779
Claim payments	<u>[1,379,060]</u>	<u>[1,839,779]</u>
Unpaid claims, December 31	<u>\$ 150,000</u>	<u>\$ 145,000</u>

Note 14. INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major governmental funds:		
General Fund	\$ 1,399,005	\$ 2,516,279
Revolving Loans Fund	70,909	84,067
Capital Projects Fund	37,432	546,150
Debt Service Fund	2,581,028	-
Nonmajor governmental funds	321,918	92,765
Major proprietary funds:		
Water/Wastewater Fund	149,265	1,316,667
Stormwater Fund	<u>-</u>	<u>3,629</u>
	<u>\$ 4,559,557</u>	<u>\$ 4,559,557</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.

Note 15. 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 yearend are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2016, the City's recorded encumbrances in governmental funds were as follows:

General	<u>\$ 140,307</u>
	<u>\$ 140,307</u>

CITY OF PITTSBURG, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Note 16. CONTINGENCIES

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

Note 17. TAX ABATEMENTS

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with four entities as of December 31, 2016:

<u>Entity</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Millers, Inc.	\$ 97,418
Rallison, LP	4,538
Pinamonti Physical Therapy, PA	35,518
HI1 Pittsburg, LLC	24,450
Total	<u>\$ 161,924</u>

The Millers, Inc and Rallison, LP agreements have been negotiated under Section 13 of Article 11 of the Kansas Constitution, which specifies that the property for which the exemption is granted will be used for manufacturing articles of commerce, conducting research and development or storing goods or commodities which are sold or traded in interstate commerce. The exemption may be granted for a maximum of ten years. The City's Tax Exemption and Incentives for Economic Development Policy governs the issuance of tax exemptions within the City and dictates the following procedures: 1. The applicant shall apply for a tax exemption by filing a written application, 2. The City shall then determine whether the requested tax exemption may be lawfully granted and should be granted, 3. If it is determined that some tax exemption should be granted, a 100% exemption of the property of the business legally eligible for the exemption shall be provided, 4. The amount of the tax incentive, which will be an amount less than the taxes otherwise payable if the property were not exempt, will then be determined in accordance with the policy, and 5. Upon the failure of the business to fully and timely pay the in lieu tax payments, as may be required as a condition of granting of an exemption, or to provide reports or other information requested by the City and reasonably necessary for the implementation of the policy, the City may either deny, revoke, or not renew the authorization of such an exemption. All requests for a tax exemption for economic development purposes shall be considered and acted upon in accordance with the City's Tax Exemption and Incentives for Economic Development Policy.

The Pinamonti Physical Therapy, PA and HI1 Pittsburg, LLC agreements have been negotiated under K.S.A. 12-1740 et seq, which authorizes the City to issue industrial revenue bonds to pay for the costs of facilities used for commercial, industrial and manufacturing purposes. The City must prepare an analysis of the costs and benefits of each exemption and conduct a public hearing on the granting of such exemption. The notice of public hearing must be published at least seven days prior to the hearing in the official City newspaper.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities. The City has chosen to disclose information about its tax abatement agreements individually.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PITTSBURG, KANSAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFITS

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets (a)</u>	Actuarial Accrued <u>Liability (b)</u>	Unfunded AAL <u>(b) - (a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	UAAL as Percent of Covered Payroll <u>(b-a)/(c)</u>
1/1/2008	\$ -	\$2,115,027	\$2,115,027	0.0%	\$ 9,238,253	22.89%
1/1/2011	-	2,926,543	2,926,543	0.0%	8,167,820	35.83%
1/1/2014	-	2,252,043	2,252,043	0.0%	8,023,937	28.07%

CITY OF PITTSBURG, KANSAS
 KPERS PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 December 31, 2016

Schedule of the City's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years*

	Local <u>12/31/16</u>	Police and Firemen <u>12/31/16</u>	Local <u>12/31/15</u>	Police and Firemen <u>12/31/15</u>
City's proportion of the net pension liability	0.349%	0.822%	0.355%	0.799%
City's proportionate share of the net pension liability	\$ 5,412,933	\$7,630,536	\$4,671,299	\$5,800,438
City's covered employee payroll	\$ 6,159,850	\$3,973,180	\$5,866,661	\$3,471,338
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	87.87%	192.05%	79.62%	167.10%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	69.30%	71.98%	74.60%

* - The amounts presented for each fiscal year were determined as of 12/31. Data became available with the inception of GASB 68 during fiscal year 2015, therefore 10 years of data is unavailable.

Schedule of the City's Contributions
 Last Ten Fiscal Years*

	Local <u>12/31/16</u>	Police and Firemen <u>12/31/16</u>	Local <u>12/31/15</u>	Police and Firemen <u>12/31/15</u>
Contractually required contribution	\$ 552,205	\$ 893,395	\$ 583,953	\$ 959,523
Contributions in relation to the contractually required contribution	<u>552,205</u>	<u>893,395</u>	<u>583,953</u>	<u>959,523</u>
Contribution deficiency [excess]	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$6,015,299	\$3,939,134	\$6,159,850	\$3,973,180
Contributions as a percentage of covered employee payroll	9.18%	22.68%	9.48%	24.15%

* - Data became available with the inception of GASB 68 during fiscal year 2015, therefore 10 years of data is unavailable.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PITTSBURG, KANSAS

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Special Parks and Recreation Fund - 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 Fund - 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 Fund - 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 Fund - 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 Fund - to account for federal grants under the Department of Housing and Urban Development (HUD) Program.

Community Development Block Grant Fund - to account for federal grants under the Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program.

KHRC Moderate Income Housing Fund - to account for a grant funded through the State of Kansas Housing Resource Corporation to address the need for higher income workforce housing in Pittsburg; grant award funds serve to provide infrastructure, and the development of ten (10) new homes in the newly constructed, Lincoln Square Development.

CDBG TBRA Grants Fund - to account for a grant funded through the State of Kansas Housing Resource Corporation for the purpose of providing supportive assistance to the homeless and/or at risk of becoming homeless in the Pittsburg community.

Land Bank Fund - to account for the sale of vacant property owned by the City while eliminating the liabilities imposed on the City by vacant, dilapidated, or abandoned parcels.

CITY OF PITTSBURG, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	Special Revenue									
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/ Presbyterian Church Housing	Section 8	Community Development Block Grant	KHRC Moderate Income Housing	CDBG TBRA Grants	Land Bank	Total Nonmajor Governmental Funds
Assets:										
Cash and cash equivalents	\$ -	\$ 77,808	\$ 837,485	\$ 465,527	\$ 150,291	\$ -	\$ 11,111	\$ 6,122	\$ 71,656	\$ 1,620,000
Receivables (net of allowance for uncollectibles):										
Accounts	-	-	-	29,234	-	-	-	-	-	29,234
Intergovernmental	-	-	159,705	-	-	42,390	-	-	-	202,095
Taxes	-	-	178,677	-	-	-	-	-	-	178,677
Loans receivable	-	-	-	184,785	-	-	-	-	-	184,785
Prepaid items	-	-	6,102	-	-	-	-	-	-	6,102
Total assets	\$ -	\$ 77,808	\$ 1,181,969	\$ 679,546	\$ 150,291	\$ 42,390	\$ 11,111	\$ 6,122	\$ 71,656	\$ 2,220,893
Liabilities:										
Accounts payable	\$ -	\$ 447	\$ 41,037	\$ -	\$ 29,834	\$ 4,213	\$ 11,111	\$ -	\$ -	\$ 86,642
Accrued payroll	-	-	6,711	-	-	-	-	-	-	6,711
Due to other funds	-	-	-	-	-	44,158	-	-	-	44,158
Other	-	-	-	-	119,730	-	-	-	-	119,730
Total liabilities	-	447	47,748	-	149,564	48,371	11,111	-	-	257,241
Fund balance:										
Nonspendable:										
Not in spendable form	-	-	6,102	-	-	-	-	-	-	6,102
Restricted:										
Capital projects	-	-	1,128,119	-	-	-	-	-	-	1,128,119
Housing	-	-	-	679,546	727	-	-	6,122	-	686,395
Other	-	77,361	-	-	-	-	-	-	71,656	149,017
Unassigned	-	-	-	-	-	[5,981]	-	-	-	[5,981]
Total fund balance [deficit]	-	77,361	1,134,221	679,546	727	[5,981]	-	6,122	71,656	1,963,652
Total liabilities and fund balances	\$ -	\$ 77,808	\$ 1,181,969	\$ 679,546	\$ 150,291	\$ 42,390	\$ 11,111	\$ 6,122	\$ 71,656	\$ 2,220,893

See independent auditor's report on the financial statements.

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue									
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/ Presbyterian Church Housing	Section 8	Community Development Block Grant	KHRC Moderate Income Housing	CDBG TBRA Grants	Land Bank	Total Nonmajor Governmental Funds
Revenues:										
Intergovernmental	\$ 85,847	\$85,847	\$ 704,897	\$ -	\$ 1,484,533	\$ 201,799	\$ 27,222	\$ 88,636	\$ -	\$ 2,678,781
Sales taxes	-	-	995,927	-	-	-	-	-	-	995,927
Investment earnings	-	-	1,191	3,080	157	-	-	-	128	4,556
Miscellaneous	-	-	32,330	-	6,021	-	-	-	-	38,351
Total Revenues	<u>85,847</u>	<u>85,847</u>	<u>1,734,345</u>	<u>3,080</u>	<u>1,490,711</u>	<u>201,799</u>	<u>27,222</u>	<u>88,636</u>	<u>128</u>	<u>3,717,615</u>
Expenditures:										
Current:										
Public works	-	-	1,330,885	-	-	-	-	-	-	1,330,885
Sanitation and health	-	80,251	-	-	-	-	-	-	-	80,251
Economic development	-	-	-	-	-	-	23,216	-	12,662	35,878
Social welfare	-	-	-	13,574	1,494,617	207,780	-	82,514	-	1,798,485
Capital outlay	-	-	353,028	-	-	-	-	-	7,000	360,028
Total Expenditures	<u>-</u>	<u>80,251</u>	<u>1,683,913</u>	<u>13,574</u>	<u>1,494,617</u>	<u>207,780</u>	<u>23,216</u>	<u>82,514</u>	<u>19,662</u>	<u>3,605,527</u>
Excess [deficiency] of revenues over [under] expenditures	<u>85,847</u>	<u>5,596</u>	<u>50,432</u>	<u>[10,494]</u>	<u>[3,906]</u>	<u>[5,981]</u>	<u>4,006</u>	<u>6,122</u>	<u>[19,534]</u>	<u>112,088</u>
Other financing sources [uses]:										
Transfers in	-	-	315,000	6,918	-	-	-	-	-	321,918
Transfers [out]	<u>[85,847]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[6,918]</u>	<u>-</u>	<u>-</u>	<u>[92,765]</u>
Total other financing sources [uses]	<u>[85,847]</u>	<u>-</u>	<u>315,000</u>	<u>6,918</u>	<u>-</u>	<u>-</u>	<u>[6,918]</u>	<u>-</u>	<u>-</u>	<u>229,153</u>
Net change in fund balance	-	5,596	365,432	[3,576]	[3,906]	[5,981]	[2,912]	6,122	[19,534]	341,241
Fund balance, beginning of year	-	71,765	768,789	683,122	4,633	-	2,912	-	91,190	1,622,411
Fund balance, end of year	<u>\$ -</u>	<u>\$77,361</u>	<u>\$ 1,134,221</u>	<u>\$ 679,546</u>	<u>\$ 727</u>	<u>\$ [5,981]</u>	<u>\$ -</u>	<u>\$ 6,122</u>	<u>\$ 71,656</u>	<u>\$ 1,963,652</u>

See independent auditor's report on the financial statements.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
SPECIAL PARKS AND RECREATION FUND
For the Year Ended December 31, 2016

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues:				
Intergovernmental	\$ 85,847	\$ 85,000	\$ 86,000	\$ [153]
Total revenues	<u>85,847</u>	<u>85,000</u>	<u>86,000</u>	<u>[153]</u>
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>85,847</u>	<u>85,000</u>	<u>86,000</u>	<u>[153]</u>
Other financing sources [uses]:				
Transfer [out]	<u>[85,847]</u>	<u>[85,000]</u>	<u>[86,000]</u>	<u>153</u>
Total other financing sources [uses]	<u>[85,847]</u>	<u>[85,000]</u>	<u>[86,000]</u>	<u>153</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	-	-	-	-
Fund balance, January 1	-	-	-	-
Fund balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report on the financial statements.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
SPECIAL ALCOHOL AND DRUG FUND
For the Year Ended December 31, 2016

	<u>Actual</u>	<u>Budgeted Amounts</u> <u>Original</u>	<u>Final</u>	Variance with Final Budget Positive [Negative]
Revenues:				
Intergovernmental	\$ 85,847	\$ 85,000	\$ 85,000	\$ 847
Total revenues	<u>85,847</u>	<u>85,000</u>	<u>85,000</u>	<u>847</u>
Expenditures:				
Personnel services	5,658	8,240	8,240	2,582
Contractual services	66,017	66,600	66,600	583
Commodities	<u>8,576</u>	<u>71,182</u>	<u>71,182</u>	<u>62,606</u>
Total expenditures	<u>80,251</u>	<u>146,022</u>	<u>146,022</u>	<u>65,771</u>
Excess [deficiency] of revenues over [under] expenditures	5,596	[61,022]	[61,022]	66,618
Fund balance, January 1	<u>71,765</u>	<u>61,022</u>	<u>61,022</u>	<u>10,743</u>
Fund balance, December 31	<u>\$ 77,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,361</u>

See independent auditor's report on the financial statements.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
STREET AND HIGHWAY FUND
For the Year Ended December 31, 2016

		<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Revenues:				
Intergovernmental	\$ 701,292	\$ 680,526	\$ 680,526	\$ 20,766
Investment earnings	1,191	180	180	1,011
Miscellaneous	<u>32,330</u>	<u>5,000</u>	<u>5,000</u>	<u>27,330</u>
Total revenues	<u>734,813</u>	<u>685,706</u>	<u>685,706</u>	<u>49,107</u>
Expenditures:				
Personnel services	487,660	514,349	514,349	26,689
Contractual services	387,348	429,032	429,032	41,684
Commodities	459,676	346,850	346,850	[112,826]
Capital outlay	353,028	800,340	800,340	447,312
Reserves	<u>-</u>	<u>158,090</u>	<u>158,090</u>	<u>158,090</u>
Total expenditures	<u>1,687,712</u>	<u>2,248,661</u>	<u>2,248,661</u>	<u>560,949</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[952,899]</u>	<u>[1,562,955]</u>	<u>[1,562,955]</u>	<u>610,056</u>
Other financing sources [uses]:				
Transfer in	<u>1,302,586</u>	<u>1,413,416</u>	<u>1,413,416</u>	<u>[110,830]</u>
Total other financing sources [uses]	<u>1,302,586</u>	<u>1,413,416</u>	<u>1,413,416</u>	<u>[110,830]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	349,687	[149,539]	[149,539]	499,226
Fund balance, January 1	<u>442,897</u>	<u>149,539</u>	<u>149,539</u>	<u>293,358</u>
Fund balance, December 31	<u>\$ 792,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792,584</u>

See independent auditor's report on the financial statements.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)

SECTION 8 FUND

For the Year Ended December 31, 2016

		<u>Budgeted Amounts</u>		Variance with
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues:				
Intergovernmental	\$ 1,611,269	\$ 1,332,088	\$ 1,591,973	\$ 19,296
Investment earnings	157	35	200	[43]
Miscellaneous	<u>6,021</u>	<u>5,000</u>	<u>7,000</u>	<u>[979]</u>
Total revenues	<u>1,617,447</u>	<u>1,337,123</u>	<u>1,599,173</u>	<u>18,274</u>
Expenditures:				
Personnel services	159,491	144,354	171,052	11,561
Contractual services	1,329,530	1,199,095	1,420,861	91,331
Commodities	<u>8,798</u>	<u>6,825</u>	<u>8,087</u>	<u>[711]</u>
Total expenditures	<u>1,497,819</u>	<u>1,350,274</u>	<u>1,600,000</u>	<u>102,181</u>
Excess [deficiency] of revenues over [under] expenditures	119,628	[13,151]	[827]	120,455
Fund balance, January 1	<u>829</u>	<u>13,151</u>	<u>827</u>	<u>2</u>
Fund balance, December 31	<u>\$ 120,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,457</u>

See independent auditor's report on the financial statements.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
DEBT SERVICE FUND

For the Year Ended December 31, 2016

		<u>Budgeted Amounts</u>		Variance with
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues:				
Taxes	\$ 1,013,655	\$ 1,051,920	\$ 1,051,920	\$ [38,265]
Special assessments	38,589	32,500	32,500	6,089
Investment earnings	2,706	400	400	2,306
Miscellaneous	<u>29,867</u>	<u>57,543</u>	<u>57,543</u>	<u>[27,676]</u>
Total revenues	<u>1,084,817</u>	<u>1,142,363</u>	<u>1,142,363</u>	<u>[57,546]</u>
Expenditures				
Principal	3,516,895	4,288,642	4,288,642	771,747
Interest	560,581	1,023,241	1,023,241	462,660
Reserves	<u>-</u>	<u>735,294</u>	<u>735,294</u>	<u>735,294</u>
Total expenditures	<u>4,077,476</u>	<u>6,047,177</u>	<u>6,047,177</u>	<u>1,969,701</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[2,992,659]</u>	<u>[4,904,814]</u>	<u>[4,904,814]</u>	<u>1,912,155</u>
Other financing sources [uses]				
Transfer in	<u>3,066,971</u>	<u>4,161,385</u>	<u>4,161,385</u>	<u>[1,094,414]</u>
Total other financing sources [uses]	<u>3,066,971</u>	<u>4,161,385</u>	<u>4,161,385</u>	<u>[1,094,414]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	74,312	[743,429]	[743,429]	817,741
Fund balance, January 1	<u>807,700</u>	<u>743,429</u>	<u>743,429</u>	<u>64,271</u>
Fund balance, December 31	<u>\$ 882,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 882,012</u>

See independent auditor's report on the financial statements.

CITY OF PITTSBURG, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
December 31, 2016

Assets:	
Cash and cash equivalents	\$ 477,031
Taxes receivables	739,804
Prepaid items	<u>3,185</u>
Total assets	<u>\$ 1,220,020</u>
Liabilities and deferred inflows of resources:	
Liabilities:	
Accounts payable	\$ 42
Accrued payroll	<u>9,442</u>
Total liabilities	<u>9,484</u>
Deferred inflows of resources	
Unavailable revenue - property taxes	<u>739,804</u>
Total deferred inflows of resources	<u>739,804</u>
Fund balance:	
Nonspendable:	
Not in spendable form	3,185
Unassigned	<u>467,547</u>
Total fund balances	<u>470,732</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,220,020</u>

See independent auditor's report on the financial statements.

CITY OF PITTSBURG, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT
For the Year Ended December 31, 2016

Revenues:	
Taxes	\$ 784,634
Fines and fees	17,977
Investment earnings	2,312
Miscellaneous	<u>112,636</u>
Total Revenues	<u>917,559</u>
Expenditures:	
Current:	
Education	997,365
Improvements	<u>61,364</u>
Total Expenditures	<u>1,058,729</u>
Net change in fund balance	[141,170]
Fund balance, beginning of year	<u>611,902</u>
Fund balance, end of year	<u>\$ 470,732</u>

See independent auditor's report on the financial statements.

STATISTICAL SECTION

Statistical Section
(Unaudited)

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.	70 – 73
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, sales tax and water and wastewater revenues.	74 - 82
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.	83- 87
Demographic and Economical 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.	88 - 89
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.	90 – 92

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$ 15,301,187	\$ 19,859,962	\$ 18,912,152	\$ 19,014,339	\$ 20,114,287	\$ 21,432,517	\$ 23,765,245	\$ 28,739,435	\$ 34,093,008	\$ 36,171,156
Restricted	11,219,783	11,967,446	11,140,376	11,062,338	3,094,841	2,741,204	3,177,272	2,804,765	2,916,067	3,485,786
Unrestricted	<u>710,472</u>	<u>[693,934]</u>	<u>3,290,242</u>	<u>4,171,957</u>	<u>12,447,386</u>	<u>12,889,569</u>	<u>9,809,685</u>	<u>9,511,979</u>	<u>[1,028,149]</u>	<u>[587,544]</u>
Total governmental activities net assets	<u>\$ 27,231,442</u>	<u>\$ 31,133,474</u>	<u>\$ 33,342,770</u>	<u>\$ 34,248,634</u>	<u>\$ 35,656,514</u>	<u>\$ 37,063,290</u>	<u>\$ 36,752,202</u>	<u>\$ 41,056,179</u>	<u>\$ 35,980,926</u>	<u>\$ 39,069,398</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 25,437,788	\$ 25,608,635	\$ 25,604,200	\$ 26,033,232	\$ 28,121,473	\$ 29,302,925	\$ 29,959,386	\$ 30,210,876	\$ 32,890,346	\$ 33,201,935
Unrestricted	<u>3,779,952</u>	<u>4,098,445</u>	<u>3,854,413</u>	<u>4,084,270</u>	<u>4,316,071</u>	<u>3,625,356</u>	<u>2,981,447</u>	<u>3,112,516</u>	<u>2,135,910</u>	<u>2,917,487</u>
Total business-type activities net assets	<u>\$ 29,217,740</u>	<u>\$ 29,707,080</u>	<u>\$ 29,458,613</u>	<u>\$ 30,117,502</u>	<u>\$ 32,437,544</u>	<u>\$ 32,928,281</u>	<u>\$ 32,940,833</u>	<u>\$ 33,323,392</u>	<u>\$ 35,026,256</u>	<u>\$ 36,119,422</u>
Primary government										
Invested in capital assets, net of related debt	\$ 40,738,975	\$ 45,468,597	\$ 44,516,352	\$ 45,047,571	\$ 48,235,760	\$ 50,735,442	\$ 53,724,631	\$ 58,950,311	\$ 66,983,354	\$ 69,373,091
Restricted	11,219,783	11,967,446	11,140,376	11,062,338	3,094,841	2,741,204	3,177,272	2,804,765	2,916,067	3,485,786
Unrestricted	<u>4,490,424</u>	<u>3,404,511</u>	<u>7,144,655</u>	<u>8,256,227</u>	<u>16,763,457</u>	<u>16,514,925</u>	<u>12,791,132</u>	<u>12,624,495</u>	<u>1,107,761</u>	<u>2,329,943</u>
Total primary government net assets	<u>\$ 56,449,182</u>	<u>\$ 60,840,554</u>	<u>\$ 62,801,383</u>	<u>\$ 64,366,136</u>	<u>\$ 68,094,058</u>	<u>\$ 69,991,571</u>	<u>\$ 69,693,035</u>	<u>\$ 74,379,571</u>	<u>\$ 71,007,182</u>	<u>\$ 75,188,820</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 2,018,611	\$ 4,947,762	\$ 3,008,246	\$ 2,969,488	\$ 3,032,941	\$ 3,491,546	\$ 3,667,028	\$ 3,671,547	\$ 3,642,682	\$ 3,898,821
Public safety - police	3,418,799	3,168,354	3,208,579	3,324,541	3,325,559	3,591,609	3,708,121	4,381,848	4,817,413	4,949,716
Public safety - fire	2,389,386	2,232,987	2,258,471	2,232,712	2,426,825	2,508,893	2,559,665	2,631,610	2,923,367	3,051,659
Public safety - other	1,025,608	902,272	704,225	725,511	547,062	567,440	603,993	675,899	645,552	667,863
Public works	3,325,255	3,580,553	3,174,612	3,486,750	3,744,665	3,655,973	3,649,089	4,185,439	4,336,369	4,185,851
Sanitation and health	185,134	257,332	160,796	147,196	159,171	170,180	161,315	160,574	157,904	165,314
Culture and recreation	2,325,059	2,293,785	2,103,992	2,166,482	2,197,692	2,084,676	2,189,608	2,304,505	2,142,337	2,441,061
Industrial promotion	1,135,420	748,216	744,554	858,158	675,027	615,680	2,496,209	1,526,378	1,667,559	981,068
Economic development	4,869	3,577	6,993	-	36,187	36,187	137,119	70,061	87,670	35,878
Social welfare	1,464,683	1,546,056	1,581,580	1,485,203	1,661,078	1,506,020	1,620,300	1,482,944	1,760,555	1,803,091
Interest on long-term debt	1,213,573	1,460,126	1,390,747	1,250,376	1,172,414	1,245,026	984,191	809,605	697,179	824,065
Total governmental expenses	18,506,397	21,141,020	18,342,795	18,646,417	18,978,621	19,473,230	21,776,638	21,900,410	22,878,587	23,004,387
Business-type activities:										
Water/wastewater	4,744,357	5,234,505	5,159,259	5,379,825	5,863,122	6,288,781	6,336,671	6,310,606	6,275,894	6,039,288
Stormwater	315,659	506,866	663,837	710,982	817,326	678,899	710,254	622,936	621,388	588,850
Total business-type activities expenses	5,060,016	5,741,371	5,823,096	6,090,807	6,680,448	6,967,680	7,046,925	6,933,542	6,897,282	6,628,138
Total primary government expenses	\$ 23,566,413	\$ 26,882,391	\$ 24,165,891	\$ 24,737,224	\$ 25,659,069	\$ 26,440,910	\$ 28,823,563	\$ 28,833,952	\$ 29,775,869	\$ 29,632,525
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,262,267	\$ 1,397,898	\$ 1,287,878	\$ 1,430,551	\$ 1,257,293	\$ 1,310,417	\$ 1,178,192	\$ 872,883	\$ 998,382	\$ 1,014,900
Public works	711,533	956,763	683,940	707,999	914,790	989,594	966,929	903,934	743,700	676,310
Industrial promotion	875,887	362,427	354,752	355,717	329,758	380,974	390,500	220,146	218,933	270,156
Other activities	540,658	538,802	585,060	564,784	557,694	594,893	570,848	524,786	543,441	518,249
Operating grants and contributions	2,800,229	3,167,635	2,521,993	2,561,926	2,588,253	2,543,607	2,456,994	1,406,645	1,341,055	1,278,576
Capital grants and contributions	611,966	3,944,646	389,608	428,241	797,414	152,815	656,148	3,855,619	4,268,203	3,334,419
Total governmental activities program revenues	6,802,540	10,368,171	5,823,231	6,049,218	6,445,202	5,972,300	6,219,611	7,784,013	8,113,714	7,092,610
Business-type activities:										
Charges for services:										
Water/wastewater	5,684,715	5,773,171	6,205,333	6,532,118	7,442,028	7,697,439	7,513,502	7,662,110	7,664,369	8,022,592
Stormwater	669,390	690,587	713,571	728,467	746,273	774,610	782,531	778,950	801,867	823,722
Operating grants and contributions	-	-	-	-	54,903	-	-	-	-	-
Capital grants and contributions	4,442	4,282	-	360,390	1,217,250	-	72,927	445,697	2,649,087	41,080
Total business-type activities program revenues	6,358,547	6,468,040	6,918,904	7,620,975	9,460,454	8,472,049	8,368,960	8,886,757	11,115,323	8,887,394
Total primary government program revenues	\$ 13,161,087	\$ 16,836,211	\$ 12,742,135	\$ 13,670,193	\$ 15,905,656	\$ 14,444,349	\$ 14,588,571	\$ 16,670,770	\$ 19,229,037	\$ 15,980,004
Net (Expense)/Revenue										
Governmental activities	\$ (11,703,857)	\$ (10,772,849)	\$ (12,519,564)	\$ (12,597,199)	\$ (12,533,419)	\$ (13,500,930)	\$ (15,557,027)	\$ (14,116,397)	\$ (14,764,873)	\$ (15,911,777)
Business-type activities	1,298,531	726,669	1,095,808	1,530,168	2,780,006	1,504,369	1,322,035	1,953,215	4,218,041	2,259,256
Total primary government net expense	\$ (10,405,326)	\$ (10,046,180)	\$ (11,423,756)	\$ (11,067,031)	\$ (9,753,413)	\$ (11,996,561)	\$ (14,234,992)	\$ (12,163,182)	\$ (10,546,832)	\$ (13,652,521)
General Revenues and other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 5,340,410	\$ 5,894,064	\$ 5,988,774	\$ 5,482,690	\$ 5,399,889	\$ 5,394,786	\$ 5,487,516	\$ 5,371,012	\$ 5,925,018	\$ 5,920,213
Sales taxes	5,522,057	5,674,509	5,528,668	5,359,593	6,307,818	6,788,791	6,953,940	9,248,806	9,300,242	9,460,294
Franchise taxes	1,697,643	1,793,652	1,676,619	1,727,869	1,748,741	1,692,716	1,900,264	2,018,024	1,881,901	1,934,284
Investment earnings	1,229,571	925,499	157,971	52,103	21,488	15,791	10,476	7,595	10,921	26,016
Miscellaneous	-	-	-	-	-	-	-	204,718	586,532	488,411
Transfers	999,349	387,157	1,376,828	880,808	463,363	1,015,622	1,288,988	1,408,389	1,682,976	1,171,031
Total governmental activities	14,789,030	14,674,881	14,728,860	13,503,063	13,941,299	14,907,706	15,641,184	18,258,544	19,387,590	19,000,249
Business-type activities										
Investment earnings	164,788	149,828	32,553	9,529	3,399	1,990	1,157	828	907	4,941
Transfers	(999,349)	(387,157)	(1,376,828)	(880,808)	(463,363)	(1,015,622)	(1,288,988)	(1,408,389)	(1,682,976)	(1,171,031)
Total business-type activities	(834,561)	(237,329)	(1,344,275)	(871,279)	(459,964)	(1,013,632)	(1,287,831)	(1,407,561)	(1,682,069)	(1,166,090)
Total primary government	\$ 13,954,469	\$ 14,437,552	\$ 13,384,585	\$ 12,631,784	\$ 13,481,335	\$ 13,894,074	\$ 14,353,353	\$ 16,850,983	\$ 17,705,521	\$ 17,834,159
Change in Net Assets										
Governmental activities	\$ 3,085,173	\$ 3,902,032	\$ 2,209,296	\$ 905,864	\$ 1,407,880	\$ 1,406,776	\$ 84,157	\$ 4,142,147	\$ 4,622,717	\$ 3,088,472
Business-type activities	463,970	489,340	(248,467)	658,889	2,320,042	490,737	34,204	545,654	2,535,972	1,093,166
Total primary government	\$ 3,549,143	\$ 4,391,372	\$ 1,960,829	\$ 1,564,753	\$ 3,727,922	\$ 1,897,513	\$ 118,361	\$ 4,687,801	\$ 7,158,689	\$ 4,181,638

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

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ 878,015	\$ 106,177	\$ 420,642	\$ 497,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,471,471	3,880,335	4,040,259	3,812,240	-	-	-	-	-	-
Nonspendable (1)	-	-	-	-	97,793	98,389	104,178	90,753	83,747	79,189
Restricted (1)	-	-	-	-	-	-	-	-	-	-
Assigned (1)	-	-	-	-	62,068	95,929	31,050	491,723	52,635	140,307
Unassigned (1)	-	-	-	-	4,370,905	4,281,388	4,323,574	4,568,229	4,130,258	4,504,641
Total general fund	<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>	<u>\$ 4,458,802</u>	<u>\$ 5,150,705</u>	<u>\$ 4,266,640</u>	<u>\$ 4,724,137</u>
All Other Governmental Funds										
Reserved	\$ 5,963,688	\$ 6,056,599	\$ 6,743,667	\$ 6,870,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,495,481	1,496,186	1,355,282	1,546,905	-	-	-	-	-	-
Capital projects funds	11,912,183	1,939,470	928,677	314,568	-	-	-	-	-	-
Debt service funds	2,945,291	1,826,040	2,127,664	1,763,194	-	-	-	-	-	-
Nonspendable (1)	-	-	-	-	4,396	4,505	8,048	8,077	7,498	7,154
Restricted (1)	-	-	-	-	3,070,343	3,841,545	3,890,319	5,213,206	4,620,043	15,796,917
Assigned (1)	-	-	-	-	7,031,364	7,503,675	5,669,041	5,508,042	5,161,920	5,515,485
Unassigned (1)	-	-	-	-	(353,284)	-	-	-	-	(5,981)
Total all other governmental funds	<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>	<u>\$ 9,567,408</u>	<u>\$ 10,729,325</u>	<u>\$ 9,789,461</u>	<u>\$ 21,313,575</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)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 12,560,110	\$ 13,362,225	\$ 13,194,061	\$ 12,570,152	\$ 13,456,448	\$ 13,876,293	\$ 14,341,720	\$ 16,637,842	\$ 17,107,161	\$ 17,314,791
Licenses and permits	216,596	170,404	166,013	141,234	162,257	193,797	177,002	220,146	218,933	270,156
Intergovernmental	2,767,243	6,169,100	2,854,625	2,849,094	3,332,993	2,640,461	2,952,796	3,093,518	3,348,281	4,309,329
Charges for services	1,703,422	1,965,141	1,709,552	1,697,246	1,954,380	2,064,698	1,975,714	1,896,616	1,845,086	1,782,057
Fines and fees	399,816	349,695	366,367	427,215	431,301	477,897	395,412	404,985	440,437	427,402
Special assessments	26,572	34,875	49,263	75,820	59,375	65,723	79,853	60,492	86,237	60,470
Investment earnings	1,229,571	925,499	157,971	52,103	21,488	15,791	10,476	7,595	10,921	26,016
Lease income	576,732	542,847	537,694	458,610	445,966	473,120	477,201	455,573	435,687	325,931
Miscellaneous	825,925	1,180,128	348,230	396,479	221,145	224,033	333,960	204,718	830,947	488,411
Total revenues	20,305,987	24,699,914	19,383,776	18,667,953	20,085,353	20,031,813	20,744,134	22,981,485	24,323,690	25,004,563
Expenditures										
General government	1,906,313	4,712,494	2,695,357	2,824,648	2,630,219	3,252,217	3,232,327	3,470,159	3,394,359	3,665,567
Public safety-police	3,289,331	3,051,104	2,958,470	2,938,621	2,986,364	3,187,410	3,314,609	3,764,674	4,301,193	4,433,000
Public safety-fire	2,254,080	2,107,722	2,009,788	2,016,858	2,196,533	2,287,487	2,276,617	2,396,951	2,618,929	2,609,637
Public safety-other	985,134	867,333	679,447	690,160	539,551	556,296	582,626	675,569	669,342	511,541
Public works	2,306,195	2,604,829	1,933,140	2,119,057	2,486,441	2,494,645	2,202,971	2,389,336	2,372,048	2,188,866
Sanitation and health	178,870	253,084	156,667	144,721	157,824	160,295	157,626	159,189	157,174	158,228
Culture and recreation	1,962,361	1,846,578	1,693,206	1,735,955	1,766,694	1,682,095	1,748,883	1,802,360	1,780,057	1,842,473
Industrial promotion	1,409,273	1,432,577	711,829	818,995	676,439	628,199	2,273,568	1,490,191	1,677,501	944,718
Economic development	4,869	3,577	6,993	-	-	-	100,932	159,481	87,670	35,878
Social welfare	1,469,391	1,550,188	1,579,956	1,485,494	1,659,555	1,464,910	1,447,316	1,485,190	1,765,442	1,798,485
Capital outlay	5,696,108	16,704,405	3,272,406	1,521,018	1,982,135	1,921,839	2,751,344	2,818,806	4,400,038	3,517,187
Debt service principal	1,500,000	2,455,309	2,649,183	2,854,576	2,855,994	2,669,028	4,170,782	4,486,892	4,124,389	3,516,895
Debt service interest & fees	751,531	1,545,238	1,334,208	1,197,533	1,111,344	1,154,822	929,887	776,781	713,974	551,880
Debt issuance costs	266,163	91,268	33,570	11,943	21,411	46,089	68,533	118,202	12,894	259,557
Total expenditures	23,979,619	39,225,706	21,714,220	20,359,579	21,070,504	21,505,332	25,258,021	25,993,781	28,075,010	26,033,912
Excess of revenues over (under) expenditures	(3,673,632)	(14,525,792)	(2,330,444)	(1,691,626)	(985,151)	(1,473,519)	(4,513,887)	(3,012,296)	(3,751,320)	(1,029,349)
Other Financing Sources (Uses)										
General Obligation Bonds issued	14,285,000	2,950,380	1,265,000	-	-	855,000	1,420,000	3,398,395	-	5,000,000
Special Assessment Bonds issued	-	-	-	-	-	-	-	-	-	6,500,000
Bond Premium	-	-	-	-	-	-	-	60,597	-	183,181
Discount on bonds	-	-	-	-	-	-	-	-	-	-
Bond anticipation notes issued	-	-	-	-	-	1,144,743	-	-	-	-
Custom energy note payable issued	-	1,826,933	-	-	-	-	-	-	-	-
Capital lease	-	-	-	-	-	-	-	-	244,415	156,748
Transfers in	2,297,727	2,313,905	4,770,242	880,808	3,436,406	3,284,962	3,752,132	4,320,102	5,465,416	4,410,292
Transfers out	(986,817)	(1,926,748)	(3,393,414)	-	(2,973,043)	(2,269,340)	(2,457,466)	(2,911,713)	(3,782,440)	(3,239,261)
Total other financing sources (uses)	15,595,910	5,164,470	2,641,828	880,808	463,363	3,015,365	2,714,666	4,867,381	1,927,391	13,010,960
Net change in fund balances	\$ 11,922,278	\$ (9,361,322)	\$ 311,384	\$ (810,818)	\$ (521,788)	\$ 1,541,846	\$ (1,799,221)	\$ 1,855,085	\$ (1,823,929)	\$ 11,981,611
Debt service as a percentage of noncapital expenditures	13.8%	18.2%	21.8%	21.6%	20.9%	19.8%	23.0%	23.2%	20.6%	17.2%

**City of Pittsburg, Kansas
Sales Tax Rates
Direct and Overlapping Rates
Last Ten Fiscal Years
(in percent)**

<u>Fiscal Year</u>	<u>State of Kansas (4)</u>	<u>Crawford County</u>	<u>City Memorial Auditorium</u>	<u>City Capital Outlay</u>	<u>City Economic Development</u>	<u>City Public Safety Debt (1)</u>	<u>City Street Improvements (2)</u>	<u>City Public Safety (3)</u>	<u>Total Excluding Transportation Development District</u>	<u>City Transportation Development District</u>	<u>Total Including Transportation Development District</u>
2007	5.300	1.000	0.125	0.125	0.250	0.500	0.000	0.000	7.300	0.300	7.600
2008	6.150	1.000	0.125	0.125	0.250	0.500	0.000	0.000	8.150	0.300	8.450
2009	6.150	1.000	0.125	0.125	0.250	0.500	0.000	0.000	8.150	0.300	8.450
2010	6.300	1.000	0.125	0.125	0.250	0.500	0.000	0.000	8.300	0.300	8.600
2011	6.300	1.000	0.125	0.125	0.250	0.500	0.250	0.000	8.550	0.300	8.850
2012	6.300	1.000	0.125	0.125	0.250	0.500	0.250	0.000	8.550	0.300	8.850
2013	6.150	1.000	0.125	0.125	0.250	0.500	0.250	0.000	8.400	0.300	8.700
2014	6.150	1.000	0.125	0.125	0.250	0.500	0.250	0.500	8.900	0.300	9.200
2015	6.500	1.000	0.125	0.125	0.250	0.500	0.250	0.500	9.250	0.300	9.550
2016	6.500	1.000	0.125	0.125	0.250	0.500	0.250	0.500	9.250	0.300	9.550

(1) City public safety debt sales tax effective January 1, 2007.

(2) City street improvements sales tax effective April 1, 2011.

(3) City public safety sales tax effective January 1, 2014.

(4) State of Kansas sales tax effective July 1, 2015

City of Pittsburg, Kansas
Total City Taxable Sales by Category
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Retail Trade</u>	<u>Accommodations and Food Services</u>	<u>Utilities</u>	<u>Information</u>	<u>Wholesale Trade</u>	<u>Other Services</u>	<u>Manufacturing</u>	<u>Construction</u>	<u>All other</u>	<u>Total</u>
2007	\$ 202,863,520	\$ 33,803,776	\$ 13,540,300	\$ 12,781,041	\$ 11,695,679	\$ 8,559,884	\$ 5,648,282	\$ 6,754,490	\$ 43,281,505	\$ 338,928,477
2008	229,519,213	34,718,396	15,691,448	13,601,996	15,681,674	9,298,206	5,188,537	5,409,368	56,733,037	385,841,875
2009	208,458,608	28,283,100	14,364,237	13,081,436	12,019,078	7,827,460	4,257,878	4,824,543	53,260,042	346,376,382
2010	191,509,317	30,335,965	15,457,697	12,489,824	10,362,056	7,419,166	7,386,630	6,184,299	54,516,603	335,661,557
2011	196,391,376	30,473,448	17,594,447	11,897,227	12,234,131	7,284,270	4,395,452	5,577,034	60,645,247	346,492,632
2012	198,782,399	32,526,827	17,882,546	12,914,235	12,173,908	8,619,313	5,966,371	5,297,326	68,722,020	362,884,945
2013	209,429,325	33,857,854	18,492,316	13,315,255	12,247,961	8,451,689	4,257,309	4,345,014	73,033,056	377,429,779
2014	204,290,683	33,121,485	25,994,661	13,785,146	12,143,421	7,765,314	8,634,803	5,894,334	73,829,515	385,459,362
2015	215,806,522	47,758,050	25,353,963	19,121,025	17,563,571	12,806,606	10,054,030	7,478,028	41,183,719	397,125,514
2016	205,499,605	33,626,265	26,504,285	14,511,977	11,144,854	7,572,471	8,478,408	7,999,663	79,622,992	394,960,520

Total City Taxable Sales by Category as Percentage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Retail Trade</u>	<u>Accommodations and Food Service</u>	<u>Utilities</u>	<u>Information</u>	<u>Wholesale Trade</u>	<u>Other Services</u>	<u>Manufacturing</u>	<u>Construction</u>	<u>All other</u>	<u>Total</u>
2007	59.85%	9.97%	4.00%	3.77%	3.45%	2.53%	1.67%	1.99%	12.77%	100.00%
2008	59.49%	9.00%	4.07%	3.53%	4.06%	2.41%	1.34%	1.40%	14.70%	100.00%
2009	60.18%	8.17%	4.15%	3.78%	3.47%	2.26%	1.23%	1.39%	15.38%	100.00%
2010	57.05%	9.04%	4.61%	3.72%	3.09%	2.21%	2.20%	1.84%	16.24%	100.00%
2011	56.68%	8.79%	5.08%	3.43%	3.53%	2.10%	1.27%	1.61%	17.50%	100.00%
2012	54.78%	8.96%	4.93%	3.56%	3.35%	2.38%	1.64%	1.46%	18.94%	100.00%
2013	55.49%	8.97%	4.90%	3.53%	3.25%	2.24%	1.13%	1.15%	19.35%	100.00%
2014	53.00%	8.59%	6.74%	3.58%	3.15%	2.01%	2.24%	1.53%	19.15%	100.00%
2015	54.34%	12.03%	6.38%	4.81%	4.42%	3.22%	2.53%	1.88%	10.37%	100.00%
2016	52.03%	8.51%	6.71%	3.67%	2.82%	1.92%	2.15%	2.03%	20.16%	100.00%

Source: Kansas Department of Revenue

**City of Pittsburg, Kansas
Ten Largest Sales Tax Payers
Current Year and Nine Years Ago**

Fiscal Year 2016

<u>Business</u>	<u>Category</u>	<u>Taxable Sales</u>	<u>%</u>
A	Retail Trade	\$ 68,562,162	17.36%
B	Retail Trade	24,517,393	6.21%
C	Utility	19,509,327	4.94%
D	Retail Trade	12,058,837	3.05%
E	Retail Trade	8,173,243	2.07%
F	Retail Trade	6,030,121	1.53%
G	Utility	5,211,123	1.32%
H	Food and Beverage	4,967,250	1.26%
I	Retail Trade	4,547,527	1.15%
J	Retail Trade	4,113,486	1.04%
Subtotal (10 largest)		157,690,469	39.93%
Balance from other payers		237,270,051	60.07%
Grand totals		\$ 394,960,520	100.00%

Fiscal Year 2007

<u>Business</u>	<u>Category</u>	<u>Taxable Sales</u>	<u>%</u>
A	Retail Trade	\$ 72,882,685	21.50%
B	Retail Trade	16,446,728	4.85%
C	Utility	11,676,965	3.45%
D	Retail Trade	10,451,953	3.08%
E	Utility	8,525,594	2.52%
F	Retail Trade	8,197,540	2.42%
G	Retail Trade	7,221,933	2.13%
H	Retail Trade	6,694,627	1.98%
I	Retail Trade	3,682,780	1.09%
J	Utility	3,455,567	1.02%
Subtotal (10 largest)		149,236,372	44.03%
Balance from other payers		189,692,105	55.97%
Grand totals		\$ 338,928,477	100.00%

Source: Kansas Department of Revenue

**City of Pittsburg, Kansas
Sales Tax Collections
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Crawford County (1)</u>	<u>City Memorial Auditorium</u>	<u>City Capital Outlay</u>	<u>City Economic Development</u>	<u>City Public Safety Debt (2)</u>	<u>City Street Improvements (3)</u>	<u>City Public Safety (4)</u>	<u>City Tax Increment Financing (5)</u>	<u>City Transportation Development District (6)</u>	<u>Total</u>
2007	\$ 1,928,100	\$ 401,313	\$ 401,313	\$ 802,625	\$ 1,706,926	\$ -	\$ -	\$ 203,349	\$ 78,431	\$ 5,522,057
2008	1,984,698	413,602	413,602	827,203	1,755,118	-	-	201,422	78,864	5,674,509
2009	1,889,313	409,648	409,648	819,296	1,734,812	-	-	192,440	73,511	5,528,668
2010	1,809,190	398,201	398,201	796,402	1,692,171	-	-	198,731	66,697	5,359,593
2011	1,884,966	409,041	409,041	818,082	1,770,329	673,368	-	268,328	74,663	6,307,818
2012	1,980,210	422,216	422,216	844,432	1,834,327	917,163	-	290,925	77,302	6,788,791
2013	1,991,874	432,927	432,927	865,853	1,888,324	944,162	-	313,233	84,640	6,953,940
2014	2,086,490	440,826	440,826	882,338	1,961,492	981,089	1,961,492	395,003	99,250	9,248,806
2015	2,162,857	454,826	454,826	910,340	1,968,285	984,487	1,968,285	296,587	99,749	9,300,242
2016	2,249,353	461,813	461,813	924,323	1,991,158	995,927	1,991,158	286,419	98,330	9,460,294

(1) Based upon State of Kansas formula the City receives a portion of the county sales tax for the general fund.

(2) City public safety debt sales tax became effective January 1, 2007 and is used to repay debt on the law enforcement complex and fire station #1.

(3) City street improvements sales tax became effective April 1, 2011 and is used for City street improvements.

(4) City public safety sales tax became effective January 1, 2014 and is used to supplement and enhance public safety in the general fund.

(5) City tax increment financing district receives a portion of the City and County sales tax and is used to repay debt on development improvements within the district.

(6) City transportation development district sales tax is used to repay debt on City infrastructure improvements within the district.

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)
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
2013	846	669	177	20.92%	1,252	\$ 11.01	Variable	\$ 19.20	Variable
2014	848	673	175	20.64%	929	\$ 11.01	Variable	\$ 19.20	Variable
2015	793	676	118	14.88%	1,466	\$ 11.34	Variable	\$ 19.78	Variable
2016	819	696	123	15.02%	1,051	\$ 11.45	Variable	\$ 19.98	Variable

Note: Gallons are presented in millions.

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

**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>
2007	56	32	88
2008	40	34	74
2009	38	31	69
2010	27	21	48
2011	26	9	35
2012	18	14	32
2013	17	24	41
2014	19	8	27
2015	10	9	19
2016	14	7	21

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

Fiscal Year	WATER				SEWER				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>
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
2013	7,730	523	52	236	7,020	497	41	153	8,541	7,711
2014	7,716	537	50	224	7,124	497	44	136	8,527	7,801
2015	7,722	541	49	224	7,029	513	43	137	8,536	7,722
2016	7,605	540	46	216	7,050	510	42	138	8,407	7,740

Note: na means data unavailable.

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

	Effective Jan 1st 2007	Effective Jan 1st 2008	Effective Jan 1st 2008	Effective Jan 1st 2009	Effective Jul 1st 2009	Effective Jan 1st 2010	Effective Jul 1st 2010	Effective Jan 1st 2011	Effective Jul 1st 2011	Effective Jan 1st 2012	Effective Jul 1st 2013	Effective Jan 1st 2014	Effective Jan 1st 2015	Effective Jan 1st 2016
<u>WATER RATES PER MONTH, INSIDE CITY LIMITS</u>														
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 7.36	\$ 7.59	\$ 7.97	\$ 8.21	\$ 8.79	\$ 9.06	\$ 9.70	\$ 9.99	\$ 10.69	\$ 11.01	\$ 11.01	\$ 11.01	\$ 11.34	\$ 11.45
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	3.04	3.14	3.30	3.40	3.64	3.75	4.02	4.14	4.43	4.56	4.56	4.56	4.70	4.75
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	2.86	2.95	3.10	3.20	3.43	3.54	3.79	3.90	4.17	4.30	4.30	4.30	4.43	4.47
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.72	2.81	2.96	3.05	3.27	3.37	3.61	3.72	3.98	4.10	4.10	4.10	4.22	4.26
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.53	2.61	2.75	2.84	3.04	3.14	3.36	3.46	3.70	3.81	3.81	3.81	3.92	3.96
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.39	2.47	2.60	2.68	2.87	2.96	3.17	3.27	3.50	3.61	3.61	3.61	3.72	3.76
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	2.23	2.30	2.42	2.50	2.68	2.76	2.96	3.05	3.26	3.36	3.36	3.36	3.46	3.49
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	2.01	2.08	2.19	2.26	2.42	2.50	2.68	2.76	2.95	3.04	3.04	3.04	3.13	3.16
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.86	1.92	2.02	2.09	2.24	2.31	2.48	2.55	2.73	2.81	2.81	2.81	2.89	3.16
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.71	1.77	1.86	1.92	2.06	2.13	2.28	2.35	2.51	2.59	2.59	2.59	2.67	3.16
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.57	1.62	1.71	1.77	1.90	1.96	2.10	2.16	2.31	2.38	2.38	2.38	2.45	3.16
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.46	1.51	1.59	1.64	1.76	1.82	1.95	2.01	2.15	2.21	2.21	2.21	2.28	3.16
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.34	1.39	1.46	1.51	1.62	1.67	1.79	1.84	1.97	2.03	2.03	2.03	2.09	3.16
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.24	1.28	1.35	1.39	1.49	1.54	1.65	1.70	1.82	1.87	1.87	1.87	1.93	3.16
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	1.14	1.18	1.24	1.28	1.37	1.42	1.52	1.57	1.68	1.73	1.73	1.73	1.78	3.16
<u>WATER RATES PER MONTH, OUTSIDE CITY LIMITS</u>														
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 14.72	\$ 15.17	\$ 15.93	\$ 16.41	\$ 17.56	\$ 18.09	\$ 19.36	\$ 19.94	\$ 21.34	\$ 21.98	\$ 21.98	\$ 21.98	\$ 22.64	\$ 22.87
2. NEXT 300 CUBIC FEET, PER 100 CUBIC FEET	5.40	5.57	5.85	6.03	6.46	6.66	7.13	7.34	7.85	8.09	8.09	8.09	8.33	8.41
3. NEXT 1,500 CUBIC FEET, PER 100 CUBIC FEET	4.21	4.34	4.56	4.70	5.03	5.18	5.55	5.72	6.12	6.30	6.30	6.30	6.49	6.55
4. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	3.04	3.14	3.30	3.40	3.64	3.75	4.02	4.14	4.43	4.56	4.56	4.56	4.70	4.75
5. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.86	2.95	3.10	3.20	3.43	3.54	3.79	3.90	4.17	4.30	4.30	4.30	4.43	4.47
6. NEXT 8,000 CUBIC FEET, PER 100 CUBIC FEET	2.72	2.81	2.96	3.05	3.27	3.37	3.61	3.72	3.98	4.10	4.10	4.10	4.22	4.26
7. NEXT 74,000 CUBIC FEET, PER 100 CUBIC FEET	2.53	2.61	2.75	2.84	3.04	3.14	3.36	3.46	3.70	3.81	3.81	3.81	3.92	3.96
8. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	2.39	2.47	2.60	2.68	2.87	2.96	3.17	3.27	3.50	3.61	3.61	3.61	3.72	3.76
9. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	2.13	2.20	2.31	2.38	2.55	2.63	2.82	2.90	3.10	3.19	3.19	3.19	3.29	3.76
10. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.97	2.03	2.14	2.21	2.37	2.45	2.63	2.71	2.90	2.99	2.99	2.99	3.08	3.76
11. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.80	1.86	1.96	2.02	2.17	2.24	2.40	2.47	2.64	2.72	2.72	2.72	2.80	3.76
12. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.66	1.71	1.80	1.86	2.00	2.06	2.21	2.28	2.44	2.51	2.51	2.51	2.59	3.76
13. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.54	1.59	1.67	1.72	1.85	1.91	2.05	2.11	2.26	2.33	2.33	2.33	2.40	3.76
14. NEXT 200,000 CUBIC FEET, PER 100 CUBIC FEET	1.40	1.45	1.53	1.58	1.70	1.76	1.89	1.95	2.09	2.15	2.15	2.15	2.21	3.76
15. ALL IN EXCESS OF 1,500,000 CUBIC FEET, PER 100 CUBIC FEET	1.31	1.35	1.42	1.47	1.58	1.63	1.75	1.80	1.93	1.99	1.99	1.99	2.05	3.76
<u>SANITARY SEWER RATES PER MONTH, INSIDE CITY LIMITS</u>														
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 12.85	\$ 13.24	\$ 13.91	\$ 14.33	\$ 15.34	\$ 15.80	\$ 16.91	\$ 17.42	\$ 18.64	\$ 19.20	\$ 19.20	\$ 19.20	\$ 19.78	\$ 19.98
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	1.83	1.89	1.99	2.05	2.20	2.27	2.43	2.50	2.68	2.76	2.76	2.76	2.84	2.87
<u>SANITARY SEWER RATES PER MONTH, OUTSIDE CITY LIMITS</u>														
1. MINIMUM CHARGE, NOT IN EXCESS OF 200 CUBIC FEET	\$ 25.63	\$ 26.40	\$ 27.72	\$ 28.56	\$ 30.56	\$ 31.48	\$ 33.69	\$ 34.70	\$ 37.13	\$ 38.24	\$ 38.24	\$ 38.24	\$ 39.39	\$ 39.78
2. USER CHARGE, PER 100 CUBIC FEET PER MONTH	3.62	3.73	3.92	4.04	4.33	4.46	4.78	4.92	5.26	5.42	5.42	5.42	5.58	5.64
<u>STORMWATER RATES PER MONTH, INSIDE CITY LIMITS ONLY</u>														
1. PER ERU (1)	\$ 3.16	\$ 3.26	\$ 3.26	\$ 3.36	\$ 3.36	\$ 3.46	\$ 3.46	\$ 3.56	\$ 3.56	\$ 3.67	\$ 3.67	\$ 3.67	\$ 3.78	\$ 3.82

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

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

Customer	Fiscal Year 2016			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Sugar Creek Packing Company	\$ 296,210	7.59%	\$ 436,807	12.32%
Pittsburg State University	197,145	5.05%	68,546	1.93%
Wal-mart	66,260	1.70%	20,217	0.57%
Crimson Villas	53,909	1.38%	30,272	0.85%
Via Christi Hospital	48,941	1.25%	26,852	0.76%
Sycamore Village Residences	46,121	1.18%	24,465	0.69%
Summerscape LLC	36,276	0.93%	19,331	0.55%
USD 250 Public Schools	32,671	0.84%	20,754	0.59%
Health Care AFF #2357	27,384	0.70%	19,614	0.55%
Parkview Community	25,658	0.66%	17,215	0.49%
Subtotal (10 largest)	830,575	21.29%	684,073	19.30%
Balance from other customers	3,070,091	78.71%	2,860,365	80.70%
Grand totals	\$ 3,900,666	100.00%	\$ 3,544,438	100.00%

Customer	Fiscal Year 2007			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Superior Industries	\$ 184,252	6.07%	\$ 146,819	5.63%
Sugar Creek Packing Company	97,762	3.22%	110,288	4.23%
Pittsburg State University	109,771	3.62%	69,151	2.65%
Via Christi Hospital	41,555	1.37%	29,286	1.12%
Parkview Community	28,201	0.93%	17,814	0.68%
Miller's Professional Imaging	17,069	0.56%	21,968	0.84%
Vinylplex	26,867	0.89%	6,639	0.25%
Aspen Square Management, Inc	16,663	0.55%	11,074	0.42%
Corner Stone Village	15,010	0.49%	11,367	0.44%
New Horizons	12,740	0.42%	11,433	0.44%
Subtotal (10 largest)	549,890	18.13%	435,839	16.70%
Balance from other customers	2,483,518	81.87%	2,173,445	83.30%
Grand totals	\$ 3,033,408	100.00%	\$ 2,609,284	100.00%

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				
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Sales Tax Transportation District Bonds (1)	Tax Increment Financing Bonds (2)	General Obligation Bonds (3)	K.D.H.E. Loans	Total Primary Government	Percentage of Personal Income	Per Capita
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	6.6%	1,976
2012	14,950,198	-	1,393,645	1,235,000	5,010,000	2,229,802	13,836,918	38,655,563	6.5%	1,911
2013	13,959,346	-	-	1,195,000	4,735,000	1,580,654	13,531,466	35,001,466	5.4%	1,716
2014	14,405,592	-	1,881,075	1,150,000	4,390,000	2,824,408	13,686,824	38,337,899	5.9%	1,879
2015	10,651,202	-	1,845,535	1,100,000	4,070,000	8,743,798	4,126,327	30,536,862	4.1%	1,497
2016	12,519,325	6,539,218	1,639,850	1,045,000	3,875,000	8,143,564	3,873,650	37,635,607	4.9%	1,845

(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>
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	817,384,174	1.97%	796
2013	15,540,000	908,051	14,631,949	816,860,679	1.79%	717
2014	17,230,000	850,457	16,379,543	861,828,805	1.90%	803
2015	19,395,000	807,700	18,587,300	843,786,180	2.20%	911
2016	20,662,889	882,012	19,780,877	857,536,477	2.31%	970

(1) Source: Crawford County Clerk

City of Pittsburg, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016

<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	\$ 2,538,000	52.25%	\$ 1,326,105
Frontenac U.S.D. 249	4,845,000	4.91%	237,890
Pittsburg U.S.D. 250	16,685,573	84.29%	<u>14,064,269</u>
Subtotal, overlapping debt			15,628,264
City direct debt (2)			<u>21,743,393</u>
Total direct and overlapping debt			<u>\$ 37,371,657</u>

(1) Source: Crawford County Clerk

(2) The City's direct debt total excludes business type activities debt and the TIF bonds as the City bears no responsibility on repaying the TIF bonds.

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 2016

Assessed Valuation (1)	\$ 136,600,548
Legal Debt Limit (2)	40,980,164
General Obligation Bonds	12,384,307
Less Amount Available in Debt Service Fund	<u>(882,012)</u>
Total net debt applicable to limit	<u>11,502,295</u>
Legal debt margin	<u>\$ 29,477,869</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 43,703,108	\$ 44,244,609	\$ 41,876,403	\$ 40,658,921	\$ 40,479,510	\$ 40,575,801	\$ 40,699,087	\$ 40,750,814	\$ 40,750,814	\$ 40,980,164
Total net debt applicable to limit	<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>	<u>14,201,425</u>	<u>18,587,300</u>	<u>18,587,300</u>	<u>11,502,295</u>
Legal debt margin	<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>\$ 40,575,801</u>	<u>\$ 26,497,662</u>	<u>\$ 22,163,514</u>	<u>\$ 22,163,514</u>	<u>\$ 29,477,869</u>
Total net debt applicable to the limit as a percentage of debt limit	53.86%	56.63%	56.16%	51.21%	44.75%	39.71%	34.89%	45.61%	45.61%	28.07%

(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 Ten Fiscal Years**

Sales Tax Transportation District Bonds (1)									Tax Increment Financing Bonds (2)								
Fiscal Year	Sales Tax Increment	City Subsidy	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		
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	11,009	2	11,009	74,665	35,000	62,040	0.77	268,328	278,638	20	3,020	543,966	235,000	257,832	1.10	
2012	77,302	28,000	2	1,752	103,552	40,000	60,240	1.03	290,926	178,193	17	3,017	466,119	255,000	246,807	0.93	
2013	84,640	23,605	2	1,752	106,495	40,000	58,320	1.08	313,234	275,924	14	3,014	586,158	275,000	234,883	1.15	
2014	99,251	13,250	2	1,752	110,751	45,000	56,280	1.09	395,003	178,132	20	3,020	570,135	345,000	222,057	1.01	
2015	99,749	13,925	2	1,752	111,924	50,000	54,000	1.08	296,587	265,509	19	3,019	559,096	320,000	205,850	1.06	
2016	98,330	9,800	10	1,760	106,380	55,000	51,480	1.00	286,419	282,370	122	3,122	565,789	195,000	194,263	1.45	

(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.

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>
2007	19,243	\$ 487,425,190	\$ 27,144	2,702	7,087	4.8%	28.1
2008	19,536	494,846,880	28,246	2,640	7,127	6.1%	28.1
2009	19,639	554,723,194	28,246	2,704	7,277	6.8%	28.1
2010	20,233	571,501,318	28,246	2,656	7,131	7.1%	26.2
2011	20,233	605,270,195	29,915	2,765	7,275	6.8%	26.2
2012	20,233	597,723,286	29,542	2,848	7,289	5.5%	26.2
2013	20,398	653,551,920	32,040	2,897	7,400	5.0%	26.2
2014	20,398	653,551,920	32,040	2,861	7,479	4.5%	26.2
2015	20,398	738,448,396	36,202	2,945	7,244	4.3%	26.2
2016	20,398	763,986,692	37,454	2,934	7,102	4.4%	26.2

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

(2) Source: Bureau of Labor Statistics and Demographics (Pittsburg Micro Area)

(3) Source: Pittsburg USD 250

(4) Source: Pittsburg State University Admissions

(5) Source: Kansas Department of Labor (Pittsburg Micro Area)

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

<u>Employer</u>	<u>Product</u>	<u>2016</u>			<u>2007</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	10.05%	1,807	1	9.94%
Pittsburg U.S.D. # 250	Public School K-12	684	2	3.68%	563	4	3.10%
Via Christi Health	Regional Hospital	677	3	3.64%	750	2	4.13%
Sugar Creek Packing (2)	Food Products	540	4	2.91%	na	na	na
Wal-Mart Supercenter	Retail & Grocery	380	5	2.05%	400	6	2.20%
Pitt Plastics Inc.	Polyethylene Bags	293	6	1.58%	500	5	2.75%
Miller's Inc.	Professional Photo Finishing	287	7	1.54%	235	7	1.29%
NPC International	Corporate Offices	274	8	1.47%	na	na	na
City of Pittsburg (4)	City Government	235	9	1.26%	213	9	1.17%
Masonite	Steel Door Manufacturer	225	10	1.21%	173	10	0.95%
Pitsco, Inc.	Educational Systems	222	11	1.19%	225	8	1.24%
Community Health Center	Health Care	164	12	0.88%	na	na	na
Names and Numbers	Publishing	160	13	0.86%	na	na	na
Triple T Foods (2)	Animal Food Products	160	14	0.86%	na	na	na
WATCO Companies Inc.	Railroads	120	15	0.65%	na	na	na
Superior Industries	Aluminum Wheel Manufacturer	na	na	na	700	3	3.85%
		<u>6,288</u>		<u>33.84%</u>	<u>5,566</u>		<u>30.62%</u>

(1) Source: Pittsburg Chamber of Commerce

(2) Outside City limits

(3) Source: Bureau of Labor Statistics and Demographics

(4) Includes Component Unit (Pittsburg Public Library).

Note: na means data unavailable.

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

	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
	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>Administration</u>																				
General Administration	8	3.9%	8	3.9%	8	4.2%	8	4.1%	9	4.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
City Manager											2	1.0%	2	1.0%	2	0.9%	2	0.9%	2	0.9%
City Attorney											1	0.5%	1	0.5%	1	0.4%	1	0.4%	1	0.4%
City Clerk											1	0.5%	1	0.5%	1	0.4%	1	0.4%	1	0.4%
Finance Department											4	2.0%	4	2.0%	5	2.3%	5	2.2%	5	2.2%
Human Resources Division	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	0.9%	2	0.9%	2	0.9%
Information Systems Division	4	2.0%	4	1.9%	4	2.1%	3	1.5%	4	2.0%	3	1.5%	3	1.5%	3	1.4%	3	1.3%	4	1.8%
Total Administration	14	6.8%	14	6.8%	14	7.3%	13	6.7%	15	7.5%	13	6.5%	13	6.3%	14	6.4%	14	6.3%	15	6.7%
<u>Public Safety</u>																				
Police Division	51	24.9%	52	25.1%	48	25.0%	49	25.3%	50	24.9%	52	26.1%	54	26.3%	69	31.4%	70	31.4%	71	31.6%
Fire Division	34	16.6%	34	16.4%	32	16.7%	33	17.0%	35	17.4%	36	18.1%	35	17.1%	35	15.9%	35	15.7%	35	15.6%
Building Services Division															5	2.3%	5	2.2%	4	1.8%
Codes Enforcement Division	11	5.4%	11	5.3%	8	4.2%	8	4.1%	8	4.0%	6	3.0%	7	3.4%	4	1.8%	4	1.8%	2	0.9%
Safety Division	1	0.5%	1	0.5%	1	0.5%	1	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Animal Control Division	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%	2	1.0%	2	1.0%	2	0.9%	2	0.9%	2	0.9%
Municipal Court Division	6	2.9%	6	2.9%	6	3.1%	6	3.1%	6	3.0%	5	2.5%	6	2.9%	6	2.7%	6	2.7%	6	2.7%
Total Public Safety	104	50.8%	105	50.8%	96	50.1%	98	50.6%	100	49.9%	101	50.9%	104	50.8%	121	55.1%	122	54.8%	120	53.4%
<u>Public Works</u>																				
Engineering Division	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	0.9%	3	1.3%	4	1.8%
Facility Maintenance Division	-	0.0%	-	0.0%	3	1.6%	3	1.5%	3	1.5%	3	1.5%	3	1.5%	3	1.4%	3	1.3%	3	1.3%
Street & Highway Division	13	6.3%	13	6.3%	12	6.3%	12	6.2%	12	6.0%	12	6.0%	12	5.9%	11	5.0%	11	4.9%	10	4.4%
Atkinson Airport Division	4	2.0%	4	1.9%	3	1.6%	3	1.5%	3	1.5%	3	1.5%	3	1.5%	3	1.4%	3	1.3%	3	1.3%
Total Public Safety	19	9.3%	19	9.2%	20	10.4%	20	10.3%	20	10.0%	20	10.1%	20	9.8%	19	8.6%	20	9.0%	20	8.9%
<u>Sanitation and Health</u>																				
Mt. Olive Cemetery Division	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	0.4%	1	0.4%
<u>Culture and Recreation</u>																				
Parks Division	11	5.4%	11	5.3%	10	5.2%	10	5.2%	10	5.0%	8	4.0%	8	3.9%	8	3.6%	8	3.6%	8	3.6%
Recreation Division											2	1.0%	2	1.0%	2	0.9%	2	0.9%	3	1.3%
Golf Course Division	4	2.0%	4	1.9%	4	2.1%	4	2.1%	4	2.0%	3	1.5%	3	1.5%	3	1.4%	3	1.3%	3	1.3%
Memorial Auditorium Division	5	2.4%	5	2.4%	4	2.1%	4	2.1%	5	2.5%	5	2.5%	5	2.4%	5	2.3%	5	2.2%	5	2.2%
Total Culture and Recreation	20	9.8%	20	9.7%	18	9.4%	18	9.3%	19	9.5%	18	9.0%	18	8.8%	18	8.2%	18	8.1%	19	8.4%
<u>Industrial Development</u>																				
Economic Development Division	2	1.0%	2	1.0%	1	0.5%	1	0.5%	2	1.0%	1	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
<u>Social Welfare</u>																				
Section 8 Housing Division	4	2.0%	4	1.9%	3	1.6%	3	1.5%	3	1.5%	3	1.5%	3	1.5%	3	1.4%	4	1.8%	5	2.2%
Total for Governmental-type Activities	164	80.0%	165	79.7%	153	79.7%	154	79.4%	160	79.6%	157	78.9%	159	77.6%	176	80.0%	179	80.3%	180	80.0%
Business-type Activities																				
<u>Water-Wastewater Utility</u>																				
Water Treatment Division	8	3.9%	8	3.9%	8	4.2%	8	4.1%	8.6	4.3%	8.6	4.3%	8.6	4.2%	8.6	3.9%	8.6	3.9%	11	4.9%
Water Distribution Division	9	4.4%	9	4.3%	7	3.6%	7	3.6%	7.6	3.8%	8.6	4.3%	11.6	5.7%	13.6	6.2%	13.6	6.1%	14	6.2%
Wastewater Treatment Division	7	3.4%	7	3.4%	7	3.6%	7	3.6%	6.6	3.3%	6.6	3.3%	6.6	3.2%	6.6	3.0%	6.6	3.0%	6	2.7%
Wastewater Collections Division	7	3.4%	7	3.4%	5	2.6%	5	2.6%	5.6	2.8%	5.6	2.8%	5.6	2.7%	5.6	2.5%	5.6	2.5%	5	2.2%
Customer Service Division	6	2.9%	7	3.4%	5	2.6%	6	3.1%	5	2.5%	6	3.0%	6	2.9%	3	1.4%	3	1.3%	3	1.3%
Total Water-Wastewater Utility	37	18.0%	38	18.4%	32	16.7%	33	17.0%	33.4	16.6%	35.4	17.8%	38.4	18.7%	37.4	17.0%	37.4	16.8%	39.0	17.3%
<u>Storm Water Utility</u>																				
Stormwater Division	4	2.0%	4	1.9%	7	3.6%	7	3.6%	7.6	3.8%	6.6	3.3%	7.6	3.7%	6.6	3.0%	6.6	3.0%	6.0	2.7%
Total for Business-type Activities	41	20.0%	42	20.3%	39	20.3%	40	20.6%	41	20.4%	42	21.1%	46	22.4%	44	20.0%	44	19.7%	45	20.0%
Total Full-time Employees	205	100.0%	207	100.0%	192	100.0%	194	100.0%	201	100.0%	199	100.0%	205	100.0%	220	100.0%	223	100.0%	225	100.0%

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Function/Program</u>										
General government										
Building permits issued	673	552	478	507	547	787	527	510	1,068	1,264
Building inspections conducted	1,628	1,370	1,309	1,096	868	791	550	672	1,503	1,676
Police (1)										
Physical arrests	988	1,277	1,491	1,620	1,305	1,414	1,328	1,255	1,613	1,601
Parking violations	1,416	1,317	1,154	1,458	2,192	1,390	792	-	-	-
Traffic violations	3,416	2,998	2,442	2,039	2,154	2,316	1,916	1,685	2,249	2,596
Accident Reports								583	679	374
Fire										
Fire calls	120	131	129	313	313	385	287	109	111	122
Emergency calls/EMS	1,355	1,255	854	571	619	709	720	736	1,021	952
Other calls	716	604	752	898	1,071	736	887	1,496	1,302	1,355
Other public works										
Street resurfacing (tons of asphalt)	3,289	5,041	1,840	2,533	5,689	6,351	8,834	8,230	5,981	5,564
Airport (gallons sold)	205,904	222,403	180,055	177,407	196,216	194,205	191,721	188,070	209,364	215,365
Parks and recreation										
Aquatic center (attendance)	29,790	29,646	27,974	30,661	31,285	25,710	18,460	18,105	28,615	19,330
Golf course (rounds of golf)	9,459	10,592	9,653	9,911	7,904	6,159	7,148	8,152	8,683	7,924
Memorial auditorium (events)	288	392	261	247	458	385	437	380	334	325
Water										
Average daily consumption (gallons)	2,494,501	2,460,721	2,247,419	2,349,718	2,517,244	2,374,877	2,282,000	2,086,733	2,059,320	2,236,650
Peak daily consumption (gallons)	4,552,000	4,738,000	3,733,000	5,444,000	4,950,000	4,530,000	6,059,000	4,111,000	3,964,000	3,421,000
Wastewater										
Average daily sewage treatment (gallons)	4,470,895	3,691,753	3,362,808	2,985,439	2,670,137	2,607,397	3,430,959	2,547,397	4,015,616	2,878,356

Sources: Various city departments.

(1) The parking enforcement officer was eliminated in 2013. Going forward accident reports will be tracked in lieu of parking violations.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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)	141.5	141.5	141.5	141.5	141.5	141.5	142.0	142.0	142.0	142.0
Streetlights	2,115	2,096	2,095	2,095	2,097	2,036	2,041	2,039	2,042	2,042
Traffic Signals	38	38	39	39	39	39	40	39	42	42
Parks and recreation										
Public parks	10	10	10	10	10	10	10	10	14	14
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)	165.5	165.5	165.5	165.5	168.5	172.0	172.0	172.0	172.0	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)	127	127	127	127	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)	18.5	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0

Sources: Various city departments.

GOVERNMENTAL AUDIT SECTION

CITY OF PITTSBURG, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>Department of Housing and Urban Development</u>		
Section 8 Housing Cluster:		
Section 8 Housing Choice Vouchers	14.871	\$ 1,484,533
Passed through Kansas Department of Commerce		
Community Development Block Grant	14.228	41,609
Passed through Kansas Housing Resources Corporation:		
Emergency Solutions Grant	14.231	225,015
HOME Investment Partnerships Program	14.239	88,636
Total Department of Housing and Urban Development		<u>1,839,793</u>
<u>Department of the Interior</u>		
Passed through Kansas Wildlife and Parks		
Outdoor Recreation Acquisition, Development and Planning	15.916	<u>86,670</u>
Total Department of the Interior		<u>86,670</u>
<u>Department of Justice</u>		
JAG Program Cluster:		
Public Safety Partnership and Community Policing Grants	16.710	<u>43,955</u>
Total Department of Justice		<u>43,955</u>
<u>U.S. Environmental Protection Agency</u>		
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	<u>132,884</u>
Total U.S. Environmental Protection Agency		<u>132,884</u>
<u>Whitehouse Office of National Drug Control Policy</u>		
Passed Through the Kansas Bureau of Investigation:		
High Intensity Drug Trafficking Areas Program	95.001	<u>44,491</u>
Total Whitehouse Office of National Drug Control Policy		<u>44,491</u>
<u>Centers for Disease Control and Prevention</u>		
Passed Through PHAP		
PPHF 2015: Nutrition, Physical Activity and Obesity Base Activities	93.757	<u>16,126</u>
Total Centers for Disease Control and Prevention		<u>16,126</u>
<u>Department of Homeland Security</u>		
Emergency Food and Shelter National Board Program	97.024	<u>80,264</u>
Total Department of Homeland Security		<u>80,264</u>
<u>Department of Transportation</u>		
Airport Improvement Program	20.106	1,034,330
Passed Through the Kansas Department of Transportation:		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.600	<u>7,519</u>
Total Department of Transportation		<u>1,041,849</u>
Total Expenditures of Federal Awards		<u>\$ 3,286,032</u>

See independent auditor's report on the financial statements and notes to the schedule of expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

1. Organization

The City is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards

2. Basis of Presentation

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. The information presented in this schedule is in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The City elected not to use the 10% de minimis indirect cost rate.

3. Local Government Contributions

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2016.

5. Outstanding Loans

The City had \$3,873,650 of outstanding loans under federal grants at December 31, 2016.

CITY OF PITTSBURG, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency (ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency (ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Yes X No

Identification of major programs:

CFDA Number(s)

14.871
20.106

Name of Federal Program or Cluster

Section 8 Housing Choice Vouchers
Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

CITY OF PITTSBURG, KANSAS
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2016

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted

Prior Year Findings

None Noted

**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"**

Mayor and City Commissioners
City of Pittsburg, Kansas

We have audited, 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 the Kansas Municipal Audit and Accounting, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2017.

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 controls* 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 charge with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

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 entity'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.

Mize Houser & Company PA

Certified Public Accountants

Lawrence, Kansas

April 24, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Commissioners
City of Pittsburg, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Pittsburg, Kansas, (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal financial programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2016.

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 each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 charge with governance.

Our consideration of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mike Houser: Company PA

Certified Public Accountants

Lawrence, Kansas
April 24, 2017