

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**CITY OF PITTSBURG, KANSAS**

**For the Fiscal Year Ended**

**December 31, 2011**

**Prepared by:**

**DEPARTMENT OF FINANCE AND ADMINISTRATION**

**City of Pittsburg, Kansas**

CITY OF PITTSBURG, KANSAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2011

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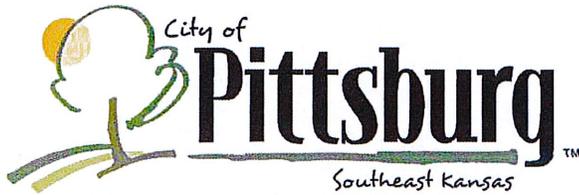
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## INTRODUCTORY SECTION



**FINANCE AND ADMINISTRATION**

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April 30, 2012

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, 2011. The report was prepared by the City's Department of Finance and Administration. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the management of the City. We believe the report, as presented, is accurate in all material respects. We also believe it is presented in a manner designed to set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. Finally, we believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Management of the City is responsible for establishing and maintaining an internal control structure to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluations by management and the independent auditor.

Kansas Statute Annotated 75-1122 requires an annual audit of the books of account, financial records and transactions of all departments of the City by independent certified public accountants. The accounting firm of Berberich Trahan & Co., P.A., was selected by the City Commission to audit the records of the City for the year ended December 31, 2011. The independent auditor's report is included in the financial section of this report. The independent auditor's reports that relate specifically to the single audit requirements are included in the single audit section.

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

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

The City of Pittsburg was incorporated in 1880 and is the largest city in southeast Kansas. The official population per the 2010 census is 20,233. The City is located approximately 5 miles west of the Missouri border and 40 miles north of the Oklahoma border. The City of Pittsburg is empowered to levy a property tax on both real and personal property located within its boundaries. The City's current incorporated area is 12.91 square miles.

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

The City provides its citizens with a full range of services which include police and fire protection, construction and maintenance of its streets and highways, community development and planning, water, wastewater and stormwater utility services, municipal airport, municipal auditorium and parks and recreational activities.

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

The activities of the Pittsburg Public Library are presented as a component unit of the City. The City Commission has appointive authority of the Library Board and its annual operating budget is also subject to the approval of the City Commission.

## **Factors Affecting Financial Condition**

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

**Local economy.** The local economy is varied and diverse with the City's principal employers comprised of education, manufacturing, medical, and retail. Major employers include Pittsburg State University, Via Christi Health, Pittsburg Public Schools, Wal-Mart, Pitt Plastics Inc., and Miller's Inc. The area is also served by several financial institutions and insurance companies. Pittsburg State University is the area's major economic presence with a current enrollment of approximately 7,300 students.

Comparing tax receipts to the prior fiscal year (after factoring out the new special street sales tax portion), retail sales tax receipts increased by 6.55%, property tax receipts decreased by 1.52% and franchise tax receipts increased by 1.21%. The 2010 property valuation assessments to support the 2011 budget decreased by 2.67% due to various property tax exemptions and no new growth in valuation.

The Pittsburg micro-area (Crawford County) unemployment rate decreased from 7.1 percent in December 2010 to 6.8 percent in December 2011. Unemployment is expected to remain fairly stable due to the stabilizing effect that Pittsburg State University has on the community.

**Long-term financial planning.** The City generally uses a 5-year Capital Improvements Program (CIP) to plan for future capital expenditures. The CIP outlines by fiscal year the details of the City's capital projects and equipment needs. It also specifies the projected funding sources for these future periods.

The City utilizes the following funding sources to meet the CIP needs: bond anticipation notes, general obligation bonds, capital leases, low interest loans provided by the Kansas Department of Health and Environment, one fourth of the City's one half percent general sales tax revenue, federal grant awards, and the annual operating budget for capital outlay.

**Major initiatives for the year.** With little to no economic growth expected, the City's management continued to be proactive in 2011. The City's management forecasted no growth in tax revenues and continued to trim expenditures where possible. The 2011 mill levy rate was kept approximately the same as 2010 even though the City's assessed valuation declined. Utility rates were raised to build reserves to pay for future public utility debt.

The citizens of Pittsburg approved a one quarter percent sales tax to be used exclusively for street improvements. The new sales tax became effective July 1, 2011.

The City continued with construction of the water treatment plant improvements. As of this report date, the project is approximately 90% complete. This project is being funded with a low interest rate Kansas Department of Health & Environment loan and federal stimulus funding.

The City's former National Guard building was upgraded to be used as a public utilities annex. The building now houses the water distribution and wastewater collection divisions of the public utility.

A new fire truck with a 100 foot ladder was completed and became operational in 2011.

The fire truck was funded predominantly with Federal Emergency Management Agency funding.

**Major initiatives for the future.** During the 2012 budgeting process, steps were taken to set the budget based upon projected flat growth in tax revenues and little to no increase in expenditures. City staffing is expected to remain at the 2011 level.

Due to economic constraints the scope of the Quincy Avenue improvements project was changed to only go from Broadway to the Joplin Street intersection. The project is expected to begin in 2014. The estimated cost of this project is approximately \$3.3 million. Expected funding sources are a Kansas Department of Transportation (KDOT) grant and general obligation bonds.

The 20<sup>th</sup> Street and Broadway intersection improvements project is expected to begin in 2013. The estimated cost of this project is approximately \$2 million. Expected funding sources are a KDOT grant and general obligation bonds.

The Centennial and Broadway intersection improvements project is expected to begin in 2013. The estimated cost of this project is approximately \$1.1 million. Expected funding sources are a KDOT grant and general obligation bonds.

The resurfacing of south Broadway from 2<sup>nd</sup> Street to Quincy Avenue is scheduled for year 2012 with an estimated cost of \$1.5 million. Expected funding sources are a KDOT grant and general obligation bonds.

### **Awards and acknowledgments**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2010. This was the fifteenth consecutive year that the City has received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

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

The preparation of the CAFR was truly a team effort and was made possible by the dedicated efforts of the entire staff of the Department of Finance and Administration. In closing, credit must also be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Pittsburg's finances. We look forward to the challenges and opportunities of the future.

Respectfully submitted,

A handwritten signature in blue ink that reads "John D. VanGorden". The signature is fluid and cursive, with the first name and last name clearly legible.

John D. VanGorden  
Interim City Manager

A handwritten signature in blue ink that reads "Jon B. Garrison". The signature is cursive and somewhat stylized, with the first name and last name clearly legible.

Jon B. Garrison  
Director of Finance & Administration

A handwritten signature in blue ink that reads "James C. Clarkson". The signature is cursive and somewhat stylized, with the first name and last name clearly legible.

James C. Clarkson  
Assistant Director of Finance & Administration

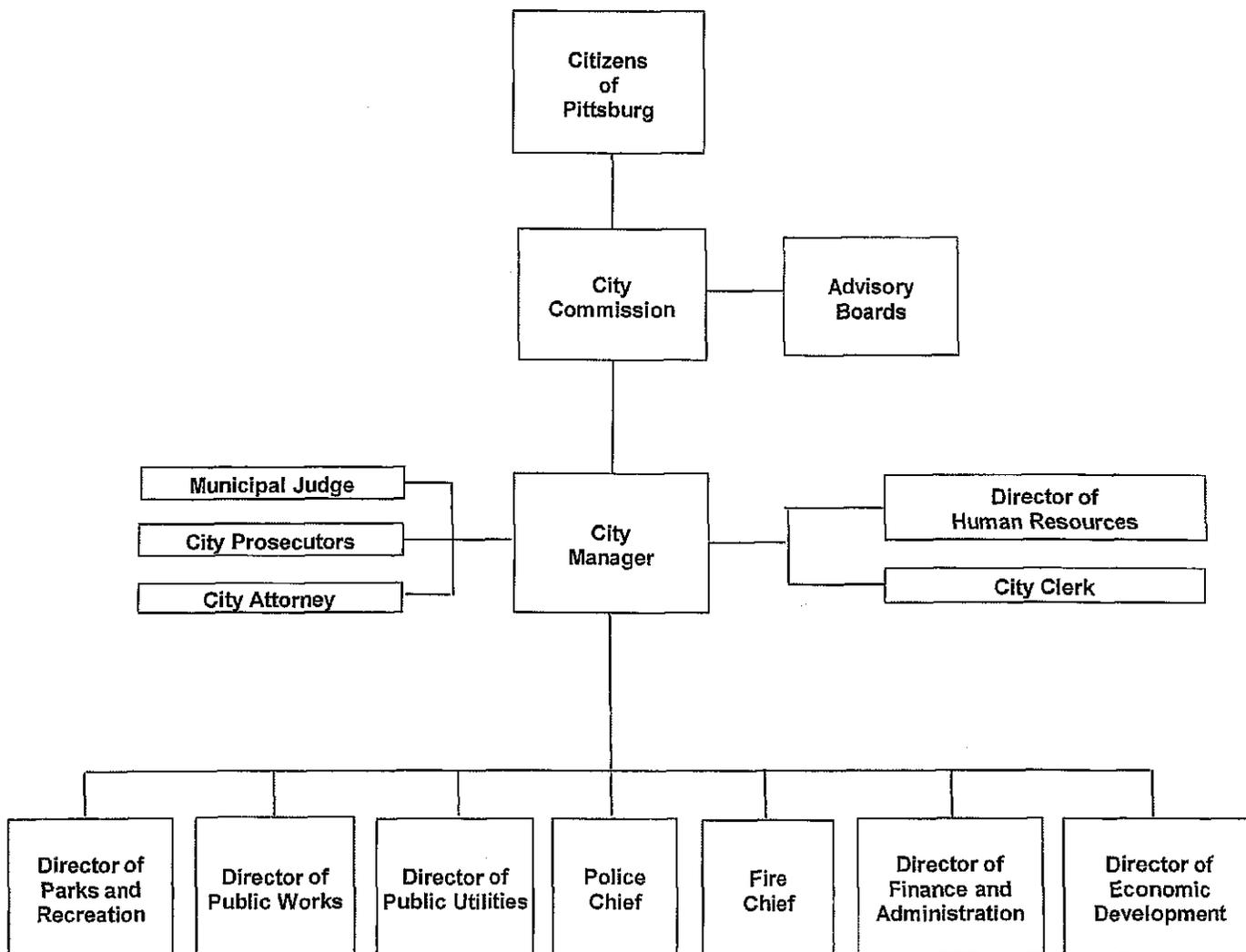
CITY OF PITTSBURG, KANSAS

LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2011

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

# CITY ORGANIZATION CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pittsburg  
Kansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

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



*Linda C. Dandson*

President

*Jeffrey R. Emery*

Executive Director

FINANCIAL SECTION



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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pittsburg, Kansas (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pittsburg, Kansas, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 1 to the financial statements, on January 1, 2011, the City changed its method of accounting to adopt Government Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions.

BERBERICH TRAHAN & CO., P.A.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 16 and the Schedule of Funding Progress on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules, and single audit compliance schedules, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

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 and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

*Berberich Trahan & Co., P.A.*

April 30, 2012

## 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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-V of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2011 by \$68,094,058. Of this amount, \$16,763,457 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,727,922 compared to the prior fiscal year.
- At the close of 2011, the City's general fund reports an ending fund balance of \$4,530,766 which is an increase of \$220,916 compared with the prior fiscal year.
- The City's total debt decreased by \$811,402 (1.99%) during 2011.

### Overview of the Financial Statements

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

#### Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements not only include the City itself (known as the primary government), but also a legally separate Library for which the City is financially accountable. Financial information presented for this component unit is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 17-18 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. The City implemented Governmental Accounting Standards Board (GASB) statement number 54 for fiscal year ending December 31, 2011. GASB 54 changes the way fund balances are presented in the governmental fund financial statements.

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

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

The City maintains ten individual governmental funds. Major fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, revolving loan fund, capital projects, and the debt service fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 19-29 of this report.

The City maintains two proprietary funds. These funds are presented as business-type activities in the government-wide financial statements. The City's proprietary funds are used to account for its Water/Wastewater operations and the Stormwater operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide information for the water and wastewater operation and the stormwater operation which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 30-33 of this report.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-73 of this report.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of 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 75-83 of this report.

## Government-wide Financial Analysis

### Net Assets

#### City of Pittsburg's Net Assets

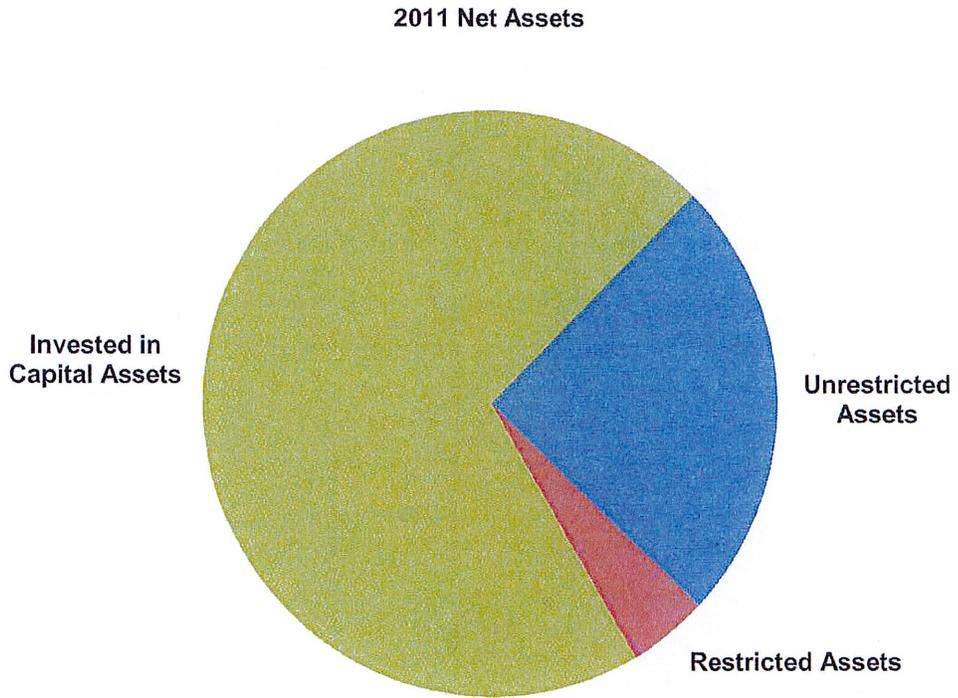
	2010	2011	2010	2011	2010	2011
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
Current and other assets	\$ 22,821,425	\$ 22,342,226	\$ 5,940,869	\$ 5,736,756	\$ 28,762,294	\$ 28,078,982
Capital assets	<u>46,379,727</u>	<u>45,865,649</u>	<u>39,358,421</u>	<u>43,491,255</u>	<u>85,738,148</u>	<u>89,356,904</u>
Total assets	<u>69,201,152</u>	<u>68,207,875</u>	<u>45,299,290</u>	<u>49,228,011</u>	<u>114,500,442</u>	<u>117,435,886</u>
Long-term liabilities outstanding	28,293,448	25,524,374	13,538,280	15,671,510	41,831,728	41,195,884
Other liabilities	<u>6,659,070</u>	<u>7,026,987</u>	<u>1,643,508</u>	<u>1,118,957</u>	<u>8,302,578</u>	<u>8,145,944</u>
Total liabilities	<u>34,952,518</u>	<u>32,551,361</u>	<u>15,181,788</u>	<u>16,790,467</u>	<u>50,134,306</u>	<u>49,341,828</u>
Net assets:						
Invested in capital assets, net of related debt	19,014,339	20,114,287	26,033,232	28,121,473	45,047,571	48,235,760
Restricted	11,062,338	3,094,841	-	-	11,062,338	3,094,841
Unrestricted	<u>4,171,957</u>	<u>12,447,386</u>	<u>4,084,270</u>	<u>4,316,071</u>	<u>8,256,227</u>	<u>16,763,457</u>
Total net assets	<u>\$ 34,248,634</u>	<u>\$ 35,656,514</u>	<u>\$ 30,117,502</u>	<u>\$ 32,437,544</u>	<u>\$ 64,366,136</u>	<u>\$ 68,094,058</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$68,094,058 at the close of the 2011 fiscal year. By far the largest portion of the City's net assets (70.84%) 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 (4.54%) of the City's net assets represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

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



Governmental Activities

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

City of Pittsburg's Changes in Net Assets

	2010	2011	2010	2011	2010	2011
	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary
	Activities	Activities	Activities	Activities	Government	Government
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 3,059,051	\$ 3,059,535	\$ 7,260,585	\$ 8,188,301	\$ 10,319,636	\$ 11,247,836
Operating grants and contributions	2,561,926	2,588,253	-	54,903	2,561,926	2,643,156
Capital grants and contributions	428,241	797,414	360,390	1,217,250	788,631	2,014,664
<b>General revenues</b>						
Taxes	12,570,152	13,456,448	-	-	12,570,152	13,456,448
Other	52,103	21,488	9,529	3,399	61,632	24,887
Total revenues	<u>18,671,473</u>	<u>19,923,138</u>	<u>7,630,504</u>	<u>9,463,853</u>	<u>26,301,977</u>	<u>29,386,991</u>
<b>Expenses</b>						
General government	2,969,488	3,032,941	-	-	2,969,488	3,032,941
Public safety	6,282,764	6,299,446	-	-	6,282,764	6,299,446
Public works	3,486,750	3,744,665	-	-	3,486,750	3,744,665
Sanitation and health	147,196	159,171	-	-	147,196	159,171
Culture and recreation	2,166,482	2,197,692	-	-	2,166,482	2,197,692
Industrial promotion	858,158	675,027	-	-	858,158	675,027
Economic development	-	36,187	-	-	-	36,187
Social welfare	1,485,203	1,661,078	-	-	1,485,203	1,661,078
Interest on long term debt	1,250,376	1,172,414	-	-	1,250,376	1,172,414
Water/wastewater utility	-	-	5,379,825	5,863,122	5,379,825	5,863,122
Stormwater utility	-	-	710,982	817,326	710,982	817,326
Total expenses	<u>18,646,417</u>	<u>18,978,621</u>	<u>6,090,807</u>	<u>6,680,448</u>	<u>24,737,224</u>	<u>25,659,069</u>
Change in net assets before transfers	25,056	944,517	1,539,697	2,783,405	1,564,753	3,727,922
Transfers	880,808	463,363	(880,808)	(463,363)	-	-
Change in net assets	905,864	1,407,880	658,889	2,320,042	1,564,753	3,727,922
Net assets, beginning	<u>33,342,770</u>	<u>34,248,634</u>	<u>29,458,613</u>	<u>30,117,502</u>	<u>62,801,383</u>	<u>64,366,136</u>
Net assets, ending	<u>\$ 34,248,634</u>	<u>\$ 35,656,514</u>	<u>\$ 30,117,502</u>	<u>\$ 32,437,544</u>	<u>\$ 64,366,136</u>	<u>\$ 68,094,058</u>

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

Governmental activities comprised 67.80% of the total revenues generated by the City and 73.97% of the City's expenses. Compared to 2010, business-type activities charges for services increased \$927,716 while the governmental activities charges for services remained flat.

The increase in business type activity charges for services can be attributed to a planned annual utility rate increase and increased user fees in 2011. This planned rate increase is used to build up reserves to pay for the water treatment plant improvements project future debt.

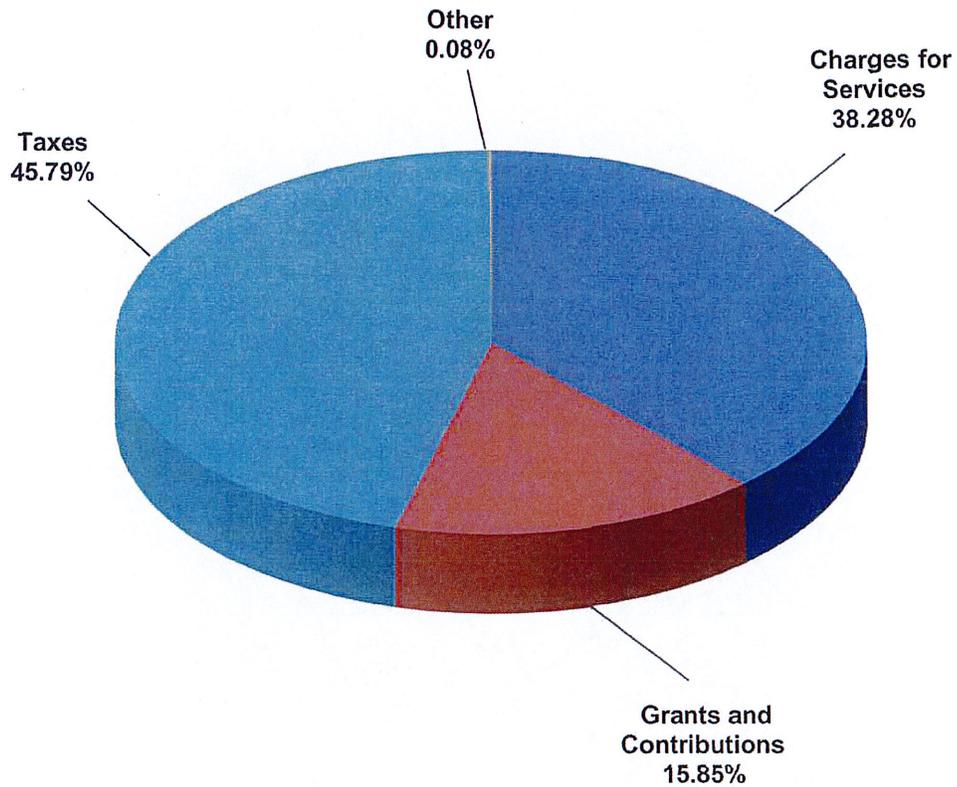
Capital grants and contributions increased by \$1,226,033 in 2011 compared to 2010. The bulk of this increase was due to the American Recovery and Reinvestment Act (ARRA) providing loan forgiveness of \$1,217,250 towards the water treatment plant improvements project debt.

Comparing 2011 to 2010, governmental expense increased mainly due to increased operating expense in public works due to the new special street sales tax.

The business-type activities, while comprising the smaller percentages of revenues and expenses of the City, showed a gain of \$2,783,405 in net assets, before transfers. Overall the business-type net assets recorded an increase of \$2,320,042 in 2011. This gain can mainly be attributed to an increase in utility rates, an increase in capital contributions and a decrease in transfers out compared to 2010.

The following pie chart shows the composition of the 2011 primary government revenues.

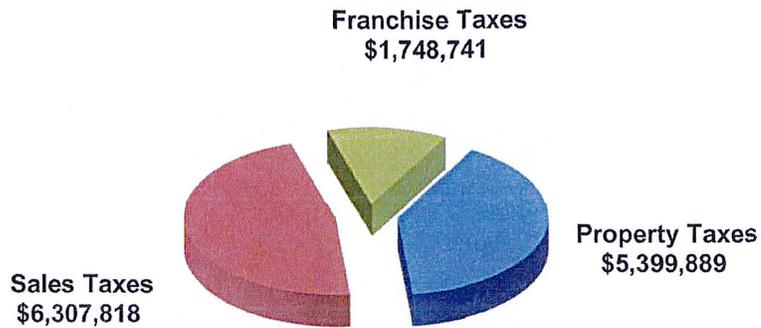
### 2011 Revenues By Source



The components of the City's taxes are property tax, sales tax and franchise tax. As can be seen by the following chart, sales taxes comprised the largest portion of tax revenues for 2011. Property tax revenue decreased 1.51% compared to 2010 due to a decrease in assessed valuation. This is the second straight year with a decline in property tax revenues.

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

**2011 Taxes by Type**



■ Property Taxes 40.13%	■ Sales Taxes 46.88%	■ Franchise Taxes 12.99%
-------------------------	----------------------	--------------------------

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**

	2009 Levy to support <u>2010 Budget</u>	2010 Levy To support <u>2011 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
General Fund	\$ 30.899	\$ 30.907	\$ 0.008	0.026 %
Debt Service Fund	8.996	8.998	0.002	0.022 %
Component Unit	<u>5.553</u>	<u>5.554</u>	<u>0.001</u>	0.018 %
Total Mill Levy	<u>\$ 45.448</u>	<u>\$ 45.459</u>	<u>\$ 0.011</u>	0.024 %

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

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

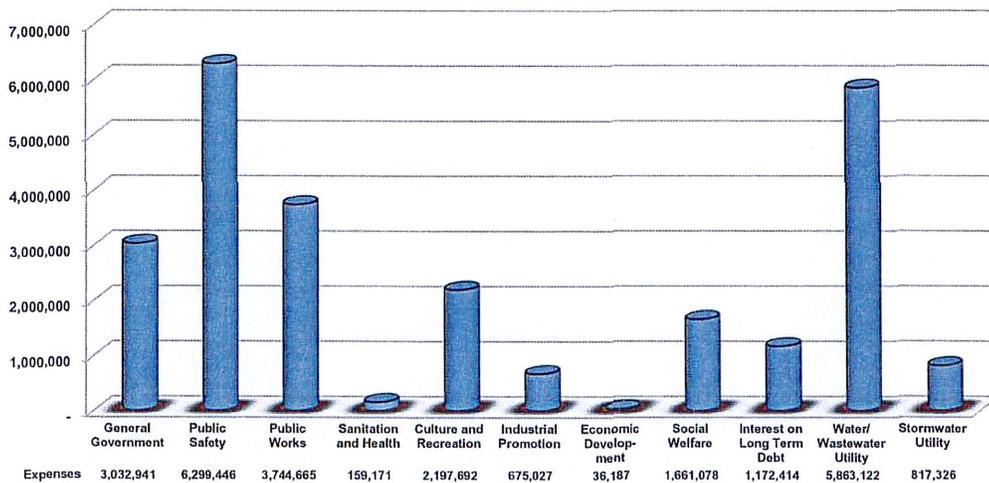
**City of Pittsburg's Assessed Valuation**

	2009 Valuation To support <u>2010 Budget</u>	2010 Valuation To support <u>2011 Budget</u>	Increase/ (Decrease) <u>over prior year</u>	% <u>Change</u>
Real Property	\$110,421,015	\$108,516,746	\$ (1,904,269)	(1.72) %
Personal Property	8,375,855	7,076,805	(1,299,050)	(15.51) %
State Assessed	<u>5,797,909</u>	<u>5,663,533</u>	<u>(134,376)</u>	(2.32) %
<b>Total</b>	<b><u>\$124,594,779</u></b>	<b><u>\$121,257,084</u></b>	<b><u>\$ (3,337,695)</u></b>	<b>(2.68) %</b>

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

The following bar graph shows the composition of the 2011 primary government expenses.

**2011 Cost of City Services**



The City's general government, public safety, public works and water/wastewater utility activities are the dominant expense categories. These four activities account for 73.81% of the total cost of City services for 2011. The total cost of services of the City's primary government for 2011 was \$25,659,069. This represents an increase of \$921,845 compared to 2010. The portion of these services paid by the City's taxpayers was \$13,456,448. For 2011 the cost of service categories with the largest increase in expenses are public safety, public works and social welfare.

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

### Governmental Funds

The City's governmental funds ending fund balances decreased by a total of \$521,788 from the prior year, however the general fund increased by \$220,916. The general fund increase in 2011 is mainly due to better than expected sales tax collections and increased charges for services. After factoring out the special street sales tax that took effect July 1, 2011, the City had an increase in sales tax collections of 6.55% in 2011 compared to 2010. Franchise tax revenues increased by 1.21% in 2011.

Compared to 2010 the total governmental fund revenues before transfers increased \$1,417,400 and the total governmental fund expenditures before transfers increased \$710,925. The increase in revenue can mainly be attributed to increased sales tax collections and an increase in intergovernmental revenues in the capital projects fund. The increase in expenditures is largely due to increased capital project activity in 2011. General fund revenues were up 2.78% and general fund expenditures were up 1.67% compared to 2010.

The revolving loans fund balance recorded a decrease of \$82,162 which is due to increased transfers out in 2011. The debt service fund balance decrease of \$291,138 is due to the City using current debt service funds to pay for debt expenditures.

### Proprietary Funds

The water and wastewater utility fund had an increase of \$857,722 in cash and cash equivalents for 2011. This represents an increase of 41.69% from fiscal year 2010; this increase can be attributed to increased utility rates, increased user fees and decreased transfers out in 2011.

The stormwater utility fund had a decrease of \$222,518 in cash and cash equivalents for 2011. This represents a decrease of 19.58% from fiscal year 2010; this decrease can be attributed to increased operating expense, increased personnel expense and increased debt expense in 2011.

The combined utility operating income increased by \$518,779 in 2011 which reflects a percentage increase of 35.01%. This is mainly the result of an increase in utility rates and user fees in 2011.

Utility projects substantially completed during 2011 are the public utilities annex building improvements, the Lone Star Road water line, and various sanitary sewer line repairs. The water treatment plant improvements project is still construction in progress with a 2012 completion date expected.

## General Fund Budgetary Highlights

The legally adopted budget for the General Fund was amended by the City Commission during 2011. The following revenue and expenditure categories experienced significant differences between the budgeted amount and the actual amount. The explanation of the difference is also included.

CATEGORY	EXPLANATION
Taxes and charges for services	Tax revenues are over budget due to higher than expected sales tax collections and increased charges for services at the Atkinson Airport.
General government	The general government department is under budget due to lower than expected health claims expense and the elimination of the safety department in 2011.
Public safety	Police department was under budget due to lower than expected personnel costs. Fire department was over budget due to higher than expected personnel costs. Public safety sales tax reserve is under budget due to no expense being incurred against the public safety sales tax reserve.
Public works	Atkinson Airport is over budget due to the fact that the airport had higher than expected fuel sales and increased fuel for resale costs.
Culture & recreation	The parks and recreation department is over budget due to higher personnel costs. The Four Oaks Complex is over budget due to higher personnel costs. The auditorium department is under budget due to no expense being incurred against the auditorium reserve.
Transfers out	Transfers out is over budget due to transferring additional funds from the general fund to the economic development fund, the TIF trust fund and the TDD trust fund. These transfers were the result of higher than expected sales tax collections.

## Capital Asset and Debt Administration

### Capital Assets

The total amount invested in capital assets for the primary government at December 31, 2011 was \$89,356,904, net of accumulated depreciation. The net capital assets increased by 4.21% from the 2010 total. The decrease in the governmental type activities can mainly be attributed to depreciation expense. The majority of the increase in the business type activities can be attributed to the water treatment plant improvements construction, the Lone Star Road water line project, the public utilities annex building improvements, the water meter radio read upgrades and the various sanitary sewer line repairs.

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

<b>City of Pittsburg's Capital Assets (net of depreciation)</b>				
	Governmental Activities		Business-Type Activities	
	2010	2011	2010	2011
Land	\$ 3,566,486	\$ 3,566,486	\$ 544,760	\$ 582,812
Buildings and improvements	24,784,119	24,001,904	12,777,922	12,430,375
Machinery and equipment	3,200,497	3,843,461	1,558,590	1,375,479
Infrastructure	14,557,833	13,840,099	21,625,794	21,615,943
Construction in progress	<u>270,792</u>	<u>613,699</u>	<u>2,851,355</u>	<u>7,486,646</u>
<b>Total</b>	<b><u>\$ 46,379,727</u></b>	<b><u>\$ 45,865,649</u></b>	<b><u>\$ 39,358,421</u></b>	<b><u>\$ 43,491,255</u></b>

For additional information on capital assets, please refer to note 8 in the notes to the basic financial statements on page 53.

Debt Administration

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

<b>City of Pittsburg's Outstanding Debt (general obligation bonds and other debt)</b>				
	Governmental Activities		Business-Type Activities	
	2010	2011	2010	2011
General Obligation Bonds	\$19,065,099	\$16,579,281	\$ 3,144,901	\$ 2,595,719
K.D.H.E. Construction Loans	-	-	10,180,288	12,774,063
Custom Energy Note Payable	1,598,146	1,497,969	-	-
Tax Increment Bonds (TIF)	5,500,000	5,265,000	-	-
Transportation Development District Bonds (TDD)	<u>1,310,000</u>	<u>1,275,000</u>	-	-
<b>Total</b>	<b><u>\$27,473,245</u></b>	<b><u>\$24,617,250</u></b>	<b><u>\$ 13,325,189</u></b>	<b><u>\$15,369,782</u></b>

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

The City's outstanding general obligation bonds at December 31, 2011, totaled \$19,175,000; of this \$16,579,281 is considered direct tax supported debt. This direct tax supported outstanding general obligation balance represents a 13.04% decrease from the 2010 balance. No new direct tax supported general obligation debt was issued in 2011 while \$2,485,818 was retired in 2011.

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 \$40,479,510 which is significantly higher than the general obligation bond outstanding debt.

Business-type activity bonded debt decreased by 17.46% from 2010. No new business-type activity bonded debt was issued in 2011 while \$549,182 was retired in 2011. The City's wastewater utility also has low interest loans through the Kansas Department of Health and Environment (KDHE) which are repaid 100% with utility revenues. The KDHE loans are for improvements at the wastewater plant, water treatment plant and collection systems. During 2011 the City incurred \$4,614,010 in new loan proceeds and repaid \$802,985 in loan principal. The American Recovery and Reinvestment Act (ARRA) contributed loan forgiveness in the amount of \$1,217,250.

The tax increment finance (TIF) bonds are for improvements to the northeast redevelopment district. These bonds are to be repaid with sales tax and property tax within the TIF district only. The transportation development district (TDD) bonds are for infrastructure improvements in the TIF district of the City. The TDD bonds are to be repaid with a special 3/10 percent sales tax in the TIF district only.

For additional information on outstanding debt, please refer to note 10 in the notes to basic financial statements on page 58.

### **Requests for Information**

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

BASIC  
FINANCIAL STATEMENTS

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
<b>Assets:</b>				
Cash and cash equivalents	\$ 12,886,502	\$ 3,627,109	\$ 16,513,611	\$ 372,646
Restricted cash	-	202,100	202,100	-
Receivables, net of allowance for uncollectibles:				
Taxes	6,263,160	-	6,263,160	665,625
Accounts	92,607	875,379	967,986	-
Intergovernmental	197,689	-	197,689	-
Other	-	755,619	755,619	-
Restricted investments	360,008	-	360,008	-
Leases receivable	937,640	-	937,640	-
Loans receivable	1,047,260	-	1,047,260	-
Deferred charges	455,171	31,275	486,446	-
Inventories	77,606	239,782	317,388	-
Prepaid items	24,583	5,492	30,075	1,050
Capital assets, net of accumulated depreciation:				
Land	3,566,486	582,812	4,149,298	215,415
Construction in progress	613,699	7,486,646	8,100,345	-
Buildings and improvements	24,001,904	12,430,375	36,432,279	2,589,663
Machinery and equipment	3,843,461	1,375,479	5,218,940	53,872
Infrastructure	13,840,099	21,615,943	35,456,042	-
<b>Total assets</b>	<b>68,207,875</b>	<b>49,228,011</b>	<b>117,435,886</b>	<b>3,898,271</b>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	659,863	757,354	1,417,217	29,271
Bond anticipation notes payable	1,230,000	-	1,230,000	-
Accrued interest payable	288,387	159,503	447,890	-
Unearned revenue	4,713,311	-	4,713,311	665,625
Arbitrage rebate payable	135,426	-	135,426	-
Liabilities payable from restricted cash	-	202,100	202,100	-
Noncurrent liabilities:				
Due within one year	3,152,991	871,018	4,024,009	8,833
Due in more than one year	22,371,383	14,800,492	37,171,875	42,566
<b>Total liabilities</b>	<b>32,551,361</b>	<b>16,790,467</b>	<b>49,341,828</b>	<b>746,295</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	20,114,287	28,121,473	48,235,760	2,807,551
Restricted for:				
Debt service	1,411,868	-	1,411,868	-
Housing	1,134,357	-	1,134,357	-
Street and highway	374,306	-	374,306	-
Other purposes	174,310	-	174,310	5,500
Unrestricted	12,447,386	4,316,071	16,763,457	338,925
<b>Total net assets</b>	<b>\$ 35,656,514</b>	<b>\$ 32,437,544</b>	<b>\$ 68,094,058</b>	<b>\$ 3,151,976</b>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Primary Government Business-Type Activities	Total
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 3,032,941	\$ 1,257,293	\$ 76,144	\$ -	\$ (1,699,504)	\$ -	\$ (1,699,504)	\$ -
Public safety - police	3,325,559	-	129,198	-	(3,196,361)	-	(3,196,361)	-
Public safety - fire	2,426,825	-	-	548,352	(1,878,473)	-	(1,878,473)	-
Public safety - other	547,062	1,725	-	-	(545,337)	-	(545,337)	-
Public works	3,744,665	914,790	689,750	249,062	(1,891,063)	-	(1,891,063)	-
Sanitation and health	159,171	18,550	73,879	-	(66,742)	-	(66,742)	-
Culture and recreation	2,197,692	531,682	83,094	-	(1,582,916)	-	(1,582,916)	-
Industrial promotion	675,027	329,758	-	-	(345,269)	-	(345,269)	-
Economic development	36,187	-	-	-	(36,187)	-	(36,187)	-
Social welfare	1,661,078	5,737	1,336,188	-	(119,153)	-	(119,153)	-
Interest on long-term debt	1,172,414	-	-	-	(1,172,414)	-	(1,172,414)	-
Total governmental activities	18,978,621	3,059,535	2,588,253	797,414	(12,533,419)	-	(12,533,419)	-
<b>Business-type activities:</b>								
Water/wastewater	5,863,122	7,442,028	54,903	1,217,250	-	2,851,059	2,851,059	-
Stormwater	817,326	746,273	-	-	-	(71,053)	(71,053)	-
Total business-type activities	6,680,448	8,188,301	54,903	1,217,250	-	2,780,006	2,780,006	-
Total primary government	\$ 25,659,069	\$ 11,247,836	\$ 2,643,156	\$ 2,014,664	(12,533,419)	2,780,006	(9,753,413)	-
<b>Component unit:</b>								
Public library	\$ 968,157	\$ 14,068	\$ 86,804	\$ -	-	-	-	(867,285)
<b>General revenues:</b>								
Property taxes					5,399,889	-	5,399,889	712,786
Sales taxes					6,307,818	-	6,307,818	-
Franchise taxes					1,748,741	-	1,748,741	-
Unrestricted investment earnings					21,488	3,399	24,887	465
Transfers					463,363	(463,363)	-	-
Total general revenues and transfers					13,941,299	(459,964)	13,481,335	713,251
Change in net assets					1,407,880	2,320,042	3,727,922	(154,034)
Net assets, beginning					34,248,634	30,117,502	64,366,136	3,306,010
Net assets, ending					\$ 35,656,514	\$ 32,437,544	\$ 68,094,058	\$ 3,151,976

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2011

	General	Revolving Loans
<b>Assets:</b>		
Cash and cash equivalents	\$ 3,863,051	\$ 5,636,633
Receivables (net of allowance for uncollectibles):		
Taxes	4,624,873	141,557
Accounts	77,464	8,549
Intergovernmental	32,461	-
Restricted investments	-	-
Leases receivable	-	937,640
Loans receivable	-	819,090
Advances to other funds	-	20,780
Inventories	77,606	-
Prepaid items	20,187	2,535
<b>Total assets</b>	<b>\$ 8,695,642</b>	<b>\$ 7,566,784</b>
<b>Liabilities and fund balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 59,928	\$ 3,117
Accrued payroll	256,377	4,512
Accrued self-insurance claims	105,000	-
Other	93,273	-
Deferred revenue	3,650,298	772,097
Bond anticipation notes payable	-	-
Advances from other funds	-	-
<b>Total liabilities</b>	<b>4,164,876</b>	<b>779,726</b>
<b>Fund balances:</b>		
<b>Nonspendable:</b>		
Not in spendable form	97,793	2,535
<b>Restricted:</b>		
Debt service	-	-
Housing	-	-
Street and Highway	-	-
Other	-	-
Assigned	62,068	6,784,523
Unassigned	4,370,905	-
<b>Total fund balances</b>	<b>4,530,766</b>	<b>6,787,058</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,695,642</b>	<b>\$ 7,566,784</b>

See accompanying notes to basic financial statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 944,029	\$ 1,058,470	\$ 1,384,319	\$ 12,886,502
-	1,344,790	151,940	6,263,160
-	-	6,594	92,607
10,633	-	154,595	197,689
-	360,008	-	360,008
-	-	-	937,640
-	-	228,170	1,047,260
-	-	-	20,780
-	-	-	77,606
-	-	1,861	24,583
<u>\$ 954,662</u>	<u>\$ 2,763,268</u>	<u>\$ 1,927,479</u>	<u>\$ 21,907,835</u>
\$ 77,946	\$ -	\$ 39,400	\$ 180,391
-	-	20,310	281,199
-	-	-	105,000
-	-	-	93,273
-	1,291,212	-	5,713,607
1,230,000	-	-	1,230,000
-	-	20,780	20,780
<u>1,307,946</u>	<u>1,291,212</u>	<u>80,490</u>	<u>7,624,250</u>
-	-	1,861	102,189
-	1,472,056	-	1,472,056
-	-	1,134,357	1,134,357
-	-	404,767	404,767
-	-	59,163	59,163
-	-	246,841	7,093,432
(353,284)	-	-	4,017,621
<u>(353,284)</u>	<u>1,472,056</u>	<u>1,846,989</u>	<u>14,283,585</u>
<u>\$ 954,662</u>	<u>\$ 2,763,268</u>	<u>\$ 1,927,479</u>	<u>\$ 21,907,835</u>

CITY OF PITTSBURG, KANSAS

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

December 31, 2011

Total fund balance in Governmental Fund Balance Sheet	\$ 14,283,585
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	45,865,649
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,000,296
A long-term liability is recorded for the unfunded portion of post employment benefits other than pensions, while in the governmental funds liabilities that do not require satisfaction with current resources are not recorded.	(323,744)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(25,169,272)</u>
Net assets of governmental activities	<u>\$ 35,656,514</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2011

	General	Revolving Loans
Revenues:		
Taxes:		
Property	\$ 3,969,446	\$ -
Sales	4,473,377	818,082
Franchise	1,748,741	-
Licenses and permits	162,257	-
Intergovernmental	206,267	-
Charges for services	1,954,380	-
Fines and fees	431,301	-
Special assessments	-	-
Investment earnings	5,215	13,149
Lease income	-	445,966
Miscellaneous	126,240	12,903
Total revenues	<u>13,077,224</u>	<u>1,290,100</u>
Expenditures:		
Current:		
General government	2,630,219	-
Public safety - police	2,986,364	-
Public safety - fire	2,196,533	-
Public safety - other	539,551	-
Public works	1,044,118	-
Sanitation and health	81,346	-
Culture and recreation	1,766,694	-
Industrial promotion	-	676,439
Social welfare	-	4,583
Debt service:		
Principal	-	-
Interest	-	-
Debt issuance costs	-	-
Capital outlay	318,377	-
Total expenditures	<u>11,563,202</u>	<u>681,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,514,022</u>	<u>609,078</u>
Other financing sources (uses):		
Transfers in	906,619	-
Transfers out	(2,199,725)	(691,240)
Total other financing sources (uses)	<u>(1,293,106)</u>	<u>(691,240)</u>
Net change in fund balances	220,916	(82,162)
Fund balances, beginning	4,309,850	6,869,220
Fund balances, ending	<u>\$ 4,530,766</u>	<u>\$ 6,787,058</u>

See accompanying notes to basic financial statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,430,443	\$ -	\$ 5,399,889
-	342,991	673,368	6,307,818
-	-	-	1,748,741
-	-	-	162,257
766,689	-	2,360,037	3,332,993
-	-	-	1,954,380
-	-	-	431,301
-	59,375	-	59,375
799	(3,047)	5,372	21,488
-	-	-	445,966
55,837	6,452	19,713	221,145
<u>823,325</u>	<u>1,836,214</u>	<u>3,058,490</u>	<u>20,085,353</u>
-	-	-	2,630,219
-	-	-	2,986,364
-	-	-	2,196,533
-	-	-	539,551
-	-	1,442,323	2,486,441
-	-	76,478	157,824
-	-	-	1,766,694
-	-	-	676,439
-	-	1,654,972	1,659,555
-	2,855,994	-	2,855,994
10,200	1,101,144	-	1,111,344
21,411	-	-	21,411
1,654,998	-	8,760	1,982,135
<u>1,686,609</u>	<u>3,957,138</u>	<u>3,182,533</u>	<u>21,070,504</u>
<u>(863,284)</u>	<u>(2,120,924)</u>	<u>(124,043)</u>	<u>(985,151)</u>
200,001	1,829,786	500,000	3,436,406
(4,569)	-	(77,509)	(2,973,043)
<u>195,432</u>	<u>1,829,786</u>	<u>422,491</u>	<u>463,363</u>
(667,852)	(291,138)	298,448	(521,788)
<u>314,568</u>	<u>1,763,194</u>	<u>1,548,541</u>	<u>14,805,373</u>
<u>\$ (353,284)</u>	<u>\$ 1,472,056</u>	<u>\$ 1,846,989</u>	<u>\$ 14,283,585</u>

CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2011

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

Net change in fund balances - total governmental funds	\$ (521,788)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(514,078)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(162,213)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,855,997
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(250,038)</u>
Change in net assets of governmental activities	<u>\$ 1,407,880</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 11,148,221	\$ 11,694,221	\$ 11,846,004	\$ 151,783
Intergovernmental	181,629	181,629	188,419	6,790
Licenses and permits	170,000	170,000	162,257	(7,743)
Charges for services	3,802,429	3,802,429	3,994,840	192,411
Fines and fees	431,500	431,500	431,301	(199)
Investment income	15,000	15,000	5,215	(9,785)
Miscellaneous	121,905	121,905	126,240	4,335
<b>Total revenues</b>	<b>15,870,684</b>	<b>16,416,684</b>	<b>16,754,276</b>	<b>337,592</b>
<b>Expenditures:</b>				
<b>General government:</b>				
<b>General administration:</b>				
Personnel services	653,789	653,789	636,837	16,952
Contractual services	182,953	182,953	184,244	(1,291)
Commodities	21,250	21,250	35,862	(14,612)
<b>Total general administration expenditures</b>	<b>857,992</b>	<b>857,992</b>	<b>856,943</b>	<b>1,049</b>
<b>Group hospitalization:</b>				
Claims paid	2,145,845	2,145,845	1,552,341	593,504
<b>Human resources:</b>				
Personnel services	157,639	157,639	135,007	22,632
Contractual services	31,451	31,451	47,225	(15,774)
Commodities	14,000	14,000	12,335	1,665
<b>Total human resources expenditures</b>	<b>203,090</b>	<b>203,090</b>	<b>194,567</b>	<b>8,523</b>
<b>Information systems:</b>				
Personnel services	271,808	271,808	237,271	34,537
Contractual services	152,750	152,750	147,941	4,809
Commodities services	47,000	47,000	76,977	(29,977)
Capital outlay	48,442	48,442	29,550	18,892
<b>Total information systems expenditures</b>	<b>\$ 520,000</b>	<b>\$ 520,000</b>	<b>\$ 491,739</b>	<b>\$ 28,261</b>

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Facility maintenance:				
Personnel services	\$ 146,558	\$ 146,558	\$ 143,742	\$ 2,816
Contractual services	833	833	2,174	(1,341)
Commodities	92,609	92,609	96,991	(4,382)
Total facility maintenance expenditures	240,000	240,000	242,907	(2,907)
Municipal court:				
Personnel services	288,434	288,434	266,730	21,704
Contractual services	44,270	44,270	41,845	2,425
Commodities	10,000	10,000	11,643	(1,643)
Total municipal court expenditures	342,704	342,704	320,218	22,486
Safety department:				
Personnel services	69,890	69,890	-	69,890
Contractual service	19,034	19,034	-	19,034
Commodities	16,250	16,250	-	16,250
Total safety department expenditures	105,174	105,174	-	105,174
Sales tax capital outlay:				
Capital outlay	112,000	112,000	232,777	(120,777)
Reserve	226,438	226,438	-	226,438
Total sales tax capital outlay expenditures	338,438	338,438	232,777	105,661
Total general government expenditures	4,753,243	4,753,243	3,891,492	861,751
Public safety:				
Police department:				
Personnel services	2,907,806	2,907,806	2,840,896	66,910
Contractual services	380,860	380,860	383,327	(2,467)
Commodities	156,500	156,500	191,322	(34,822)
Total police department expenditures	\$ 3,445,166	\$ 3,445,166	\$ 3,415,545	\$ 29,621

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fire department:				
Personnel services	\$ 2,136,559	\$ 2,136,559	\$ 2,211,654	\$ (75,095)
Contractual services	189,461	189,461	173,963	15,498
Commodities	75,500	75,500	94,131	(18,631)
Total fire department expenditures	2,401,520	2,401,520	2,479,748	(78,228)
Public safety - other:				
Codes enforcement:				
Personnel services	509,700	509,700	430,689	79,011
Contractual services	72,095	72,095	67,922	4,173
Commodities	18,000	18,000	18,031	(31)
Total codes enforcement expenditures	599,795	599,795	516,642	83,153
Animal control:				
Personnel services	46,531	46,531	42,555	3,976
Contractual services	21,024	21,024	21,075	(51)
Commodities	12,500	12,500	14,422	(1,922)
Total animal control expenditures	80,055	80,055	78,052	2,003
Public safety sales tax:				
Reserve	1,531,313	1,531,313	-	1,531,313
Total public safety - other	2,211,163	2,211,163	594,694	1,616,469
Total public safety expenditures	8,057,849	8,057,849	6,489,987	1,567,862
Public works:				
Engineering department:				
Personnel services	106,411	106,411	124,878	(18,467)
Contractual services	27,269	27,269	25,852	1,417
Commodities	16,000	16,000	16,652	(652)
Total engineering department expenditures	\$ 149,680	\$ 149,680	\$ 167,382	\$ (17,702)

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Atkinson Airport:				
Personnel services	\$ 154,314	\$ 154,314	\$ 158,428	\$ (4,114)
Contractual services	62,196	62,196	60,491	1,705
Commodities	498,062	498,062	720,860	(222,798)
Total Atkinson Airport expenditures	714,572	714,572	939,779	(225,207)
Total public works expenditures	864,252	864,252	1,107,161	(242,909)
Sanitation and health:				
Mt. Olive Cemetery:				
Personnel services	52,612	52,612	64,408	(11,796)
Contractual services	17,616	17,616	16,707	909
Commodities	15,000	15,000	15,236	(236)
Total sanitation and health expenditures	85,228	85,228	96,351	(11,123)
Culture and recreation:				
Parks and recreation department:				
Personnel services	574,073	574,073	595,026	(20,953)
Contractual services	117,529	117,529	127,962	(10,433)
Commodities	129,500	129,500	129,012	488
Total parks and recreation department expenditures	821,102	821,102	852,000	(30,898)
Aquatic center:				
Personnel services	100,387	100,387	98,820	1,567
Contractual services	32,931	32,931	31,207	1,724
Commodities	70,250	70,250	63,344	6,906
Capital outlay	-	-	7,539	(7,539)
Total aquatic center expenditures	203,568	203,568	200,910	2,658
JC ballpark turf reserve:				
Capital outlay	42,213	42,213	-	42,213
Total JC ballpark turf reserve expenditures	\$ 42,213	\$ 42,213	\$ -	\$ 42,213

(Continued)

CITY OF PITTSBURG, KANSAS

GENERAL FUND

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

(Continued)

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Four Oaks Complex:				
Personnel services	\$ 183,129	\$ 183,129	\$ 255,656	\$ (72,527)
Contractual services	81,090	81,090	76,075	5,015
Commodities	77,984	77,984	64,427	13,557
Total Four Oaks Complex expenditures	342,203	342,203	396,158	(53,955)
Memorial Auditorium and Convention Center:				
Personnel services	300,204	300,204	304,372	(4,168)
Contractual services	143,881	143,881	139,393	4,488
Commodities	66,250	66,250	51,901	14,349
Operating reserve	17,489	17,489	-	17,489
Total Memorial Auditorium and Convention Center	527,824	527,824	495,666	32,158
Total culture and recreation expenditures	1,936,910	1,936,910	1,944,734	(7,824)
Operating reserve	827,120	827,120	-	827,120
Total expenditures	16,524,602	16,524,602	13,529,725	2,994,877
Excess of revenues over (under) expenditures	(653,918)	(107,918)	3,224,551	3,332,469
Other financing sources (uses):				
Transfers in	911,783	911,783	906,619	(5,164)
Transfers out	(3,180,304)	(3,726,304)	(3,825,235)	(98,931)
Total other financing sources (uses)	(2,268,521)	(2,814,521)	(2,918,616)	(104,095)
Net change in fund balances	(2,922,439)	(2,922,439)	305,935	3,228,374
Fund balance, beginning	2,922,439	2,922,439	3,428,124	505,685
Fund balance, ending	\$ -	\$ -	\$ 3,734,059	\$ 3,734,059

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

	Water/Wastewater	Stormwater	Total
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,712,898	\$ 914,211	\$ 3,627,109
Restricted cash - customer deposits	202,100	-	202,100
Accounts receivable (net of allowance for uncollectibles)	849,362	26,017	875,379
Other receivable	755,619	-	755,619
Inventories	239,782	-	239,782
Prepaid items	4,967	525	5,492
<b>Total current assets</b>	<b>4,764,728</b>	<b>940,753</b>	<b>5,705,481</b>
<b>Noncurrent assets:</b>			
Deferred charges	12,371	18,904	31,275
<b>Capital assets:</b>			
Land	474,742	108,070	582,812
Buildings and improvements	20,601,341	357,953	20,959,294
Machinery and equipment	3,366,185	298,078	3,664,263
Construction in progress	7,413,371	73,275	7,486,646
Infrastructure	28,979,779	4,228,370	33,208,149
Less accumulated depreciation	(21,718,464)	(691,445)	(22,409,909)
<b>Total capital assets, net of accumulated depreciation</b>	<b>39,116,954</b>	<b>4,374,301</b>	<b>43,491,255</b>
<b>Total noncurrent assets</b>	<b>39,129,325</b>	<b>4,393,205</b>	<b>43,522,530</b>
<b>Total assets</b>	<b>43,894,053</b>	<b>5,333,958</b>	<b>49,228,011</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	306,872	34,487	341,359
Retainage payable	343,337	-	343,337
Accrued payroll	63,757	8,901	72,658
Accrued interest payable	139,541	19,962	159,503
Accrued compensated absences - current	99,121	13,971	113,092
Customer deposits payable	202,100	-	202,100
General obligation bonds - current	352,188	228,123	580,311
Construction loan payable - current	177,615	-	177,615
<b>Total current liabilities</b>	<b>1,684,531</b>	<b>305,444</b>	<b>1,989,975</b>
<b>Noncurrent liabilities:</b>			
Accrued compensated absences	54,474	7,678	62,152
General obligation bonds payable (net of unamortized discounts)	746,369	1,269,039	2,015,408
Construction loan payable	12,596,448	-	12,596,448
Other postemployment benefit obligation	104,162	22,322	126,484
<b>Total noncurrent liabilities</b>	<b>13,501,453</b>	<b>1,299,039</b>	<b>14,800,492</b>
<b>Total liabilities</b>	<b>15,185,984</b>	<b>1,604,483</b>	<b>16,790,467</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	25,244,334	2,877,139	28,121,473
Unrestricted	3,463,735	852,336	4,316,071
<b>Total net assets</b>	<b>\$ 28,708,069</b>	<b>\$ 3,729,475</b>	<b>\$ 32,437,544</b>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended December 31, 2011

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 3,822,912	\$ -	\$ 3,822,912
Wastewater charges	3,235,063	-	3,235,063
Stormwater charges	-	735,409	735,409
Other charges	384,053	10,864	394,917
Total operating revenues	<u>7,442,028</u>	<u>746,273</u>	<u>8,188,301</u>
Operating expenses:			
Costs of sales and services	2,400,007	242,791	2,642,798
Administration	1,790,867	360,453	2,151,320
Depreciation	1,268,305	125,495	1,393,800
Total operating expenses	<u>5,459,179</u>	<u>728,739</u>	<u>6,187,918</u>
Operating income	<u>1,982,849</u>	<u>17,534</u>	<u>2,000,383</u>
Nonoperating revenues (expenses):			
Intergovernmental revenue	54,903	-	54,903
Interest revenue	2,389	1,010	3,399
Interest expense	(403,943)	(88,587)	(492,530)
Total nonoperating revenues (expenses)	<u>(346,651)</u>	<u>(87,577)</u>	<u>(434,228)</u>
Income (loss) before transfers and capital contributions	1,636,198	(70,043)	1,566,155
Capital contributions	1,217,250	-	1,217,250
Transfers in	489,392	-	489,392
Transfers out	(924,880)	(27,875)	(952,755)
Change in net assets	2,417,960	(97,918)	2,320,042
Total net assets, beginning	<u>26,290,109</u>	<u>3,827,393</u>	<u>30,117,502</u>
Total net assets, ending	<u>\$ 28,708,069</u>	<u>\$ 3,729,475</u>	<u>\$ 32,437,544</u>

See accompanying notes to basic financial statements.

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2011

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 8,301,789	\$ 744,429	\$ 9,046,218
Payments to suppliers	(3,017,788)	(223,415)	(3,241,203)
Payments to employees	(1,712,576)	(350,107)	(2,062,683)
Net cash provided by operating activities	<u>3,571,425</u>	<u>170,907</u>	<u>3,742,332</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(435,488)	(27,875)	(463,363)
Subsidy for federal grant	54,903	-	54,903
Net cash used in noncapital financing activities	<u>(380,585)</u>	<u>(27,875)</u>	<u>(408,460)</u>
Cash flows from capital and related financing activities:			
Proceeds from capitalization grant/construction loan payable	4,614,010	-	4,614,010
Payments on capitalization grant/construction loan payable	(802,985)	-	(802,985)
Acquisition and construction of capital assets	(5,428,547)	(56,590)	(5,485,137)
Purchases of capital assets	(41,497)	-	(41,497)
Principal paid on capital debt	(330,712)	(218,470)	(549,182)
Interest paid on capital debt	(345,776)	(91,500)	(437,276)
Net cash used in capital and related financing activities	<u>(2,335,507)</u>	<u>(366,560)</u>	<u>(2,702,067)</u>
Cash flows from investing activities:			
Interest received	<u>2,389</u>	<u>1,010</u>	<u>3,399</u>
Net increase (decrease) in cash and cash equivalents	857,722	(222,518)	635,204
Cash and cash equivalents and restricted cash, beginning of year	<u>2,057,276</u>	<u>1,136,729</u>	<u>3,194,005</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 2,914,998</u>	<u>\$ 914,211</u>	<u>\$ 3,829,209</u>

(Continued)

CITY OF PITTSBURG, KANSAS

STATEMENT OF CASH FLOWS  
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2011

	<u>Water/Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,982,849	\$ 17,534	\$ 2,000,383
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,268,305	125,495	1,393,800
Amortization of deferred charges	6,185	3,437	9,622
Changes in assets and liabilities:			
Receivables, net	849,489	(1,844)	847,645
Inventories	(17,194)	-	(17,194)
Prepaid items	(690)	(66)	(756)
Accounts payable	(606,082)	16,005	(590,077)
Accrued compensated absences	24,175	(2,271)	21,904
Other postemployment benefits	54,116	12,617	66,733
Customer deposits	10,272	-	10,272
Net cash provided by operating activities	<u>\$ 3,571,425</u>	<u>\$ 170,907</u>	<u>\$ 3,742,332</u>
Cash consists of:			
Cash and cash equivalents	\$ 2,712,898	\$ 914,211	\$ 3,627,109
Restricted cash	202,100	-	202,100
	<u>\$ 2,914,998</u>	<u>\$ 914,211</u>	<u>\$ 3,829,209</u>
Noncash investing, capital and financing activities:			
Loan forgiveness on construction loan payable	<u>\$ 1,217,250</u>	<u>\$ -</u>	<u>\$ 1,217,250</u>

See accompanying notes to basic financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Pittsburg, Kansas (the City) is a municipal corporation governed by an elected five-member commission. The accompanying basic financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

*Discretely Presented Component Unit.* The Public Library (the Library) is operated by a Library Board which is appointed by the City Commission. The City levies and collects a special library tax to subsidize the Library's operations. The Library's operating budget is subject to the approval of the City Commission. The City must approve acquisition or disposition of real property by the Library, but the Library owns the capital assets. Bond issuances must also be approved by the City. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

Government-Wide and Fund Financial Statements

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

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Cash and Investments

In accordance with the City's formal investment policy adopted by the governing body, the City may form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. These pooled investments consist of operating accounts and nonnegotiable certificates of deposit that are recorded at cost because they are not affected by market rate changes. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2011, interest earnings allocated to the various funds were \$ 30,125.

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

Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2011, cash equivalents consisted of certificates of deposit included in pooled cash described above.

Receivables and Payables

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

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

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

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

General fund property taxes receivable	\$ 3,650,298
Revolving loans fund long-term portion of capital leases receivable	772,097
Debt service fund property taxes receivable	<u>1,291,212</u>
	<u>\$ 5,713,607</u>

Property Taxes

The City's property taxes are levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by Crawford County. The assessed value upon which the 2011 levy was based was approximately \$ 121,257,000.

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 2011 tax levy per \$ 1,000 of assessed valuation was as follows:

General Fund	\$ 30.907
Debt Service Fund	8.998
Component unit:	
Public Library	<u>5.554</u>
	<u>\$ 45.459</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The State of Kansas requires the City to maintain customer utility deposits separate from City assets. Interest earned is credited back to customers as required by State statutes. Restricted investments are set aside for debt service payments and for required debt reserves.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives.

Buildings and improvements	20 - 50 years
Office equipment	3 - 10 years
Machinery and equipment	3 - 10 years
Water and sewer treatment plants	50 years
Water and sewer mains	50 years
Infrastructure	15 - 100 years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Net Assets

The City's net assets are classified as follows:

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

Restricted net assets – 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 assets reports \$ 3,094,841 of restricted net assets, of which \$ 121,821 is restricted by enabling legislation. This enabling legislation authorized the collection of a sales tax from which the collection of these sales taxes is to be used for the explicit purpose of repaying the general obligation bonds for the construction of the City's public safety center.

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

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2011, fund balances for governmental funds are made up of the following:

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

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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

*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's Commission or (2) a body or official to which the City's Commission has delegated the authority to assign amounts to be used for specific purposes.

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

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

Concentrations of Credit Risk

Loans are extended, on a fully secured basis, to local industries under the revolving economic development loan program. Credit is extended to citizens for special assessments levied by the City for capital improvements. These special assessments are secured by liens on the related properties. Unsecured credit is extended to customers for water and sewer fees and charges for services.

Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Pending Governmental Accounting Standards Board Statements

At December 31, 2011, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for periods beginning after December 15, 2011.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 25,169,272 difference are as follows:

Bonds payable	\$ (23,119,281)
Less: Deferred charge for issuance costs	455,171
Less: Issuance discount	95,888
Custom energy note payable	(1,497,969)
Accrued interest payable	(288,387)
Compensated absences	(679,268)
Arbitrage rebate payable	(135,426)
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (25,169,272)</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 514,078 difference are as follows:

Capital outlay	\$ 1,774,563
Depreciation expense	(2,288,641)
	<hr/>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (514,078)</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ 2,855,997 difference are as follows:

Principal repayments:

Bonds	\$ 2,755,818
Custom energy lease	<u>100,179</u>

Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 2,855,997</u>
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Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ 250,038 difference are as follows:

Compensated absences	\$ 15,662
Other post employment benefits	(90,616)
Accrued interest	32,237
Amortization of issuance costs	(59,926)
Arbitrage	(135,426)
Amortization of bond discounts	<u>(11,969)</u>

Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (250,038)</u>
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CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. The City has legally adopted annual budgets for the general fund, the debt service fund, the street and highway fund, the special alcohol and drug fund, the special parks and recreation fund, and the Section 8 fund. Budgets were not prepared for the Community Development Block Grant fund, the capital projects fund, the PHA/Presbyterian Church Housing fund and the revolving loans fund. All budgets are prepared utilizing the cash basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The Statutes provide for the following sequence and timetable in adoption of budgets:

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

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. City policy further limits the level of budgetary changes not requiring City Commission approval to the department level within an individual fund. Any change in level of appropriation beyond the departmental level in an individual fund requires action by the City Commission. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. There were three budget amendments during 2011. General fund budgeted expenditures increased from \$ 19,704,906 to \$ 20,250,906, Special Highway fund budgeted expenditures increased from \$ 1,147,804 to \$ 1,865,090 and Section 8 Housing fund budgeted expenditures increased from \$ 1,403,000 to \$ 1,531,200.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Budgetary Basis of Accounting

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

	<u>General Fund</u>
Excess of revenue over expenditures, GAAP basis	\$ 1,514,022
Add:	
Change in encumbrances	73,652
Change in inventories	1,641
Change in salaries payable	21,202
Health claims payable	20,000
Deduct:	
Sales tax transfers	1,665,719
Change in payable	(41,388)
Change in grants receivable	(17,724)
Change in prepaid items	(1,294)
Change in taxes receivable	(11,279)
	<u>3,224,551</u>
Excess of revenue over expenditures, budgetary basis	<u>\$ 3,224,551</u>

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

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

5 - Deposits and Investments

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City.

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is included in cash and cash equivalents on the balance sheet. At December 31, 2011, the City's carrying amount of deposits, including certificates of deposit, was not exposed to custodial credit risk.

The carrying amount of deposits for the Library, a discretely presented component unit, was not exposed to custodial credit risk.

Investments

As of December 31, 2011, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	\$ 360,008	\$ 360,008	\$ -	\$ -	\$ -

*Interest Rate Risk*

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Deposits and Investments (Continued)

Investments (Continued)

*Credit Risk*

Kansas statutes authorize the City and the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. The City's investment policy authorizes the purchases of U.S. Treasury securities, certificates of deposit, and temporary notes. The Library held no investments at December 31, 2011.

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

*Concentrations of Credit Risk*

The City places no limit on the amount it may invest in any one issuer.

*Custodial Credit Risk-Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2011, the City's investments were not exposed to custodial credit risk.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Deposits and Investments (Continued)

Investments (Continued)

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

	<u>Carrying Amount</u>		
	<u>City</u>	<u>Component Unit - Public Library</u>	<u>Total</u>
Cash and cash equivalents	\$ 16,513,611	\$ 372,646	\$ 16,886,257
Restricted cash and cash equivalents	202,100	-	202,100
Restricted investments	360,008	-	360,008
	<u>\$ 17,075,719</u>	<u>\$ 372,646</u>	<u>\$ 17,448,365</u>

6 - Loans Receivable

Loans receivable, aggregating approximately \$ 1,047,000 at December 31, 2011, consist of economic development and rental rehabilitation low interest loans funded through the U.S. Department of Housing and Urban Development's Community Development Block Grant and Rental Rehabilitation Programs, the Presbyterian Church Fund Program and the City's Revolving Loans Fund.

7 - Leases

The City has lease agreements as lessor on City property for economic development purposes. These lease agreements qualify as capital leases and have therefore been recorded at the present value of their future minimum lease payments as of the inception date. At December 31, 2011 the lease receivable balance was \$ 937,640.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Leases (Continued)

Future minimum lease payments to be received are as follows:

2012	\$ 165,543
2013	165,543
2014	165,543
2015	134,881
2016	128,748
2017 -2021	<u>300,900</u>
Total minimum lease payments	1,061,158
Less: amounts representing interest	<u>(123,518)</u>
Present value of minimum lease payments	<u>\$ 937,640</u>

Noncancellable operating revenue leases for City land and buildings expire in 2012, 2015, 2016 and 2018. The leases contain renewal options for periods ranging from five to ten years and require the lessees to pay all executory costs (property taxes, maintenance and insurance). For the year ended December 31, 2011 rental income related to these leases was \$ 236,541. Future minimum lease income is as follows:

2012	\$ 181,533
2013	149,133
2014	149,133
2015	149,133
2016	70,968
2017 - 2021	<u>88,711</u>
	<u>\$ 788,611</u>

The asset cost of the buildings the City leases is \$ 2,306,590, with accumulated depreciation of \$ 692,143 resulting in net carrying value of \$ 1,614,447 at December 31, 2011.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 3,566,486	\$ -	\$ -	\$ -	\$ 3,566,486
Construction in progress	270,792	1,288,002	(945,095)	-	613,699
Total capital assets not being depreciated	3,837,278	1,288,002	(945,095)	-	4,180,185
Capital assets being depreciated:					
Buildings and improvements	37,263,070	240,931	-	-	37,504,001
Machinery and equipment	8,890,328	1,190,725	(355,752)	91,868	9,817,169
Infrastructure	26,284,892	-	-	-	26,284,892
Total capital assets being depreciated	72,438,290	1,431,656	(355,752)	91,868	73,606,062
Less accumulated depreciation for:					
Buildings and improvements	(12,478,951)	(1,023,146)	-	-	(13,502,097)
Machinery and equipment	(5,689,831)	(547,761)	355,752	(91,868)	(5,973,708)
Infrastructure	(11,727,059)	(717,734)	-	-	(12,444,793)
Total accumulated depreciation	(29,895,841)	(2,288,641)	355,752	(91,868)	(31,920,598)
Total capital assets being depreciated, net	42,542,449	(856,985)	-	-	41,685,464
Governmental activities capital assets, net	\$ 46,379,727	\$ 431,017	\$ (945,095)	\$ -	\$ 45,865,649

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 544,760	\$ 38,052	\$ -	\$ -	\$ 582,812
Construction in progress	2,851,355	4,649,712	(14,421)	-	7,486,646
<b>Total capital assets not being depreciated</b>	<b>3,396,115</b>	<b>4,687,764</b>	<b>(14,421)</b>	<b>-</b>	<b>8,069,458</b>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	20,835,781	123,513	-	-	20,959,294
Machinery and equipment	4,004,347	41,497	(289,713)	(91,868)	3,664,263
Infrastructure	32,509,735	698,414	-	-	33,208,149
<b>Total capital assets being depreciated</b>	<b>57,349,863</b>	<b>863,424</b>	<b>(289,713)</b>	<b>(91,868)</b>	<b>57,831,706</b>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(8,057,859)	(471,060)	-	-	(8,528,919)
Machinery and equipment	(2,445,757)	(214,475)	279,580	91,868	(2,288,784)
Infrastructure	(10,883,941)	(708,265)	-	-	(11,592,206)
<b>Total accumulated depreciation</b>	<b>(21,387,557)</b>	<b>(1,393,800)</b>	<b>279,580</b>	<b>91,868</b>	<b>(22,409,909)</b>
<b>Total capital assets being depreciated, net</b>	<b>35,962,306</b>	<b>(530,376)</b>	<b>(10,133)</b>	<b>-</b>	<b>35,421,797</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 39,358,421</b>	<b>\$ 4,157,388</b>	<b>\$ (24,554)</b>	<b>\$ -</b>	<b>\$ 43,491,255</b>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 183,304
Public safety - police	287,845
Public safety - fire	235,434
Public safety - other	25,413
Public works	1,130,183
Sanitation and health	1,402
Economic development	36,187
Culture and recreation	388,873

Total depreciation expense - governmental activities \$ 2,288,641

Business-type activities:

Water/wastewater	\$ 1,268,305
Stormwater	125,495

Total depreciation expense - business-type activities \$ 1,393,800

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Capital Assets (Continued)

Capital asset activity for the Public Library component unit for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 215,415	\$ -	\$ -	\$ 215,415
Total capital assets not being depreciated	215,415	-	-	215,415
Capital assets being depreciated:				
Buildings and improvements	3,570,804	10,004	-	3,580,808
Machinery and equipment	100,510	23,920	-	124,430
Total capital assets being depreciated	3,671,314	33,924	-	3,705,238
Less accumulated depreciation for:				
Buildings and improvements	(907,482)	(83,663)	-	(991,145)
Machinery and equipment	(60,548)	(10,010)	-	(70,558)
Total accumulated depreciation	(968,030)	(93,673)	-	(1,061,703)
Total capital assets being depreciated, net	2,703,284	(59,749)	-	2,643,535
Public Library capital assets, net	\$ 2,918,699	\$ (59,749)	\$ -	\$ 2,858,950

9 - Capital Projects

The City is currently working on paving projects and performing various improvements. These projects are being funded primarily with federal grant monies and by the issuance of bonds.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Capital Projects (Continued)

Following is a summary of costs to December 31, 2011 for capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
General government:		
Bridge projects	\$ 562,284	\$ 750,000
Improvement projects	<u>200,094</u>	<u>965,000</u>
	<u>\$ 762,378</u>	<u>\$ 1,715,000</u>
Business-type:		
Water/wastewater	<u>\$ 12,394,632</u>	<u>\$ 15,385,462</u>

10 - Long-Term Debt

General Obligation Bonds

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2011 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2011	Outstanding December 31, 2011
<b>General Obligation Bonds:</b>					
<b>Governmental activities:</b>					
Series 2001-B	4.30%	\$ 2,675,000	2011	\$ 320,000	\$ -
Series 2003-A	3.20 - 3.30%	3,025,000	2013	160,000	335,000
Series 2005-A	3.30 - 3.60%	1,460,000	2015	150,000	645,000
Series 2006-A	3.55 - 3.75%	545,000	2016	55,000	305,000
Series 2006-B	3.80 - 3.90%	1,140,000	2016	110,000	625,000
Series 2006-C	3.65 - 3.80%	2,000,000	2016	195,000	1,085,000
Series 2007-A	4.00%	1,285,000	2017	121,530	832,837
Series 2007-B	4.00%	13,000,000	2018	985,000	9,545,000
Series 2008-A	3.00 - 3.60%	2,950,380	2018	274,660	2,170,700
Series 2009-A	1.50 - 3.25%	1,265,000	2019	114,628	1,035,744
				<u>2,485,818</u>	<u>16,579,281</u>
<b>Business-type activities:</b>					
Series 2001-A	4.50 - 4.70%	4,715,000	2013	270,000	590,000
Series 2007-A	4.00%	2,310,000	2017	218,470	1,497,163
Series 2008-A	3.00 - 3.60%	379,620	2018	35,340	279,300
Series 2009-A	1.50 - 3.25%	280,000	2019	25,372	229,256
				<u>549,182</u>	<u>2,595,719</u>
				<u>\$ 3,035,000</u>	<u>\$ 19,175,000</u>

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

- Series 2001-A: Callable September 1, 2011 at par plus accrued interest
- Series 2001-B: Callable September 1, 2008 at par plus accrued interest
- Series 2003-A: Callable September 1, 2010 at 101% of par plus accrued interest
- Series 2005-A: Callable September 1, 2013 at par plus accrued interest
- Series 2006-A: Callable September 1, 2014 at par plus accrued interest
- Series 2006-B: Callable September 1, 2014 at par plus accrued interest
- Series 2006-C: Callable September 1, 2014 at par plus accrued interest
- Series 2007-A: Callable September 1, 2015 at par plus accrued interest
- Series 2007-B: Callable September 1, 2015 at par plus accrued interest
- Series 2008-A: Callable September 1, 2016 at par plus accrued interest
- Series 2009-A: Callable September 1, 2017 at par plus accrued interest

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

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

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 2003-A	\$ 165,000	\$ 170,000
Series 2005-A	155,000	165,000
Series 2006-A	55,000	65,000
Series 2006-B	115,000	135,000
Series 2006-C	200,000	235,000
Series 2007-A	126,877	151,895
Series 2007-B	1,055,000	1,800,000
Series 2008-A	279,090	345,540
Series 2009-A	118,722	145,000
Business-type activities:		
Series 2001-A	290,000	300,000
Series 2007-A	228,123	273,105
Series 2008-A	35,910	44,460
Series 2009-A	26,278	30,000

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2011 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2012	\$ 2,269,689	\$ 621,787	\$ 580,311	\$ 102,030
2013	2,387,123	540,341	597,877	78,384
2014	2,325,437	453,345	309,563	53,280
2015	2,448,182	366,820	321,818	41,720
2016	2,401,497	274,641	333,503	29,576
2017 - 2021	4,747,353	281,034	452,647	21,476
	<u>\$ 16,579,281</u>	<u>\$ 2,537,968</u>	<u>\$ 2,595,719</u>	<u>\$ 326,466</u>

Construction Loan Payable

During 2001, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 3,800,000 to finance improvements to the wastewater system. The loan is being repaid over twenty years at an interest rate of 3.16%. The outstanding balance of \$ 2,547,364 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, 2011 are as follows:

	Principal	Interest and Service Fee	Total
2012	\$ 177,615	\$ 79,105	\$ 256,720
2013	183,272	73,448	256,720
2014	189,109	67,610	256,719
2015	195,132	61,587	256,719
2016	201,347	55,373	256,720
2017-2021	1,107,109	176,486	1,283,595
2022-2026	493,780	19,657	513,437
	<u>\$ 2,547,364</u>	<u>\$ 533,266</u>	<u>\$ 3,080,630</u>

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Construction Loan Payable (Continued)

During 2006, the City entered into a second loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 4,000,000 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.67%. During 2010, the City entered into a third loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 2,394,500 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.83%. During 2010, the City entered into a fourth loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Supply Loan Fund. The agreement enabled the City to borrow \$ 8,737,424 to finance improvements to the water treatment plant. The loan will be repaid over twenty years at an interest rate of 3.72%. As of December 31, 2011, the City has drawn \$ 10,226,699 on these loans, which is shown as a liability in the water/wastewater fund. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

Custom Energy Note Payable

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

The future annual requirements for the custom energy note payable outstanding as of December 31, 2011 are as follows:

	Principal	Interest	Total
2012	\$ 104,325	\$ 60,343	\$ 164,668
2013	108,645	56,023	164,668
2014	113,144	51,524	164,668
2015	117,829	46,839	164,668
2016	122,709	41,959	164,668
2017 - 2021	694,104	129,237	823,341
2022 - 2026	237,213	9,790	247,003
	\$ 1,497,969	\$ 395,715	\$ 1,893,684

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

10 - Long-Term Debt (Continued)

Transportation Development District Sales Tax Revenue Bonds

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

The future annual requirements for Transportation Development District Sales Tax Revenue bonds outstanding as of December 31, 2011 are as follows:

	Principal	Interest	Total
2012	\$ 40,000	\$ 60,240	\$ 100,240
2013	40,000	58,320	98,320
2014	45,000	56,280	101,280
2015	50,000	54,000	104,000
2016	55,000	51,480	106,480
2017 - 2021	350,000	211,200	561,200
2022 - 2026	505,000	109,800	614,800
2027 - 2031	190,000	4,560	194,560
	\$ 1,275,000	\$ 605,880	\$ 1,880,880

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Special Obligation Tax Increment Revenue Bonds

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

The future annual requirements for TIF Revenue bonds outstanding as of December 31, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 255,000	\$ 257,558	\$ 512,558
2013	275,000	245,632	520,632
2014	295,000	232,807	527,807
2015	320,000	218,970	538,970
2016	345,000	204,008	549,008
2017 - 2021	2,155,000	723,428	2,878,428
2022 - 2026	1,620,000	147,000	1,767,000
	<u>\$ 5,265,000</u>	<u>\$ 2,029,403</u>	<u>\$ 7,294,403</u>

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 19,065,099	\$ -	\$ (2,485,818)	\$ 16,579,281	\$ 2,269,689
Transportation Development District Sales Tax Revenue Bonds	1,310,000	-	(35,000)	1,275,000	40,000
Special Obligation Tax Increment Revenue Bonds	5,500,000	-	(235,000)	5,265,000	255,000
Less deferred amounts:					
For issuance discounts	(107,857)	-	11,969	(95,888)	-
Custom energy note payable	1,598,148	-	(100,179)	1,497,969	104,325
Other postemployment benefits	233,128	90,616	-	323,744	-
Compensated absences	694,930	500,428	(516,090)	679,268	483,977
<b>Governmental activity long-term liabilities</b>	<b>\$ 28,293,448</b>	<b>\$ 591,044</b>	<b>\$ (3,360,118)</b>	<b>\$ 25,524,374</b>	<b>\$ 3,152,991</b>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 3,144,901	\$ -	\$ (549,182)	\$ 2,595,719	\$ 580,311
Construction loan payable	10,180,288	4,614,010	(2,020,235)	12,774,063	177,615
Other postemployment benefits	59,751	66,733	-	126,484	-
Compensated absences	153,340	146,085	(124,181)	175,244	113,092
<b>Business-type activity long-term liabilities</b>	<b>\$ 13,538,280</b>	<b>\$ 4,826,828</b>	<b>\$ (2,693,598)</b>	<b>\$ 15,671,510</b>	<b>\$ 871,018</b>
<b>Component unit activities:</b>					
Other postemployment benefits	\$ 16,782	\$ 25,784	\$ -	\$ 42,566	\$ -
Compensated absences	12,910	23,419	(27,496)	8,833	8,833
<b>Component unit activity long-term liabilities</b>	<b>\$ 29,692</b>	<b>\$ 49,203</b>	<b>\$ (27,496)</b>	<b>\$ 51,399</b>	<b>\$ 8,833</b>

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of approximately \$ 4,950,000.

11 - Bond Anticipation Notes Payable

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

Bond anticipation note activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond anticipation notes	<u>\$ 1,020,000</u>	<u>\$ 1,230,000</u>	<u>\$ 1,020,000</u>	<u>\$ 1,230,000</u>
<u>Issue</u>		<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
2011A		\$ 1,230,000	0.50%	7/1/2012

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12 - Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salary for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute from January through December 2011 was 7.74%. The City employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$ 426,966, \$ 363,201 and \$ 302,183, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for fiscal years beginning in 2011 is 17.18%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2011, 2010, and 2009 were \$ 575,839, \$ 500,881, and \$ 533,190, respectively, equal to the statutory required contributions for each year.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

13 - Other Postemployment Healthcare Benefits

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

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

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2011, the City contributed \$ 97,830 to the plan. Plan members receiving benefits contributed \$ 55,456.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

13 - Other Postemployment Healthcare Benefits (Continued)

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

Annual required contribution	\$ 287,012
Interest on net OPEB obligation	9,291
Adjustment to annual required contribution	<u>(15,340)</u>
Annual OPEB cost (expense)	280,963
Contributions made	<u>(97,830)</u>
Increase in net OPEB obligation	183,133
Net OPEB obligation, January 1, 2011	<u>309,661</u>
Net OPEB obligation, December 31, 2011	<u><u>\$ 492,794</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 280,963	34.82%	\$ 492,794
2010	\$ 213,083	106.42%	\$ 309,661
2009	\$ 207,967	30.86%	\$ 323,327

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

13 - Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 2,926,543. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,926,543. The covered payroll (annual payroll of active employees covered by the plan) was \$ 8,167,820 and the ratio of the UAAL to the covered payroll was 35.8 percent.

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

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

In the January 1, 2010 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3 percent discount rate, which reflects rate of return earned on the City's general fund. The valuation assumed annual healthcare cost trend rates of six to eight percent in the first five years and an ultimate rate of five percent after six years. The remaining amortization period at December 31, 2011 was 30 years. The UAAL is being amortized using the level dollar method on an open basis.

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

14 - Risk Management

The City is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in claims from prior years.

Group Hospitalization

The City maintains a partially self-funded health insurance plan covering substantially all full-time employees. A monthly premium is paid to an insurance company for individual and aggregate stop-loss coverage and includes an amount for administrative costs. The maximum liability of the City for each individual covered is \$ 50,000 per plan year. Any claims paid in excess of this amount will be reimbursed to the City by the insurance company at the end of the plan year. The transactions of the health insurance plan are accounted for in the Group Hospitalization department in the General Fund and are subsequently allocated to various departments and/or funds. The rates are based on past historical costs for individual and family coverage and expected future claims. The claims liability of \$ 105,000 reported at December 31, 2011 is based on the requirements of Governmental Accounting Standard Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statement and the amount of the loss can be reasonably estimated.

The changes in health care claims payable for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Claims payable, beginning of year	\$ 85,000	\$ 90,000
Incurred claims and change in estimate	1,236,515	1,446,574
Claim payments	(1,216,515)	(1,451,574)
Claims payable, end of year	\$ 105,000	\$ 85,000

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

15 - Interfund Transactions

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Fund	Transfers in	Transfers out
Major governmental funds:		
General Fund	\$ 906,619	\$ 2,199,725
Revolving Loans Fund	-	691,240
Capital Projects Fund	200,001	4,569
Debt Service Fund	1,829,786	-
Nonmajor governmental funds	500,000	77,509
Major proprietary funds:		
Water/Wastewater	489,392	924,880
Stormwater	-	27,875
	\$ 3,925,798	\$ 3,925,798

Transfers are used to (1) move revenues from the fund that statutes or the budget requires to collect them to the fund that statutes or the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

Advances from revolving loans fund to:

Nonmajor governmental funds	\$ 20,780
-----------------------------	-----------

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

CITY OF PITTSBURG, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

16 - Commitments and Contingencies – Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2011, the City's recorded encumbrances in governmental funds were as follows:

General	\$	62,318
Revolving loans		32,927
Other nonmajor governmental funds		<u>13,710</u>
	\$	<u><u>108,955</u></u>

17 - Contingencies

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 2,115,027	\$ 2,115,027	0.0%	\$ 9,238,253	22.9%
1/1/2011	\$ -	\$ 2,926,543	\$ 2,926,543	0.0%	\$ 8,167,820	35.8%

OTHER SUPPLEMENTARY INFORMATION

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

**SPECIAL PARKS AND RECREATION** - to account for park and recreation programs and activities. Financing is through the State of Kansas's 10% tax on the sale of liquor. One-third of the liquor tax proceeds is returned to the cities in which the tax is collected to be used to finance park and recreation programs and activities.

**SPECIAL ALCOHOL AND DRUG** - to account for alcohol and drug rehabilitation programs. Financing is through the State of Kansas's 10% tax on the sale of liquor. One-third of the liquor tax proceeds is returned to the cities in which the tax is collected to be used to finance alcohol and drug rehabilitation programs.

**STREET AND HIGHWAY** - to account for the construction, reconstruction, alteration, repair and maintenance of the streets and highways of the City and for payment of bonds and interest associated with street and highway projects. Financing is through motor vehicle tax receipts distributed to cities from the State of Kansas and from operating transfers from the City's General Fund.

**PHA/PRESBYTERIAN CHURCH HOUSING** - to account for funds which must be used to promote the expansion of the supply of low and moderate income housing in the City and in Crawford County, Kansas.

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

**COMMUNITY DEVELOPMENT BLOCK GRANTS** - to account for federal grants under the Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program.

CITY OF PITTSBURG, KANSAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	Special Revenue						Total Nonmajor Governmental Funds
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/ Presbyterian Church Housing	Section 8	Community Development Block Grants	
<b>Assets:</b>							
Cash and cash equivalents	\$ -	\$ 59,163	\$ 415,193	\$ 749,153	\$ 160,250	\$ 560	\$ 1,384,319
Receivables (net of allowance for uncollectibles):							
Accounts	-	-	2,106	4,488	-	-	6,594
Intergovernmental	-	-	154,595	-	-	-	154,595
Taxes	-	-	151,940	-	-	-	151,940
Loans receivable	-	-	-	228,170	-	-	228,170
Prepaid items	-	-	1,861	-	-	-	1,861
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 59,163</b>	<b>\$ 725,695</b>	<b>\$ 981,811</b>	<b>\$ 160,250</b>	<b>\$ 560</b>	<b>\$ 1,927,479</b>
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ 34,938	\$ 1,604	\$ 2,298	\$ 560	\$ 39,400
Accrued payroll payable	-	-	16,508	-	3,802	-	20,310
Advances from other funds	-	-	20,780	-	-	-	20,780
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>72,226</b>	<b>1,604</b>	<b>6,100</b>	<b>560</b>	<b>80,490</b>
<b>Fund balances:</b>							
<b>Nonspendable:</b>							
Not in spendable form	-	-	1,861	-	-	-	1,861
<b>Restricted:</b>							
Housing	-	-	-	980,207	154,150	-	1,134,357
Street and Highway	-	-	404,767	-	-	-	404,767
Other	-	59,163	-	-	-	-	59,163
Assigned	-	-	246,841	-	-	-	246,841
<b>Total fund balances</b>	<b>-</b>	<b>59,163</b>	<b>653,469</b>	<b>980,207</b>	<b>154,150</b>	<b>-</b>	<b>1,846,989</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 59,163</b>	<b>\$ 725,695</b>	<b>\$ 981,811</b>	<b>\$ 160,250</b>	<b>\$ 560</b>	<b>\$ 1,927,479</b>

CITY OF PITTSBURG, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2011

	Special Revenue					Community Development Block Grants	Total Nonmajor Governmental Funds
	Special Parks and Recreation	Special Alcohol and Drug	Street and Highway	PHA/ Presbyterian Church Housing	Section 8		
Revenues:							
Intergovernmental	\$ 73,879	\$ 73,879	\$ 676,091	\$ -	\$ 1,402,751	\$ 133,437	\$ 2,360,037
Sales taxes	-	-	673,368	-	-	-	673,368
Investment earnings	-	-	94	5,094	184	-	5,372
Miscellaneous	-	-	4,311	450	5,737	9,215	19,713
<b>Total revenues</b>	<b>73,879</b>	<b>73,879</b>	<b>1,353,864</b>	<b>5,544</b>	<b>1,408,672</b>	<b>142,652</b>	<b>3,058,490</b>
Expenditures:							
Current:							
Public works	-	-	1,442,323	-	-	-	1,442,323
Sanitation and health	-	76,478	-	-	-	-	76,478
Social welfare	-	-	-	5,996	1,515,539	133,437	1,654,972
Capital outlay	-	-	-	-	-	8,760	8,760
<b>Total expenditures</b>	<b>-</b>	<b>76,478</b>	<b>1,442,323</b>	<b>5,996</b>	<b>1,515,539</b>	<b>142,197</b>	<b>3,182,533</b>
Excess (deficiency) of revenues over (under) expenditures	73,879	(2,599)	(88,459)	(452)	(106,867)	455	(124,043)
Other financing sources (uses):							
Transfers in	-	-	500,000	-	-	-	500,000
Transfers out	(73,879)	-	(3,630)	-	-	-	(77,509)
<b>Total other financing sources (uses)</b>	<b>(73,879)</b>	<b>-</b>	<b>496,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>422,491</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(2,599)</b>	<b>407,911</b>	<b>(452)</b>	<b>(106,867)</b>	<b>455</b>	<b>298,448</b>
Fund balances, beginning	-	61,762	245,558	980,659	261,017	(455)	1,548,541
<b>Fund balances, ending</b>	<b>\$ -</b>	<b>\$ 59,163</b>	<b>\$ 653,469</b>	<b>\$ 980,207</b>	<b>\$ 154,150</b>	<b>\$ -</b>	<b>\$ 1,846,989</b>

CITY OF PITTSBURG, KANSAS

SPECIAL PARKS AND RECREATION FUND

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

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 79,043	\$ 73,879	\$ (5,164)
Other financing uses:			
Transfers out	(79,043)	(73,879)	5,164
Net change in fund balances	-	-	-
Fund balances, beginning	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -

(Continued)

CITY OF PITTSBURG, KANSAS

SPECIAL ALCOHOL AND DRUG FUND

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

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive - (Negative)
Revenues:			
Intergovernmental	\$ 79,043	\$ 73,879	\$ (5,164)
Miscellaneous	500	-	(500)
Total revenues	<u>79,543</u>	<u>73,879</u>	<u>(5,664)</u>
Expenditures:			
Personnel services	-	8,288	(8,288)
Contractual services	53,695	50,252	3,443
Commodities	85,524	17,938	67,586
Total expenditures	<u>139,219</u>	<u>76,478</u>	<u>62,741</u>
Net change in fund balances	(59,676)	(2,599)	57,077
Fund balances, beginning	<u>59,676</u>	<u>61,762</u>	<u>2,086</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 59,163</u>	<u>\$ 59,163</u>

(Continued)

CITY OF PITTSBURG, KANSAS

STREET AND HIGHWAY FUND

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

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 647,804	\$ 678,240	\$ 678,238	\$ (2)
Investment earnings	-	100	94	(6)
Miscellaneous	-	50,000	4,308	(45,692)
<b>Total revenues</b>	<b>647,804</b>	<b>728,340</b>	<b>682,640</b>	<b>(45,700)</b>
<b>Expenditures:</b>				
Personnel services	590,363	590,363	572,647	17,716
Contractual services	378,573	378,573	414,200	(35,627)
Commodities	152,368	869,654	436,871	432,783
Debt service	26,500	26,500	18,472	8,028
<b>Total expenditures</b>	<b>1,147,804</b>	<b>1,865,090</b>	<b>1,442,190</b>	<b>422,900</b>
Excess of revenues over (under) expenditures	(500,000)	(1,136,750)	(759,550)	377,200
<b>Other financing sources:</b>				
Transfers in	500,000	1,046,000	1,021,429	(24,571)
<b>Net change in fund balances</b>	<b>-</b>	<b>(90,750)</b>	<b>261,879</b>	<b>352,629</b>
Fund balances, beginning	-	90,750	106,770	16,020
Fund balances, ending	\$ -	\$ -	\$ 368,649	\$ 368,649

(Continued)

CITY OF PITTSBURG, KANSAS

SECTION 8 FUND

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

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 1,397,000	\$ 1,525,000	\$ 1,509,486	\$ (15,514)
Investment earnings	2,000	200	184	(16)
Miscellaneous	4,000	6,000	5,737	(263)
<b>Total revenues</b>	<b>1,403,000</b>	<b>1,531,200</b>	<b>1,515,407</b>	<b>(15,793)</b>
<b>Expenditures:</b>				
Personnel services	132,642	147,771	139,852	7,919
Contractual services	1,254,716	1,367,472	1,359,488	7,984
Commodities	15,642	15,957	15,858	99
<b>Total expenditures</b>	<b>1,403,000</b>	<b>1,531,200</b>	<b>1,515,198</b>	<b>16,002</b>
Net change in fund balances	-	-	209	209
Fund balances, beginning	-	-	(204)	(204)
Fund balances, ending	\$ -	\$ -	\$ 5	\$ 5

(Continued)

CITY OF PITTSBURG, KANSAS

DEBT SERVICE FUND

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

Year Ended December 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,209,323	\$ 1,151,805	\$ (57,518)
Special assessments	-	59,375	59,375
Investment earnings	5,000	1,703	(3,297)
Miscellaneous	72,435	72,434	(1)
<b>Total revenues</b>	<b>1,286,758</b>	<b>1,285,317</b>	<b>(1,441)</b>
Expenditures:			
Principal	4,045,770	4,208,161	(162,391)
Interest	1,601,524	1,473,599	127,925
Reserves	1,042,688	5,100	1,037,588
<b>Total expenditures</b>	<b>6,689,982</b>	<b>5,686,860</b>	<b>1,003,122</b>
Excess of revenues over (under) expenditures	(5,403,224)	(4,401,543)	1,001,681
Other financing sources:			
Transfers in	4,033,353	4,072,389	39,036
<b>Net change in fund balances</b>	<b>(1,369,871)</b>	<b>(329,154)</b>	<b>1,040,717</b>
Fund balances, beginning	1,369,871	1,387,624	17,753
Fund balances, ending	\$ -	\$ 1,058,470	\$ 1,058,470

CITY OF PITTSBURG, KANSAS

BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT

December 31, 2011

Assets:	
Cash and cash equivalents	\$ 372,646
Taxes receivable	665,625
Prepaid items	<u>1,050</u>
Total assets	<u>\$ 1,039,321</u>
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 10,717
Accrued payroll	18,554
Deferred revenue	<u>665,625</u>
Total liabilities	<u>694,896</u>
Fund balances:	
Nonspendable:	
Not in spendable form	1,050
Restricted:	
Specific library activities	5,500
Unassigned	<u>337,875</u>
Total fund balances	<u>344,425</u>
Total liabilities and fund balances	<u>\$ 1,039,321</u>

CITY OF PITTSBURG, KANSAS

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

Year Ended December 31, 2011

Revenues:		
Taxes	\$	712,786
Fines and fees		14,068
Investment earnings		465
Miscellaneous		<u>86,804</u>
Total revenues		<u>814,123</u>
Expenditures:		
Current:		
Education		868,672
Capital outlay		<u>18,029</u>
Total expenditures		<u>886,701</u>
Net change in fund balance		(72,578)
Fund balance, beginning		<u>417,003</u>
Fund balance, ending	\$	<u><u>344,425</u></u>

STATISTICAL SECTION

## Statistical Section

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>84 - 87</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its most significant local revenue source, water and wastewater revenues.	<b>88 - 92</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>93 - 97</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.	<b>98 - 99</b>
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	<b>100 - 102</b>

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 18,763,038	\$ 16,756,655	\$ 11,635,598	\$ 11,057,847	\$ 15,301,187	\$ 19,859,962	\$ 18,912,152	\$ 19,014,339	\$ 20,114,287
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783	11,967,446	11,140,376	11,062,338	3,094,841
Unrestricted	9,052,993	(3,148,102)	2,807,699	3,671,353	710,472	(693,934)	3,290,242	4,171,957	12,447,386
<b>Total governmental activities net assets</b>	<b>\$ 27,816,031</b>	<b>\$ 21,284,508</b>	<b>\$ 23,412,503</b>	<b>\$ 24,056,770</b>	<b>\$ 27,231,442</b>	<b>\$ 31,133,474</b>	<b>\$ 33,342,770</b>	<b>\$ 34,248,634</b>	<b>\$ 35,656,514</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 22,521,787	\$ 24,239,750	\$ 24,548,293	\$ 25,149,875	\$ 25,437,788	\$ 25,608,635	\$ 25,804,200	\$ 26,033,232	\$ 28,121,473
Unrestricted	2,542,944	2,916,297	3,380,284	3,603,895	3,779,952	4,098,445	3,854,413	4,084,270	4,316,071
<b>Total business-type activities net assets</b>	<b>\$ 25,064,731</b>	<b>\$ 27,156,047</b>	<b>\$ 27,928,577</b>	<b>\$ 28,753,770</b>	<b>\$ 29,217,740</b>	<b>\$ 29,707,080</b>	<b>\$ 29,458,613</b>	<b>\$ 30,117,502</b>	<b>\$ 32,437,544</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 41,284,825	\$ 40,996,405	\$ 36,183,889	\$ 36,207,722	\$ 40,738,975	\$ 45,468,597	\$ 44,516,352	\$ 45,047,571	\$ 48,235,760
Restricted	-	7,675,955	8,969,208	9,327,570	11,219,783	11,967,446	11,140,376	11,062,338	3,094,841
Unrestricted	11,595,937	(231,805)	6,187,983	7,275,248	4,490,424	3,404,511	7,144,555	8,256,227	16,763,457
<b>Total primary government net assets</b>	<b>\$ 52,880,762</b>	<b>\$ 48,440,555</b>	<b>\$ 51,341,080</b>	<b>\$ 52,810,540</b>	<b>\$ 56,449,182</b>	<b>\$ 60,840,554</b>	<b>\$ 62,801,383</b>	<b>\$ 64,366,136</b>	<b>\$ 68,094,058</b>

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

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

EXPENSES	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental activities:</b>									
General government	\$ 1,009,591	\$ 1,179,616	\$ 1,857,462	\$ 1,719,514	\$ 2,018,611	\$ 4,947,762	\$ 3,000,246	\$ 2,969,488	\$ 3,032,941
Public safety - police	2,490,674	2,742,941	2,723,640	3,249,047	3,418,799	3,168,354	3,208,579	3,324,541	3,325,859
Public safety - fire	1,922,917	2,105,592	2,301,123	2,369,005	2,359,355	2,232,497	2,258,471	2,232,712	2,425,825
Public safety - other	555,978	595,657	841,165	938,345	1,025,858	952,272	704,225	725,511	547,962
Public works	2,438,603	2,640,555	2,728,564	2,872,843	3,325,255	3,580,553	3,174,612	3,485,750	3,734,665
Sanitation and health	124,782	138,940	140,372	164,649	185,134	287,332	160,796	147,195	159,171
Culture and recreation	1,811,890	2,025,622	2,127,719	2,297,838	2,325,059	2,293,785	2,103,992	2,166,482	2,197,692
Economic development	986,716	489,424	585,270	1,160,463	1,135,420	748,216	744,554	858,159	675,927
Social welfare	-	5,724,575	81,992	898,362	4,869	3,577	6,983	-	35,187
Interest on long-term debt	1,483,448	2,027,295	3,021,681	2,884,301	1,494,683	1,546,056	1,581,390	1,485,203	1,661,078
Total governmental expenses	297,151	306,218	353,323	656,773	1,213,873	1,460,126	1,390,747	1,250,376	1,172,414
<b>Total governmental expenses</b>	<b>13,031,619</b>	<b>19,931,435</b>	<b>16,593,511</b>	<b>16,603,342</b>	<b>16,606,397</b>	<b>21,141,023</b>	<b>18,342,755</b>	<b>18,646,417</b>	<b>18,978,621</b>
<b>Business-type activities:</b>									
Water/wastewater	4,861,635	4,812,302	4,568,704	4,871,241	4,744,357	5,294,505	5,159,259	5,379,825	5,863,122
Stormwater	-	124,315	214,819	244,875	315,659	596,886	693,837	710,982	817,326
<b>Total business-type activities expenses</b>	<b>4,861,635</b>	<b>5,036,617</b>	<b>4,783,523</b>	<b>5,116,116</b>	<b>5,060,016</b>	<b>5,741,371</b>	<b>5,623,096</b>	<b>6,090,807</b>	<b>6,680,448</b>
<b>Total primary government expenses</b>	<b>\$ 17,893,254</b>	<b>\$ 24,938,052</b>	<b>\$ 21,377,134</b>	<b>\$ 23,719,458</b>	<b>\$ 23,586,413</b>	<b>\$ 26,882,394</b>	<b>\$ 24,165,851</b>	<b>\$ 24,737,224</b>	<b>\$ 25,659,069</b>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
Charges for services:									
General government	\$ 963,567	\$ 979,982	\$ 1,605,500	\$ 1,019,776	\$ 1,252,267	\$ 1,397,656	\$ 1,287,678	\$ 1,430,551	\$ 1,257,293
Public works	380,733	464,049	628,343	638,584	714,533	556,193	883,940	707,999	914,790
Industrial promotion	282,583	373,723	218,035	249,229	879,887	362,427	354,752	353,717	329,758
Other activities	555,080	484,435	360,429	336,747	340,658	538,802	585,060	564,874	557,694
Operating grants and contributions	2,627,149	2,980,826	5,003,190	3,248,013	2,800,229	3,167,635	2,521,893	2,661,928	2,568,233
Capital grants and contributions	138,341	22,130	797,210	1,841,305	811,566	3,944,546	389,808	428,241	797,414
<b>Total governmental activities program revenues</b>	<b>4,967,833</b>	<b>5,305,245</b>	<b>8,208,818</b>	<b>7,833,654</b>	<b>6,802,540</b>	<b>10,369,171</b>	<b>5,823,231</b>	<b>5,045,216</b>	<b>6,445,202</b>
<b>Business-type activities:</b>									
Charges for services:									
Water/wastewater	5,555,225	5,293,009	5,177,668	5,693,687	5,684,715	5,773,171	6,205,333	6,532,115	7,442,028
Stormwater	-	613,116	620,740	643,211	683,390	680,397	713,571	728,487	746,273
Operating grants and contributions	-	-	-	-	-	-	-	-	94,603
Capital grants and contributions	-	-	13,500	33,178	4,442	4,282	-	360,390	1,217,250
<b>Total business-type activities program revenues</b>	<b>5,555,225</b>	<b>5,906,127</b>	<b>5,811,848</b>	<b>6,370,077</b>	<b>6,368,547</b>	<b>6,466,040</b>	<b>6,919,304</b>	<b>7,620,975</b>	<b>8,460,454</b>
<b>Total primary government program revenues</b>	<b>\$ 10,523,058</b>	<b>\$ 11,211,372</b>	<b>\$ 14,221,664</b>	<b>\$ 14,003,731</b>	<b>\$ 13,181,087</b>	<b>\$ 16,835,211</b>	<b>\$ 12,742,155</b>	<b>\$ 13,670,191</b>	<b>\$ 15,905,656</b>
<b>Net (Expense)/Revenue</b>									
Governmental activities	\$ (8,063,986)	\$ (14,596,190)	\$ (8,383,693)	\$ (10,869,688)	\$ (11,703,657)	\$ (10,772,846)	\$ (12,516,554)	\$ (12,597,189)	\$ (12,533,418)
Business-type activities	693,590	869,510	1,228,223	1,253,961	1,288,931	726,669	1,095,808	1,530,165	2,780,006
<b>Total primary government net expense</b>	<b>\$ (7,370,396)</b>	<b>\$ (13,726,680)</b>	<b>\$ (7,155,470)</b>	<b>\$ (9,719,727)</b>	<b>\$ (10,409,326)</b>	<b>\$ (10,046,180)</b>	<b>\$ (11,423,746)</b>	<b>\$ (11,067,031)</b>	<b>\$ (9,753,412)</b>
<b>General Revenues and other Changes in Net Assets</b>									
<b>Governmental activities:</b>									
Taxes:									
Property taxes	\$ 4,134,745	\$ 4,514,287	\$ 4,647,531	\$ 4,924,011	\$ 5,340,410	\$ 5,894,064	\$ 5,998,774	\$ 5,482,690	\$ 5,309,989
Sales taxes	3,113,879	3,405,928	3,553,907	3,696,000	5,522,057	5,674,509	5,528,666	5,359,593	6,307,816
Franchise taxes	1,186,843	1,194,383	1,367,418	1,688,118	1,697,843	1,793,852	1,678,619	1,727,865	1,748,741
Investment earnings	228,274	151,793	420,802	783,520	1,229,571	925,498	157,971	52,103	21,485
Transfers	115,489	(1,201,734)	521,830	542,305	939,349	387,197	1,376,828	860,808	463,963
<b>Total governmental activities</b>	<b>8,771,328</b>	<b>8,064,667</b>	<b>10,511,888</b>	<b>11,613,955</b>	<b>14,789,830</b>	<b>14,674,861</b>	<b>14,728,350</b>	<b>13,903,963</b>	<b>13,941,299</b>
<b>Business-type activities:</b>									
Investment earnings	16,921	20,072	65,237	113,638	164,788	149,628	32,553	9,529	3,399
Transfers	(115,489)	1,201,734	(521,530)	(542,305)	(939,349)	(387,197)	(1,376,828)	(860,608)	(463,363)
<b>Total business-type activities</b>	<b>(99,568)</b>	<b>1,221,806</b>	<b>(456,293)</b>	<b>(428,767)</b>	<b>(834,561)</b>	<b>(237,569)</b>	<b>(1,344,275)</b>	<b>(871,279)</b>	<b>(459,964)</b>
<b>Total primary government</b>	<b>\$ 8,671,760</b>	<b>\$ 9,286,473</b>	<b>\$ 10,055,595</b>	<b>\$ 11,185,187</b>	<b>\$ 13,954,469</b>	<b>\$ 14,437,292</b>	<b>\$ 13,384,075</b>	<b>\$ 12,831,784</b>	<b>\$ 13,481,335</b>
<b>Change in Net Assets</b>									
Governmental activities	\$ 707,342	\$ (6,531,523)	\$ 2,127,905	\$ 844,267	\$ 3,085,173	\$ 3,902,032	\$ 2,209,295	\$ 925,864	\$ 1,407,860
Business-type activities	594,022	2,061,316	772,530	825,193	463,970	489,340	(248,467)	658,659	2,320,042
<b>Total primary government</b>	<b>\$ 1,301,364</b>	<b>\$ (4,440,207)</b>	<b>\$ 2,900,435</b>	<b>\$ 1,469,460</b>	<b>\$ 3,549,143</b>	<b>\$ 4,391,372</b>	<b>\$ 1,960,829</b>	<b>\$ 1,584,523</b>	<b>\$ 3,727,902</b>

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund</b>										
Reserved	\$ 323,375	\$ 871,540	\$ 1,012,561	\$ 1,078,301	\$ 1,010,457	\$ 878,015	\$ 106,177	\$ 420,642	\$ 497,610	\$ -
Unreserved	1,478,468	1,379,522	1,603,994	2,202,370	1,762,970	1,471,471	3,880,335	4,040,259	3,812,240	-
Nonspendable (1)	-	-	-	-	-	-	-	-	-	97,793
Restricted (1)	-	-	-	-	-	-	-	-	-	-
Assigned (1)	-	-	-	-	-	-	-	-	-	62,068
Unassigned (1)	-	-	-	-	-	-	-	-	-	4,370,905
<b>Total general fund</b>	<b>\$ 1,801,843</b>	<b>\$ 2,251,062</b>	<b>\$ 2,616,555</b>	<b>\$ 3,280,671</b>	<b>\$ 2,773,427</b>	<b>\$ 2,349,486</b>	<b>\$ 3,986,512</b>	<b>\$ 4,460,901</b>	<b>\$ 4,309,850</b>	<b>\$ 4,530,766</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 6,034,985	\$ 6,878,314	\$ 7,002,149	\$ 6,344,650	\$ 6,531,515	\$ 5,963,688	\$ 6,056,599	\$ 6,743,667	\$ 6,870,856	\$ -
Unreserved, reported in:										
Special revenue funds	259,338	237,312	96,085	1,353,807	1,235,257	1,495,481	1,496,186	1,355,282	1,546,905	-
Capital projects funds	(1,085,760)	(53,658)	(6,216,400)	(116,608)	1,420,714	11,912,183	1,939,470	928,677	314,568	-
Debt service funds	435,571	-	-	969,826	1,368,189	2,945,291	1,826,040	2,127,664	1,763,194	-
Nonspendable (1)	-	-	-	-	-	-	-	-	-	4,396
Restricted (1)	-	-	-	-	-	-	-	-	-	3,070,343
Assigned (1)	-	-	-	-	-	-	-	-	-	7,031,364
Unassigned (1)	-	-	-	-	-	-	-	-	-	(353,284)
<b>Total all other governmental funds</b>	<b>\$ 5,644,134</b>	<b>\$ 7,061,968</b>	<b>\$ 881,834</b>	<b>\$ 8,551,675</b>	<b>\$ 10,556,675</b>	<b>\$ 22,316,643</b>	<b>\$ 11,318,295</b>	<b>\$ 11,155,290</b>	<b>\$ 10,495,523</b>	<b>\$ 9,752,819</b>

(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)

	2002	2003	2004	2005	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>											
Taxes	\$ 8,056,910	\$ 8,435,565	\$ 9,114,608	\$ 9,568,855	\$ 10,308,129	\$ 12,560,129	\$ 13,362,225	\$ 13,194,061	\$ 12,570,152	\$ 13,456,448	
Licenses and permits	125,541	119,413	113,690	144,040	104,417	216,596	170,404	166,013	141,234	162,257	
Intergovernmental	2,847,297	2,576,022	2,804,501	4,491,076	4,012,530	2,767,243	6,169,100	2,854,525	2,849,094	3,332,993	
Charges for services	1,147,132	1,401,914	1,369,142	1,591,104	1,609,489	1,703,422	1,965,141	1,709,552	1,697,246	1,954,380	
Fines and fees	301,663	289,401	345,862	323,046	399,816	366,367	349,695	366,367	427,215	431,301	
Special assessments	95,561	68,580	70,509	59,074	57,645	26,572	34,875	49,263	75,820	59,375	
Investment earnings	327,822	220,274	151,793	420,802	763,520	1,229,571	925,489	157,971	52,103	21,488	
Lease income	123,587	138,587	314,676	277,915	340,478	576,732	542,847	537,694	458,610	445,966	
Miscellaneous	183,636	413,476	326,428	1,466,474	1,307,924	825,925	1,180,128	348,230	396,479	221,145	
<b>Total revenues</b>	<b>13,209,149</b>	<b>13,663,232</b>	<b>14,611,209</b>	<b>18,342,487</b>	<b>18,817,060</b>	<b>20,305,987</b>	<b>24,699,914</b>	<b>19,393,776</b>	<b>18,667,953</b>	<b>20,085,353</b>	
<b>Expenditures</b>											
General government	1,442,819	933,982	1,057,511	1,561,875	1,535,479	1,906,313	4,712,494	2,695,357	2,824,648	2,630,219	
Public safety-police	2,559,537	2,455,770	2,505,294	2,629,829	3,101,059	3,289,331	3,051,104	2,958,470	2,936,621	2,986,364	
Public safety-fire	1,799,414	1,779,901	1,922,396	2,153,437	2,190,419	2,254,080	2,107,722	2,009,788	2,016,858	2,196,533	
Public safety-other	507,361	469,379	510,274	814,626	904,123	985,134	867,333	679,447	690,160	539,551	
Public works	1,792,416	1,762,966	1,904,893	1,911,334	1,947,035	2,306,195	2,604,829	1,933,140	2,119,057	2,486,441	
Sanitation and health	105,220	118,897	115,052	135,128	159,202	178,870	253,084	156,667	144,721	157,824	
Culture and recreation	1,605,946	1,544,131	1,650,630	1,806,866	1,915,072	1,962,361	1,846,578	1,693,206	1,735,955	1,766,694	
Industrial promotion	252,483	943,259	434,191	547,032	1,121,960	1,409,273	1,432,577	711,829	818,995	676,439	
Economic development	-	-	-	81,592	898,362	4,869	3,577	6,993	-	-	-
Social welfare	1,273,255	1,483,548	1,884,603	3,020,775	2,279,705	1,469,391	1,550,188	1,579,956	1,485,494	1,659,555	
Capital outlay	2,712,127	744,521	6,789,928	2,810,871	4,816,592	5,696,108	16,704,405	3,272,406	1,521,078	1,382,135	
Debt service principal	963,573	876,456	1,049,491	940,000	7,365,000	1,500,000	2,455,309	2,649,183	2,854,576	2,855,994	
Debt service interest & fees	336,261	260,258	222,695	261,574	660,233	751,531	1,545,238	1,334,208	1,197,533	1,111,344	
Debt issuance costs	-	59,080	-	407,706	407,706	266,163	91,288	33,570	11,943	21,411	
<b>Total expenditures</b>	<b>15,350,112</b>	<b>13,432,158</b>	<b>19,946,958</b>	<b>18,574,939</b>	<b>29,301,947</b>	<b>23,979,619</b>	<b>39,225,706</b>	<b>21,714,220</b>	<b>20,359,579</b>	<b>21,070,504</b>	
<b>Excess of revenues over (under) expenditures</b>	<b>(2,140,963)</b>	<b>231,074</b>	<b>(5,335,749)</b>	<b>(232,452)</b>	<b>(10,484,887)</b>	<b>(3,673,632)</b>	<b>(14,525,792)</b>	<b>(2,330,444)</b>	<b>(1,691,626)</b>	<b>(985,151)</b>	
<b>Other Financing Sources (Uses)</b>											
Bonds issued	-	1,533,240	-	1,460,000	11,390,000	14,285,000	2,950,380	1,265,000	-	-	
Discount on bonds	-	-	-	(166,389)	-	-	-	-	-	-	
Bond anticipation notes issued	-	-	-	6,285,000	-	-	-	-	-	-	
Custom energy note payable issued	-	-	-	-	-	-	1,626,933	-	-	-	
Transfers in	1,127,983	1,048,447	1,055,097	1,920,802	8,230,825	2,297,727	2,313,905	4,770,242	880,808	3,436,406	
Transfers out	(1,023,386)	(932,959)	(875,269)	(1,099,193)	(7,471,593)	(986,817)	(1,926,748)	(3,393,414)	-	(2,973,043)	
<b>Total other financing sources (uses)</b>	<b>104,597</b>	<b>1,648,729</b>	<b>179,828</b>	<b>8,566,409</b>	<b>11,982,643</b>	<b>15,595,910</b>	<b>5,164,470</b>	<b>2,641,828</b>	<b>880,808</b>	<b>463,363</b>	
<b>Net change in fund balances</b>	<b>(2,036,366)</b>	<b>1,879,803</b>	<b>(5,158,921)</b>	<b>8,333,957</b>	<b>1,497,756</b>	<b>11,922,278</b>	<b>(9,361,322)</b>	<b>311,384</b>	<b>(810,818)</b>	<b>(521,788)</b>	
<b>Debt service as a percentage of noncapital expenditures</b>	<b>10.3%</b>	<b>9.4%</b>	<b>9.7%</b>	<b>7.6%</b>	<b>34.4%</b>	<b>13.8%</b>	<b>18.2%</b>	<b>21.8%</b>	<b>21.1%</b>	<b>20.7%</b>	

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

<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>	<u>Total Direct Rate</u>			
						<u>Water</u>		<u>Sewer</u>	
						<u>Base Rate (1)</u>	<u>Usage Rate (2)</u>	<u>Base Rate (1)</u>	<u>Usage Rate (2)</u>
2002	1,051	971	80	7.63%	2,075	\$ 6.33	Variable	\$ 11.05	Variable
2003	972	948	23	2.40%	2,143	\$ 6.52	Variable	\$ 11.39	Variable
2004	907	870	37	4.04%	1,474	\$ 6.72	Variable	\$ 11.74	Variable
2005	917	833	84	9.11%	1,338	\$ 6.93	Variable	\$ 12.10	Variable
2006	936	860	76	8.17%	875	\$ 7.14	Variable	\$ 12.47	Variable
2007	910	852	58	6.37%	1,633	\$ 7.36	Variable	\$ 12.85	Variable
2008	926	814	112	12.10%	1,348	\$ 7.78	Variable	\$ 13.58	Variable
2009	848	718	130	15.33%	1,227	\$ 8.50	Variable	\$ 14.84	Variable
2010	881	745	136	15.44%	1,087	\$ 9.38	Variable	\$ 16.36	Variable
2011	942	739	203	21.55%	975	\$ 10.34	Variable	\$ 18.03	Variable

Note: Gallons are presented in millions.

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

2) See rate schedule on page 90.

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

<u>Fiscal Year</u>	<u>Water Meter Taps Sold</u>	<u>Sewer Taps Sold</u>	<u>Total Taps</u>
2002	97	9	106
2003	80	9	89
2004	63	24	87
2005	72	23	95
2006	60	32	92
2007	56	32	88
2008	40	34	74
2009	38	31	69
2010	27	21	48
2011	26	9	35

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

Fiscal Year	WATER			SEWER (1)			TOTAL (2)	
	RESIDENTIAL	COMMERCIAL	INDUSTRIAL OTHER	RESIDENTIAL	COMMERCIAL	INDUSTRIAL OTHER	WATER	SEWER
2002	7,697	588	55	262	na	na	na	na
2003	7,663	598	51	228	na	na	na	7,837
2004	7,677	586	50	229	na	na	na	7,802
2005	7,684	581	49	209	na	na	na	7,839
2006	7,702	585	52	212	7,115	42	130	7,821
2007	7,733	556	50	205	7,156	529	44	7,859
2008	7,632	551	53	214	7,109	513	42	7,797
2009	7,744	539	51	222	7,061	506	43	7,739
2010	7,701	537	51	219	7,070	497	43	7,743
2011	7,713	528	51	222	7,032	494	40	7,713

(1) Sewer customers by type not available for years 2002-2005.

(2) Total sewer customers not available for year 2002.

Note: na means data unavailable.



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

<u>Customer</u>	Fiscal Year 2011			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Sugar Creek Packing Company	\$ 167,335	4.38%	\$ 197,290	6.10%
Pittsburg State University	203,764	5.33%	71,286	2.20%
Via Christi Hospital	40,312	1.05%	31,978	0.99%
USD 250 Public Schools	40,297	1.05%	19,186	0.59%
Parkview Community	33,394	0.87%	20,277	0.63%
Corner Stone Village	21,818	0.57%	12,987	0.40%
Broadway Tower Corporation	15,821	0.41%	9,791	0.30%
Golden Living Center	13,857	0.36%	8,840	0.27%
Fresenius Medical Care	12,224	0.32%	9,143	0.28%
Pitt Plastics Incorporated	12,210	0.32%	8,212	0.25%
Subtotal (10 largest)	561,032	14.68%	388,990	12.02%
Balance from other customers	3,261,880	85.32%	2,846,073	87.98%
Grand totals	<u>\$ 3,822,912</u>	<u>100.00%</u>	<u>\$ 3,235,063</u>	<u>100.00%</u>

<u>Customer</u>	Fiscal Year 2002			
	Water Revenue		Sewer Revenue	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Superior Industries	\$ 183,268	6.17%	\$ 162,223	6.87%
Pittsburg State University	131,643	4.43%	82,236	3.49%
Sugar Creek Packing Company	61,109	2.06%	83,928	3.56%
Via Christi Hospital	40,974	1.38%	29,048	1.23%
Miller's Professional Imaging	32,965	1.11%	21,576	0.91%
Parkview Community	34,155	1.15%	19,032	0.81%
Premdor Entry Systems	29,420	0.99%	22,800	0.97%
USD 250 Public Schools	25,591	0.86%	12,575	0.53%
Mission Clay Products	28,544	0.96%	1,191	0.05%
Golden Living Center	14,780	0.50%	14,737	0.62%
New Horizons of Pittsburg	14,167	0.48%	14,138	0.60%
Subtotal (10 largest)	596,616	20.07%	463,484	19.65%
Balance from other customers	2,375,788	79.93%	1,896,153	80.35%
Grand totals	<u>\$ 2,972,404</u>	<u>100.00%</u>	<u>\$ 2,359,637</u>	<u>100.00%</u>

Note: Dollar values reflected include base rate charges, as well as multiple meters on various accounts.

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

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Kansas Partnership Loan	FCIP Capital Lease	Sales Tax Transportation District Bonds (1)	Increment Financing Bonds (2)	General Obligation Bonds (3)	K.D.H.E. Loans	Total	Percentage of Personal Income	Per Capita			
2002	\$ 6,025,000	\$ 135,957	\$ -	\$ -	\$ -	\$ 3,765,000	\$ 1,161,698	\$ 11,087,655	2.5%	\$ 576			
2003	6,755,000	69,491	-	-	-	3,210,000	3,592,898	13,627,389	3.0%	708			
2004	5,775,000	-	-	-	-	2,640,000	3,628,144	12,043,144	2.6%	626			
2005	6,295,000	-	-	-	-	2,165,000	3,505,528	11,965,528	2.5%	622			
2006	8,900,000	-	-	1,395,000	6,310,000	1,810,000	3,951,901	22,366,901	4.6%	1,162			
2007	21,830,000	-	-	1,390,000	6,170,000	3,895,000	4,372,902	37,657,902	7.7%	1,957			
2008	22,580,297	-	1,786,707	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			

(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>	
2002	\$ 9,790,000	\$ 435,571	\$ 9,354,429	\$ 593,003,564	1.58%	\$ 486	
2003	9,965,000	609,330	9,355,670	626,864,145	1.49%	486	
2004	8,415,000	605,728	7,809,272	649,124,481	1.20%	406	
2005	8,460,000	935,554	7,524,446	724,715,132	1.04%	391	
2006	10,710,000	940,220	9,769,780	742,714,633	1.32%	508	
2007	25,725,000	2,188,158	23,536,842	786,786,859	2.99%	1,223	
2008	26,445,000	1,389,729	25,055,271	858,685,005	2.92%	1,283	
2009	25,250,000	1,732,912	23,517,088	853,339,722	2.76%	1,197	
2010	22,210,000	1,387,623	20,822,377	839,013,748	2.48%	1,029	
2011	19,175,000	1,058,470	18,116,530	854,706,247	2.12%	895	

(1) Source: Crawford County Clerk

**City of Pittsburg, Kansas**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2011**

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Crawford County	\$ 3,865,000	52.25%	\$ 2,019,463
Frontenac U.S.D. 249	5,445,000	4.91%	267,350
Pittsburg U.S.D. 250	22,820,000	84.29%	<u>19,234,978</u>
Subtotal, overlapping debt			21,521,791
City direct debt (2)			<u>16,579,281</u>
Total direct and overlapping debt			<u>\$ 38,101,072</u>

(1) Source: Crawford County Clerk

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

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

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

**Legal Debt Margin Calculation for Fiscal Year 2011**

Assessed Valuation (1)	\$ 134,931,699
Legal Debt Limit (2)	40,479,510
General Obligation Bonds	19,175,000
Less Amount Available in Debt Service Fund	<u>(1,058,470)</u>
Total net debt applicable to limit	<u>18,116,530</u>
Legal debt margin	<u>\$ 22,362,980</u>

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 34,602,484	\$ 36,272,164	\$ 37,617,070	\$ 39,889,902	\$ 41,694,028	\$ 43,703,108	\$ 44,244,609	\$ 41,876,403	\$ 40,658,921	\$ 40,479,510
Total net debt applicable to limit	<u>9,354,429</u>	<u>9,425,161</u>	<u>7,809,272</u>	<u>7,657,129</u>	<u>9,769,780</u>	<u>23,536,842</u>	<u>25,055,271</u>	<u>23,517,088</u>	<u>20,822,377</u>	<u>18,116,530</u>
Legal debt margin	<u>\$ 25,248,055</u>	<u>\$ 26,847,003</u>	<u>\$ 29,807,798</u>	<u>\$ 32,232,773</u>	<u>\$ 31,924,248</u>	<u>\$ 20,166,266</u>	<u>\$ 19,189,338</u>	<u>\$ 18,359,315</u>	<u>\$ 19,836,544</u>	<u>\$ 22,362,980</u>
Total net debt applicable to the limit as a percentage of debt limit	27.03%	25.98%	20.76%	19.20%	23.43%	53.86%	56.63%	56.16%	51.21%	44.75%

(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 Six Fiscal Years (1)

Fiscal Year	Sales Tax Transportation District Bonds (2)					Tax Increment Financing Bonds (3)					Coverage		
	Sales Tax Increment	Other Income	Less Expenses	Available Revenue	Net	Sales Tax Increment	Property Tax Increment	Other Income	Less Expenses	Available Revenue		Net	
2006	\$ 61,121	\$ 7,513	\$ 404	\$ 68,230	\$ -	\$ 150,760	\$ 63,607	\$ 29,119	\$ 1,569	\$ 241,917	\$ -	\$ 157,484	1.54
2007	79,596	4,268	2,854	81,010	5,000	189,151	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	201,424	275,761	5,171	3,773	478,683	195,000	289,765	0.99
2009	73,512	68	1,936	71,644	30,000	192,439	333,919	261	3,370	523,249	260,000	260,368	0.97
2010	66,687	4	1,754	64,947	30,000	188,731	236,688	23	3,023	492,429	215,000	267,957	1.02
2011	74,963	2	11,009	63,656	35,000	268,328	278,638	20	3,020	543,966	235,000	257,892	1.10

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

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

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

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

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Pittsburg State University Enrollment (4)</u>	<u>Unemployment Rate (5)</u>	<u>Median Age (1)</u>
2002	19,243	\$ 437,662,792	\$ 22,744	2,562	6,751	3.9%	28.1
2003	19,243	447,303,535	23,245	2,561	6,731	4.9%	28.1
2004	19,243	463,275,225	24,075	2,655	6,537	4.1%	28.1
2005	19,243	487,425,190	25,330	2,400	6,628	4.3%	28.1
2006	19,243	487,425,190	26,565	2,680	6,859	4.4%	28.1
2007	19,243	487,425,190	27,144	2,702	7,087	4.8%	28.1
2008	19,536	494,846,880	28,246	2,640	7,127	6.1%	28.1
2009	19,639	554,723,194	28,246	2,704	7,277	6.8%	28.1
2010	20,233	571,501,318	28,246	2,656	7,131	7.1%	28.1
2011	20,233	605,270,195	29,915	2,765	7,275	6.8%	28.1

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

(2) Source: U.S. Bureau of Economic Analysis (Crawford County, Kansas)

(3) Source: Unified School District # 250 Board of Education

(4) Source: Pittsburg State University Admissions

(5) Source: Kansas Department of Labor (Crawford County, Kansas)

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

Employer	Product	2011			2002		
		Estimated Number of Employees	Rank	Percentage of Total Employment (3)	Estimated Number of Employees	Rank	Percentage of Total Employment (3)
Pittsburg State University	University	1,867	1	9.12%	1,175	1	6.44%
Via Christi Health	Hospital	677	2	3.31%	640	3	3.51%
Pittsburg U.S.D. # 250	Public School K-12	684	3	3.34%	870	2	4.77%
Wal-Mart Supercenter	Retail & Grocery	380	4	1.86%	380	6	2.08%
Pitt Plastics Inc.	Polyethylene Bags	293	5	1.43%	340	7	1.86%
Miller's Inc.	Professional Photo Finishing	287	6	1.40%	452	4	2.48%
Pitsco, Inc.	Educational Systems	222	7	1.08%	182	9	1.00%
City of Pittsburg (2)	City Government	204	8	1.00%	202	8	1.11%
Masonite	Steel Door Manufacturer	225	9	1.10%	401	5	2.20%
Names & Numbers	Phone Directories	140	10	0.68%	na	na	na
<b>Total</b>		<b>4,979</b>		<b>24.32%</b>	<b>4,642</b>		<b>25.45%</b>

(1) Source: Pittsburg Chamber of Commerce

(2) Includes component unit.

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

Note: na means data unavailable.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Number of Employees	Percent of Total								
<b>Governmental-type Activities</b>										
<b>General Government</b>										
General Administration Department	3	1.5%	2	1.0%	7	3.6%	8	3.9%	8	4.1%
Human Resources Department	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%
Information Systems Department	3	1.5%	3	1.5%	4	2.0%	4	1.9%	3	1.5%
Total General Government	8	4.1%	7	3.6%	13	6.4%	14	6.8%	13	6.7%
<b>Public Safety</b>										
Police Department	50	25.6%	49	25.1%	50	24.5%	51	24.9%	48	25.0%
Fire Department	34	17.4%	34	17.4%	34	16.7%	34	16.4%	35	17.0%
Codes Enforcement Department	7	3.6%	6	3.1%	11	5.6%	11	5.4%	8	4.2%
Safety Department (2)	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%
Animal Control Department	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%
Municipal Court Department	5	2.6%	5	2.6%	6	2.9%	6	3.1%	6	3.1%
Total Public Safety	98	50.3%	97	49.7%	103	50.6%	104	50.8%	98	50.6%
<b>Public Works</b>										
Engineering Department	2	1.0%	2	1.0%	2	1.0%	2	1.0%	2	1.0%
Facility Maintenance (2)		0.0%		0.0%		0.0%		0.0%		0.0%
Street & Highway Department	14	7.2%	13	6.7%	13	6.4%	13	6.3%	12	6.2%
Atkinson Airport Department	4	2.1%	4	2.1%	4	2.0%	4	1.9%	3	1.5%
Total Public Works	20	10.3%	19	9.7%	19	9.3%	19	9.2%	20	10.3%
<b>Sanitation and Health</b>										
Mt. Olive Cemetery Department	1	0.5%	1	0.5%	1	0.5%	1	0.5%	1	0.5%
<b>Culture and Recreation</b>										
Parks and Recreation Department	9	4.6%	9	4.6%	11	5.4%	11	5.3%	10	5.2%
Four Oaks Complex Department	3	1.5%	3	1.5%	4	2.0%	4	1.9%	4	2.1%
Memorial Auditorium Department	5	2.6%	5	2.6%	5	2.4%	5	2.4%	4	2.1%
Total Culture and Recreation	17	8.7%	17	8.8%	20	9.8%	20	9.7%	18	9.3%
<b>Industrial Development</b>										
Economic Development Department	2	1.0%	2	1.0%	2	1.0%	2	1.0%	1	0.5%
<b>Social Welfare</b>										
Community Development & Housing	4	2.1%	5	2.6%	5	2.5%	4	1.9%	3	1.5%
<b>Total for Governmental-type Activities</b>	150	76.9%	150	76.9%	163	80.0%	164	79.7%	154	78.4%
<b>Business-type Activities</b>										
<b>Water/Wastewater Utility</b>										
Water Treatment Department	8	4.1%	8	4.1%	8	3.9%	8	3.8%	8	4.1%
Water Maintenance Department	13	6.7%	14	7.2%	9	4.4%	9	4.3%	7	3.6%
Wastewater Treatment Department	10	5.1%	10	5.1%	7	3.4%	7	3.4%	7	3.6%
Wastewater Maintenance Department	2	1.0%	2	1.0%	5	2.6%	5	2.6%	5	2.8%
Utility Administration Department	12	6.2%	11	5.7%	6	3.1%	7	3.4%	5	2.5%
Total Water/Wastewater Utility	45	23.1%	45	23.2%	37	18.1%	38	18.4%	33	17.0%
<b>Storm Water Utility</b>										
Storm Water Department (1)		0.0%	3	1.5%	4	2.0%	4	1.9%	7	3.6%
<b>Total for Business-type Activities</b>	45	23.1%	45	23.1%	41	20.1%	42	20.3%	40	20.6%
<b>Total Full-time Employees</b>	195	100.0%	195	100.0%	204	100.0%	205	100.0%	194	100.0%

1) Stormwater department began with year 2004.

2) Facility Maintenance department began with year 2005.

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

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Building permits issued	372	370	385	513	501	673	552	478	507	547
Building inspections conducted	1,990	1,377	1,696	750	1,069	1,628	1,370	1,309	1,096	868
Police										
Physical arrests	1,149	982	1,073	1,149	930	988	1,277	1,491	1,620	1,305
Parking violations	2,053	2,193	1,857	1,146	882	1,416	1,317	1,154	1,458	2,192
Traffic violations	2,359	2,483	3,529	3,019	2,823	3,416	2,998	2,442	2,039	2,154
Fire										
Fire calls	na	236	150	156	181	120	131	129	313	313
Emergency calls/EMS	na	132	1,154	1,335	1,231	1,355	1,255	854	571	619
Other calls	na	326	620	753	811	716	604	752	898	1,071
Other public works										
Street resurfacing (tons of asphalt)	9,101	6,239	3,973	4,674	5,491	3,289	5,041	1,840	2,533	5,689
Airport (gallons sold)	149,346	149,300	156,658	184,084	181,848	205,904	222,403	180,055	177,407	196,216
Parks and recreation										
Aquatic center (attendance)	na	na	24,703	28,473	28,420	29,790	29,646	27,974	30,661	31,285
Golf course (rounds of golf)	na	na	na	12,867	10,516	9,459	10,592	9,653	9,911	7,904
Memorial auditorium (events)	na	429	359	440	308	288	392	261	247	458
Water										
Average daily consumption (gallons)	2,879,748	2,661,753	2,477,992	2,512,452	2,564,255	2,494,501	2,460,721	2,247,419	2,349,718	2,517,244
Peak daily consumption (gallons)	5,599,000	5,348,000	3,962,000	4,962,000	4,900,000	4,552,000	4,738,000	3,733,000	5,444,000	4,950,000
Wastewater										
Average daily sewage treatment (gallons)	5,683,561	5,871,506	4,037,608	3,664,657	2,396,986	4,470,895	3,691,753	3,362,808	2,985,439	2,670,137

Note: na means data unavailable.

Sources: Various city departments.

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Fire Stations	3	3	3	3	3	3	3	3	3	3
Other public works										
Streets (miles)	145	145	145	145	141	141.5	141.5	141.5	141.5	141.5
Streetlights	2,067	2,082	2,089	2,102	2,108	2,115	2,096	2,095	2,095	2,097
Traffic Signals	39	39	39	39	39	38	38	39	39	39
Parks and recreation										
Public parks	9	9	9	9	9	10	10	10	10	10
Swimming pools	2	2	2	2	2	2	2	2	2	2
Golf courses	1	1	1	1	1	1	1	1	1	1
Baseball/softball fields	9	9	9	9	9	9	9	9	9	9
Tennis courts	8	8	8	8	8	8	8	8	8	8
Community centers	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	na	na	na	na	165	165.5	165.5	165.5	165.5	168.5
Storage capacity (gallons)	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
Wastewater										
Sanitary sewers (miles)	na	na	na	na	126	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	23,040,000	23,040,000	23,040,000	23,040,000
Stormwater										
Storm sewers (miles)	na	na	na	na	18	18.5	19.0	19.0	19.0	19.0

Note: na means data unavailable.

Sources: Various city departments.

**SINGLE AUDIT SECTION**

CITY OF PITTSBURG, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
Office of National Drug Control Policy:		
Passed through Kansas Bureau of Investigation:		
High Intensity Drug Trafficking Area	7.999	\$ 56,876
U.S. Department of Housing and Urban Development:		
Section 8 Housing Cluster:		
Section 8 Housing Choice Vouchers	14.871	1,402,751
Passed through Kansas Housing Resources Corporation:		
Emergency Shelter Grant	14.231	68,102
HOME Investment Partnerships Program	14.239	65,335
Total U.S. Department of Housing and Urban Development		<u>1,536,188</u>
Environmental Protection Agency:		
Passed through Kansas Department of Health and Environment:		
ARRA - Capitalization Grants for Drinking Water State Revolving Funds, Federal Award No. 2F-97705401	66.468	1,428,641
U.S. Department of Transportation:		
Airport Improvement Program	20.106	84,981
Passed through Kansas Department of Transportation:		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	6,795
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	4,829
Occupant Protection Incentive Grant	20.602	1,603
National Highway Transportation Safety Administration Discretionary Safety Grants	20.614	1,992
Total U.S. Department of Transportation		<u>100,200</u>
U.S. Department of Justice:		
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.738	15,064
ARRA - Public Safety Partnership and Community Policing Grants - 2009	16.710	55,265
ARRA - Public Safety Partnership and Community Policing Grants - 2011	16.710	11,065
Total U.S. Department of Justice		<u>81,394</u>
Department of Homeland Security-Federal Emergency Management Agency:		
Passed through Kansas Department of Emergency Management:		
Public Assistance Grant	97.036	27,529
Passed through Kansas Highway Patrol:		
Assistance to Firefighters Grant	97.044	543,750
Total U.S. Department of Justice		<u>571,279</u>
U.S. Department of Energy:		
TAKE CHARGE Grant	81.128	11,467
Total expenditures of federal awards		<u>\$ 3,786,045</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PITTSBURG, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2011

1 - General

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

2 - Basis of Accounting

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

CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

**Section I – Summary of Independent Auditor’s Results**

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	2011-1

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds
97.044	Assistance to Firefighters Grant

CITY OF PITTSBURG, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

Auditee qualified as a low-risk auditee: Yes

**Section II – Financial Statement Findings**

No matters reported.

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

**Finding 2011-1**

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

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

*Criteria* – According to 2 CFR 180, for contracts funded by Federal grants, the City is required to check the Excluded Parties List System or have a certification signed by all parties with whom the City contracts if the goods or services are expected to equal or exceed \$ 25,000.

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

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

*Questioned Costs* – Unknown.

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

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

CITY OF PITTSBURG, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2011

**Finding 2010-1 – Significant Deficiency**

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

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

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

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

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

*Questioned Costs* – Unknown.

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

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

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



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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pittsburg, Kansas (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated April 30, 2012.

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

*Berberich Trahan & Co., P.A.*

April 30, 2012



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Pittsburg, Kansas (the City) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2011-1.

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### Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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

*Berberich Trahan & Co., P.A.*

April 30, 2012