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**CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

INDEPENDENT AUDITORS' REPORT

City Council
City of Greensburg
416 South Main Street
Greensburg, Pennsylvania 15601

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greensburg, Westmoreland County, Pennsylvania (City), as of and for the year ended December 31, 2006, 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 of Greensburg, Westmoreland County, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Aerobic Center Municipal Authority, whose total assets of \$806,385, total net assets of \$671,808, and total revenues of \$821,360, which represent 10.69 percent, 14.58 percent, and 29.14 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Aerobic Center Municipal Authority, is based on the report of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greensburg, Westmoreland County, Pennsylvania, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof 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 September 5, 2007, on our consideration of the City of Greensburg, Pennsylvania'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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 14 and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greensburg, Westmoreland County, Pennsylvania's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sarp & Company
Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
September 5, 2007



CITY OF GREENSBURG

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CITY OF GREENSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

The discussion and analysis of the City of Greensburg's financial performance provides an overview of the city's financial activities for the fiscal year ending December 31, 2006. Please read it in conjunction with the City's financial statements and notes which follow in order to obtain a thorough understanding of the City's financial condition at December 31, 2006.

Fiscal year 2006 represented the third year in which the City of Greensburg implemented Governmental Accounting Standards Board (GASB) Statement Number 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*." The City will continue to use the new accounting standard in order to enhance the understandability and usefulness of the annual financial reports.

USING THIS ANNUAL REPORT

This Management's Discussion and Analysis is intended to serve as an introduction to the City of Greensburg's basic financial statements. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 15 and 16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 17. These statements tell how governmental activities were financed in the short term as well as what remains for future spending. They report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements contain financial information about proprietary funds, fiduciary funds and our component units. Proprietary funds are funds that the City operates like a business. This group includes the Parking Revenue Fund, and the Hutchinson Parking Garage Fund.



CITY OF GREENSBURG

• INCORPORATED •

February 9, 1799

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Fiduciary funds are those funds that involve resources that are held by the City for which we act as a trustee or agent for the benefit of others.

The City's component units include the Greensburg Parking Authority and the Aerobic Center Municipal Authority.

The financial statements include notes that provide an explanation for certain information in the financial statements and also provide more details for this information.

The statements and notes are followed by required supplementary information. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual is presented for the General Fund.

FINANCIAL HIGHLIGHTS

- The total net assets (assets less liabilities) on a government-wide basis were \$17,167,138 at December 31, 2006, not including component units. This is an increase of \$2,215,940 over last year. This is mainly due to the cash on hand borrowed to complete the construction in progress of three new parking lots being built to accommodate the recent and upcoming growth in the city.
- Real estate tax rates remained at 20.00 mills in 2006.
- Revenues of the City's governmental funds were \$14,622,512, which includes transfers from the City's business-type activities and proceeds from the sale of fixed assets, and expenses amounted to \$11,735,643.
- Revenues of the City's business-type activities were \$1,618,161 for 2006 and expenses amounted to \$780,830.
- The City of Greensburg's total assets at December 31, 2006 were \$29,520,707, excluding component units. GASB 34 required that all capital assets, including infrastructure, be valued and reported within the government-wide financial statements, but allowed capitalization of infrastructure to begin in 2004. The City reported infrastructure in the 2004 statements and will continue to report in this and future financial statements.



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GOVERNMENT-WIDE FINANCIAL STATEMENTS

The analysis of the City as a whole begins on page 15. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Current year revenues and expenditures are recorded when identified regardless of when cash is actually paid or received. These two statements reflect the financial position of the City. Increases or decreases in the City's net assets over time are a good indicator of its financial health. You will need to consider other nonfinancial factors, such as changes in the City's real estate tax base and general economic conditions to assess the overall position of the City.

The Statement of Net Assets and the Statement of Activities divide the City into three categories:

- *Governmental Activities* - Most of the City's basic services are reported here, including the police, fire, public works, parks and recreation, and general administration.
- *Business-type Activities* - The Parking Revenue Fund and the Hutchinson Garage Fund are reported here.
- *Component Units* - The City includes two separate legal entities in its report - the Greensburg Parking Authority and the Aerobic Center Municipal Authority.



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FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending. Some funds are required to be established by State law or by bond covenants. Non-major funds are reported as "Other Governmental Funds".

The City has three types of funds:

***Governmental Funds** – Include most of the City's basic services and focus on the inflow and outflow of cash and the balances left at year-end that are available for spending. These funds, including the General Fund, Special Revenue Funds, Capital Project Funds and the Debt Service Fund, are reported using the modified accrual basis of accounting. Therefore, the governmental fund statements provide a detailed short-term view that assist in determining the financial resources available in the near future to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

***Proprietary Funds** – These funds are used to account for financial activity of the City's operations for which customers are charged a user fee. They are the same as the business-type activities reported in the government-wide statements but provide more detail and information, such as cash flows.

***Fiduciary Funds** – The City is the trustee or fiduciary for its employees' pension plans as well as the Payroll Clearing Fund, the Special Fund and the Thomas Lynch Concert Fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.



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Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information can be found immediately following the notes to the financial statements.

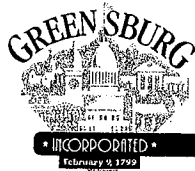
Government-wide Financial Analysis

Net Assets:

As noted earlier, net assets are useful indicators of a government's financial position. At December 31, 2006, the City's assets exceeded its liabilities by \$17,167,138. Total assets equaled \$29,520,707. Of this amount, \$22,704,826 was capital assets, including infrastructure. Prior to the adoption of GASB No. 34, infrastructure was not reported or depreciated in governmental financial statements.

Governmental Activities:

Total revenues from governmental activities of \$12.3 million were derived primarily from tax collections at 51.7%. Donations comprised 14.6% of revenues. Most of this was due to the funding of the Mount Pleasant Street Flood Project. Fees for services made up 10.4%. Grants and contributions made up the fourth largest source at 8.6%. Fines and forfeits, interest, licenses and permits, internal transfers and other miscellaneous income make up the remaining 14.7%.



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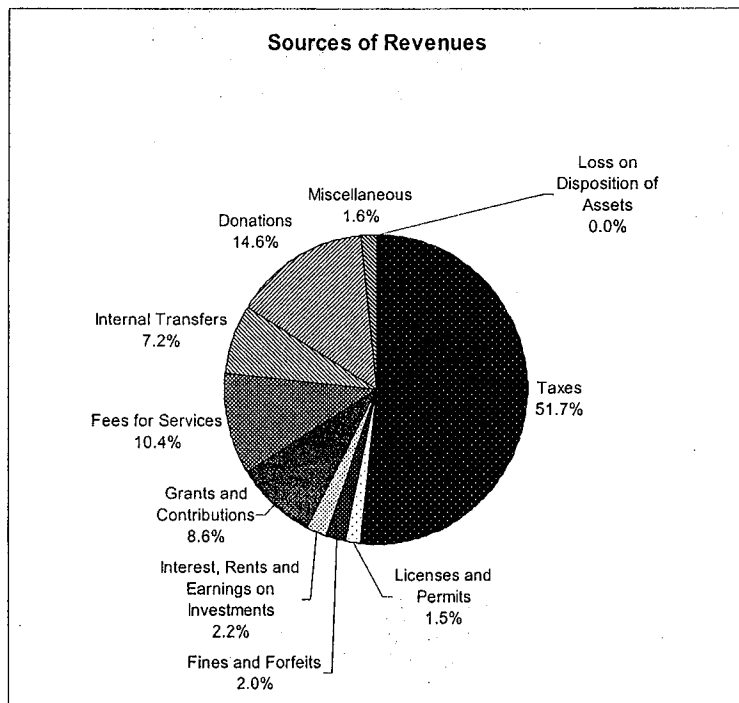
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The following chart graphically predicts the government-wide sources of revenues for the fiscal year ended December 31, 2006.



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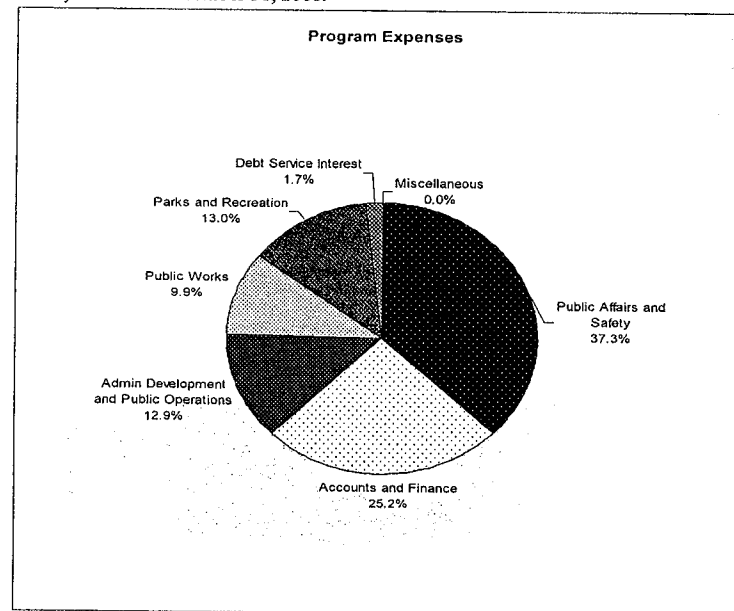
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Total 2006 expenses for all programs were \$9.9 million. These expenses reflect the delivery of a wide range of services, with the largest area being public safety at 37.3%. The next largest area was the department of accounts and finance at 25.2%. This area represents general government expenditures such as insurances, computer equipment and contracted services as well as other day-to-day operating expenses. Parks and recreation is at 13.0% and administration development and public operations follows with 12.9% of the expenditures. Public works weighs in at 9.9%. Debt service interest expenses account for the remaining 1.7%.

The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2006.





CITY OF GREENSBURG

• INCORPORATED •
February 9, 1799

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Business-type Activities:

The total revenue generated from business-type activities during 2006 was \$1,645,562. Operating expenses during this period amounted to \$910,167. The City uses this positive balance in net operating income to offset general government expenditures. This has allowed Greensburg to avoid a real estate tax increase for nine years.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund

There were no differences between the 2006 adopted original budget and the final budget. The City's General Fund reported a fund balance of \$1,329,292 at the end of the year, a decrease of \$13,693. General Fund revenues increased by \$307,339 over 2005 and expenses increased by \$87,971. The expenditure growth was spread across nearly every municipal department. Of the total 20.00 mills of real estate tax, 11.00 mills were allocated for the general fund. The remaining 9.00 mills were used for debt service. This allocation was necessary to meet interest and principal payments on two outstanding bond issues and the general obligation note obtained in 2006 for the city's parking project.

Other Major Funds

2003 General Obligation Bond Fund:

In 2003, the City took advantage of low rates and refinanced much of its debt and acquired over \$1 million in new money. This money was to be used for street improvements and revitalization of our downtown. In 2006 funds were expended for a Hometown Streets project that will enhance the beauty and safety of our downtown. The project includes sidewalk repair and beautification, benches, planters and bike racks. This began Phase I of this project that will continue through 2009.



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2005 General Obligation Note Fund:

In 2005, the city began to undertake a nearly \$4 million parking project to satisfy the needs of current and future growth in our downtown. Early in 2006 we obtained a general obligation note for \$4 million and began to purchase the property necessary to the project. By the end of 2006 the city had purchased 26 properties and demolition and construction were well under way. The three new parking lots were completed in early 2007 and are a welcome addition to employees and visitors of Greensburg.

Debt Service Fund:

The total indebtedness of the City at December 31, 2006 was \$11,679,821.67. There are presently two bond issues outstanding as well as a PEMA loan that will be paid in full in 2011. The city borrowed \$4 million in the form of a general obligation note in 2006 to fund the construction of three new surface parking lots as referenced earlier in this report. Detailed information regarding the City's long term debt can be found in Note 3 of the notes to Financial Statements.

Non-Major Governmental Funds

Capital Assets:

Capital assets consist primarily of land, buildings and improvements, equipment, infrastructure and construction in progress. The total capital assets, net of depreciation, at December 31, 2006 are \$22,704,826. Major capital asset events for which capital expenditures have been incurred during fiscal year 2006 include the construction of a new golf cart storage shed at Mt. Odin Park, stream bank stabilization along Willow Avenue that was completed through grant funding, the purchase of two fire department utility trucks, and various other vehicle and equipment purchases. The city also began renovations to the Veterans' Memorial Swimming Pool at Lynch Field. This \$175,000 project includes repairs to the pool as well as the purchase and installation of a liner and cover.



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Other Non-Major Governmental Funds:

The Armstrong Fund is funded by a grant each year and is used solely to assist transient or needy individuals. This service is administered by the Greensburg Police Department. The Motor Tax Fund is used for road repair and maintenance, equipment purchases and winter maintenance services. It is funded solely by the Liquid Fuels Allocation from the Department of Transportation.

The Grant Fund is used solely for grant monies to pass through.

The Greensburg Community Days Fund and the St. Clair Park Concert Fund support these two community events. Both events are organized by teams of volunteers and are almost wholly self-supporting. A small donation from the City supplements the income and donations received by each group.

Proprietary Funds

Parking Revenue Fund:

The Parking Revenue Fund generates revenue through metered and leased parking from one garage, 14 lots and various on-street locations located throughout the downtown. A budgeted transfer is made every year out of this fund to help offset general fund expenditures. The amount transferred in 2006 was \$900,000.

Hutchinson Garage Fund:

This garage is located near the campus of Westmoreland Regional Hospital located within the city limits. At the end of each year, the net profit is divided based on an agreement with the hospital. The City's portion is used to purchase capital equipment for the police and fire departments as well as support recreational activities and future capital repairs to the garage. The transfer realized by the City in 2006 was \$336,814.



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Trust and Agency Funds

Pension Plans:

The City of Greensburg has two pension plans – non-uniformed employees and police. The non-uniformed plan is administered by Pennsylvania Municipal Retirement System (PMRS). The police pension plan is governed by City Council of the City of Greensburg. The plan is managed by CS McKee Investment Managers. During 2006, non-uniformed employees were required to contribute 3.5% of their salary and police were required to contribute 5% of their salary plus one dollar per month to the plan. More detailed information regarding the police pension plan can be found on pages 25 and 26 of the statements as well as in Note 4 in the Notes to the Financial Statements.

Thomas Lynch Concert Fund:

There is a restricted investment of \$60,000 in this fund. The interest earned is used to help fund a symphony concert in the City's St. Clair Park amphitheater each year.

Payroll Clearing Fund:

This is used as a clearing fund for the City's payroll functions.

Special Fund:

The Special Fund is used to hold ordinance compliance bonds for those completing building or improvement projects within the City. This fund is monitored for forfeitures and periodically a transfer is made to the general fund of monies available for unrestricted use. No transfer was made in 2006.



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Requests for Information:

This financial report is designed to provide a general overview of the City of Greensburg's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fiscal Director, City of Greensburg, 416 South Main Street, Greensburg, PA 15601.

CITY OF GREENSBURG
 WESTMORELAND COUNTY, PENNSYLVANIA
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2006

				Component Units	
	Governmental	Business-type	Total	Greensburg	Aerobic Center
	Activities	Activities	Primary	Parking	Municipal
			Government	Authority	Authority
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 4,858,094	\$ 628,251	\$ 5,486,345	\$ -	\$ 182,461
Taxes Receivable (Net)	237,797	-	237,797	-	-
Intergovernmental Receivables	12,437	-	12,437	-	-
Other Receivables	79,220	82	79,302	70,400	13,795
Deferred Charges	-	-	-	-	8,307
Total Current Assets	5,187,549	628,332	5,815,881	70,400	204,562
Noncurrent Assets:					
Certificates of Deposit	1,000,000	-	1,000,000	-	108,935
Capital Assets:					
Land	3,182,206	823,807	4,006,013	-	1,220,077
Buildings and Other Property and Equipment	22,053,452	9,224,781	31,278,233	-	-
Construction in Progress	799,406	-	799,406	-	-
Less: Accumulated Depreciation	(9,366,883)	(4,011,943)	(13,378,826)	-	(727,189)
Total Capital Assets, Net of Depreciation	16,668,181	6,036,645	22,704,826	-	492,888
Total Noncurrent Assets	17,668,181	6,036,645	23,704,826	-	601,823
Total Assets	\$ 22,855,730	\$ 6,664,977	\$ 29,520,707	\$ 70,400	\$ 806,385

The accompanying notes are an integral part of these statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units	
				Greensburg Parking Authority	Aerobic Center Municipal Authority
LIABILITIES					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	312,643	14,647	327,291	-	134,578
Current Portion of:					
Bonds Payable	617,708	235,000	852,708	-	-
Notes Payable	7,052	-	7,052	-	-
Capital Lease Obligation	97,578	-	97,578	-	-
Accrued Interest Payable	39,810	10,224	50,034	-	-
Total Current Liabilities	1,074,791	259,871	1,334,662	-	134,578
Long-Term Liabilities:					
Bonds Payable	8,250,400	2,540,000	10,790,400	-	-
Notes Payable	29,662	-	29,662	-	-
Capital Lease Obligations	135,175	-	135,175	-	-
Compensated Absences	50,050	-	50,050	-	-
Other Liabilities	13,620	-	13,620	-	-
Total Noncurrent Liabilities	8,478,907	2,540,000	11,018,907	-	-
Total Liabilities	9,553,698	2,799,871	12,353,569	-	134,578
Net Assets:					
Invested in Capital Assets, Net of Related Debt	7,982,270	3,261,645	11,243,915	-	492,888
Restricted for Capital Improvement	3,811,550	-	3,811,550	-	400,000
Restricted for Roads and Streets	129,542	-	129,542	-	-
Restricted for Debt Service	291,683	-	291,683	-	-
Restricted for Culture and Recreation	93,999	-	93,999	-	-
Unrestricted	992,988	603,461	1,596,449	70,400	(221,080)
Total Net Assets	13,302,032	3,865,106	17,167,138	70,400	671,808
Total Liabilities and Net Assets	\$ 22,855,730	\$ 6,664,977	\$29,520,707	\$ 70,400	\$ 806,385

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Department of Public Affairs and Safety	\$ 3,706,089	\$ -	\$ 175,173
Department of Accounts and Finance	2,498,136	-	366,516
Department of Administration Development and Public Operations	1,277,512	199,426	103,750
Department of Public Works	982,854	-	281,826
Department of Parks and Recreation	1,290,076	1,066,412	10,000
Capital Outlay	-	11,638	-
Interest on long-term debt	168,463	-	-
Miscellaneous	-	-	-
Total Government Activities	9,923,130	1,277,476	937,265
Business-Type Activities:			
Parking Revenue Fund	605,857	1,053,491	-
Hutchinson Garage Fund	304,310	563,100	-
Total Primary Government	\$ 10,833,297	\$ 2,894,067	\$ 937,265
Component Units:			
Greensburg Parking Authority	1,920	-	-
Aerobic Center Municipal Authority	805,917	795,387	-
Total Component Units	\$ 807,837	\$ 795,387	\$ -
General Revenues:			
Taxes:			
Property taxes, levied for general purposes			
Public utility, realty and earned income taxes			
levied for general purposes			
Licenses and permits			
Fines and forfeits			
Interest			
Donations			
Mount Pleasant Street Flood Project (Note 12)			
Loss on disposition of assets			
Miscellaneous income			
Internal transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets - Beginning			
Net Assets - Ending			

The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2006

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Component Units Total
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (3,530,916)	\$ -	\$ (3,530,916)	
-	(2,131,620)	-	(2,131,620)	
-	(974,336)	-	(974,336)	
-	(701,028)	-	(701,028)	
-	(213,664)	-	(213,664)	
125,427	137,065	-	137,065	
-	(168,463)	-	(168,463)	
	-	-	-	
125,427	(7,582,962)	-	(7,582,962)	
-	-	447,634	447,634	
-	-	258,790	258,790	
<u>\$ 125,427</u>	<u>\$ (7,582,962)</u>	<u>\$ 706,424</u>	<u>\$ (6,876,538)</u>	
-				(1,920)
-				(10,530)
<u>\$ -</u>				<u>(12,450)</u>
	2,445,546	-	2,445,546	-
	3,909,925	-	3,909,925	-
	185,794	-	185,794	-
	249,527	-	249,527	-
	276,380	27,401	303,781	9,246
	175,701	-	175,701	16,152
	1,622,410	-	1,622,410	-
	4,826	-	4,826	575
	193,397	1,570	194,967	1,920
	886,872	(886,872)	-	-
	<u>9,950,378</u>	<u>(857,901)</u>	<u>9,092,477</u>	<u>27,893</u>
	2,367,416	(151,477)	2,215,939	15,443
	10,934,616	4,016,583	14,951,199	726,765
<u>\$ 13,302,032</u>	<u>\$ 3,865,106</u>	<u>\$ 17,167,138</u>	<u>\$ 742,208</u>	

	Major Funds					
	General Fund	2003 G.O. Bond Fund	2005 G.O. Note Fund	Debt Service Fund	Other Funds	Combined Total
<u>Assets</u>						
Cash and Cash Equivalents	\$ 1,575,900	\$ 697,375	\$ 1,278,071	\$ 280,956	\$ 1,025,791	\$ 4,858,094
Investments	-	-	1,000,000	-	-	1,000,000
Accounts Receivable:						
Taxes	138,438	-	-	10,727	-	149,165
Other	51,451	-	25,611	-	2,158	79,220
Due From Other Governments	-	-	-	-	12,437	12,437
Total Assets	<u>1,765,790</u>	<u>697,375</u>	<u>2,303,682</u>	<u>291,683</u>	<u>1,040,387</u>	<u>6,098,917</u>
<u>Liabilities and Fund Equity</u>						
<u>Liabilities:</u>						
Accounts Payable	115,232	-	-	-	1,416	116,649
Accrued Liabilities	192,392	-	-	-	-	192,392
Deferred Revenue	115,253	-	-	-	3,602	118,855
Other Liabilities	13,620	-	-	-	-	13,620
Total Liabilities	<u>436,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,018</u>	<u>441,516</u>
<u>Fund Equity:</u>						
Unreserved	1,329,292	-	-	-	1,335	1,330,627
Reserved for Debt Service	-	-	-	291,683	-	291,683
Reserved for Roads and Streets	-	-	-	-	129,542	129,542
Reserved for Capital Improvement	-	697,375	2,303,682	-	810,493	3,811,550
Reserved for Culture and Recreation	-	-	-	-	93,999	93,999
Total Fund Equity	<u>1,329,292</u>	<u>697,375</u>	<u>2,303,682</u>	<u>291,683</u>	<u>1,035,368</u>	<u>5,657,401</u>
Total Liabilities and Fund Equity	<u>\$ 1,765,790</u>	<u>\$ 697,375</u>	<u>\$ 2,303,682</u>	<u>\$ 291,683</u>	<u>\$ 1,040,387</u>	<u>\$ 6,098,917</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

CITY OF GREENSBURG
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Total Fund Balances-Governmental Funds	\$ 5,657,401
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 as assets in governmental funds. The cost of the assets is \$26,035,064, and the accumulated depreciation is \$9,366,883.	16,668,181
Taxes receivable will be collected in future years but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in those funds.	208,046
Establish allowance for doubtful accounts - property taxes receivable	(4,161)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds and notes payable	\$8,904,822
Capital lease obligations	232,753
Compensated absences	50,050
Accrued interest payable	39,810
	(9,227,435)
Total Net Assets-Governmental Activities	<u>\$ 13,302,032</u>

The accompanying notes are an integral part of these financial statements.

	Major Funds					Combined Total
	General Fund	2003 G.O. Bond Fund	2005 G.O. Note Fund	Debt Service Fund	Other Funds	
Revenues:						
Taxes	\$ 5,271,202	\$ -	\$ -	\$ 1,113,772	\$ -	\$ 6,384,973
Licenses and Permits	185,794	-	-	-	-	185,794
Fines and Forfeits	249,527	-	-	-	-	249,527
Interest, Rent, and Earnings on Investments	68,785	20,758	102,984	30,420	53,433	276,380
Intergovernmental Revenue	696,706	-	-	-	365,986	1,062,691
Fees for Services	1,265,839	-	-	-	11,638	1,277,477
Miscellaneous	102,312	-	-	-	58,777	161,089
Donations	1,050	-	-	-	53,438	54,488
Refunds	19,871	-	-	-	12,437	32,308
Total Revenues	<u>7,861,085</u>	<u>20,758</u>	<u>102,984</u>	<u>1,144,192</u>	<u>555,709</u>	<u>9,684,728</u>
Expenditures:						
Department of Public Affairs and Safety	3,365,133	-	-	-	1,235	3,366,368
Department of Accounts and Finance	2,356,110	-	-	-	-	2,356,110
Department of Administration						
Development and Public Operations	1,153,341	-	-	-	-	1,153,341
Department of Public Works	853,022	-	-	-	260,984	1,114,006
Department of Parks and Recreation	1,089,879	-	-	-	154,330	1,244,209
Capital Outlay	-	41,425	1,210,488	-	458,894	1,710,807
Debt Service:						
Principal Retirement	-	-	-	541,892	6,913	548,805
Interest	-	-	-	241,188	809	241,997
Other Expenditures	-	-	-	-	-	-
Total Expenditures	<u>\$ 8,817,484</u>	<u>\$ 41,425</u>	<u>\$ 1,210,488</u>	<u>\$ 783,080</u>	<u>\$ 883,166</u>	<u>\$ 11,735,643</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (956,399)</u>	<u>\$ (20,667)</u>	<u>\$ (1,107,504)</u>	<u>\$ 361,112</u>	<u>\$ (327,457)</u>	<u>\$ (2,050,915)</u>

The accompanying notes are an integral part of these financial statement statements.

CITY OF GREENSBURG
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

(CONTINUED)

	Major Funds					Combined Total
	General Fund	2003 G.O. Bond Fund	2005 G.O. Note Fund	Debt Service Fund	Other Funds	
Other Financing Sources (Uses):						
Operating Transfers In	905,000	-	-	-	336,814	1,241,814
Operating Transfers Out	-	-	-	(349,943)	-	(349,943)
Proceeds from Issuance of Note	-	-	4,000,000	-	-	4,000,000
Capital Lease Proceeds	28,550	-	-	-	-	28,550
Proceeds from the Sale of Fixed Assets	9,156	-	-	-	8,206	17,362
Total Other Financing Sources (Uses)	942,706	-	4,000,000	(349,943)	345,020	4,937,784
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(13,693)	(20,667)	2,892,496	11,169	17,563	2,886,869
Fund Balance, Beginning of Year	1,342,985	718,042	(588,814)	280,514	1,017,805	2,770,532
Fund Balance - End of Year	<u>\$ 1,329,292</u>	<u>\$ 697,375</u>	<u>\$ 2,303,682</u>	<u>\$ 291,683</u>	<u>\$ 1,035,368</u>	<u>\$ 5,657,401</u>

The accompanying notes are an integral part of these financial statement statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Net Change in Fund Balances - Governmental Funds \$ 2,886,869

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

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 as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 3,808,467	
Less: depreciation expense	<u>(876,424)</u>	2,932,043

Because some taxes will not be collected for several months after the City's year end, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased (decreased) by this amount during the year. (29,502)

Issuance of long-term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction 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. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The effect of these transactions in the statement of activities is shown below:

Proceeds from issuance of note	(4,000,000)	
Repayment of note and bond principal	548,805	
Capital lease proceeds	(28,550)	
Repayment of capital lease principal	<u>95,584</u>	(3,384,161)

In the statement of activities, gain and losses on the disposition of capital assets are recognized as the difference between the proceeds received, if any, and the net book value of the assets disposed of. In the governmental funds, however, gains are recorded only to the extent of the proceeds received. This amount represents the difference between the amounts recognized in the statement of activities as compared to the statements of revenues, expenditures and changes in fund balance. (12,536)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference between interest accrued in the statement of activities (over) under the amount due is shown here. (26,821)

In the statement of activities, compensated absences are measured by the amounts earned during that year. In the governmental funds, however, expenditures for these items are measured by the amounts paid. This amount represents the difference between the amount earned versus the amount paid. 1,523

Change in Net Assets of Governmental Activities \$ 2,367,415

The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUND TYPES
DECEMBER 31, 2006

	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types	Component Units Greensburg Parking Authority	Aerobic Center Municipal Authority
Assets					
Assets:					
Cash	\$ 140,485	\$ 487,765	\$ 628,251	\$ -	\$ 182,461
Receivables	-	82	82	70,400	13,795
Deferred charges	-	-	-	-	8,307
Total Current Assets	140,485	487,847	628,332	70,400	204,562
Noncurrent Assets:					
Certificates of Deposit	-	-	-	-	108,935
Land	814,347	9,460	823,807	-	1,220,077
Buildings and Other Property and Equipment	6,631,836	2,592,945	9,224,781	-	-
Less: Accumulated Depreciation	(2,311,013)	(1,700,930)	(4,011,943)	-	(727,189)
Total Capital Assets, Net of Depreciation	5,135,170	901,475	6,036,645	-	601,823
Total Assets	5,275,655	1,389,322	6,664,977	70,400	806,385
Liabilities and Net Assets					
Current Liabilities:					
Accounts Payable	11,122	3,526	14,647	-	134,578
Current Portion of Long-Term Debt	235,000	-	235,000	-	-
Accrued Interest Payable	10,224	-	10,224	-	-
Total Current Liabilities	256,345	3,526	259,871	-	134,578
Long-Term Liabilities:					
Bonds Payable	2,540,000	-	2,540,000	-	-
Total Long-Term Liabilities	2,540,000	-	2,540,000	-	-
Total Liabilities	2,796,345	3,526	2,799,871	-	134,578
Net Assets:					
Invested in Capital Assets, Net of Related Debt	2,360,170	901,475	3,261,645	-	492,888
Restricted for Capital Improvements	-	-	-	-	400,000
Unrestricted	119,140	484,321	603,461	70,400	(221,080)
Total Net Assets	2,479,310	1,385,796	3,865,106	70,400	671,808
Total Liabilities and Net Assets	\$ 5,275,655	\$ 1,389,322	\$ 6,664,977	\$ 70,400	\$ 806,385

The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET ASSETS - PROPRIETARY FUND TYPES
DECEMBER 31, 2006

	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types	Component Units Greensburg Parking Authority	Aerobic Municipal Authority
Operating Revenue:					
Fees and Services	\$ 1,053,491	\$ 563,100	\$ 1,616,591	\$ -	\$ 795,387
Miscellaneous	1,530	40	1,570	1,920	-
Total Operating Revenue	1,055,021	563,140	1,618,161	1,920	795,387
Operating Expenses:					
Department of Parks and Recreation	-	-	-	-	-
Department of Public Affairs and Safety	284,209	238,241	522,451	-	-
Aerobic Center	-	-	-	-	805,917
Miscellaneous	-	-	-	1,920	-
Depreciation	192,310	66,069	258,379	-	-
Total Operating Expenses	476,519	304,310	780,830	1,920	805,917
Operating Income (Loss)	578,502	258,829	837,332	-	(10,530)
Operating Transfers In	349,943	-	349,943	-	-
Operating Transfers Out	(900,000)	(336,814)	(1,236,814)	-	-
Interest, and Earnings on Investments	13,075	14,326	27,401	-	9,466
Interest Expense	(129,338)	-	(129,338)	-	-
Realized/Unrealized Gains/(Losses)	-	-	-	-	(220)
Gain/(Loss) on Sale of Assets	-	-	-	-	575
Donations	-	-	-	-	16,152
Net Income (Loss)	(87,818)	(63,659)	(151,477)	-	15,443
Net Assets, Beginning of Year	2,567,128	1,449,455	4,016,583	70,400	656,365
Net Assets, End of Year	\$ 2,479,310	\$ 1,385,796	\$ 3,865,106	\$ 70,400	\$ 671,808

The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types	Component Units	
				Greensburg Parking Authority	The Aerobic Center Municipal Authority
Cash Flows from Operating Activities:					
Cash received from customers	\$ 1,055,021	\$ 563,196	\$ 1,618,217	\$ 1,920	\$ 808,751
Cash paid to employees	(66,712)	(51,878)	(118,590)	-	-
Cash paid to suppliers	(206,624)	(182,838)	(389,462)	(1,920)	-
Cash paid to employees and suppliers	-	-	-	-	(746,787)
Net Cash Provided (Used) by Operating Activities	<u>781,685</u>	<u>328,480</u>	<u>1,110,165</u>	<u>-</u>	<u>61,964</u>
Cash Flows from Capital and Related Financing Activities:					
Interfund transfers	(550,057)	(336,814)	(886,871)	-	-
Principal and interest on long-term debt	(349,943)	-	(349,943)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(900,000)</u>	<u>(336,814)</u>	<u>(1,236,814)</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:					
Proceeds from sale of property and equipment	-	-	-	-	575
Purchases of property and equipment	(16,019)	(9,845)	(25,864)	-	(65,587)
Purchase of investments	-	-	-	-	(9,000)
Interest and other income	13,076	14,326	27,402	-	25,618
Net Cash Provided (Used) by Investing Activities	<u>(2,943)</u>	<u>4,481</u>	<u>1,538</u>	<u>-</u>	<u>(48,394)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(121,258)</u>	<u>(3,853)</u>	<u>(125,111)</u>	<u>-</u>	<u>13,570</u>
Cash and Cash Equivalents, January 1	<u>261,743</u>	<u>491,618</u>	<u>753,361</u>	<u>-</u>	<u>168,891</u>
Cash and Cash Equivalents, December 31	<u>140,485</u>	<u>487,765</u>	<u>628,250</u>	<u>-</u>	<u>182,461</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income	578,502	258,829	837,331	-	(10,530)
Adjustments to Reconcile Net Operating Income to Cash Provided by Operating Activities:					
Depreciation	192,310	66,069	258,379	-	49,512
(Increase) decrease in accounts receivable	-	56	56	-	5,065
(Increase) decrease in deferred charges	-	-	-	-	1,509
Increase (decrease) in accounts payable	10,873	3,526	14,399	-	16,408
Net Cash Provided (Used) by Operating Activities	<u>\$ 781,685</u>	<u>\$ 328,480</u>	<u>\$ 1,110,165</u>	<u>\$ -</u>	<u>\$ 61,964</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
COMBINED STATEMENT OF NET ASSETS - FIDUCIARY FUND TYPES
DECEMBER 31, 2006

	Pension Trust Fund- Police Pension	Private Purpose Trust Fund - Thomas Lynch Concert Fund	Agency Funds	
			Payroll Clearing Fund	Special Fund
Assets:				
Cash	\$ 373,425	\$ 711	\$ 5,974	\$ 117,854
Investments	12,338,265	60,000	-	-
Interest Receivable	-	786	-	-
Total Assets	<u>12,711,690</u>	<u>61,497</u>	<u>5,974</u>	<u>117,854</u>
Liabilities:				
Accrued Liabilities	-	-	5,974	117,854
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 5,974</u>	<u>\$ 117,854</u>
Net Assets:				
Restricted for Culture and Recreation	-	61,497	-	-
Restricted for Employee Retirement	12,711,690	-	-	-
Total Net Assets	<u>\$ 12,711,690</u>	<u>\$ 61,497</u>		

The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
COMBINED STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUND TYPES
DECEMBER 31, 2006

	<u>Pension Trust Fund - Police Pension</u>	<u>Private Purpose Trust Fund - Thomas Lunch Concert Fund</u>
Additions:		
Municipal Contributions	\$ 536,438	\$ -
Member Contributions	91,142	-
Dividend Income	136,916	-
Interest Income	206,489	2,681
Donations	4,033	-
Realized/Unrealized Gains/(Losses)	949,269	-
	<u>1,924,287</u>	<u>2,681</u>
Total Revenues		
	<u>1,924,287</u>	<u>2,681</u>
Deductions:		
Benefit Payments	851,006	-
Administration/Other Fees	63,467	-
Parks and Recreation	-	2,200
	<u>914,473</u>	<u>2,200</u>
Total Operating Expenses		
	<u>914,473</u>	<u>2,200</u>
Excess of Revenues Over/(Under) Expenses	1,009,814	481
Net Assets, Beginning of Year	11,701,876	61,016
Net Assets, End of Year	<u>\$ 12,711,690</u>	<u>\$ 61,497</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Greensburg, Westmoreland County, Pennsylvania, was incorporated on January 26, 1926. In the past, the City operated under a Mayor-Council form of government. However, since 1991 the City has operated under a Home Rule Charter form of government. The City provides the following services as authorized by its charter: public safety, streets, health and social services, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments except where noted. The following is a summary of the more significant policies:

1. The Reporting Entity

The City, for financial reporting purposes, includes all of the funds and account groups relevant to the operations of the City of Greensburg. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Greensburg.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are either included or excluded, as indicated, in the accompanying financial statements.

Included in the Reporting Entity

Greensburg Parking Authority - the City Council of Greensburg appoints Parking Authority Board members. All obligations of the Authority are guaranteed by the full faith and taxing power of the City. The separate financial statements of the Parking Authority may be obtained at the City offices. The financial statements of the Greensburg Parking Authority are presented discretely in the City's financial statements.

Aerobic Center Municipal Authority - the City Council appoints Aerobic Center Municipal Authority Board Members. The separate financial statements of the Aerobic Center Aerobic Municipal Authority, a non-profit organization, may be obtained at the Authority offices. The financial statements of the Aerobic Center Municipal Authority are presented discretely in the City's financial statements.

Excluded from the Reporting Entity

The Greater Greensburg Sewage Authority is not part of the City's reporting entity because the City exercises no oversight responsibility and has no accountability for fiscal matters.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: (CONTINUED)

Financial Statement Presentation: In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. The basic financial statements and required supplementary information under GASB Statement No. 34 include:

Management’s Discussion and Analysis (MD & A) –

MD&A introduces the basic financial statements and provides an analytical overview of the government’s financial activities in a narrative format. An analysis of the government’s overall financial position and results of operations is included to assist users in assessing whether financial position has improved or deteriorated as a result of the year’s activities. This is considered required supplementary information and is not a part of the basic financial statements.

Government-Wide Financial Statements –

Financial statements prepared using the economic resources measurement focus and full accrual basis of accounting for all of the government’s activities are now required. These statements will include all assets, liabilities, revenues, and expenses of the primary government and its component units, excluding fiduciary activities.

The effect of interfund activity has been eliminated from these statements. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, if any, which rely on user fees and charges for support. Component units are presented on a discrete basis as described above.

Statement of Net Assets –

Presents both governmental and business-type activities, if any, on the full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

Statement of Activities –

Presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue are included as general revenue.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: (CONTINUED)

Fund Financial Statements –

These statements are very similar to financial statements presented in the previous model. However, the emphasis is now on major governmental and enterprise funds, if any.

The City’s accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the basic financial statements in this report into two broad fund categories as follows:

Governmental Fund Types

Governmental Funds - Account for expendable financial resources. Governmental funds types use the flow of current financial resources measurement focus. The major governmental funds are:

General Fund – The General Fund is the general operating fund of the City. It finances the regular day-to-day operations of the City. It is used to account for all financial revenue and expenditures, except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Funds are used to account for financial resources used for the acquisition of major capital equipment or construction of major capital facilities and roadways. The City’s 2003 General Obligation Bond Fund and the 2005 General Obligation Note Fund are considered Major Funds.

Debt Service Fund – The Debt Service Fund is used to accumulate funds for the payment of principal and interest on outstanding debt.

Non-Major Governmental Funds

Capital Project Funds - Nonmajor Capital Project Funds include the following:

1999 General Obligation Note Fund	Police Equipment Fund
Fire Department Capital Equipment Fund	2001 General Obligation Note Fund
Hutchinson Garage Reserve Fund	

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: (CONTINUED)

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds utilized to account for those financial activities are nonmajor funds and include:

Armstrong Fund	Motor Tax Fund
Greensburg Community Days Fund	Grant Fund
St. Clair Concert Fund	

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for activities in which the governing body intends that the costs of providing goods or services will be recovered primarily through user charges or where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, managerial control, accountability or other purposes.

Individual funds classified as proprietary funds for the year ended December 31, 2006, are as follows:

Hutchinson Garage Fund Parking Revenue Fund

In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the City applies all GASB pronouncements. Proprietary funds apply all Financial Accounting Standards Board pronouncements, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements, in which case GASB prevails.

Fiduciary Fund Types

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held in a capacity as a trustee or as an agent for other funds. The Thomas Lynch Concert Fund and the Police Retirement Fund are classified as Nonexpendable Trust Funds. The Payroll Clearing Fund and the Special Fund are classified as Expendable Trust Funds.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: (CONTINUED)

Budgetary Comparison Statements –

The statements are presented to demonstrate whether resources were obtained and used in accordance with the government's legally adopted budget for the general fund. The City revises the original budget over the course of the year for various reasons. Under the new reporting model, budgetary information continues to be provided and now includes a comparison of the government's original adopted budget to the current comparison of final budget and actual results. The general fund budget is adopted on a cash basis.

Basis of Accounting – Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Governmental funds are accounted for using the current resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures and other long-term liabilities, such as both short and long-term compensated absences, are recorded only when payment is due and payable.

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements, a reconciliation between the government-wide and fund financial statements is necessary. Page 18 presents a reconciliation of the net assets as reported on the Statement of Net Assets (Page 15) to total governmental fund balance as reported on the Balance Sheet – Governmental Funds (Page 17). Page 21 presents a reconciliation of change in net assets as reported in the Statement of Activities (Page 16) and the total changes in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Page 20).

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: (CONTINUED)

Non-exchange transactions, in which the City receives value without directly giving value in return, include real estate and other taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Cash and Cash Equivalents –

Cash and cash equivalents include all highly liquid investments, including trustee assets, with an original maturity of three months or less when purchased. Note 3, Deposits and Investments, provides a detailed disclosure regarding cash equivalents and investments held by the City.

Investments –

Investments in all funds are carried at fair value. Investments consist of direct obligations of the U.S. government, money market funds, corporate and other obligations, and money market trust funds. Note 2, Deposits and Investments, provides a detailed disclosure regarding cash equivalents and investments held by the City.

Due To/From Other Governments –

Outstanding balances between the City and other governments are reported as due to/from other governments.

Taxes Receivable –

Local wage taxes, real estate taxes and other miscellaneous City taxes are recorded in the City's accounts as taxes receivables and revenue at the time of the underlying transactions.

Real Estate taxes are levied on March 1 and are due and payable at that time. All unpaid taxes levied on March 1 become delinquent December 31 of the same year. City property tax revenues are recognized when levied. Property taxes delinquent as of December 31 are passed on to Westmoreland County for collection.

Other Receivables –

Other accounts receivable are recorded as other receivables when billed.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: (CONTINUED)

Capital Assets –

Capital assets acquired or constructed by the City are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Gifts or contributions are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land or construction-in-progress.

In accordance with GASB Statement No. 34, a portion of the City's infrastructure has been capitalized, upon adoption of the standard. Infrastructure capitalized in 2004 were buildings, land, lighting systems, streets, roads, and bridges.

Compensated Absences –

The employees of the City are entitled to paid vacation, paid sick days, and personal days off depending on job classification, length of service and other factors. Employees are represented by various labor unions and each contract contains different provisions for such employee compensated absences. In addition, management of other nonunion employees also have contracts or agreements with the City that provide for compensated absences. The City accrues compensated absences only for people who are eligible for retirement. The amount the City has provided for future compensated absences is \$50,050.

Pension –

Governmental Accounting Standards Board (GASB) Statement No. 27 requires determination and disclosure of annual pension cost on the accrual basis of accounting, which may vary from actual pension expenditures recognized and reported under the modified accrual basis.

Long-Term Obligations –

Long-term debt and other long-term obligations are reported as liabilities in governmental activities in the Statement of Net Assets in the government-wide financial statements.

Interfund Transactions –

On fund financial statements, receivables and payables resulting from outstanding balances are classified as "Due To/From Other Funds." These amounts are eliminated in the governmental column of the Statement of Net Assets. Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Deferred Revenue –

Deferred revenues are contract monies received but not recognized as revenue until expended, as unexpended monies are to be returned to funding sources.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: (CONTINUED)

Net Assets –

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation and related debt used in the acquisition or construction of capital assets. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, and regulations of other governments.

Use of Estimates –

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Adoption of Accounting Pronouncements and Restatements –

During the year 2004, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions.

Issuance of Statement No. 34 (as amended by Statement No. 37) represented a significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and the business-type activities, on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both non-current assets and non-current liabilities of the Municipality, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City's fixed assets, including infrastructure.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: (CONTINUED)

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, Capital Projects Funds, and Special Revenue Funds is similar to that previously presented in the City's financial statements, although the format of the financial statements has been modified by Statement No. 34.

Statement No. 34 also requires as required supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

The Governmental Accounting Standards Board has also issued GASB Statement No. 37 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB No. 21 with regard to escheated property and amends GASB No. 34 to clarify certain provisions that may not be sufficiently clear for consistent application. It also modifies other provisions of GASB No. 34 that might have unintended consequences. This statement was required to be adopted by the City simultaneously with GASB No. 34.

The Governmental Accounting Standards Board has also issued GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes and rescinds certain financial statement disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances and short-term debt, and the statement is effective upon adoption of GASB Statement No. 34 as amended by GASB Statement No. 37.

Encumbrances –

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental funds. Encumbrances at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of December 31, 2006, the City had no encumbrances.

Restricted Resources – It is the City's practice to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City is authorized to invest in U.S. Treasury Bills, short-term obligations of the Federal government and time deposits of insured institutions. The City considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. According to Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971, the City is required to maintain its deposits in accounts that are properly collateralized.

Cash and Cash Equivalents

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a policy regarding custodial credit risk, however, deposits are in compliance with Act 72. As of December 31, 2006, \$5,650,220 of the City's bank balance of \$5,850,220 were exposed to custodial credit risk as follows:

Uninsured and Collateralized with securities held by pledging financial institutions or its agent, but not in the City's name	<u>\$ 5,650,220</u>
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As of December 31, 2006, \$200,000 of the City's bank balances were covered by FDIC insurance.

Concentrations of Credit Risk: City deposits with financial institutions greater than five percent of total City deposits were with the following at December 31, 2006.

Citizen's Bank	\$ 3,665,082	62.65%
First Commonwealth Bank	\$ 1,986,628	33.96%

Investments

Credit Risk: Credit Risk is the risk that an issuer or other counterparty will not fulfill its obligation to the City. The City is authorized to invest in securities as detailed in the Department of Community and Economic Development fiscal management handbook. The City's Police Pension Fund (Pension Trust Fund) holds the majority of the City's investments. The City has placed the Police Pension Fund under the care and control of the Police Retirement Commission. The Commission consists of the Mayor, four members of Council, the City Administrator, the City Treasurer, and seven members of the Police Department. Investments are reported at fair value.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2: (CONTINUED)

In addition to limiting investments to holdings, which would be permitted under the prudent man rule as set forth in the Employee Retirement Income Security Act (ERISA) of 1974, the Commission has approved the following types of assets for investment:

1. Equities:
 - a. Common Stocks
 - b. Preferred Stocks
 - c. Convertible Securities
 - d. Stock Mutual Funds
 - e. International Stock Mutual Funds
2. Fixed Income/Cash Investments:
 - a. Assets Backed Securities
 - b. U.S. Government and Agency Securities (Bills, Notes, and Bonds)
 - c. Commercial Paper
 - d. Certificates of Deposit
 - e. Corporate Bonds
 - f. Master Notes
 - g. Insurance Company Contracts
 - h. Mortgages
 - i. Bond Mutual Funds
 - j. Money Market Funds

The equity portfolio should be well-diversified to avoid undue exposure to any single economic section, industry group, or individual security. No more than 5 percent of total fund equity holdings shall be invested in the securities of any one issuer, no more than 15 percent of the total fund equity holdings shall be invested in any one industry, and investments in any corporation shall not exceed 5 percent of the outstanding shares of the corporation.

No limitations are placed on investments in U.S. Government guaranteed obligations (including any fully guaranteed Federal Agency obligations). Investments in any one issuer (excluding direct or indirect obligations of the U.S. Government) shall not exceed 5 percent of total fund fixed income assets. Marketable bonds at time of purchase must be rated investment grade or better. Commercial paper assets must be rated A-1 or P-1 by Standard & Poor's and Moody's, respectively.

Interest Rate Risk: Interest rate risk arises from investments and is defined as "The risk that changes in interest rates will adversely affect the fair value of the investment."

CITY OF GREENSBURG
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

As of March 31, 2007, the City's investments consisted of the following:

	Fair Value	Minimum Rating	No Maturity Date	12 Months or Less	Remaining Maturity		
					13-24 Months	25-60 Months	More Than 60 Months
Certificates of Deposit	\$ 1,060,000	N/A	-	\$ 1,060,000	\$ -	\$ -	\$ -
Police Pension Fund:							
US Treasury Notes	317,919	N/A	-	-	-	27,764	290,155
US Treasury Bonds	95,222	N/A	-	-	-	-	95,222
Federal Home Loan Mortgage Notes	2,512,692	N/A	-	-	-	371,375	2,141,317
Federal National Mortgage Association	674,361	N/A	-	-	-	371,375	302,986
Corporate Bonds	633,107	Baa2/BBB-	-	-	-	152,803	480,304
Mortgage Pools	163,678	N/A	-	-	-	-	163,678
Asset Backed Securities	125,374	B	-	-	-	-	125,374
Certificates of Deposit	316,095	N/A	-	-	-	237,300	78,795
Equities	5,722,682	N/A	5,722,682	-	-	-	-
Equity Funds	1,777,138	N/A	1,777,138	-	-	-	-
Totals	\$ 13,398,268		\$ 7,499,820	\$ 1,060,000	\$ -	\$ 1,160,617	\$ 3,677,831

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CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2: (CONTINUED)

Custodial Credit Risk: For investments is the risk that in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investments in collateral securities that are held in the possession of another party. The City's bank balances of these investments at December 31, 2006, were not subject to custodial credit risk. These investments are held by the counterparty's trust department or agent in the City's name.

NOTE 3: LONG-TERM DEBT

On December 1, 2001, the City issued General Obligation Bonds, Refunding Series of 2001 of \$3,850,000 (par value) with a variable interest rate ranging from 4.50 percent to 5.00 percent to advance refund the General Obligation Bonds, Series of 1993 of the Greensburg Parking Authority with a variable interest rate ranging from 4.45 percent to 5.00 percent and a par value of \$4,820,000.

The General Obligation Bonds, Refunding Series of 2001 were issued at a premium of \$4,195 and, after paying issuance costs of \$92,277, the net proceeds were \$3,756,916. The net proceeds from the issuance of the General Obligation Bonds, Refunding Series of 2001 were used to purchase U. S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the General Obligation Bonds, Series of 1992 are called. The advance refunding met the requirements of an in-substance debt defeasance and the Guaranteed Parking Revenue Bonds, Series of 1993 were removed from the books of the Greensburg Parking Authority.

On July 14, 2003, the City issued General Obligation Bonds, Refunding Series of 2003 of \$6,495,000 (par value) with interest rates ranging from 2.00 percent to 3.50 percent. The bonds were issued to provide funds for a current refunding of the General Obligation Notes of 1994, 1998, 1999, and 2001, for various capital projects, and to pay the costs of issuing the bonds.

The bonds were issued at a discount of \$24,548 and after paying issuance costs of \$122,107 and principal and accrued interest on the aforementioned General Obligation Notes in the amount of \$5,338,521, the balance of \$1,009,824 was deposited into the 2003 General Obligation Bond account to be used for future capital projects.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 3: (CONTINUED)

On March 28, 2006, the City issued a General Obligation Note Series 2005, in the amount of \$4,000,000 bearing interest at 4.25 percent per annum over a 20 year term. The note was issued to fund the construction of additional parking and improvements in the downtown area.

On February 10, 1997, the City issued a General Obligation Note in the amount of \$100,000 to co-guarantee the Pennsylvania Emergency Management Agency Loan (PEMA Loan) procured by the Greensburg Volunteer Fire Department (Hose Company No. 6) for the purchase of equipment. The Note bears interest at 2.00 percent over the 15 year life of the loan.

The following is a summary of debt transactions of the governmental and business-type activities of the City for the year ended December 31, 2006:

	Balance 12/31/2005	Additions	Payments	Balance 12/31/2006
<i><u>Governmental Activities:</u></i>				
1997 PEMA Loan	\$ 43,626	\$ -	\$ 6,912	\$ 36,714
2003 General Obligation Bonds	5,410,000	-	485,000	4,925,000
2005 General Obligation Note	-	4,000,000	56,892	3,943,108
	<u>\$5,453,626</u>	<u>\$4,000,000</u>	<u>\$ 548,804</u>	8,904,822
Less: Current Portion				(624,760)
				<u>\$8,280,062</u>
<i><u>Business-type Activities:</u></i>				
2001 General Obligation Bonds	<u>\$ 2,995,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>	\$ 2,775,000
Less: Current Portion				(235,000)
				<u>\$ 2,540,000</u>

General Obligation Bonds payable at December 31, 2006, are comprised of the following individual issues:

General Obligation Bonds:

Refunding Series of 2001 - Variable principal payments in semiannual installments in June and December, maturing on December 1, 2016. Interest ranges from 4.50 percent to 5.00 percent.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 3: (CONTINUED)

Refunding Series of 2003 - Variable principal payments in semi-annual installments in June and December, maturing on December 1, 2015. Interest ranges from 2.00 percent to 2.50 percent.

	Governmental Activities	Business-type Activities	Combined Totals
Refunding Series of 2001	\$ -	\$2,775,000	\$2,775,000
Refunding Series of 2003	4,925,000	-	4,925,000
Total	<u>\$4,925,000</u>	<u>\$2,775,000</u>	<u>\$7,700,000</u>

General Obligation Note Payable at December 31, 2006, is comprised of the following issue:

General Obligation Bonds:

Series of 2005 - Variable principal payments in annual installments in June, maturing on June 1, 2026. Interest rate is 4.25 percent.

	Governmental Activities	Business-type Activities	Combined Totals
Series of 2005	<u>\$3,943,108</u>	<u>\$ -</u>	<u>\$3,943,108</u>

Loans payable at December 31, 2006, are comprised of the following individual issues:

PEMA Loan:

\$100,000 due in annual installments of principal and interest of \$7,722 through 2011. Interest rate is 2 percent.

	Governmental Activities	Business-type Activities	Combined Totals
PEMA Loan	<u>\$36,714</u>	<u>\$ -</u>	<u>\$36,714</u>

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
YEAR ENDED DECEMBER 31, 2006

NOTE 3: (CONTINUED)

Following are maturities of long-term debt of the governmental and business-type activities of the City of Greensburg:

Governmental Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 624,760	\$305,909	\$ 930,669
2008	650,603	290,327	940,930
2009	666,693	272,682	939,375
2010	688,041	253,065	941,106
2011	709,658	231,466	941,124
2012 - 2016	3,237,245	782,379	4,019,624
2017 - 2021	1,101,044	393,431	1,494,475
2022 - 2026	1,226,778	135,405	1,362,183
	<u>\$8,904,822</u>	<u>\$2,664,664</u>	<u>\$11,569,486</u>

Business-type Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 235,000	\$ 122,683	\$ 357,683
2008	235,000	113,283	348,283
2009	245,000	104,235	349,235
2010	255,000	94,558	349,558
2011	265,000	84,230	349,230
2012 - 2016	1,540,000	209,837	1,749,837
	<u>\$2,775,000</u>	<u>\$728,826</u>	<u>\$3,503,826</u>

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CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4: PENSION PLANS

A. Description of Plan

1. General

The City of Greensburg Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established effective July 6, 1959. The Plan is governed by the City Council of the City of Greensburg which may amend the plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the Authority to manage the Plan assets to CS McKee. The trustee is Charles Schwab Co.

2. Plan Membership

As of January 1, 2005, the latest valuation report date, pension plan membership consisted of:

o Active employees	27
o In Payment Status:	
- Retirement Benefits	26
- Disability Benefits	1
- Survivor Benefits	5
o Deferred	0
 Total	 <u>59</u>

3. Benefit Provisions

The Plan provides for retirement, disability, and death benefits to Plan members and their beneficiaries. Cost-of-living increases are provided in accordance with provisions of the Plan's governing document.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

These statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due.

2. Valuation of Investments

Plan investments are listed at fair value as reported by Charles Schwab & Co.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4: (CONTINUED)

C. Contributions

Act 205 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO includes the normal cost, anticipated administrative expenses and an amortization payment or funding adjustment, less anticipated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirements established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0 percent of base wages, plus \$1 per month, to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining. Employees who have reached age 65 will not be required to contribute the \$1 per month.

Administrative costs, which may include but are not limited to, investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or plan earnings.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date is as follows:

Actuarial valuation date	January 1, 2005
Actuarial valuation method	4-Year smoothing
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	9 years
Actuarial assumptions:	
Investment rate of return	8.0 percent
Projected salary increases	5.5 percent
Underlying inflation rate	3.0 percent

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4: (CONTINUED)

CITY OF GREENSBURG POLICE PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the Plan is presented herewith as required supplementary information. It is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed, beginning as of January 1, 2001, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a/c)]
01/01/01	\$ 9,774,097	\$10,890,456	\$1,116,362	89.7%	\$1,531,982	72.8%
01/01/03	10,172,538	11,928,948	1,756,410	85.3%	1,639,764	107.1%
01/01/05	\$10,577,825	\$13,162,295	\$2,584,470	80.4%	\$1,761,985	146.7%

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4: (CONTINUED)

Summary of Annual Pension Cost and Net Pension Obligation (NPO) for Prior Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual required contribution (ARC)	\$550,014	\$349,039	\$498,296
Interest on NPO	0	(72)	(3,688)
Adjustment to the ARC	0	114	114
Annual Pension Cost	<u>550,014</u>	<u>349,081</u>	<u>494,722</u>
Contributions Made	550,914	394,285	499,196
Change in NPO	<u>(900)</u>	<u>(45,204)</u>	<u>(4,474)</u>
NPO, Beginning of Year (1/1)	0	(900)	(46,104)
NPO, End of Year (12/31)	<u>\$ (900)</u>	<u>\$ (46,104)</u>	<u>\$ (50,578)</u>
Percentage Contributed	<u>100%</u>	<u>100%</u>	<u>100%</u>

Annual Pension Cost for the Year Beginning 1/1/2003

Annual Required Contribution	\$ 498,296
Interest on NPO	(3,688)
Adjustment to the ARC	114
Annual Pension Cost	<u>\$ 494,722</u>

NOTE 5: ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable - Other at December 31, 2006, consisted of the following:

General Fund:	
Comcast Franchise Fee	\$51,451
2005 General Obligation Note Fund:	
Interest	25,611
Police Equipment Fund:	
Sale of Vehicle	2,158
	<u>\$79,220</u>

NOTE 6: CONTINGENCIES

There are no material claims outstanding for the City of Greensburg, which in the opinion of the City's legal counsel, would adversely affect the City of Greensburg financially.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 7: CAPITALIZED INTEREST

The City capitalizes net interest costs and interest earned as part of the cost of constructing various fixed assets when material. The amount of interest capitalized by the City's governmental activities during the year ended December 31, 2006 was \$112,260.

NOTE 8: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In 1996, Congress passed legislation to govern IRC Section 457 plans. Specifically, the legislation concludes that a plan "shall not be treated as an eligible deferred compensation plan unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of participants and their beneficiaries."

Prior to 1998, in order to remain in compliance with Pennsylvania state law, all amounts of compensation deferred under the plan, and all property and rights (until paid or made available to the employee or other beneficiary) were considered solely the property and rights of the City subject only to the claims of the City's general creditors.

During 1998, Pennsylvania law, regarding Section 457 plans, was adopted in order to conform with the federal mandate.

The City of Greensburg has determined that a fiduciary responsibility does not exist between the City and the Section 457 Plan. Therefore, the amounts of compensation deferred under the plan are not included as property and rights of the City and are not included in the City's financial statements as of December 31, 2006.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 9: CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2006, is as follows:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Governmental Activities				
Land	\$ 2,808,105	\$ 374,101	\$ -	\$ 3,182,206
Depreciable Capital Assets:				
Buildings and Other Property				
and Equipment	19,575,322	2,634,960	156,830	22,053,452
	<u>22,383,427</u>	<u>3,009,061</u>	<u>156,830</u>	<u>25,235,658</u>
Accumulated Depreciation	(8,634,753)	(876,424)	(144,294)	(9,366,883)
Construction in Progress	-	799,406	-	799,406
Governmental Activities Capital Assets, Net	<u>13,748,674</u>	<u>2,932,043</u>	<u>12,536</u>	<u>16,668,181</u>
Business Type Activities				
Land	823,807	-	-	823,807
Depreciable Capital Assets:				
Buildings and Other Property				
and Equipment	9,198,917	25,864	-	9,224,781
	<u>10,022,724</u>	<u>25,864</u>	<u>-</u>	<u>10,048,588</u>
Accumulated Depreciation	(3,753,564)	(258,379)	-	(4,011,943)
Business Type Activities Capital Assets, Net	<u>\$ 6,269,160</u>	<u>\$(232,515)</u>	<u>\$ -</u>	<u>\$ 6,036,645</u>

Depreciation expense was charged to governmental functions as follows:

Department of Public Affairs and Safety	\$ 306,748
Department of Accounting and Finance	245,399
Department of Administration	
Development and Public Operations	96,407
Department of Public Works	113,935
Department of Parks and Recreation	113,935
Totals	<u>\$876,424</u>

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 10: LEASES

As of the year ended December 31, 2006, the City has entered into several capital equipment leases with different leasing companies. There are buyout options available at the end of each lease term. There are no assets recorded in the individual fund balance sheets under capital leases, because as described in Note 1, 3, all fixed asset purchases are expensed in the current period in the fund that finances the acquisition. In the government wide financial statements the assets are in the General Fund. The future minimum lease payments for the next five years are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2007	\$ 97,578	\$ 9,913	\$ 107,491
2008	83,554	6,086	89,640
2009	45,577	2,673	48,250
2010	6,044	378	6,422
	<u>\$232,753</u>	<u>\$ 19,050</u>	<u>\$ 251,803</u>

SUPPLEMENTARY INFORMATION

The following summarizes changes in Long-Term Lease Obligations during the year ended December 31, 2006:

	<u>Balance</u> <u>12/31/05</u>	<u>Addition</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/06</u>
Total Leases	<u>\$ 299,787</u>	<u>\$ 28,550</u>	<u>\$ 95,584</u>	<u>\$ 232,753</u>

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to limited torts, theft of, damage to, and destruction of assets, errors, and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12: MOUNT PLEASANT STREET FLOOD PROJECT

The Department of Environmental Protection completed the Mount Pleasant Street Flood Project and turned over the improvements to the City for future maintenance and upkeep. The City capitalized the asset for \$1,622,410 and recorded, as revenue, a donation for the same amount. As a result, the change in Net Assets from Governmental Activities on the Statement of Activities increased from \$745,006 to \$2,367,416.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original	Final	Actual Results	Variance
Revenues:				
Taxes	\$ 5,192,425	\$ 5,192,425	\$ 5,271,202	\$ 78,777
Licenses and Permits	122,950	122,950	185,794	62,844
Fines and Forfeits	243,200	243,200	249,527	6,327
Interest, Rent, and Earnings				
on Investments	45,000	45,000	68,785	23,785
Intergovernmental Revenue	486,250	486,250	696,706	210,456
Fees for Services	1,222,510	1,222,510	1,265,839	43,329
Miscellaneous	-	-	102,312	102,312
Donations	-	-	1,050	1,050
Refunds	119,430	119,430	19,871	(99,559)
Total Revenues	7,431,765	7,431,765	7,861,085	429,320
Expenditures:				
Department of Public Affairs and Safety	3,480,862	3,480,862	3,365,133	115,729
Department of Accounts and Finance	2,453,852	2,453,852	2,356,110	97,743
Department of Administration Development and Public Operations	1,095,702	1,095,702	1,153,341	(57,638)
Department of Public Works	836,354	836,354	853,022	(16,668)
Department of Parks and Recreation	1,089,995	1,089,995	1,089,879	116
Other Expenditures	-	-	-	-
Total Expenditures	8,956,765	8,956,765	8,817,484	139,281
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,525,000)	\$ (1,525,000)	\$ (956,399)	\$ 568,601
Other Financing Sources (Uses):				
Operating Transfers In	905,000	905,000	905,000	-
Capital Lease Proceeds	-	-	28,550	28,550
Proceeds from the Sale of Fixed Assets	-	-	9,156	9,156
Total Other Financing Sources (Uses)	905,000	905,000	942,706	37,706
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	\$ (620,000)	\$ (620,000)	\$ (13,693)	\$ 606,307

The accompanying notes are an integral part of these financial statements.

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SARP & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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

Members of Council
City of Greensburg
416 South Main Street
Greensburg, Pennsylvania 15601

We have audited the financial statements of the City of Greensburg, Greensburg, Pennsylvania for the year ended December 31, 2006, and have issued our report thereon dated September 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Greensburg's internal control over financial reporting in order to determine 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 of Greensburg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Greensburg'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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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


Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
September 5, 2007