

**CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA**

**AUDITED FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2008

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
YEAR ENDED DECEMBER 31, 2008

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INDEPENDENT AUDITORS' REPORT

City Council
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416 South Main Street
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We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Greensburg, Westmoreland County, Pennsylvania (the City) as of and for the year ended December 31, 2008, which comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express our opinion 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 \$917,612, total net assets of \$703,556 and total revenues of \$820,879 which represent 8.21 percent, 6.29 percent and 20.65 percent 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 *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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Greensburg, Westmoreland County, Pennsylvania as of December 31, 2008, 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.

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

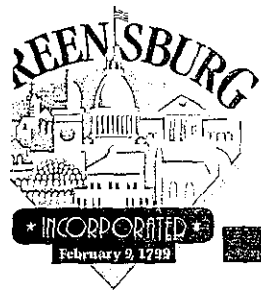
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued a report dated September 4, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
September 4, 2009



CITY OF GREENSBURG

City Council

ROBERT DEPASQUALE
RANDAL M. FINFROCK
EMIDIO PETERINELLI
THOMAS J. TRIDICO

KARL E. EISAMAN
Mayor

TIMOTHY J. MCCORMICK
City Solicitor

SUSAN M. TROUT
City Administrator

MARY PEREZ
City Treasurer
Fiscal Director

WALTER J. LYONS
Chief of Police

JOHN E. HUTCHINSON
Fire Chief

CITY OF GREENSBURG MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2008

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, 2008. 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, 2008.

Fiscal year 2008 represented the fifth 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 15.

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.

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.



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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 \$19,422,944 at December 31, 2008, not including component units. This is an increase of \$2,626,561 over last year. This increase is mainly due to the addition of two new surface parking lots that were constructed.
- Real estate tax rates were increased to 21.25 mills in 2008.
- Revenues of the City's governmental funds were \$14,243,721 which includes transfers from the City's business-type activities and proceeds from the sale of fixed assets. Expenses amounted to \$15,555,541.
- Revenues of the City's business-type activities were \$1,871,341 for 2008 and expenses amounted to \$908,002.
- The City of Greensburg's total assets at December 31, 2007 were \$32,184,250 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The analysis of the City as a whole begins on page 13. 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 OF GREENSBURG

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.

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



CITY OF GREENSBURG

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.

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, 2008, the City's assets exceeded its liabilities by \$19,422,944. Total assets equaled \$32,184,250. Of this amount, \$26,630,311 was capital assets, including infrastructure. Prior to the adoption of GASB No. 34, infrastructure was not reported or depreciated in governmental financial statements.

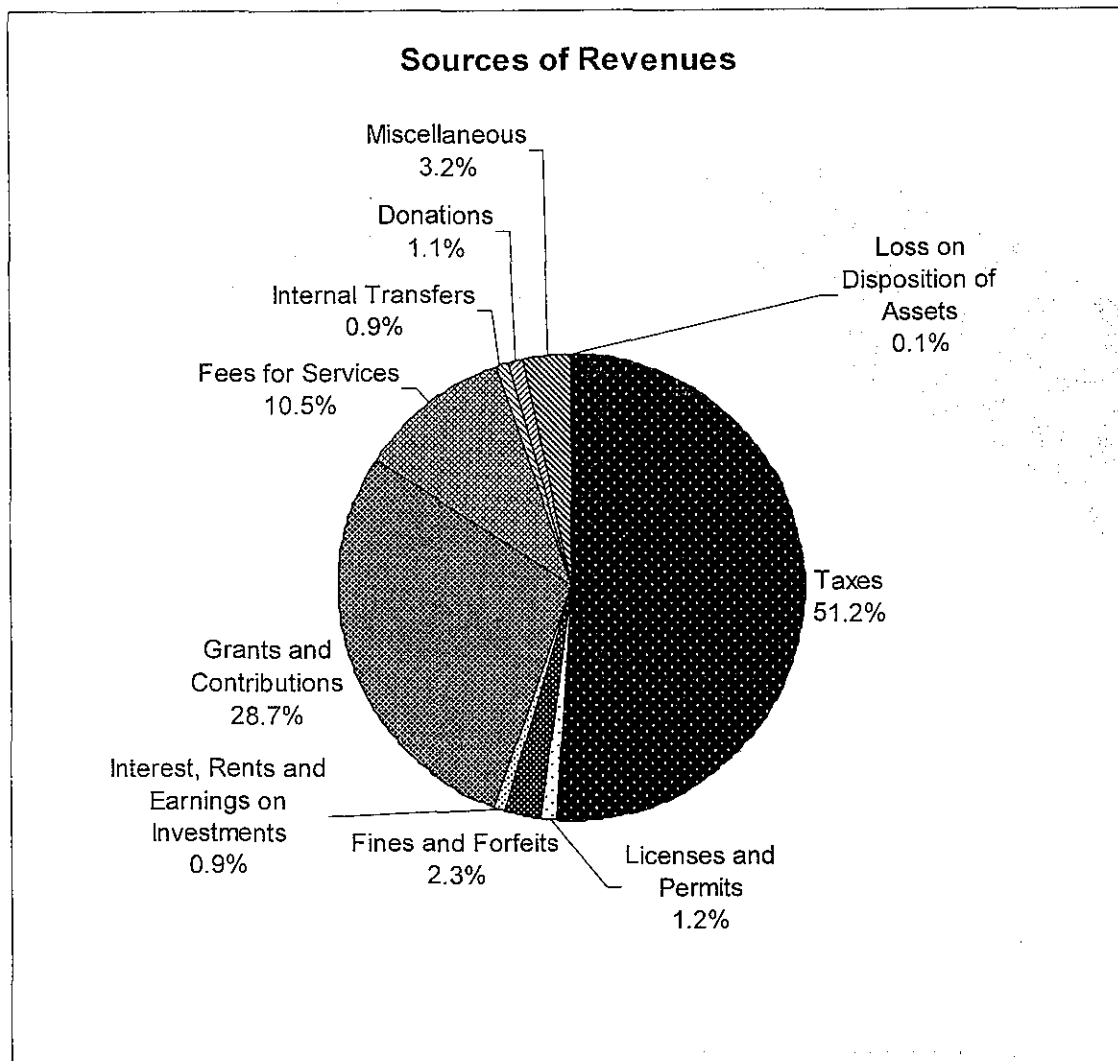
Governmental Activities:

Total revenues from governmental activities of \$13.1 million were derived primarily from tax collections at 51.2%. Grants and contributions made up the next largest source at 28.7%. Fees for services made up 10.5%. Fines and forfeits, interest, licenses and permits, internal transfers and other miscellaneous income make up the remaining balance.



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The following chart graphically depicts the government-wide sources of revenues for the fiscal year ended December 31, 2008.



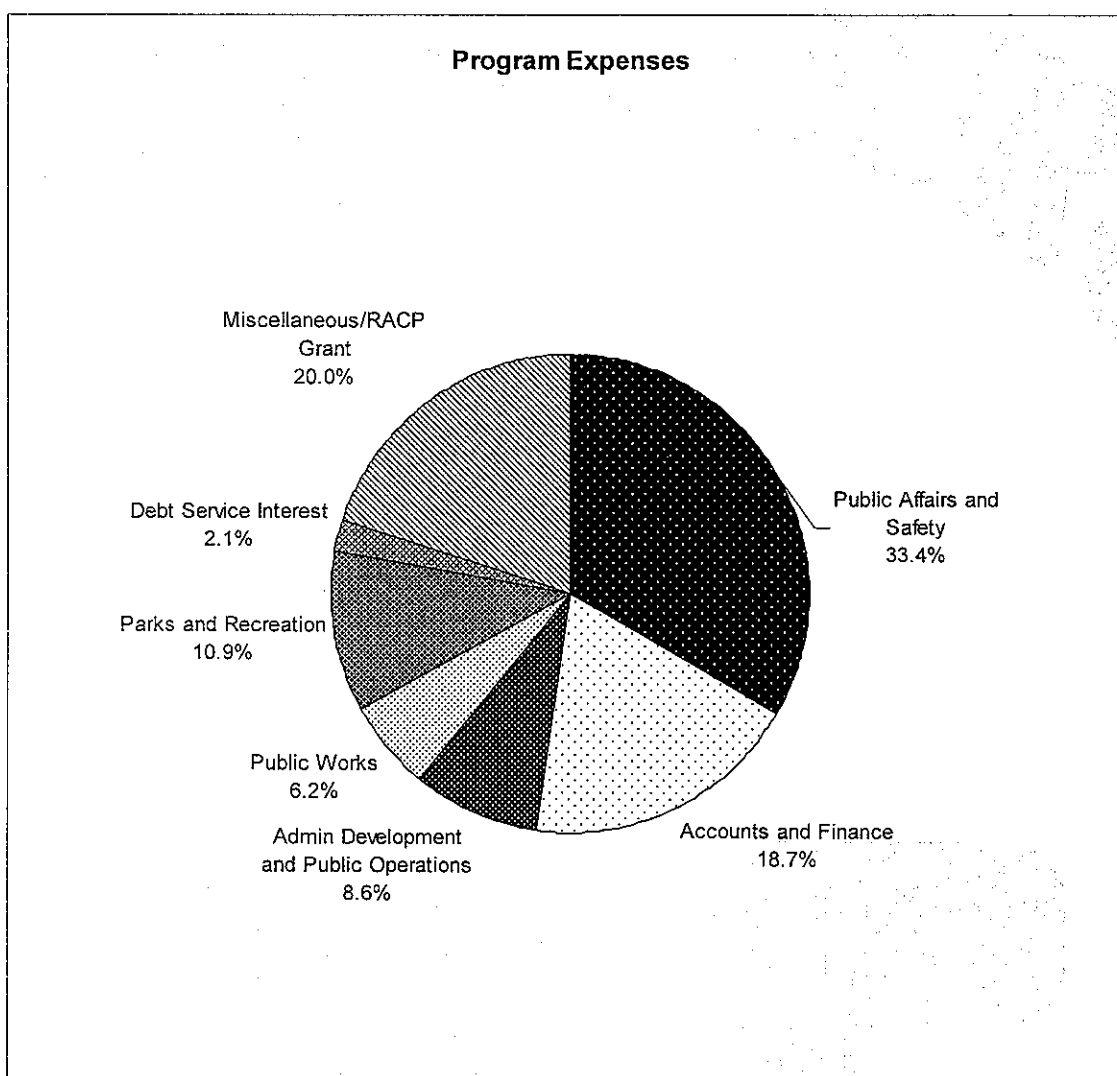
Total 2008 expenses for all programs were \$13.7 million. These expenses reflect the delivery of a wide range of services, with the largest area being public safety at 33.4%. The next largest area was the payment of grant expenses for the Seton Hill University Performing Arts Center at 20%. The City was the grantee for this project. The department of accounts and finance at 18.7% was the next largest. This area represents general



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government expenditures such as insurances, computer equipment and contracted services as well as other day-to-day operating expenses. Parks and recreation is at 10.9% and administration development and public operations follows with 8.6% of the expenditures. Public works weighs in at 6.2%. Debt service interest expenses account for the remaining 2.1%.

The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2008.





CITY OF GREENSBURG

Business-type Activities:

The total revenue generated from business-type activities during 2008 was \$2,012,345. Operating expenses during this period amounted to \$1,020,531. The City uses this positive balance in net operating income to offset general government expenditures.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund

There were no differences between the 2008 adopted original budget and the final budget. The City's General Fund reported a fund balance of \$42,725 at the end of the year, a decrease of \$824,716. This is mainly due to the requirement of the City to comply with the new Governmental Accounting Standards Board (GASB) Statement #45. This statement requires governments to value and report on postemployment benefits, other than pensions, offered to its' employees. The level of benefits varies between the classification of employee and time frame of retirement. These costs have traditionally been "pay as you go" and continue to be funded in that manner. It is not a requirement that the City pre-fund this obligation at this time. However, it must be disclosed in the financial statements. General Fund revenues increased by \$713,760 over 2007 and expenses increased by \$1,270,094. The expenditure growth was spread across every municipal department, with the largest increase in the Department of Public Affairs and Safety. Of the total 21.25 mills of real estate tax, 12.25 mills were allocated for the general fund. The remaining 9.00 mills were used for debt service. The 1.25 mill increase over 2007 was devoted entirely to the general fund to be used for operating expenses. This was the first time in ten years that a tax increase was enacted, after a reduction in 2005.

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 2008 funds were expended to complete Phase I of a Hometown Streets project that enhanced the beauty and safety of our downtown. The project included brick-stamped concrete crosswalks, sidewalk repair and beautification, benches, planters and bike racks. We also continued to engineer Phase II and Phase III of the project.



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2005 General Obligation Note Fund:

Early in 2006 the city obtained a general obligation note for \$4 million to construct additional parking to satisfy the needs of current and future growth in the downtown. These funds were utilized in 2008 to fund additional capital repairs to city owned buildings and parking garages. Monies from this fund were also expended on the required local match of engineering fees to replace two bridges that are slated to begin construction in 2011.

Debt Service Fund:

The total indebtedness of the City at December 31, 2008 was \$10,134,459. 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 well as other capital projects. There is also a mortgage payable to the Redevelopment Authority of the County of Westmoreland. 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, 2008 are \$26,630,311. Major capital asset events for which capital expenditures have been incurred during fiscal year 2008 include technological equipment purchases in the police department, street paving, vehicle purchases in the police and fire departments, and the purchase of a new street sweeper. We also made necessary repairs to several city owned structures. Roof replacements, siding and maintenance to parking structures were completed in 2008.

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.



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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 three garages, 16 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 2008 was \$800,000. A transfer is also budgeted to help offset debt payments associated with parking projects. The amount transferred to the debt service fund for 2008 was \$190,800.

Hutchinson Garage Fund:

This garage is located near the campus of Excelsa Westmoreland 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 2008 was \$148,503.

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 2008, 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.



CITY OF GREENSBURG

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 2008.

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, 2008

	Component Units				
	Governmental Activities	Business - Type Activities	Total Primary Government	Greensburg Parking Authority	Aerobic Center Municipal Authority
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 3,343,594	\$ 647,624	\$ 3,991,218	\$ -	\$ 232,077
Taxes Receivable (Net)	222,315	-	222,315	-	-
Intergovernmental Receivables	1,213,548	-	1,213,548	-	-
Other Receivables	119,755	7,103	126,858	70,400	12,953
Deferred Charge	-	-	-	-	11,177
Total Current Assets	4,899,212	654,727	5,553,939	70,400	256,207
Noncurrent Assets:					
Certificates of Deposit	-	-	-	-	80,298
Capital Assets:					
Land	2,081,906	823,807	2,905,713	-	1,320,216
Buildings and Other Property and Equipment	25,378,203	13,506,878	38,885,081	-	-
Construction in Progress	324,398	-	324,398	-	-
Less: Accumulated Depreciation	(10,691,791)	(4,793,090)	(15,484,881)	-	(739,109)
Total Capital Assets, Net of Depreciation	17,092,716	9,537,595	26,630,311	-	581,107
Total Noncurrent Assets:	17,092,716	9,537,595	26,630,311	-	661,405
Total Assets	\$ 21,991,928	\$ 10,192,322	\$ 32,184,250	\$ 70,400	\$ 917,612

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

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Department of Public Affairs and Safety	\$ 4,597,487	\$ -	\$ 195,068
Department of Accounts and Finance	2,577,441	-	374,245
Department of Administration Development and Public Operations	1,186,542	211,570	179,111
Department of Public Works	853,058	-	325,011
Department of Parks and Recreation	1,495,522	1,177,423	10,000
Capital Outlay	-	18,232	-
Interest and Long-Term Debt	294,925	-	-
PA RACP Grant	2,757,191	-	2,757,191
Total Government Activities	<u>13,762,166</u>	<u>1,407,225</u>	<u>3,840,626</u>
Business-Type Activities:			
Parking Revenue Fund	784,250	1,334,500	-
Hutchinson Garage Fund	236,281	535,976	-
Total Business-Type Activities	<u>1,020,531</u>	<u>1,870,476</u>	<u>-</u>
Component Units:			
Greensburg Parking Authority	-	-	-
Aerobic Center Municipal Authority	831,616	808,890	1,250
Total Component Units	<u>\$ 831,616</u>	<u>\$ 808,890</u>	<u>\$ 1,250</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purposes			
Public utility, realty and earned income taxes levied for general purposes			
License and Permits			
Fines and Forfeits			
Interest			
Donations			
Loss on Disposition of Assets			
Miscellaneous Income			
Internal Transfers			
Capital Contribution			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets, Beginning			
Prior Period Adjustment			
Net Assets, Ending			

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

				Component Units	
	Governmental Activities	Business - Type Activities	Total Primary Government	Greensburg Parking Authority	Aerobic Center Municipal Authority
Liabilities					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	\$ 1,759,854	\$ 111,121	\$ 1,870,975	\$ -	\$ 139,431
Current Portion of:					
Bonds Payable	515,000	245,000	760,000	-	-
Notes Payable	351,693	-	351,693	-	16,893
Capital Lease Obligation	74,195	-	74,195	-	-
Accrued Interest Payable	23,280	8,686	31,966	-	-
Total Current Liabilities	2,724,022	364,807	3,088,829	-	156,324
Long-Term Liabilities:					
Bonds Payable	3,420,000	2,060,000	5,480,000	-	-
Notes Payable	3,542,766	-	3,542,766	-	57,732
Capital Lease Obligation	155,350	-	155,350	-	-
Compensated Absences	75,855	-	75,855	-	-
Other Post Employment Benefits	377,951	755	378,706	-	-
Other Liabilities	39,800	-	39,800	-	-
Total Long-Term Liabilities	7,611,722	2,060,755	9,672,477	-	57,732
Total Liabilities	10,335,744	2,425,562	12,761,306	-	214,056
Net Assets:					
Invested in Capital Assets, Net of Related Debt	9,010,432	7,223,909	16,234,341	-	506,482
Restricted for Capital Improvement	1,956,158	-	1,956,158	-	-
Restricted for Roads and Streets	129,050	-	129,050	-	-
Restricted for Debt Service	294,794	-	294,794	-	-
Restricted for Culture and Recreation	111,283	-	111,283	-	-
Unrestricted	154,467	542,851	697,318	70,400	197,074
Total Net Assets	11,656,184	7,766,760	19,422,944	70,400	703,556
Total Liabilities and Net Assets	\$ 21,991,928	\$ 10,192,322	\$ 32,184,250	\$ 70,400	\$ 917,612

Program Revenues	Net (Expense) Revenue and Changes in Net Assets			Component Unit Total
	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	
\$	-	\$ (4,402,419)	\$ -	\$ (4,402,419)
-	-	(2,203,196)	-	(2,203,196)
-	-	(795,861)	-	(795,861)
-	-	(528,047)	-	(528,047)
-	-	(308,099)	-	(308,099)
-	-	18,232	-	18,232
-	-	(294,925)	-	(294,925)
-	-	-	-	-
-	-	(8,514,315)	-	(8,514,315)
-	-	-	550,250	550,250
-	-	-	299,695	299,695
-	-	-	849,945	849,945
-	-	-	-	\$ -
-	-	-	-	(21,476)
\$	-	-	-	(21,476)
2,673,553	-	-	2,673,553	-
4,176,754	-	-	4,176,754	-
157,440	-	-	157,440	-
311,000	-	-	311,000	-
114,873	20,418	-	135,291	5,896
152,634	-	-	152,634	3,674
(6,747)	-	-	(6,747)	1,169
424,125	866	-	424,991	-
(120,585)	(791,020)	-	(911,605)	-
-	911,605	-	911,605	-
7,883,047	141,869	-	8,024,916	10,739
(631,268)	991,814	-	360,546	(10,737)
12,287,452	4,708,931	-	16,996,383	714,293
-	2,066,015	-	2,066,015	-
\$ 11,656,184	\$ 7,766,760	\$ 19,422,944	\$ 703,556	

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	Major Funds					
			2005			
	General Fund	Grant Fund	G.O. Bond Fund	Debt Service Fund	Other Funds	Combined Total
Assets						
Cash and Cash Equivalents	\$ 734,213	\$ -	\$ 1,279,433	\$ 282,764	\$ 1,047,185	\$ 3,343,595
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	133,718	-	-	12,030	-	145,748
Other	99,737	-	11,251	-	8,767	119,755
Due From Other Governments	-	1,213,548	-	-	-	1,213,548
Total Current Assets	967,668	1,213,548	1,290,684	294,794	1,055,952	4,822,646
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable	179,548	1,213,548	22,576	-	74,234	1,489,906
Accrued Liabilities	217,949	-	-	-	-	217,949
Deferred Revenue	109,695	-	-	-	52,000	161,695
Other Liabilities	39,800	-	-	-	-	39,800
Other Post Employment Benefits	377,951	-	-	-	-	377,951
Total Liabilities	924,943	1,213,548	22,576	-	126,234	2,287,301
Fund Equity:						
Unreserved	42,725	-	-	-	1,335	44,060
Reserved for Debt Service	-	-	-	294,794	-	294,794
Reserved for Roads and Streets	-	-	-	-	129,050	129,050
Reserved for Capital Improvements	-	-	1,268,108	-	688,050	1,956,158
Reserved for Culture and Recreation	-	-	-	-	111,283	111,283
Total Fund Equity	42,725	-	1,268,108	294,794	929,718	2,535,345
Total Liabilities and Fund Equity	\$ 967,668	\$ 1,213,548	\$ 1,290,684	\$ 294,794	\$ 1,055,952	\$ 4,822,646

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, 2008

Total Fund Balances-Governmental Funds	\$ 2,535,345
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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 \$27,784,507, and the accumulated depreciation is \$10,691,791.	17,092,716
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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.	190,063
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Establish allowance for doubtful accounts - property taxes receivable.	(3,801)
--	---------

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	\$ 7,829,459	
Prior period adjustment	-	
Capital lease obligations	229,545	
Compensated absences	75,855	
Accrued interest payable	<u>23,280</u>	(8,158,139)

Total Net Assets-Governmental Activities	<u>\$ 11,656,184</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Major Funds</u>					<u>Combined Total</u>
	<u>General Fund</u>	<u>Grant Fund</u>	<u>2005 G.O. Bond Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	
Revenues:						
Taxes	\$ 5,728,033	\$ -	\$ -	\$ 1,139,898	\$ -	\$ 6,867,931
License and Permits	157,440	-	-	-	-	157,440
Fines and Forfeits	308,485	-	-	-	2,515	311,000
Interest, Rent and Earnings on Investments	18,725	-	60,965	11,271	23,912	114,873
Intergovernmental Revenue	692,771	2,762,210	123,467	-	385,646	3,964,094
Fees for Services	1,388,993	-	-	-	18,232	1,407,225
Miscellaneous	85,085	-	-	-	159,632	244,717
Donations	725	-	-	-	81,942	82,667
Refunds	55,906	-	-	-	-	55,906
 Total Revenues	<u>8,436,163</u>	<u>2,762,210</u>	<u>184,432</u>	<u>1,151,169</u>	<u>671,879</u>	<u>13,205,853</u>
Expenditures:						
Department of Public Affairs and Safety	4,232,150	5,019	-	-	7,091	4,244,260
Department of Accounts and Finance	2,577,794	-	-	407	-	2,578,201
Department of Administration	1,119,975	-	-	-	-	1,119,975
Department of Public Works	1,021,454	-	-	-	331,723	1,353,177
Department of Parks and Recreation	1,349,102	-	-	-	195,269	1,544,371
Capital Outlay	-	-	346,118	-	671,318	1,017,436
Debt Service:						
Principal Retirement	-	-	-	643,408	7,195	650,603
Interest	-	-	-	289,799	528	290,327
PA RACP Grant	-	2,757,191	-	-	-	2,757,191
 Total Expenditures	<u>\$ 10,300,475</u>	<u>\$ 2,762,210</u>	<u>\$ 346,118</u>	<u>\$ 933,614</u>	<u>\$ 1,213,124</u>	<u>\$ 15,555,541</u>
 Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,864,312)</u>	<u>\$ -</u>	<u>\$ (161,686)</u>	<u>\$ 217,555</u>	<u>\$ (541,245)</u>	<u>\$ (2,349,688)</u>

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

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

	Major Funds					
	2005					
	General Fund	Grant Fund	G.O. Bond Fund	Debt Service Fund	Other Funds	Combined Total
Other Financing Sources (Uses):						
Operating Transfers In	\$ 800,033	\$ -	\$ -	\$ 190,800	\$ 148,503	\$ 1,139,336
Operating Transfers Out	-	-	-	(348,283)	(33)	(348,316)
Proceeds from Issuance of Note	-	-	-	-	-	-
Capital Lease Proceeds	213,952	-	-	-	-	213,952
Proceeds from the Sale of Fixed Assets	25,611	-	-	-	7,285	32,896
						-
Total Other Financing Sources (Uses)	<u>1,039,596</u>	<u>-</u>	<u>-</u>	<u>(157,483)</u>	<u>155,755</u>	<u>1,037,868</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(824,716)	-	(161,686)	60,072	(385,490)	(1,311,820)
Fund Balance, Beginning of Year	867,441	-	1,429,794	234,722	1,315,208	3,847,165
Fund Balance, End of Year	<u>\$ 42,725</u>	<u>\$ -</u>	<u>\$ 1,268,108</u>	<u>\$ 294,794</u>	<u>\$ 929,718</u>	<u>\$ 2,535,345</u>

The accompanying notes are an integral part of these financial 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, 2008

Net Change in Fund Balances - Governmental Funds \$(1,311,820)

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	\$ 1,399,263	
Capital contribution to proprietary funds	(262,142)	
Less: depreciation expense	<u>(939,216)</u>	197,905

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. Revenues increased (decreased) by this amount during the year. (17,623)

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 of capital leases payable	(213,952)	
Repayment of note and bond principal	650,603	
Repayment of capital lease principal	<u>119,582</u>	556,233

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. (39,644)

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 increase/ (decrease) in interest accrued in the statement of activities is shown here. 1,489

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. (17,808)

Change in Net Assets of Governmental Activities \$ (631,268)

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
FOR THE YEAR ENDED DECEMBER 31, 2008

				Component Units	
	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types	Greensburg Parking Authority	Aerobic Center Municipal Authority
Assets					
Current Assets:					
Cash	\$ 196,030	\$ 451,594	\$ 647,624	\$ -	\$ 232,077
Receivables	2,484	4,619	7,103	70,400	12,953
Deferred Charge	-	-	-	-	11,177
Total Current Assets	<u>198,514</u>	<u>456,213</u>	<u>654,727</u>	<u>70,400</u>	<u>256,207</u>
Noncurrent Assets:					
Certificates of Deposit	-	-	-	-	80,298
Land	814,347	9,460	823,807	-	1,320,216
Buildings and Other Property and Equipment	10,433,406	3,073,472	13,506,878	-	-
Less: Accumulated Depreciation	(2,952,992)	(1,840,098)	(4,793,090)	-	(739,109)
Total Capital Assets, Net of Depreciation	<u>8,294,761</u>	<u>1,242,834</u>	<u>9,537,595</u>	<u>-</u>	<u>661,405</u>
Total Assets	<u>8,493,275</u>	<u>1,699,047</u>	<u>10,192,322</u>	<u>70,400</u>	<u>917,612</u>
Liabilities and Net Assets					
Current Liabilities:					
Accounts Payable	29,838	41,227	71,065	-	139,431
Current Portion of Long-Term Debt	245,000	-	245,000	-	16,893
Accrued Interest Payable	8,686	-	8,686	-	-
Deferred Revenue	28,215	6,050	34,265	-	-
Other Current Liabilities	3,339	2,452	5,791	-	-
Total Current Liabilities	<u>315,078</u>	<u>49,729</u>	<u>364,807</u>	<u>-</u>	<u>156,324</u>
Long-Term Liabilities:					
Bonds Payable	2,060,000	-	2,060,000	-	-
Notes Payable	-	-	-	-	57,732
Other Post Employment Benefits	437	318	755	-	-
Total Long-Term Liabilities	<u>2,060,437</u>	<u>318</u>	<u>2,060,755</u>	<u>-</u>	<u>57,732</u>
Total Liabilities	<u>2,375,515</u>	<u>50,047</u>	<u>2,425,562</u>	<u>-</u>	<u>214,056</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	5,981,075	1,242,834	7,223,909	-	506,482
Restricted for Capital Improvements	-	-	-	-	-
Unrestricted	136,685	406,166	542,851	70,400	197,074
Total Liabilities and Net Assets	<u>\$ 8,493,275</u>	<u>\$ 1,699,047</u>	<u>\$ 10,192,322</u>	<u>\$ 70,400</u>	<u>\$ 917,612</u>

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, 2008

	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types	Component Units	
				Greensburg Parking Authority	Aerobic Center Municipal Authority
Operating Revenues:					
Fees and Services	\$ 1,334,500	\$ 535,976	\$ 1,870,476	\$ -	\$ 808,890
Miscellaneous	865	-	865	1,920	-
	<u>1,335,365</u>	<u>535,976</u>	<u>1,871,341</u>	<u>1,920</u>	<u>808,890</u>
Total Operating Revenue					
Operating Expenses:					
Department of Public Affairs and Safety	309,565	163,779	473,344	-	-
Aerobic Center	-	-	-	-	831,616
Depreciation	362,156	72,502	434,658	-	-
Miscellaneous	-	-	-	1,920	-
	<u>671,721</u>	<u>236,281</u>	<u>908,002</u>	<u>1,920</u>	<u>831,616</u>
Total Operating Expenses					
Operating Income (Loss)	663,644	299,695	963,339	-	(22,726)
Operating Transfers In	348,283	-	348,283	-	-
Operating Transfers Out	(990,800)	(148,503)	(1,139,303)	-	-
Capital Contribution	649,464	262,142	911,606	-	-
Interest and Earnings on Investments	7,161	13,257	20,418	-	5,570
Interest Expense	(112,529)	-	(112,529)	-	-
Realized/Unrealized Gains/(Losses)	-	-	-	-	326
Gain/(Loss) on Sale of Assets	-	-	-	-	1,169
Grants and Donations	-	-	-	-	4,924
	<u>565,223</u>	<u>426,591</u>	<u>991,814</u>	<u>-</u>	<u>(10,737)</u>
Net Income (Loss)					
Net Assets, Beginning of Year	3,486,522	1,222,409	4,708,931	70,400	714,293
Prior Period Adjustment	2,066,015	-	2,066,015	-	-
	<u>\$ 6,117,760</u>	<u>\$ 1,649,000</u>	<u>\$ 7,766,760</u>	<u>\$ 70,400</u>	<u>\$ 703,556</u>
Net Assets, End of Year					

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, 2008

	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types	Component Units	
				Greensburg Parking Authority	Aerobic Center Municipal Authority
Cash Flows from Operating Activities:					
Cash received from customers	\$ 1,336,299	\$ 535,100	\$ 1,871,399	\$ 1,920	\$ 807,974
Cash paid to employees	(72,487)	(52,773)	(125,260)	-	-
Cash paid to suppliers	(224,663)	(80,737)	(305,400)	(1,920)	-
Cash paid to employees and suppliers	-	-	-	-	(740,550)
Net Cash Provided (Used) by Operating Activities	<u>1,039,149</u>	<u>401,590</u>	<u>1,440,739</u>	<u>-</u>	<u>67,424</u>
Cash Flows from Capital and Related Financing Activities:					
Interfund transfers	(642,517)	(148,503)	(791,020)	-	-
Principal and interest on long-term debt	(347,529)	-	(347,529)	-	(2,269)
Proceeds of borrowings	-	-	-	-	70,000
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(990,046)</u>	<u>(148,503)</u>	<u>(1,138,549)</u>	<u>-</u>	<u>67,731</u>
Cash Flows from Investing Activities:					
Proceeds from sale of property and equipment	-	-	-	-	1,200
Purchases of property and equipment	(652,084)	(480,209)	(1,132,293)	-	(101,670)
Capital contributions from governmental funds	649,464	262,142	911,606	-	-
Proceeds from sale (purchase) of investments	-	-	-	-	(3,000)
Interest and other income	7,161	13,257	20,418	-	-
Net Cash Provided (Used) by Investing Activities	<u>4,541</u>	<u>(204,810)</u>	<u>(200,269)</u>	<u>-</u>	<u>(103,470)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	53,644	48,277	101,921	-	31,685
Cash and Cash Equivalents, January 1	142,386	403,317	545,703	-	200,392
Cash and Cash Equivalents, December 31	<u>196,030</u>	<u>451,594</u>	<u>647,624</u>	<u>-</u>	<u>232,077</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income	663,644	299,695	963,339	-	(10,737)
Adjustments to Reconcile Net Operating Income to Cash Provided by Operating Activities:					
Depreciation	362,156	72,502	434,658	-	49,239
Unrealized gains (losses) on investments	-	-	-	-	(326)
Gains (losses) on sale of fixed assets	-	-	-	-	(1,169)
(Increase) decrease in accounts receivable	(2,026)	(3,956)	(5,982)	-	(650)
(Increase) decrease in deferred charges	-	-	-	-	2,582
Increase (decrease) in accounts payable	12,415	30,269	42,684	-	42,283
Increase (decrease) in deferred revenue	2,960	3,080	6,040	-	(13,798)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,039,149</u>	<u>\$ 401,590</u>	<u>\$ 1,440,739</u>	<u>-</u>	<u>\$ 67,424</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
FOR THE YEAR ENDED DECEMBER 31, 2008

		Agency Funds		
		Pension Trust Fund Police Pension	Private Purpose Trust Fund - Thomas Lynch Concert Fund	Payroll Clearing Fund
				Special Fund
Assets				
Assets:				
Cash	\$	292,247	\$ 1,121	\$ 7,361
Investments		9,635,336	60,000	-
Other Receivables		54,934	-	3,896
Total Assets		<u>9,982,517</u>	<u>61,121</u>	<u>11,257</u>
Liabilities:				
Accrued Liabilities		-	-	7,361
Accounts Payable		-	-	3,896
Total Liabilities		<u>-</u>	<u>-</u>	<u>11,257</u>
Net Assets:				
Restricted for Culture and Recreation		-	61,121	
Restricted for Employee Retirement		9,982,517	-	
Total Net Assets	\$	<u>9,982,517</u>	<u>\$ 61,121</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
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Pension Trust Fund <u>Police Pension</u>	Private Purpose Trust Fund - Thomas Lynch <u>Concert Fund</u>
Additions:		
Municipal Contributions	\$ 717,556	\$ -
Member Contributions	93,661	-
Interest and Dividend Income	391,615	2,451
Investment Expense	(65,935)	-
Donations	100	-
Other Income	210	-
Realized/Unrealized Gains/(Losses)	(3,305,847)	-
	-	-
Total Revenues	<u>(2,168,640)</u>	<u>2,451</u>
Deductions:		
Benefit Payments	995,669	-
Benefit Payments		
Administration/Other Fees	5,087	-
Parks and Recreation	-	3,050
	-	-
Total Operating Expenses	<u>1,000,756</u>	<u>3,050</u>
Excess of Revenues Over/(Under) Expenses	(3,169,396)	(599)
Net Assets, Beginning of Year	13,151,913	61,720
Net Assets, End of Year	<u>\$ 9,982,517</u>	<u>\$ 61,121</u>

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

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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:

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, 2008

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, 2008

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 2005 General Obligation Note Fund is considered a Major Fund.

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

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. The City's Grant Fund is considered a Major Fund.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1: (CONTINUED)

Non-Major Governmental Funds

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

Police Equipment Fund	2001 General Obligation Note Fund
Fire Department Capital Equipment Fund	2003 General Obligation Note Fund
Hutchinson Garage Reserve Fund	

Special Revenue Funds - Nonmajor Special Revenue Funds include the following:

Armstrong Fund	St. Clair Concert Fund
Greensburg Community Days Fund	Motor Tax 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 chargers 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, 2008, are as follows:

Hutchinson Garage Fund	Parking Revenue Fund
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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, 2008

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 19).

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008

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 2008 consisted of buildings, 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 has 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 \$75,855.

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, 2008

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.

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, 2008, 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.

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.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2: (CONTINUED)

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, 2008, \$3,701,321 of the City's bank balance of \$4,201,321 was 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>\$3,701,321</u>
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As of December 31, 2008, \$500,000 of the City's bank balances was 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, 2008. The City does not have a policy regarding concentration of credit risk.

Citizen's Bank	\$2,024,625	48%
First Commonwealth Bank	\$2,176,501	51%

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, 2008

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. Asset 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
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The plan has no investment policy for credit risk. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
U.S. Agencies	\$ 187,658	Not rated
U.S. Agencies	533,026	Aaa
U.S. Agencies	402,243	WR
Corporate Debt	879,762	A
Corporate Debt	284,942	Aa
Corporate Debt	355,458	Aaa
Corporate Debt	335,780	Baa
Corporate Debt	78,000	WR
Corporate Debt	51,086	Not rated
	<u>\$ 3,107,955</u>	

As of December 31, 2008, the City's investments consisted of the following:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Matured</u>	<u>Less than a year</u>	<u>1-5</u>	<u>More than 10 years</u>
<i>Police Pension Fund:</i>					
U.S. Agencies	\$ 649,791	\$ 22,284	\$ -	\$ 179,425	\$ 448,082
GNMA	157,076	-	-	-	157,076
U.S. Agencies	1,122,927	-	-	7,144	468,310
Corporate Debt	1,985,028	-	178,521	660,934	397,023
Totals	<u>\$ 3,914,822</u>	<u>\$ 22,284</u>	<u>\$ 178,521</u>	<u>\$ 847,503</u>	<u>\$ 1,313,415</u>
					<u>\$ 1,553,099</u>

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008, 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.

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.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3: (CONTINUED)

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.

During the fiscal year ended 2007, the Greensburg Parking Authority discovered an outstanding mortgage payable to the Redevelopment Authority of Westmoreland County in the amount of \$200,000. The Parking Authority and the City of Greensburg are currently in negotiations with the Redevelopment Authority to satisfy the obligation. The mortgage is expected to be satisfied in the next fiscal year and, therefore, is considered to be a short term note payable.

The following is a summary of debt transactions of the governmental and business-type activities of the City for the year ended December 31, 2008:

	<u>Balance</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2008</u>
<i><u>Governmental Activities:</u></i>				
1997 PEMA Loan	\$ 29,662	\$ -	\$ 7,195	\$ 22,467
2003 General Obligation Bonds	4,440,000	-	505,000	3,935,000
2005 General Obligation Note	3,810,400	-	138,408	3,671,992
Mortgage Loan Payable	200,000	-	-	200,000
	<u>\$8,480,062</u>	<u>\$ -</u>	<u>\$ 650,603</u>	7,829,459
Less: Current Portion				(866,693)
				<u>\$6,962,766</u>
<i><u>Business-type Activities:</u></i>				
2001 General Obligation Bonds	<u>\$ 2,540,000</u>	<u>\$ -</u>	<u>\$ 235,000</u>	\$ 2,305,000
Less: Current Portion				(245,000)
				<u>\$ 2,060,000</u>

General Obligation Bonds payable at December 31, 2008, 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, 2008

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.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Combined Totals</u>
Refunding Series of 2001	\$ -	\$2,305,000	\$2,305,000
Refunding Series of 2003	3,395,000	-	3,395,000
Total	<u>\$3,395,000</u>	<u>\$2,305,000</u>	<u>\$5,700,000</u>

General Obligation Note Payable at December 31, 2008, is comprised of the following issue:

General Obligation Note:

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Combined Totals</u>
Series of 2005	<u>\$3,671,992</u>	<u>\$ -</u>	<u>\$3,671,992</u>

Loans payable at December 31, 2008, are comprised of the following individual issue:

PEMA Loan:

\$100,000 due in annual installments of principal and interest of \$7,722 through 2011. Interest rate is 2.00 percent.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Combined Totals</u>
PEMA Loan	<u>\$22,467</u>	<u>\$ -</u>	<u>\$22,467</u>

Mortgage loans payable at December 31, 2008, are comprised of the following individual issue:

Mortgage Loan:

\$200,000 expected to be satisfied during the fiscal year ended 2009.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Combined Totals</u>
Mortgage Loan	<u>\$200,000</u>	<u>\$ -</u>	<u>\$200,000</u>

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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>
2009	\$ 866,693	\$ 272,682	\$ 1,139,375
2010	688,041	253,065	941,106
2011	709,658	231,466	941,124
2012	723,764	207,999	931,762
2013	745,798	183,151	928,949
2014 - 2018	2,180,537	576,165	2,756,702
2019 - 2023	1,197,658	296,816	1,494,474
2024 - 2026	717,310	47,083	764,393
	<u>\$7,829,459</u>	<u>\$2,068,427</u>	<u>\$9,897,885</u>

Business-type Activities:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 245,000	\$104,235	\$ 349,235
2010	255,000	94,558	349,558
2011	265,000	84,230	349,230
2012	280,000	69,043	349,043
2013	295,000	56,295	351,295
2014 - 2016	965,000	84,500	1,049,500
	<u>\$2,305,000</u>	<u>\$492,861</u>	<u>\$2,797,861</u>

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2007, 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, 2008

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, (a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability) less anticipated member contributions. 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, 2007
Actuarial valuation method	4-Year smoothing
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	7 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, 2008

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)]
01/01/03	\$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%
01/01/07	\$12,382,229	\$14,245,985	\$1,863,756	86.9%	\$1,894,442	98.4%

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 4: (CONTINUED)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual Required Contribution (ARC)	\$498,296	\$520,378	\$529,626
Interest on NPO	(3,688)	(4,046)	(4,854)
Adjustment to the ARC	114	114	114
Annual Pension Cost	<u>494,722</u>	<u>516,446</u>	<u>524,886</u>
Contributions Made	499,196	526,541	535,538
Change in NPO	<u>(4,474)</u>	<u>(10,095)</u>	<u>(10,652)</u>
NPO, Beginning of Year (1/1)	(46,104)	(50,578)	(60,673)
NPO, End of Year (12/31)	<u><u>\$(50,578)</u></u>	<u><u>\$(60,673)</u></u>	<u><u>\$(71,325)</u></u>
Percentage Contributed	<u>101%</u>	<u>102%</u>	<u>102%</u>

Annual Pension Cost for the Year Beginning 1/1/2007

Annual Required Contribution	\$ 689,973
Interest on NPO	(5,706)
Adjustment to the ARC	114
Annual Pension Cost	<u><u>\$ 684,381</u></u>

NOTE 5: ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable – Other at December 31, 2008, consisted of the following:

General Fund:	
Grants Receivable	\$ 19,993
Comcast Franchise Fee	54,665
Fire Loss Insurance	14,400
Miscellaneous Receivables	30,697
	<u><u>\$ 119,755</u></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, 2008

NOTE 7: 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 to 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, 2008.

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CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 8: CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2008, is as follows:

	<u>Balance</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2008</u>
Governmental Activities:				
Land	\$ 2,081,906	\$ -	\$ -	\$ 2,081,906
Depreciable Capital Assets:				
Buildings and Other Property and Equipment	24,525,678	1,828,339	975,814	25,378,203
	<u>26,607,584</u>	<u>1,828,339</u>	<u>975,814</u>	<u>27,460,109</u>
Accumulated Depreciation	(10,039,282)	(939,216)	(286,707)	(10,691,791)
Construction in Progress	366,152	324,398	366,152	324,398
Governmental Activities Capital Assets, Net	<u>16,934,454</u>	<u>1,213,521</u>	<u>1,055,259</u>	<u>17,092,716</u>
Business Type Activities:				
Land	823,807	-	-	823,807
Depreciable Capital Assets:				
Buildings and Other Property and Equipment	10,229,824	3,277,054	-	13,506,878
	<u>11,053,631</u>	<u>3,277,054</u>	<u>-</u>	<u>14,330,685</u>
Accumulated Depreciation	(4,279,687)	(513,403)	-	(4,793,090)
Business Type Activities Capital Assets, Net	<u>\$ 6,773,944</u>	<u>\$ 2,763,651</u>	<u>\$ -</u>	<u>\$ 9,537,595</u>

Depreciation expense was charged to governmental functions as follows:

Department of Public Affairs and Safety	\$ 328,726
Department of Accounting and Finance	262,980
Department of Administration Development and Public Operations	103,314
Department of Public Works	122,098
Department of Parks and Recreation	122,098
Totals	<u>\$939,216</u>

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 9: LEASES

As of the year ended December 31, 2008, 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 and 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 December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2009	\$ 74,195	\$10,083	\$ 84,278
2010	35,881	6,569	42,450
2011	31,107	4,921	36,028
2012	32,432	3,596	36,028
2013	17,924	2,215	20,139
2014 – 2015	38,006	2,272	40,278
	<u>\$ 229,545</u>	<u>\$29,656</u>	<u>\$ 259,201</u>

The following summarizes changes in Long-Term Lease Obligations during the year ended December 31, 2008:

	<u>Balance 12/31/07</u>	<u>Addition</u>	<u>Payments</u>	<u>Balance 12/31/08</u>
Total Leases	<u>\$ 135,175</u>	<u>\$213,952</u>	<u>\$ 119,582</u>	<u>\$ 229,545</u>

NOTE 10: 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 11: PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$2,066,015 was recorded to beginning net assets in the Parking Revenue Fund to adjust the beginning cost of Buildings and Other Property and Equipment and Accumulated Depreciation as follows:

Buildings and Other Property and Equipment	\$ 2,144,760
Accumulated Depreciation	(78,745)
	<u>\$ 2,066,015</u>

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12: OTHER POST RETIREMENT BENEFITS

The City provides post-employment healthcare, dental, vision, and life insurance benefits (OPEB) for retired employees. The benefits, benefit levels, employee contributions, and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The City has chosen an unfunded plan whereby all benefits are paid out of the general assets of the City.

Benefits Provided and Funding Policy

A. Police Employees:

Eligibility: Police officers who retire after 20 years of service or who retire with a disability or vested pension.

Coverage: Retired police officers and their spouses. Benefits for a deferred vested participant and his/her spouse will commence at what would have been the participant's normal retirement age.

Benefits: Payment by the City for medical, dental, and vision coverage. The annual premium paid by the City will be a maximum of 85 percent of the husband/wife rates for medical, dental, and vision coverage during the first 15 years of retirement (or attainment of age 65 if earlier), and 75 percent of the husband/wife rates for medical, dental, and vision coverage thereafter until each the retiree and his /her spouse reaches age 65 (coverage for each terminates at the individual's 65th birthday). Payment by the City for individual coverage will be subject to the same annual dollar limits as specified above. Coverage shall continue unless the retiree becomes eligible for employer-paid benefits from other employment or their spouse's employment. If the retiree dies prior to age 65, his/her spouse may obtain COBRA coverage through the City.

Retiree Contributions: Any costs in excess of the maximum specified above must be reimbursed to the City by the retiree.

Return from Other Coverage: If a retiree loses coverage obtained through a subsequent employer or spouse's employer, an eligible retiree (and his/her spouse) may obtain benefits from the City with coverage as described above.

Life Insurance: Retirees receive an \$8,000 life insurance policy payable to the retiree's beneficiary upon the retiree's death.

Medical Plans Available to Retirees: Keystone Blue HMO, administered through MEIT. Retirees may participate in alternative plans (if out-of-area), in which case the City will reimburse the retiree subject to the limits above.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12: (CONTINUED)

B. Non-Uniformed Employees (Union and Non-Union)

Eligibility: Non-uniformed employees who retire after age 55 with 20 years of service or after age 62 (regardless of service).

Coverage: Retired non-uniformed employees and their spouses.

Benefits: Payment by the City to a maximum of \$3,300 annually to apply to the existing medical coverage extended to active employees or to the retiree's own personal health insurance coverage. City payments will end, for both the retiree and his/her spouse, when the retiree reaches age 65. If the retiree dies prior to age 65, his/her spouse may obtain COBRA coverage through the City.

Retiree Contributions: Retirees electing to remain on the City's medical plan must remit the balance of the annual premiums in excess of \$3,300 to the City.

Life Insurance: Retirees receive a \$2,000 life insurance policy payable to the retiree's beneficiary upon the retiree's death. The retiree may purchase additional coverage up to \$20,000.

Medical Plans Available to Retirees: Keystone Blue HMO, administered through MEIT, or other as purchased by the retiree.

Membership – At January 1, 2008, membership consisted of:

Classifications of Participants

Active Members

	<u>Medical Benefits</u>	<u>All Benefits</u>
Police	27	27
Non-Uniformed, Non-Union	30	30
Non-Uniformed, Union	26	27
Total Active Members	<u>83</u>	<u>84</u>

Retired Members

Police	6	26
Non-Uniformed, Non-Union	-	10
Non-Uniformed, Union	1	12
Total Retired Members	<u>7</u>	<u>48</u>

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12: (CONTINUED)

Actuarial Assumptions:

A. Economic

1. Interest Rate: Unfunded Plan – 4.5 percent per year
2. Annual Trend Rates for OPEB Costs: Based on the following:

<u>Year</u>	<u>Medical/RX</u>	<u>Dental Vision</u>
2008	9%	5%
2009	9%	5%
2010	9%	5%
2011	8%	5%
2012	7%	5%
2013	6%	5%
2014 and later	5%	5%

B. Demographic Assumptions

1. Mortality: 1994 Uninsured Pensioner Mortality Table.
2. Withdrawal: Police: 50 percent of Table T-1, *Actuary's Pension Handbook*.
Non-Uniformed: Table T-2, *Actuary's Pension Handbook*.
3. Disablement: Police: 60 percent of the rates of disablement from *Advanced Pension Tables*.
Non-Uniformed Employees: 35 percent of the rates of disablement from *Advanced Pension Tables*.
4. Valuation Retirement Age:
Police: Age 52 with 20 years of service.
Non-Uniformed Employees: The earlier of age 61 with 20 years of service or age 63 with 10 years of service.
5. Percent with Husband/Wife Coverage:
80 percent of retiring participants.
6. Spouse Age: Female spouse assumed to be three years younger than male.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12: (CONTINUED)

7. Percent Electing Coverage:

Police: 90 percent of eligible participants
Non-Uniformed Employees: 100 percent of eligible participants.

C. Insurance Premiums

1. Current Premium Schedules:

The following are the reported applicable annual rates for medical (including prescription drug), dental, and vision coverage:

Medical/Rx Keystone HMO

Single	\$ 5,200.32
Parent/Child(ren)	\$12,395.04
Husband/Wife	\$13,823.76
Family	\$15,864.84

Dental

Single	\$134.76
Parent/Child(ren)	\$516.24
Husband/Wife	\$516.24
Family	\$516.24

<u>Vision</u>	<u>Enhanced</u>
---------------	-----------------

Single	\$103.20
Parent/Child(ren)	\$103.20
Husband/Wife	\$103.20
Family	\$103.20

2. Age-Adjustment:

None applied. Premiums for medical, dental, and vision are projected using trend rates without adjustment.

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12: (CONTINUED)

Development of Annual OPEB Cost for Fiscal Year Ending:

	<u>December 31, 2008</u>
Annual Required Contribution (ARC)	\$ 378,706
Interest on beginning of year Net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB Cost	<u>378,706</u>

Development of Net OPEB Obligation for Fiscal Year Ending:

Annual OPEB Cost	378,706
Contribution Made in relation to the ARC	-
Increase in Net OPEB obligation	378,706
Net OPEB Obligation/(Asset) – beginning of year	-
Net OPEB Obligation/(Asset) – end of year	<u>\$ 378,706</u>

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year <u>Ending</u>	Annual Required <u>Contribution (ARC)</u>	Percentage <u>Contributed</u>	Net OPEB Obligation or (Asset)
12/31/08	\$ 378,706	-	\$ 378,706

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation <u>Date</u>	(a) Actuarial Value of <u>Plan Assets</u>	(b) Actuarial Accrued <u>Liability</u>	(b-a) Unfunded Actuarial Liability <u>(UAAL)</u>	(a/b) Funded <u>Ratio</u>
01/31/08	\$ -	\$3,358,597	\$3,358,597	0.00%
01/31/07	N/A	N/A	N/A	N/A
01/31/06	N/A	N/A	N/A	N/A

SUPPLEMENTARY INFORMATION

CITY OF GREENSBURG
WESTMORELAND COUNTY, PENNSYLVANIA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Original</u>	<u>Final</u>	<u>Actual Results</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 5,582,770	\$ 5,582,770	\$ 5,728,033	\$ (145,263)
License and Permits	101,070	101,070	157,440	(56,370)
Fines and Forfeits	276,150	276,150	308,485	(32,335)
Interest, Rent and Earnings on Investments	60,000	60,000	18,725	41,275
Intergovernmental Revenue	726,100	726,100	692,771	33,329
Fees for Services	1,260,665	1,260,665	1,388,993	(128,328)
Miscellaneous	-	-	85,085	(85,085)
Donations	-	-	725	(725)
Refunds	126,200	126,200	55,906	70,294
Total Revenues	<u>8,132,955</u>	<u>8,132,955</u>	<u>8,436,163</u>	<u>(303,208)</u>
Expenditures:				
Department of Public Affairs and Safety	3,828,311	3,828,311	4,232,150	(403,839)
Department of Accounts and Finance	2,675,526	2,675,526	2,577,794	97,732
Department of Administration	1,168,031	1,168,031	1,119,975	48,056
Department of Public Works	930,358	930,358	1,021,454	(91,096)
Department of Parks and Recreation	1,230,729	1,230,729	1,349,102	(118,373)
Total Expenditures	<u>9,832,955</u>	<u>9,832,955</u>	<u>10,300,475</u>	<u>(467,520)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(1,864,312)</u>	<u>164,312</u>
Other Financing Sources (Uses):				
Operating Transfers In	800,000	800,000	800,033	(33)
Operating Transfers Out	-	-	-	-
Proceeds from Issuance of Note	-	-	-	-
Capital Lease Proceeds	-	-	213,952	(213,952)
Proceeds from the Sale of Fixed Assets	-	-	25,611	(25,611)
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>800,000</u>	<u>1,039,596</u>	<u>(239,596)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ (900,000)</u>	<u>\$ (900,000)</u>	<u>\$ (824,716)</u>	<u>\$ 202,151</u>

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

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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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Greensburg, Pennsylvania, as of and for the year ended December 31, 2008, which collectively comprise the City of Greensburg, Pennsylvania's basic financial statements and have issued our report thereon dated September 4, 2009. 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, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Greensburg, Pennsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Greensburg, Pennsylvania's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 City of Greensburg, Pennsylvania'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 City of Greensburg, Pennsylvania's financial statements that is more than inconsequential will not be prevented or detected by the City of Greensburg, Pennsylvania's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

2009-1 Tracking and Capitalization of Construction in Progress

Background: As part of complying with the provisions of GASB 34-*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the City capitalizes fixed assets during the conversion process to entity-wide statements. The City uses as the basis for recording fixed assets in both governmental and proprietary funds, and appraisal report which is updated annually for additions and disposals. Typically, expenditures are made out of governmental funds from the proceeds of various bonds and notes.

Condition: The financial statements required a prior period adjustment of \$2,066,015 to the City's Parking Revenue fund to capitalize additional costs related capital assets.

Cause: It has been the City's practice to recognize fixed assets using an inventory appraisal report that is updated each year for capital additions and disposals. This report only accounts for actual assets capitalized and does not account for any costs related to construction in progress at the end of each year.

Effect: A material adjustment to beginning net assets was necessary in order to properly account for the addition some capital assets.

Recommendation: It is our recommendation to the City to contact its appraisal company and request an additional section to its annual report that can be used to track Construction in Progress. This would also allow for an easier reconciliation between governmental and proprietary funds' additions to the schedule. The City typically finances the cost of construction projects from the proceeds of bonds and notes payable. When the projects are completed, the governmental funds should record a capital contribution to the proprietary funds in the government-wide statements. Using the process discussed above, the City will be able to reconcile the activity between funds easier.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2009-1 to be a material weakness.

Management Response: The City of Greensburg, Pennsylvania's response to the finding identified in our audit is described in the following paragraph. We did not audit the City of Greensburg's response and, accordingly, we express no opinion on it.

The City of Greensburg agrees with the recommendation of Sarp and Company to utilize a Construction in Progress valuation as part of the appraisal report. We agree that this section of the valuation will provide better clarity of projects for future financial statements and have already contacted the appraisal firm to confirm the change. While we believe that the value of

the projects in the current and previous valuations was clearly identified to all parties, the utilization of the Construction in Progress should facilitate review by the auditors. It is our belief that the prior period adjustment arose from misidentification of amounts that were individually immaterial but which became material as they accumulated over time.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
September 4, 2009