

City of Greensburg

Single Audit

December 31, 2010

MaherDuessel
Certified Public Accountants

CITY OF GREENSBURG

YEAR ENDED DECEMBER 31, 2010

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Independent Auditor's Report

City Council
City of Greensburg

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Greensburg (City), Pennsylvania, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Aerobic Center Municipal Authority, which represent 2%, 3%, and 6%, respectively, of the assets, net assets, and revenues of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Aerobic Center Municipal Authority, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, 2005 General Obligation Note Fund, and Police Equipment Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through vi and the pension and OPEB information on pages 51 through 55 be presented to supplement the basic financial statements. Such information, although not a

part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
September 13, 2011

**CITY OF GREENSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

As management of the City of Greensburg (City), we offer readers of the City's primary government financial statements (financial statements) this narrative overview and analysis of the financial performance of the City for the fiscal year ended December 31, 2010. Please read this Management's Discussion and Analysis in conjunction with the financial statements which follow in order to obtain a thorough understanding of the City's financial condition at December 31, 2010.

FINANCIAL HIGHLIGHTS

- The City's net assets, as presented, were \$22,570,958 at December 31, 2010, an increase of \$1,099,929 from 2010.
- At the end of the current fiscal year, the City had total bonds and notes outstanding of \$8,279,727.
- Revenues of the City's governmental funds based upon the fund financial statements were \$12,060,248 which includes transfers from the City's business-type activities and proceeds from the sale of fixed assets. Expenses amounted to \$11,491,284.
- Revenues of the City's business-type activities were \$1,951,128 for 2010 and expenses amounted to \$905,562.
- The real estate tax millage rate remained at 25.05 mills for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the primary government financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements report on the City's net assets and how they have changed.

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

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements indicate that the functions of the City are principally supported

by taxes and intergovernmental revenue (*governmental activities*.) The City also participates in functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City encompass general government, public safety, public works, culture and recreation, and debt service activities. The business-type activities include parking operations.

Fund Financial Statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City reports governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintained 11 governmental funds during 2010. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, 2005 General Obligation Note Fund, and Police Equipment Fund, all of which are considered major funds. The other governmental funds are the Armstrong Fund, the Motor Tax Fund, Community Days Fund, St. Clair Park Concert Series Fund, Grant Fund, 2003 General Obligation Bond Fund, Fire Department Capital Equipment Fund and the Hutchinson Garage Reserve Fund. Data from these other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

Proprietary Funds - The City of Greensburg maintains two proprietary funds. An Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its parking operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Parking Revenue Fund and the Hutchinson Garage Fund.

The basic proprietary fund financial statements can be found on pages 10-12 of this report.

Fiduciary Funds - *Fiduciary funds* are used to account for assets held in a trustee capacity. The City's fiduciary funds consist of two agency funds: the Payroll Clearing Fund and the Special Fund and two trust funds: the Police Pension Fund and the Thomas Lynch Concert Fund.

Fiduciary funds are reported on the accrual basis of accounting whereas revenues are recorded when earned and expenses are recorded when a liability is incurred.

The fiduciary funds financial statements can be found on pages 13-14 of this report.

Notes to Primary Government Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to primary government financial statements can be found on pages 15 through 50 of this report.

Required Supplementary Information - This section of the report contains certain budgetary comparison and pension information required by accounting principles generally accepted in the United States of America. This information can be found on pages 51 through 55 of this report.

Additional Information - In addition to the basic financial statements and accompanying notes, this report also includes the combining statements referred to earlier in connection with the other governmental funds and fiduciary funds. These can be found on pages 56 through 64 of this report.

FINANCIAL ANALYSIS OF THE CITY

As noted earlier, net assets may serve over time as a useful indicator of a government agency's financial position. Net assets increase when revenues exceed expenses. In the case of the City, assets exceeded liabilities by \$22,570,958 at the close of the fiscal year.

A condensed summary of the City's net assets at December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Assets:			
Current and other assets	\$ 8,501,248	\$ 12,306,578	\$ (3,805,330)
Capital assets, net	24,640,165	<u>22,670,996</u>	<u>1,969,169</u>
Total Assets	<u>\$ 33,141,413</u>	<u>\$ 34,977,574</u>	<u>\$ (1,836,161)</u>
Liabilities:			
Current and other liabilities	\$ 1,822,304	\$ 4,049,323	\$ (2,227,019)
Non-current liabilities	<u>8,748,151</u>	<u>9,457,222</u>	<u>\$ (709,071)</u>
Total liabilities	<u>\$ 10,570,455</u>	<u>\$ 13,506,545</u>	<u>\$ (2,936,090)</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 18,364,161	\$ 17,447,798	\$ 916,363
Restricted	2,274,988	2,348,140	(73,152)
Unrestricted	<u>1,931,809</u>	<u>1,675,091</u>	<u>256,718</u>
Total Net Assets	<u>\$ 22,570,958</u>	<u>\$ 21,471,029</u>	<u>\$ 1,099,929</u>

The increase in assets is mainly due to the purchase of equipment net of current year depreciation expense.

The City has short-term obligations and they include accounts payables, unearned revenues, liabilities payable from restricted assets, other post employment benefits and long-term liabilities that come due within one year. Decreases in current and other liabilities were mainly due to decreases in accounts payables.

A condensed summary of the City's change in net assets for the fiscal year ended December 31, 2010 and 2009 for all funds is as follows:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for services	\$ 1,659,878	\$ 1,653,158	\$ 1,940,468	\$ 1,784,706	\$ 3,600,346	\$ 3,437,864
Operating grants and contributions	1,045,158	833,709	-	-	1,045,158	833,709
Capital grants and contributions	865,966	6,069,403	-	19,175	865,966	6,088,578
General revenues:						
Property Taxes	3,110,028	3,355,507	-	-	3,110,028	3,355,507
Earned income tax	2,675,644	2,916,692	-	-	2,675,644	2,916,692
Business privilege tax	414,843	420,031	-	-	414,843	420,031
Local services tax	607,572	459,899	-	-	607,572	459,899
Other taxes	304,024	116,515	-	-	304,024	116,515
Interest, rents and royalties	15,044	36,593	60,573	67,742	75,617	104,335
Franchise fees	231,359	219,332	-	-	231,359	219,332
Gain/loss on sale of fixed assets	9,541	22,181	(44,836)	-	9,541	22,181
Miscellaneous income	298,839	288,537	10,660	71,188	309,499	359,725
Transfer of fixed asset	-	(153,342)	-	153,342	-	-
Internal transfers	1,071,899	946,508	(1,071,899)	(946,508)	-	-
Total revenues	12,309,795	17,184,723	894,966	1,149,645	13,249,597	18,334,368
Program expenses:						
Public affairs and safety	5,110,969	4,986,808	-	-	5,110,969	4,986,808
Accounts and finance	1,328,625	1,495,359	-	-	1,328,625	1,495,359
Administrative development	912,978	1,229,265	-	-	912,978	1,229,265
Public works	1,904,195	1,566,729	-	-	1,904,195	1,566,729
Parks and recreation	1,596,846	5,710,743	-	-	1,596,846	5,710,743
Interest	251,099	270,319	-	-	251,099	270,319
Parking activities	-	-	1,000,120	1,094,033	1,000,120	1,094,033
Total expenses	11,104,712	15,259,223	1,000,120	1,094,033	12,104,832	16,353,256
Change in net assets	1,205,083	1,925,500	(105,154)	55,612	1,144,765	1,981,112
Net assets-beginning	13,300,624	11,375,124	8,170,405	8,114,793	21,471,029	19,489,917
Net assets-ending	\$ 14,505,707	\$ 13,300,624	\$ 8,065,251	\$ 8,170,405	\$ 22,615,794	\$ 21,471,029

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved, undesignated fund balance* may serve as a useful measure of a government agency's net resources available for spending at the end of the fiscal year.

As of the end of 2010, the City's governmental funds reported combined ending fund balances of \$3,665,532. This entire amount constitutes *unreserved, undesignated fund balance*.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, the *unreserved, undesignated fund balance* of the General Fund was \$1,254,081.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, actual General Fund revenues increased 3.5% over budgetary estimates, or by \$295,535; expenditures were less than budgetary estimates by \$396,171 or 4.2%. The net change in fund balance had a positive variance of \$672,780 (actual versus budget) after calculating other financing sources (uses). A detailed budgetary comparison statement for the General Fund can be found on page 7 of this report.

DEBT ADMINISTRATION

Long-Term Debt - At the end of the current fiscal year, the Borough had total bonds and loans outstanding of \$8,079,725 (not inclusive of capital leases and the mortgage payable). The total bonds and loans decreased by a net of \$943,041 during the current fiscal year.

A summary of the City's debt activity in 2010 follows:

Beginning Balance January 1, 2010	\$ 9,022,766
Additions	-
Repayments	<u>(943,041)</u>
Ending Balance December 31, 2010	<u>\$ 8,079,725</u>

More detailed information about the City's debt activity can be found in Note 6 to the financial statements.

ECONOMIC OUTLOOK

As is the case with most local governments, the City of Greensburg is struggling to continue to provide its citizens the same level of service that they have come to expect over the years. The City is keeping a close eye on the state of the economy and its affect on the City's budget. The majority of the City's tax base is residential. Approximately 34% of the total real estate assessed value is tax exempt, which presents unique challenges in balancing service demands with revenue streams. The City residents take pride in their community and maintain their neighborhoods. The City remains a very desirable place to live, work and play.

There is very little vacant commercial land available for new construction. Future commercial building

will be through renovations and rebuilding of existing structures. Recent redevelopment plans have produced a Performing Arts Center for Seton Hill University, a new state office building and an addition to the Westmoreland County Courthouse. The City partnered with three of our neighboring communities in 2005 and adopted a strategic plan for multi-municipal planning purposes.

There was no tax increase in the 2010 General Fund budget and real estate taxes remained at 25.05 mills. The City is looking to refinance outstanding debt in the coming year to take advantage of lower interest rates.

The City Council and management continue to meet the ever increasing challenging of securing all monies due to the City and controlling expenditures in an effort to continue to provide outstanding service at a reasonable cost. The City offers many services, including the administration of police and fire protection, parks and recreation, public works, finance and planning. The City of Greensburg community benefits from the coordination of these services and strong community leadership.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Fiscal Director
City of Greensburg
416 South Main Street
Greensburg, PA 15601

CITY OF GREENSBURG

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Aerobic Center Municipal Authority
Assets				
Cash and cash equivalents	\$ 3,393,758	\$ 534,887	\$ 3,928,645	\$ 161,380
Investments	-	-	-	51,229
Receivables:				
Taxes	1,453,912	-	1,453,912	-
Intergovernmental	412,691	-	412,691	-
Other	105,780	89,861	195,641	25,648
Other assets	-	-	-	-
Net pension asset	97,776	-	97,776	-
Restricted assets:				
Escrow accounts	25,400	-	25,400	-
Capital assets, not being depreciated	1,439,355	947,828	2,387,183	-
Capital assets, net of accumulated depreciation	16,025,687	8,614,478	24,640,165	526,493
Total Assets	22,954,359	10,187,054	33,141,413	764,750
Liabilities				
Accounts payable	624,356	22,554	646,910	11,867
Accrued interest	18,951	-	18,951	14,156
Other accrued liabilities	125,150	-	125,150	-
Unearned revenue	-	11,380	11,380	63,067
Liabilities payable from restricted assets	25,400	-	25,400	-
Other postemployment benefits liability	975,634	18,879	994,513	-
Non-current liabilities:				
Due within one year	740,765	303,277	1,044,042	14,300
Due in more than one year	5,938,396	1,765,713	7,704,109	29,434
Total Liabilities	8,448,652	2,121,803	10,570,455	132,824
Net Assets				
Invested in capital assets, net of related debt	10,870,845	7,493,316	18,364,161	526,493
Restricted for:				
Liquid fuels	210,612	-	210,612	-
Emergency assistance	1,121	-	1,121	-
Capital projects	1,966,112	-	1,966,112	-
Debt service	97,143	-	97,143	-
Unrestricted	1,359,874	571,935	1,931,809	105,433
Total Net Assets	\$ 14,505,707	\$ 8,065,251	\$ 22,570,958	\$ 631,926

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

CITY OF GREENSBURG

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government	Aerobic Center Municipal Authority
Governmental Activities:								
Department of Public Affairs and Safety	\$ 5,110,969	\$ 353,920	\$ 544,901	\$ 391,240	\$ (3,820,908)	\$ -	\$ (3,820,908)	\$ -
Department of Accounts and Finance	1,328,625	1,862	36,233	1,057	(1,289,473)	-	(1,289,473)	-
Department of Administrative Development	912,978	44,682	48,365	-	(819,931)	-	(819,931)	-
Development and Public Works	1,904,195	117,522	315,659	473,669	(997,345)	-	(997,345)	-
Department of Parks and Recreation	1,596,846	1,141,892	100,000	-	(354,954)	-	(354,954)	-
Interest	251,099	-	-	-	(251,099)	-	(251,099)	-
Total government activities	11,104,712	1,659,878	1,045,158	865,966	(7,533,710)	-	(7,533,710)	-
Business-Type Activities:								
Parking revenue fund	688,299	1,359,969	-	-	-	671,670	671,670	-
Hutchinson garage fund	311,821	580,499	-	-	-	268,678	268,678	-
Total business-type activities	1,000,120	1,940,468	-	-	-	940,348	940,348	-
Component Unit:								
Aerobic Center Municipal Authority	842,968	806,421	3,955	-	-	-	-	(32,592)
Total	\$ 12,947,800	\$ 4,406,767	\$ 1,049,113	\$ 865,966	(7,533,710)	940,348	(6,593,362)	(32,592)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					3,110,028	-	3,110,028	-
Earned income tax					2,675,644	-	2,675,644	-
Business privilege tax					414,843	-	414,843	-
Local services tax					607,572	-	607,572	-
Other taxes levied for general purposes					304,024	-	304,024	-
Interest, rents, and royalties					15,044	60,573	75,617	-
Franchise fees					231,359	-	231,359	-
Gain/loss on sale of fixed assets					9,541	(44,836)	(35,295)	-
Miscellaneous income					298,839	10,660	309,499	-
Transfer of fixed asset: Capital contribution							(44,836)	-
Internal transfers					1,071,899	(1,071,899)	-	-
Total general revenues					8,738,793	(1,045,502)	7,648,455	(32,592)
Change in Net Assets					1,205,083	(105,154)	1,055,093	(32,592)
Net Assets:								
Beginning of year					13,300,624	8,170,405	21,471,029	664,518
Ending of year					\$ 14,505,707	\$ 8,065,251	\$ 22,526,122	\$ 631,926

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

CITY OF GREENSBURG

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2010

	General Fund	2005 General Obligation Note Fund	Police Equipment Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 947,879	\$ 1,028,431	\$ 48,205	\$ 1,394,643	\$ 3,419,158
Receivables:					
Taxes (net)	1,347,234	-	-	106,678	1,453,912
Intergovernmental	-	19,827	285,704	107,160	412,691
Other	105,780	-	-	-	105,780
Total Assets	\$ 2,400,893	\$ 1,048,258	\$ 333,909	\$ 1,608,481	\$ 5,391,541
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 134,395	\$ 20,870	\$ 285,704	\$ 183,387	\$ 624,356
Other accrued liabilities	150,550	-	-	-	150,550
Deferred revenue	861,867	-	-	89,236	951,103
Total Liabilities	1,146,812	20,870	285,704	272,623	1,726,009
Fund Balance:					
Unreserved, undesignated report in:					
General Fund	1,254,081	-	-	-	1,254,081
Special Revenue Fund	-	-	-	348,196	348,196
Capital Project Funds	-	1,027,388	48,205	890,519	1,966,112
Debt Service Fund	-	-	-	97,143	97,143
Total Fund Balance	1,254,081	1,027,388	48,205	1,335,858	3,665,532
Total Liabilities and Fund Balance	\$ 2,400,893	\$ 1,048,258	\$ 333,909	\$ 1,608,481	\$ 5,391,541

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

CITY OF GREENSBURG

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

YEAR ENDED DECEMBER 31, 2010

Total Fund Balance - Governmental Funds **\$ 3,665,532**

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

Capital assets used in governmental activities are not current financial resources and therefore, are not reported as assets in governmental funds. The cost of assets is \$29,706,500 and the accumulated depreciation is \$12,241,458.

17,465,042

Taxes receivable will be collected in future years but are not available soon enough to pay for the current year's expenditures and therefore, are deferred in those funds.

951,103

The net OPEB liability is a long-term liability that is not due and payable in the current period, and therefore, are not reported as liabilities in the funds.

(975,634)

The net pension asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.

97,776

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the fund. Long-term liabilities at year-end consist of:

Bonds and notes payable	\$ (6,474,726)	
Capital leases obligations	(119,470)	
Compensated absences	(84,965)	
Accrued interest	(18,951)	(6,698,112)
	<u> </u>	<u> </u>

Total Net Assets - Governmental Activities **\$ 14,505,707**

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

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2010

	General Fund	2005 General Obligation Note Fund	Police Equipment Fund	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 6,162,510	\$ -	\$ 14,100	\$ 967,903	\$ 7,144,513
Licenses and permits	341,209	-	390	-	341,599
Fines and forfeits	287,877	-	-	-	287,877
Charges for services	1,195,811	-	570	65,380	1,261,761
Intergovernmental revenue	644,154	35,938	391,240	557,843	1,629,175
Interest, rent, and earnings on investments	4,113	5,750	152	5,029	15,044
Miscellaneous	169,690	17,562	-	111,587	298,839
Total revenues	8,805,364	59,250	406,452	1,707,742	10,978,808
Expenditures:					
Department of Public Affairs and Safety	4,360,724	-	-	1,874	4,362,598
Department of Accounts and Finance	1,344,343	-	-	-	1,344,343
Department of Administrative Development	1,206,943	-	-	-	1,206,943
Development and Public Works	1,077,485	-	-	272,192	1,349,677
Department of Parks and Recreation	1,159,638	-	-	254,893	1,414,531
Capital outlay	-	260,958	393,032	218,097	872,087
Debt service:					
Principal	-	-	-	688,040	688,040
Interest	-	-	-	253,065	253,065
Total expenditures	9,149,133	260,958	393,032	1,688,161	11,491,284
Excess (Deficiency) of Revenues Over Expenditures	<u>(343,769)</u>	<u>(201,708)</u>	<u>13,420</u>	<u>19,581</u>	<u>(512,476)</u>
Other Financing Sources (Uses):					
Transfers in	1,952,032	1,000,000	37,129	499,827	3,488,988
Transfers out	(1,015,499)	(1,000,000)	(35,000)	(366,590)	(2,417,089)
Proceeds from sale of fixed assets	9,541	-	-	-	9,541
Total other financing sources (uses)	946,074	-	2,129	133,237	1,081,440
Net Change in Fund Balance	602,305	(201,708)	15,549	152,818	568,964
Fund Balance:					
Beginning of year	651,776	1,229,096	32,656	1,183,040	3,096,568
End of year	<u>\$ 1,254,081</u>	<u>\$ 1,027,388</u>	<u>\$ 48,205</u>	<u>\$ 1,335,858</u>	<u>\$ 3,665,532</u>

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

CITY OF GREENSBURG

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

YEAR ENDED DECEMBER 31, 2010

Net Change in Fund Balance - Governmental Funds **\$ 568,964**

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 capital outlays exceeded depreciation in the current year:

Capital outlays, net of deletions	\$ 929,735	
Less: depreciation expense, net of deletions	<u>688,871</u>	240,864

Because some taxes will not be collected for several months after the City of Greensburg's year-end, they are not considered as "available" revenues in the governmental funds. Deferred revenues related to taxes increased (decreased) by this amount during the year. (32,402)

Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of 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:

Repayment of note and bond principal	688,040	
Repayment of capital lease principal	<u>35,880</u>	723,920

Governmental funds do not report the net pension assets, as they are not considered a financial resource. The net pension asset was increased by this amount during the year. 653

Governmental funds do not report the net OPEB liability, as they are not considered a financial resource. The net OPEB liability was increased by this amount during the year. (293,023)

In the statement of activities, certain operating expenses for accumulated employee benefits such as vacations and sick days are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (5,859)

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 decrease in interest accrued in the statement of activities is shown here.

1,966

Change in Net Assets of Governmental Activities **\$ 1,205,083**

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

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 5,821,104	\$ 5,821,104	\$ 6,000,239	\$ 179,135
Licenses and permits	305,990	305,990	322,144	16,154
Fines and forfeits	294,404	294,404	287,877	(6,527)
Charges for services	1,188,260	1,188,260	1,195,811	7,551
Intergovernmental revenue	568,300	568,300	644,154	75,854
Interest, rent and earnings on investments	7,500	7,500	4,113	(3,387)
Miscellaneous	142,935	142,935	169,690	26,755
Total revenues	8,328,493	8,328,493	8,624,028	295,535
Expenditures:				
Department of Public Affairs and Safety	3,925,366	3,925,366	4,538,927	(613,561)
Department of Accounts and Finance	2,500,607	2,500,607	1,344,343	1,156,264
Department of Administrative Development	1,198,935	1,198,935	1,206,943	(8,008)
Development and Public Works	933,534	933,534	1,077,485	(143,951)
Department of Parks and Recreation	1,165,065	1,165,065	1,159,638	5,427
Total expenditures	9,723,507	9,723,507	9,327,336	396,171
Excess (Deficiency) of Revenues Over Expenditures	(1,395,014)	(1,395,014)	(703,308)	691,706
Other Financing Sources (Uses):				
Transfers in	1,965,000	1,965,000	1,952,032	(12,968)
Transfers out	(1,005,000)	(1,005,000)	(1,015,499)	(10,499)
Proceeds from the sale of fixed assets	5,000	5,000	9,541	4,541
Total other financing sources (uses)	965,000	965,000	946,074	(18,926)
Net Change in Fund Balance	<u>\$ (430,014)</u>	<u>\$ (430,014)</u>	<u>\$ 242,766</u>	<u>\$ 672,780</u>

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

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)

2005 GENERAL OBLIGATION NOTE FUND

YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 1,034,534	\$ 1,034,534	\$ 43,308	\$ (991,226)
Interest, rent and earnings on investments	15,000	15,000	5,750	(9,250)
Miscellaneous	-	-	17,562	17,562
Total revenues	1,049,534	1,049,534	66,620	(982,914)
Expenditures:				
Capital outlay	1,693,983	1,693,983	268,737	1,425,246
Excess (Deficiency) of Revenues Over Expenditures	(644,449)	(644,449)	(202,117)	442,332
Other Financing Sources (Uses):				
Operating transfers in	1,000,000	1,000,000	1,000,000	-
Operating transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ (644,449)</u>	<u>\$ (644,449)</u>	<u>\$ (202,117)</u>	<u>\$ 442,332</u>

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

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)

POLICE EQUIPMENT FUND

YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 16,000	\$ 16,000	\$ 14,100	\$ (1,900)
Licenses and permits	1,000	1,000	390	(610)
Charges for services	1,800	1,800	570	(1,230)
Intergovernmental revenue	435,200	435,200	97,161	(338,039)
Interest, rent and earnings on investments	250	250	152	(98)
Total revenues	454,250	454,250	112,373	(341,877)
Expenditures:				
Capital outlay	443,000	443,000	109,384	333,616
Excess (Deficiency) of Revenues Over Expenditures	11,250	11,250	2,989	(8,261)
Other Financing Sources (Uses):				
Operating transfers in	35,161	35,161	37,129	1,968
Operating transfers out	(35,000)	(35,000)	(35,000)	-
Total other financing sources (uses)	161	161	2,129	1,968
Net Change in Fund Balance	<u>\$ 11,411</u>	<u>\$ 11,411</u>	<u>\$ 5,118</u>	<u>\$ (6,293)</u>

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

CITY OF GREENSBURG

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2010

	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types
Assets			
Current assets:			
Cash and cash equivalents	\$ 81,356	\$ 453,531	\$ 534,887
Receivables	84,591	5,270	89,861
Total current assets	165,947	458,801	624,748
Noncurrent assets:			
Land	938,368	9,460	947,828
Buildings and other property and equipment	11,107,847	3,190,799	14,298,646
Less: accumulated depreciation	(3,707,562)	(1,976,606)	(5,684,168)
Total noncurrent assets, net of depreciation	8,338,653	1,223,653	9,562,306
Total Assets	\$ 8,504,600	\$ 1,682,454	\$ 10,187,054
Liabilities and Net Assets			
Liabilities:			
Current liabilities:			
Accounts payable and other current liabilities	\$ 19,168	\$ 3,386	\$ 22,554
Current portion of long-term debt	265,000	-	265,000
Current portion of capital lease payable	20,339	17,938	38,277
Deferred revenue	9,095	2,285	11,380
Total current liabilities	313,602	23,609	337,211
Long-term liabilities:			
Bonds payable	1,540,000	-	1,540,000
Capital lease payable	119,934	105,779	225,713
OPEB liability	11,088	7,791	18,879
Total long-term liabilities	1,671,022	113,570	1,784,592
Total Liabilities	1,984,624	137,179	2,121,803
Net Assets:			
Invested in capital assets, net of related debt	6,393,380	1,099,936	7,493,316
Unrestricted	126,596	445,339	571,935
Total Net Assets	6,519,976	1,545,275	8,065,251
Total Liabilities and Net Assets	\$ 8,504,600	\$ 1,682,454	\$ 10,187,054

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

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2010

	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types
Operating Revenues:			
Charges for services	\$ 1,359,969	\$ 580,499	\$ 1,940,468
Other operating revenue	808	9,852	10,660
Total operating revenues	<u>1,360,777</u>	<u>590,351</u>	<u>1,951,128</u>
Operating Expenses:			
Department of Public Works	219,910	230,797	450,707
Depreciation	373,831	81,024	454,855
Total operating expenses	<u>593,741</u>	<u>311,821</u>	<u>905,562</u>
Operating Income	<u>767,036</u>	<u>278,530</u>	<u>1,045,566</u>
Other Financing Sources (Uses):			
Operating transfers in	355,057	-	355,057
Operating transfers out	(1,137,120)	(289,836)	(1,426,956)
Loss on disposal of asset	(24,200)	(20,636)	(44,836)
Interest, rents, and royalties	57,306	3,267	60,573
Interest expense	(94,558)	-	(94,558)
Total other financing sources (uses)	<u>(843,515)</u>	<u>(307,205)</u>	<u>(1,150,720)</u>
Net Income (Loss)	<u>(76,479)</u>	<u>(28,675)</u>	<u>(105,154)</u>
Net Assets:			
Beginning of year	<u>6,596,455</u>	<u>1,573,950</u>	<u>8,170,405</u>
End of year	<u><u>\$ 6,519,976</u></u>	<u><u>\$ 1,545,275</u></u>	<u><u>\$ 8,065,251</u></u>

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

CITY OF GREENSBURG

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2010

	Parking Revenue Fund	Hutchinson Garage Fund	Total Proprietary Fund Types
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,340,912	\$ 583,575	\$ 1,924,487
Payment to employees	(57,916)	(43,029)	(100,945)
Payment to suppliers	(161,691)	(185,167)	(346,858)
Net cash provided by (used in) operating activities	<u>1,121,305</u>	<u>355,379</u>	<u>1,476,684</u>
Cash Flows From Capital and Related Financing Activities:			
Interfund transfers	(782,063)	(289,836)	(1,071,899)
Capital expenditures	(299,620)	(160,640)	(460,260)
Proceeds from capital leases	168,397	148,522	316,919
Principal and interest on long-term debt	(349,558)	-	(349,558)
Principal and interest on capital leases	(28,124)	(24,805)	(52,929)
Net cash provided by (used in) capital and related financing activities	<u>(1,290,968)</u>	<u>(326,759)</u>	<u>(1,617,727)</u>
Cash Flows From Investing Activities:			
Interest, rents, and royalties	57,306	3,267	60,573
Net Increase (Decrease) in Cash and Cash Equivalents	(112,357)	31,887	(80,470)
Cash and Cash Equivalents:			
Beginning of year	193,713	421,644	615,357
End of year	<u>\$ 81,356</u>	<u>\$ 453,531</u>	<u>\$ 534,887</u>
Reconciliation of Operating Income to Net Cash Provided by (Used In) Operating Activities:			
Operating income	\$ 767,036	\$ 278,530	\$ 1,045,566
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	373,831	81,024	454,855
Changes in operating assets and liabilities:			
Accounts receivable	(12,430)	(2,046)	(14,476)
Accounts payable and other accrued liabilities	(3,744)	(313)	(4,057)
OPEB liability	4,047	2,914	6,961
Deferred revenue	(7,435)	(4,730)	(12,165)
Net cash provided by (used in) operating activities	<u>\$ 1,121,305</u>	<u>\$ 355,379</u>	<u>\$ 1,476,684</u>

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

CITY OF GREENSBURG

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

DECEMBER 31, 2010

			Agency Funds		
	Pension Trust Fund Police Pension	Private Purpose Trust Fund - Thomas Lynch Concert Fund	Payroll Clearing Fund	Special Fund	Total
Assets					
Cash and cash equivalents	\$ -	\$ 60,970	\$ 7,527	\$ 53,202	\$ 121,699
Investments	12,912,789	-	-	-	12,912,789
Other receivables	22,749	-	-	-	22,749
Total Assets	<u>12,935,538</u>	<u>60,970</u>	<u>7,527</u>	<u>53,202</u>	<u>13,057,237</u>
Liabilities					
Funds held in fiduciary accounts	-	-	7,527	53,202	60,729
Net Assets Held in Trust:					
(A schedule of funding progress for the Police Pension Plan is presented on page 51)	<u>\$ 12,935,538</u>	<u>\$ 60,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,996,508</u>

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

CITY OF GREENSBURG

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2010

	Pension Trust Fund Police Pension	Private Purpose Trust Fund - Thomas Lynch Concert Fund	Total
Additions:			
Contributions:			
Commonwealth	\$ 359,356	\$ -	\$ 359,356
Employer	246,201	-	246,201
Employee	98,634	-	98,634
Total contributions	704,191	-	704,191
Investment income:			
Net appreciation in fair value of investment	802,812	-	802,812
Interest and dividends	273,141	969	274,110
Total investment income	1,075,953	969	1,076,922
Other income	1,378	-	1,378
Total additions	1,781,522	969	1,782,491
Deductions:			
Benefit payments	869,937	-	869,937
Administration/other fees	63,737	-	63,737
Total deductions	933,674	-	933,674
Change in Net Assets	847,848	969	848,817
Net Assets:			
Beginning of year	12,087,690	60,001	12,147,691
End of year	\$ 12,935,538	\$ 60,970	\$ 12,996,508

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

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Greensburg (City), incorporated in 1926, is a Home Rule Municipality governed by a Charter passed by the voters in 1988 and is represented by a Mayor, who serves as President of City Council (Council), and four Council members. Each official is elected for overlapping four-year terms with elections taking place every two years. Council appoints a City Administrator, who is responsible for the day-to-day operations of the City under the direction of the Mayor and the Council. 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.

Reporting Entity

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

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

Aerobic Center Municipal Authority – The Council appoints Aerobic Center Municipal 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 Aerobic Center Municipal Authority may be obtained at the Aerobic Center Municipal Authority's 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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Component units are presented on a discrete basis as described above.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, franchise taxes, licenses, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

The City reports the following major governmental funds:

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 revenues and expenditures, except those required to be accounted for in another fund.

The *2005 General Obligation Note Fund* is a Capital Projects Fund that was created in early 2006 when 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 area.

The *Police Equipment Fund* is a Capital Projects Fund that was created in 1985. It is primarily funded by distributions from the J. Edward Hutchinson Parking Garage Fund or grant monies and is used for capital purchases and projects in the police department.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

The City reports the following major proprietary funds:

The *Parking Revenue Fund* generates revenue through metered and leased parking from three garages, 16 lots, and various on-street locations located throughout the City.

The *Hutchinson Garage Fund* is a garage that is located near the hospital within the city limits. At year-end, the net profit is divided based upon an agreement with the hospital.

In addition, the City reports the following other governmental funds:

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

- The *Armstrong Fund* is funded through a grant each year and is used for emergency assistance.
- The *Motor Tax Fund* accounts for state aid revenues (liquid fuels tax) used for road repair and maintenance, equipment purchases, and winter maintenance services.
- The *Greensburg Community Days Fund* accounts for the activity associated with this community event.
- The *St. Clair Park Concert Series Fund* accounts for the activity associated with this community event.
- The *Grant Fund* is a Special Revenue Fund used solely for the pass through of grant monies.

Capital Projects Funds are used to account for financial resources to be used for the acquisition of major capital equipment or construction of major capital projects. Capital Projects Funds utilized to account for those financial activities include: the *2003 General Obligation Bond Fund*, the *Fire Department Capital Equipment Fund*, and the *Hutchinson Garage Reserve Fund*.

The *Debt Service Fund* accounts for resources to be used for debt service expenditures.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

The City reports the following fiduciary 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 *Police Retirement Fund* and the *Thomas Lynch Concert Fund* are classified as Nonexpendable Trust Funds. The *Payroll Clearing Fund* and the *Special Fund* are classified as Agency Funds.

The Aerobic Center Municipal Authority is considered a non-profit organization; and therefore, its financial statements were prepared in accordance with generally accepting accounting principles governed by the Financial Accounting Standards Board.

Budgets and Budgetary Accounting

An operating budget is adopted each year for all governmental funds on the cash basis (budgetary basis) as opposed to the modified accrual basis (GAAP basis). In these financial statements, actual revenues, expenditures, and other financing sources and uses have been converted to the budgetary basis in the statements of revenues and expenditures - budget and actual.

The City's fiscal year begins January 1 and ends December 31 of each year. The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. On or before the fifteen day of October of each year, the individual department directors submit to the fiscal director the proposed budget for their individual departments for the ensuing year.
2. On or before the 60th day prior to the end of the fiscal year, the fiscal director shall submit to the Council a proposed budget for the ensuing year.
3. The budget shall provide a complete financial plan for all City funds and activities for the ensuing year. The total of proposed expenditures shall not exceed the total of estimated income.
4. A general summary of the budget is advertised within 20 days of receipt. This summary includes a notice stating the times and places where the budget is available for public inspection, and the place and time, not less than seven days after the notice and at least fourteen days before adoption, for a public hearing on the budget.
5. After the public hearing, the Council may adopt the budget with or without amendment. In amending the budget, Council may add or increase programs or

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

amounts and may delete or decrease any programs or amounts, except expenditures required by applicable law, for debt service, or for estimated cash deficit; but no amendment of the budget shall increase the authorized expenditures to any amount greater than the estimated income.

The legal level of control for expenditures (level at which expenditures cannot legally exceed appropriations) is the surplus or deficit of the fund as a whole. Any excess appropriations at the end of the fiscal year are not carried forward, but instead lapse.

The procedures as described above are the same for all funds with the following exception for the capital project funds: the Finance Director prepares and submits the capital program budget to Council at least three months prior to the final date for submission of the budget.

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the General Fund between the budgetary bases to the GAAP Basis for the year ended December 31, 2010:

Excess of revenues and other financing sources	
over expenditures and other financing uses (budgetary basis)	\$ 242,766
Adjustments:	
To adjust revenues and other financing sources	
to the modified accrual basis	181,336
To adjust expenditures and other financing uses	
to the modified accrual basis	<u>178,203</u>
Excess of revenues and other financing sources over	
expenditures and other financing uses (GAAP basis)	<u><u>\$ 602,305</u></u>

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the 2005 General Obligation Note Fund between the budgetary bases to the GAAP Basis for the year ended December 31, 2010:

Deficiency of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (202,117)
Adjustments:	
To adjust revenues and other financing sources to the modified accrual basis	(7,370)
To adjust expenditures and other financing uses to the modified accrual basis	<u>7,779</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ (201,708)</u>

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Police Equipment Fund between the budgetary bases to the GAAP Basis for the year ended December 31, 2010:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 5,118
Adjustments:	
To adjust revenues and other financing sources to the modified accrual basis	294,079
To adjust expenditures and other financing uses to the modified accrual basis	<u>(283,648)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 15,549</u>

Expenditures in Excess of Appropriations

There were no funds in which the expenditures exceeded the budgeted amounts in 2010.

The Aerobic Center Municipal Authority did not adopt a legally appropriated operating budget for 2010.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased.

Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments are stated at fair value including the investments in the Pension Trust Fund.

Interfund Activity in the Government-Wide Financial Statements

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." The effect of interfund activity has been eliminated from the government-wide financial statements. 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 the governmental funds.

Property and Earned Income Taxes

Property tax revenue and earned income tax revenue are recognized based on amounts levied to the extent collected during the year. In accordance with GASB Statement No. 33, *"Accounting and Financial Reporting for Nonexchange Transactions,"* earned income taxes are recognized as a receivable when the obligation to pay the tax is incurred by the taxpayer (i.e., income subject to the taxes earned). Uncollected property taxes and earned income taxes, reflected on the balance sheet as taxes receivable, are offset by deferred revenue on the governmental fund financial statements. Interest and penalty charges accrued on unpaid taxes are recognized as revenue when received. Tax refunds are charged against revenues when paid.

Intergovernmental Receivables

Accounts receivable related to grant activity is recorded as intergovernmental receivables when billed.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Prepaid Expenses

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

Capital Assets of the Primary Government

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The property, plant, and equipment of the City are depreciated using the straight line method over the estimated useful lives of the asset. No depreciation expense is recorded for land or construction-in-progress.

Aerobic Center Municipal Authority Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$250 and an estimated useful life in excess of one year. The Aerobic Center Municipal Authority capital assets are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. There was not any material assets donated during 2010. Depreciation and amortization are computed using the straight line method over the following estimated useful lives related to the assets:

Buildings	39 years
Machinery and equipment	5-7 years
Furniture and Fixtures	7 years

Aerobic Center Municipal Authority Unearned Revenue

The unearned revenue of \$63,067 at December 31, 2010, as shown on the statement of net assets, represents memberships collected prior to December 31, 2010 which are applicable to the calendar year beginning January 1, 2011 and ending December 31, 2011.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Compensated Absences

Vacation and personal time for non-uniform employees must be used by year-end. Sick time for non-uniform employees is not paid when an employee terminates. When an employee retires, the employee is paid \$30 per sick day up to 100 sick days. Also, depending on their days in their "sick bank," employees are given the following bonuses upon retirement: 10-25 days: \$500, 26-50 days: \$1,000, 51-100 day: \$1,500, 101 days and above: \$2,000. The sick time accrual has been determined to be immaterial in nature for non-uniform employees; and therefore, a compensated absence accrual has not been recorded in the financial statements.

Employees under the police union contract are entitled to the payment of not more than 18 days combined of unused book days, vacation days, personal days, and compensatory days upon retirement. The accumulated days will be paid at the employee's regular base pay.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In the government-wide financial statements, a police compensated absence accrual of \$84,964 is recorded as a non-current liability due in more than one year.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

When incurred, bond premiums and discounts, as well as issuance costs, would be deferred and amortized over the life of the bonds. Bonds would then be reported net of the applicable bond premium or discount.

Fund Financial Statements: Fund Balance and Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reserved

Reserved is used to denote that portion of fund balance that is not available for expenditure appropriation or is legally segregated for a specific purpose. The City did not have any reserved fund balances at December 31, 2010.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Unreserved

Unreserved is used to denote that portion of the fund balance that is available for appropriation.

Government-wide Financial Statements: Net Assets

The net assets are classified into three components – invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net assets consists of constraints placed on net assets use through external restrictions. The City had restricted assets of \$210,612 related to liquid fuels, \$1,121 related to emergency assistance, \$1,966,112 related to the capital projects, and \$97,143 related to the debt service at December 31, 2010.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may 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.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

Pending Pronouncement

In March 2009, GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This Statement's objective is to enhance the usefulness of fund balance information. The guidance in this Statement will be effective for the City's financial statements for the year ended December 31, 2011. The City is currently considering the impact that this new pronouncement will have on the financial statements.

In November 2010, GASB issued Statement No. 61, "*The Financial Reporting Entity*." The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement will become effective for the December 31, 2013 year-end. The City is currently considering the impact that this new pronouncement will have on the financial statements.

In December 2010, GASB issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*." This Statement's objective is to enhance the usefulness of the Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Primary Government

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the City adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits, savings accounts, invested with approved investment pools, and/or certificates of deposit.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the City's deposit and investment risks:

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. At December 31, 2010, \$3,010,415 of the City's bank balance of \$3,511,535 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$3,866,173 as of December 31, 2010.

In addition to the deposits noted above, included in cash and cash equivalents on the statement of net assets are investments with the Pennsylvania Local Government Investment Trust (PLGIT) of \$87,872. The fair value of the City's investments with PLGIT, which is an external investment pool, is the same as the value of pooled shares.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investments in PLGIT are short-term with maturities of less than one year.

Credit Risk – The City has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. PLGIT has a rating of AAAM by Standard & Poor's at December 31, 2010.

The funds in the Thomas Lynch Concert Series Fund, which is a private purpose trust fund is held separately from those of other City funds. The entire balance of \$60,970 is held in an interest bearing account at a local bank. The entire balance was not exposed to custodial credit risk at December 31, 2010.

There are also funds in the Payroll Clearing Fund and the Special Fund, which are agency funds that are held separately from those of other City funds. The entire balances of \$60,729 are held in interest bearing accounts at a local bank. The entire balance was exposed to custodial credit risk at December 31, 2010.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

The City has no foreign currency risks for any of its funds.

Pension Trust Fund

The Pension Trust Fund is used to account for assets held by the City in a trustee capacity for future payment of retirement benefits to employees or former employees.

As of December 31, 2010, the City had the following cash and investments in its Pension Trust Fund:

Cash or Investment Type	Fair Market Value	Investment Maturities from December 31, 2010			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 Years
U.S. Government Treasuries	\$ 1,594,382	\$ -	\$ 857,176	\$ 461,578	\$ 275,628
U.S. Government Agencies	1,370,385	-	17,948	378,133	974,304
Corporate bonds	1,228,638	-	113,591	883,479	231,568
Municipal bonds	54,655	-	-	-	54,655
Mortgage pools	94,569	78,224	2,650	1,699	11,996
Collateralized mortgage obligations and asset backed securities	276,676	-	-	38,963	237,713
Total debt securities	4,619,305	\$ 78,224	\$ 991,365	\$ 1,763,852	\$ 1,785,864
Cash and cash equivalents	528,404				
Common stock	6,309,018				
Mutual funds	1,456,062				
Total investments reported on statement of fiduciary net assets	\$ 12,912,789				

The following is a description of the Pension Trust Fund's deposit and investment risks:

Interest Rate Risk - The City's Police Pension Fund Investment Policy (Pension Investment Policy) does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The City's Pension Investment Policy does not address the risk an issuer or other counterparty to an investment will not fulfill its obligations, other than requiring commercial paper assets to be rated A-1 or P-1 by Standard and Poor's and Moody's, respectively. As of December 31, 2010, the Police Pension Trust Fund investments were rated the following by Moody's:

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Credit Quality Distribution for Securities with Credit Exposure

<u>Investment Type</u>	<u>Moody's Rating</u>	<u>% of Investment Type</u>
U.S. Government Treasuries	AAA	100%
U.S. Government Securities	N/A	100%
Corporate Bonds	Aa1	4%
Corporate Bonds	Aa2	11%
Corporate Bonds	Aa3	11%
Corporate Bonds	Aaa	14%
Corporate Bonds	A1	4%
Corporate Bonds	A2	31%
Corporate Bonds	A3	14%
Corporate Bonds	Baa1	11%
Municipal Bonds	Aa1	100%
Mortgage Pools	N/A	100%
Collateralized Mortgage Obligations and Asset Backed Securities	Aa1	9%
Collateralized Mortgage Obligations and Asset Backed Securities	Aaa	50%
Collateralized Mortgage Obligations and Asset Backed Securities	A2	19%
Collateralized Mortgage Obligations and Asset Backed Securities	A3	14%
Collateralized Mortgage Obligations and Asset Backed Securities	N/A	8%
Common Stock	N/A	100%
Mutual Funds	N/A	100%

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. City's Pension Investment Policy does not limit the holding of securities by counterparties.

Concentration of Credit Risk – The City's Pension Investment Policy requires that no more than 5% of the total equity holdings of the entire Fund shall be invested in the securities of any one issuer. Additionally, no more than 15% of the total Fund equity holdings shall be invested in any one industry, and investments in any corporation shall not exceed 5% of the

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

outstanding shares of the corporation. Similarly, fixed income investments in any one issuer (excluding direct or indirect obligations of the U.S. Government shall not exceed 5% of the total fixed income assets of the entire fund, and fixed income holdings by the Fund should not represent more than 5% of a total particular issue. No violations of the Pension Investment Policy existed at December 31, 2010.

Aerobic Center Municipal Authority

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Aerobic Center Municipal Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. At December 31, 2010, the Authority's entire bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The deposits have carrying amounts of \$212,609 at December 31, 2010. \$161,380 is recorded as cash and cash equivalents on the statement of net assets. The remaining \$51,229 is composed of certificate of deposits classified as investments on the statement of net assets.

3. ACCOUNTS RECEIVABLE - OTHER

Accounts receivable – other in the governmental funds at December 31, 2010, consisted of the following:

Comcast franchise fee	\$	61,521
Miscellaneous receivables		44,259
		<hr/>
	\$	105,780
		<hr/>

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

4. INTERFUND TRANSFERS

Interfund transfers at December 31, 2010 are summarized below:

Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ 1,952,032	\$ 1,015,499
Police Equipment	37,129	35,000
2005 General Obligation Note	1,000,000	1,000,000
Parking Revenue	355,057	1,137,120
Hutchinson Garage	-	289,836
Other Governmental	499,827	366,590
Total	<u>\$ 3,844,045</u>	<u>\$ 3,844,045</u>

Transfers between funds mainly represent reimbursements and administrative fees paid on behalf of other funds.

5. CAPITAL ASSETS

Primary Government

A summary of changes in capital assets during fiscal year 2010 is as follows:

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	January 1, 2010	Additions	(Deletions)	December 31, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,085,462	\$ 70,233	\$ -	\$ 1,155,695
Construction in progress	2,121,629	322,511	(2,160,480)	283,660
	<u>3,207,091</u>	<u>392,744</u>	<u>(2,160,480)</u>	<u>1,439,355</u>
Capital assets, being depreciated:				
Buildings	8,760,086	103,048	(75,105)	8,788,029
Land improvements	1,641,650	65,667	(3,997)	1,703,320
Leasehold improvements	46,021	-	-	46,021
Equipment and vehicles	8,398,273	514,370	(270,273)	8,642,370
Infrastructure	6,723,644	360,665	2,003,096	9,087,405
	<u>25,569,674</u>	<u>1,043,750</u>	<u>1,653,721</u>	<u>28,267,145</u>
Less accumulated depreciation for:				
Buildings	(4,270,774)	(182,995)	13,600	(4,440,169)
Land improvements	(1,107,574)	(34,849)	3,997	(1,138,426)
Leasehold improvements	(8,053)	(2,302)	-	(10,355)
Equipment and vehicles	(5,663,797)	(570,357)	247,674	(5,986,480)
Infrastructure	(502,389)	(168,361)	4,722	(666,028)
Total accumulated depreciation	<u>(11,552,587)</u>	<u>(958,864)</u>	<u>269,993</u>	<u>(12,241,458)</u>
Governmental activities:				
Capital assets, net	<u>\$ 17,224,178</u>	<u>\$ 477,630</u>	<u>\$ (236,766)</u>	<u>\$ 17,465,042</u>

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	Balance at Balance at January 1, 2010	Additions	Transfers/ (Deletions)	Balance at December 31, 2010
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 947,828	\$ -	\$ -	\$ 947,828
Capital assets, being depreciated:				
Land improvements	4,673,836	124,450	-	4,798,286
Buildings	8,795,989	-	-	8,795,989
Leasehold improvement	3,854	-	-	3,854
Infrastructure	166,029	-	-	166,029
Equipment and vehicles	300,564	335,810	(101,886)	534,488
	<u>13,940,272</u>	<u>460,260</u>	<u>(101,886)</u>	<u>14,298,646</u>
Less accumulated depreciation for:				
Land improvements	(931,282)	(219,704)	-	(1,150,986)
Buildings	(4,134,844)	(214,719)	-	(4,349,563)
Leasehold improvement	(674)	(193)	-	(867)
Infrastructure	(2,980)	(3,320)	-	(6,300)
Equipment and vehicles	(216,583)	(16,919)	57,050	(176,452)
Total accumulated depreciation	<u>(5,286,363)</u>	<u>(454,855)</u>	<u>57,050</u>	<u>(5,684,168)</u>
Business-type activities				
Capital assets, net	<u>\$ 9,601,737</u>	<u>\$ 5,405</u>	<u>\$ (44,836)</u>	<u>\$ 9,562,306</u>

Depreciation expense was charged to governmental functions as follows:

Department of Public Affairs and Safety	\$ 352,281
Department of Accounting and Finance	3,699
Department of Administration Development	49,022
Department of Public Works	245,928
Department of Parks and Recreation	307,934
Total	<u>\$ 958,864</u>

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Depreciation expense was charged to business-type functions as follows:

Department of Public Works	<u>\$ 454,855</u>
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Aerobic Center Municipal Authority

The capital assets of the Aerobic Center Municipal Authority consisted of the following major classes at December 31, 2010:

Building improvements	\$ 559,647
Furniture and fixtures	44,082
Machinery and equipment	451,082
Pool	<u>287,300</u>
	1,342,111
Accumulated depreciation	<u>(815,618)</u>
	<u>\$ 526,493</u>

6. LONG-TERM DEBT OF THE PRIMARY GOVERNMENT

Long-term liability activity for the City for year ended December 31, 2010, was as follows:

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	Amounts Payable as of January 1, 2010	Additions	Repayment	Amounts Payable as of December 31, 2010	Due Within One Year
<i><u>Governmental Activities</u></i>					
G.O. Bonds	\$ 3,420,000	\$ -	\$ (530,000)	\$ 2,890,000	\$ 545,000
G.O. Notes	3,542,767	-	(158,040)	3,384,727	164,658
Mortgage payable	200,000	-	-	200,000	-
Capital leases	155,350	-	(35,880)	119,470	31,107
Compensated absences	79,105	5,859	-	84,964	-
Total governmental activities	7,397,222	5,859	(723,920)	6,679,161	740,765
<i><u>Business-type Activities</u></i>					
G.O. Bonds	2,060,000	-	(255,000)	1,805,000	265,000
Capital leases	-	316,919	(52,929)	263,990	38,277
Total business-type activities	2,060,000	316,919	(307,929)	2,068,990	303,277
Total	\$ 9,457,222	\$ 322,778	\$ (1,031,849)	\$ 8,748,151	\$ 1,044,042

General Obligation Bonds

2001 Bonds

On December 1, 2001, the City issued General Obligation Bonds, Refunding Series of 2001 (2001 Bonds) in the amount of \$3,850,000. The proceeds of the 2001 Bonds were used for: 1) a current refunding of the outstanding General Obligation Bonds, Series of 1993 of Greensburg Parking Authority and 2) paying the costs of issuing the bonds.

At December 31, 2010, the amount outstanding relating to the 2001 Bonds was \$1,805,000 recorded in the Parking Revenue Fund on the statement of net assets proprietary funds and as Business-type Activities on the statement of net assets. The 2001 Bonds are payable semi-annually, carry interest rates ranging from 3.95% to 5.00%, and mature through 2016.

2003 Bonds

On July 1, 2003, the City issued General Obligation Bonds, Refunding Series of 2003 (2003 Bonds) in the amount of \$6,495,000. The proceeds of the 2003 Bonds were used for: 1) a current refunding of the outstanding General Obligation Notes, Series of 1994, Series of 1998, and Series of 1999, as well as a portion of the 2001 Bonds 2) financing various capital projects; and paying the costs of issuing the bonds.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

At December 31, 2010, the amount outstanding relating to the 2003 Bonds was \$2,890,000 recorded as Governmental Activities on the statement of net assets. The 2003 Bonds are payable semi-annually, carry interest rates ranging from 2.50% to 3.00%, and mature through 2015.

General Obligation Notes

2005 Note

On March 28, 2006, the City issued General Obligation Note, Series 2005 (2005 Note) in the amount of \$4,000,000. The proceeds of the 2005 Note were used for construction of additional parking and improvements in the downtown area.

At December 31, 2010, the amount outstanding relating to the 2005 Note was \$3,377,087 recorded as Governmental Activities on the statement of net assets. The 2005 Note is payable semi-annually, carries a 4.25% interest rate, and matures through 2026.

PEMA Note

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.

At December 31, 2010, the amount outstanding relating to the PEMA Note was \$7,640 recorded as Governmental Activities on the statement of net assets. The PEMA Note is payable annually, carries a 2% interest rate, and matures through 2011.

Mortgage Payable

A \$200,000 obligation of the Greensburg Parking Authority was assumed by the City in 2008 in conjunction with the termination of the Greensburg Parking Authority. The full amount of the interest-free mortgage is payable to the Redevelopment Authority of Westmoreland County in 2016. The Greensburg Parking Authority and the City are currently in negotiations with the Redevelopment Authority of Westmoreland County to alternatively satisfy the obligation.

Annual debt service requirements for the General Obligation Bond, General Obligation Note, and mortgage payable are as follows:

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Governmental Activities :

Year Ending December 31,	Principal	Interest	Total
2011	\$ 709,658	\$ 231,466	\$ 941,124
2012	723,764	207,999	931,763
2013	745,798	183,151	928,949
2014	773,134	156,889	930,023
2015	800,785	128,210	928,995
2016-2020	1,255,700	438,775	1,694,475
2021-2025	1,302,750	191,724	1,494,474
2026	163,138	3,467	166,605
	<u>\$ 6,474,727</u>	<u>\$ 1,541,681</u>	<u>\$ 8,016,408</u>

Business-type Activities :

Year Ending December 31,	Principal	Interest	Total
2011	\$ 265,000	\$ 84,230	\$ 349,230
2012	280,000	69,043	349,043
2013	295,000	56,295	351,295
2014	305,000	43,125	348,125
2015	320,000	28,750	348,750
2016	340,000	12,625	352,625
	<u>\$ 1,805,000</u>	<u>\$ 294,068</u>	<u>\$ 2,099,068</u>

Obligations under Capital Leases

In April 2006, the City amended a lease agreement entered into in April 2003 (2003 master lease) to include a truck for the golf course at a cost of \$17,262. The lease bears interest at a rate of 6.25% and requires annual payments of principal and interest. The lease is secured by the vehicle and matured in 2010.

In April 2006, the City amended the 2003 master lease to include a ball field groomer at a cost of \$11,288. The lease bears interest at a rate of 6.25% and requires annual payments of principal and interest. The lease is secured by the vehicle and matured in 2010.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

In May 2008, the City amended the 2003 master lease to include a tractor at a cost of \$27,800. The lease bears interest at a rate of 4.60% and requires annual payments of principal and interest. The lease is secured by the tractor and will mature in 2012.

In April 2008, the City amended the 2003 master lease to include a golf course mower at a cost of \$44,958. The lease bears interest at a rate of 4.60% and requires annual payments of principal and interest. The lease is secured by the mower and will mature in 2012.

In June 2008, the City entered into a lease agreement for a street sweeper at a cost of \$141,194. The lease bears interest at a rate of 3.96% and requires annual payments of principal and interest. The lease is secured by the vehicle and will mature in 2015.

In July 2010, the City entered into a lease agreement for parking garage equipment for the Bell and Hutchinson parking garages at a cost of \$168,397 and \$148,522, respectively. The lease bears interest at a rate of 5.55% and requires annual payments of principal and interest. The leases are secured by the equipment and will mature in 2016.

All of the aforementioned leases contain \$1 purchase options.

Present value of future minimum lease payments for these capital leases for the years ending December 31 are as follows:

Governmental Activities:

	Principal	Interest	Total Payments
2011	\$ 31,107	\$ 4,921	\$ 36,028
2012	32,432	3,596	36,028
2013	17,924	2,215	20,139
2014	18,634	1,505	20,139
2015	19,373	767	20,140
	<u>\$ 119,470</u>	<u>\$ 13,004</u>	<u>\$ 132,474</u>

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Business-type Activities:

Year Ending December 31,	Principal	Interest	Total
2011	\$ 38,277	\$ 14,652	\$ 52,929
2012	40,402	12,527	52,929
2013	42,644	10,285	52,929
2014	45,011	7,918	52,929
2015	47,509	5,420	52,929
2016	50,147	2,783	52,930
	<u>\$ 263,990</u>	<u>\$ 53,585</u>	<u>\$ 317,575</u>

Aerobic Center Municipal Authority

The long-term debt of the Aerobic Center Municipal Authority consists of a variable interest rate promissory note, dated December 11, 2008, with annual principal payments of \$1,191. The interest rate at December 31, 2010 was 4.75%. The balance outstanding at December 31, 2010 was \$43,735.

Annual debt service requirements for the promissory note are as follows:

	Principal
2011	\$ 14,292
2012	14,292
2013	14,292
2014	859
	<u>\$ 43,735</u>

7. REAL ESTATE TAX AND OTHER TAX LEVIES

Real estate taxes are based on assessed valuations provided by Westmoreland County (County) and are levied on March 1. These taxes are billed and collected by a third party collection agency. Taxes paid through April 30 are given a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. By January 15th in the year following the billing, uncollected balances are returned to the Tax Claim Bureau of Westmoreland County who collects and liens the delinquent real estate taxes on behalf of the City.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

For 2010, City real estate taxes were levied at the rate of 25.05 mills on assessed valuation (\$130,050,600), as follows:

General purposes	17.05 mills
Debt service	8.00 mills

The other taxes levied for 2010 were as follows:

Real estate transfer tax	0.50%
Local services tax	\$52
Earned income taxes	1.15%
Mechanical device tax	\$ 100
Mercantile tax, retail or wholesale	\$0.001 on each \$1 up to \$10,000
Business privilege tax	\$0.001 on each \$1 up to \$10,000

8. PENSION PLANS

The City administers two defined benefit pension plans covering substantially all full-time employees: the City Police Pension Plan (Police Plan), a single-employer plan for police officers and the Non-Uniformed Pension Plan (Non-Uniformed Plan), an agent multi-employer plan held by the Pennsylvania Municipal Retirement System (PMRS) for employees other than police. The plans provide retirement benefits to plan members. PMRS prepares financial statements for the Non-Uniformed Plan. Stand-alone financial statements are not issued for the Police Plan.

Police Plan - Description

Established July 6, 1959, the Police Plan is a defined benefit plan available to all full-time City police officers under Act 205 of the Commonwealth of Pennsylvania (Act). The Police Plan is governed by the Council which may amend the plan provisions, and which is responsible for the management of plan assets. The Council has delegated the authority to manage the plan assets to a third party investment manager, separate from the plan's trustee.

According to the Police Plan, participants are eligible for retirement upon the completion of 20 years of continuous service. Participants are fully vested in the Police Plan upon the completion of 12 years of continuous service. The monthly pension benefit is equal to 60 percent of the greater of the participant's monthly salary at retirement or the average monthly compensation over the participant's five highest years.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

As of January 1, 2009, the date of the most recent actuarial valuation, participants in the Police Plan were as follows:

Retirees and beneficiaries	32
Active participants:	
Vested	16
Non-vested	11

Police Plan - Summary of Significant Accounting Policies

Financial information is presented on the accrual basis of accounting. Employer contributions to the Police Plan are recognized when earned. Benefits and refunds are recognized when incurred in accordance with the terms of the Police Plan.

Police Plan assets are reported at fair value. Police Plan assets are invested primarily in equities and U.S. Treasury obligations. See the summary of plan assets at Note 2 above. The Police Plan did not have any investment transactions with related parties during the year.

Police Plan - Contributions and Funding Policy

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO), which is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act. The Commonwealth of Pennsylvania (Commonwealth) allocates certain funds to assist in pension funding, which is funded by state foreign casualty insurance tax. Any financial requirement established by the MMO that exceeds the Commonwealth allocations must be funded by the City (and could include employee contributions). In 2010, the City used the Commonwealth allocation of \$352,598 for its Police Plan. The remaining \$246,201 of MMO was paid by the General Fund.

Employee contributions to the Police Plan for 2010 were \$102,212, which represents 5% of covered payroll. \$98,634 of the amount was paid during 2010 with the remaining \$3,578 in transit at year end.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the Police Plan and funded by investment earnings.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	<u>Police</u>
Annual pension cost	\$ 604,904
Contributions made	\$ 605,557
Actuarial valuation date	1/1/2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Amortization period	7 years
Asset valuation method	4-year smoothing
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.50%
Underlying inflation rate	3.00%

The City has (a net pension asset) a negative net pension obligation (NPO) for the Police Plan as of December 31, 2010, calculated as follows:

	<u>Police</u>
Annual required contribution	\$ 598,799
Interest on NPO	(7,770)
Adjustment to the ARC	<u>13,875</u>
Annual pension cost	604,904
Contribution made	<u>605,557</u>
Change in NPO	(653)
NPO, December 31, 2009	<u>(97,123)</u>
NPO, December 31, 2010	<u><u>\$ (97,776)</u></u>

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Police Plan – Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2008	\$ 704,535	102%	\$ (95,322)
12/31/2009	686,780	100%	(97,123)
12/31/2010	604,904	100%	(97,776)

Police Plan - Funded Status

The City's funded status and related information as of the latest actuarial valuation date, January 1, 2009, is as follows:

<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Excess of Assets Over (Under) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess (Deficiency) as a Percentage of Covered Payroll</u>
\$ 12,478,147	\$ 15,600,858	\$(3,122,711)	79.98%	\$2,101,055	(148.63)%

The required schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule of funding progress also lists key changes in assumptions that occurred for the January 1, 2009 actuarial valuation.

Non-Uniformed Plan - Description

Established May 1, 1968, the Non-Uniformed Plan is an agent multi-employer plan held by the PMRS for employees other than police. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

At January 1, 2009, the date of the most recent valuation, participants in the plans were as follows:

	Non-Uniformed Employees
Participants:	
Retirees and beneficiaries	31
Deferred vested	4
Active employees:	
Vested	38
Nonvested	19

Non-Uniformed Plan - Financial Information

PMRS is separately audited and a separate audit report for PMRS is available through the City administrative offices.

Non-Uniformed Plan - Contributions and Funding Policy

The Act requires that annual contributions be based upon the calculation of the MMO. The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining and City policies. The Commonwealth allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth allocation must be funded by the City (and could include employee contributions). In 2010, the MMO for the Non-Uniformed Plan was \$29,030, which was paid by the General Fund.

Employee contributions to the Non-Uniformed Plan for 2010 were \$79,338, which represents 3.5% of covered payroll.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

The City's annual pension cost and related information for the Non-Uniformed Plan is as follows:

	Non-Uniformed Employees
Annual pension cost	\$ 29,030
Contributions made	\$ 29,030
Actuarial valuation date	1/1/2009
Amortization method	Level Dollar
Actuarial cost method	Entry Age Normal
Asset valuation method	Market
Amortization period	14.33 years
Actuarial assumptions:	
Investment rate of return	6.00%
Projected salary increases	4.50%
Underlying inflation rate	N/A

The City does not have a net pension asset or obligation for the Non-Uniformed Plan as of December 31, 2010, calculated as follows:

Annual required contribution	\$ 29,030
Interest on NPO	-
Adjustments to the ARC	-
Annual pension cost	29,030
Contribution made	29,030
Change in NPO	-
NPO, 12/31/2009	-
NPO, 12/31/2010	\$ -

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Non-Uniformed Plan – Three-Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2008	\$ 17,991	100.0%	\$ -
12/31/2009	25,450	100.0%	-
12/31/2010	29,030	100.0%	-

Non-Uniformed Plan - Funded Status

The City's funded status and related information as of the latest actuarial valuation date, January 1, 2009, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
\$ 9,416,176	\$ 9,097,539	\$ 318,637	103.50%	\$2,322,047	13.72%

The required schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule of funding progress also lists key changes in assumptions that occurred for the January 1, 2009 actuarial valuation.

9. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits disclosed in Note 8, the City has provided for certain postemployment benefits, other than pension benefits, to be provided to retirees or their beneficiaries. Postemployment benefits consist of healthcare, dental, vision, and life insurance coverage for eligible employees and their spouses. 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 does not have a formal plan document for the other postemployment benefit Plan (OPEB Plan), but it operates as a single-employer defined benefit plan. Actuarial data for the OPEB Plan is split into two categories of employees corresponding to the City's pension

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

plans: police and non-uniformed (union and non-union). Stand-alone financial statements are not issued for the plan.

Description

The provisions for the Police Department cover healthcare, dental, and vision expenses for the retiree and the retiree's spouse up to a certain dollar amount linked to the annual cost of husband/wife coverage until each individual reaches Medicare eligibility (normally, age 65). Retirees are also provided an \$8,000 life insurance policy.

The provisions for the Non-Uniformed Employees (Union and Non-Union members) cover healthcare expenses up to a specified dollar amount for the retiree and the retiree's spouse if the participant retired after age 55 with 20 years of service or after age 62 regardless of service until the retiree reaches Medicare eligibility (normally, age 65). Retirees are also provided a \$2,000 life insurance policy.

Funding Policy

The contribution requirements of OPEB Plan members and the City are established and may be amended by the City. The OPEB Plan is not funded. The City's contribution is based on projected pay-as-you-go financing requirements. In 2010, the City contributed \$67,338 to the OPEB Plan, all of which was for current premiums. OPEB Plan members receiving benefits contributed \$14,545 or approximately 18 percent of the total premiums by paying the excess of the maximum amount to be paid by the City.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the OPEB Plan, and changes in the City's net OPEB obligation:

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	Police	Non-Uniformed, Non-Union	Non-Uniformed, Union	Total
Annual required contribution	\$ 350,083	\$ 14,813	\$ 13,810	\$ 378,706
Interest on net OPEB obligation	29,066	1,250	938	31,254
Adjustment to annual required contribution	(39,653)	(1,705)	(1,280)	(42,638)
Annual OPEB cost	339,496	14,358	13,468	367,322
Contributions made	62,870	4,107	361	67,338
Increase (decrease) in net OPEB obligation	276,626	10,251	13,107	299,984
Net OPEB obligation (asset) beginning of year	638,217	29,383	26,929	694,529
Net OPEB obligation (asset) end of year	<u>\$ 914,843</u>	<u>\$ 39,634</u>	<u>\$ 40,036</u>	<u>\$ 994,513</u>

Three-Year Trend Information

Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
Police:			
December 31, 2010	\$ 339,496	18.5%	\$ 3,733,519
December 31, 2009	344,345	16.3%	3,389,174
December 31, 2008	350,083	0.0%	3,039,091
Non-Uniformed, Non-Union:			
December 31, 2010	\$ 14,358	28.6%	\$ 192,270
December 31, 2009	14,570	0.0%	177,700
December 31, 2008	14,813	0.0%	162,887
Non-Uniformed, Union:			
December 31, 2010	\$ 13,468	2.7%	\$ 184,013
December 31, 2009	13,584	3.4%	170,429
December 31, 2008	13,810	0.0%	156,619

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the OPEB Plan is unfunded. The actuarial accrued liability for benefits was \$3,358,597, and the OPEB Plan had no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,358,597. The covered

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

payroll (annual payroll of active employees covered by the OPEB Plan) was \$4,356,664, and the ratio of the UAAL to the covered payroll was 77 percent.

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

Actuarial Methods and Assumptions

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

	<u>Police and Non-Uniformed</u>
Actuarial valuation date	1/1/2008
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Asset valuation method	N/A - the OPEB Plan is unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5% per year (unfunded OPEB Plan)

CITY OF GREENSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Health care inflation rate:

<u>Year</u>	<u>Medical/RX</u>	<u>Dental/Vision</u>
2008-2010	9.00%	5.00%
2011	8.00%	5.00%
2012	7.00%	5.00%
2013	6.00%	5.00%
2014 and later	5.00%	5.00%

10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (plan) created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The City does not contribute to the plan or match employees' contributions. Participation in the plan is optional. The funds are not available to employees until termination, retirement, death, or unforeseeable emergency. At December 31, 2010, all amounts of compensation deferred under the plan were held in trust solely for the benefit of the participants. Investments are managed by the plan's trustee under several investment options selected by the participant. Deferred compensation assets at December 31, 2010 totaled \$2,107,703. Under the provisions of GASB Statement No. 32, *"Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,"* the plan is not required to be included in the City's financial statements.

11. CONTINGENCIES

The City is involved in a number of other matters arising in the ordinary course of its operations. At present, management believes the ultimate outcome of these matters, after consideration of any applicable insurance coverage, will not be material to the financial statements taken as a whole.

The City maintains insurance through independent carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the City against potential losses.

Required Supplementary Information

CITY OF GREENSBURG

SCHEDULES OF FUNDING PROGRESS

POLICE AND NON-UNIFORMED PENSION PLANS

YEAR ENDED DECEMBER 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a-b/c)
<u>Police:</u>						
1/1/2005	\$ 10,577,825	\$ 13,162,295	\$ (2,584,470)	80.36%	\$ 1,761,985	-146.68%
1/1/2007	12,382,229	14,245,985	(1,863,756)	86.92%	1,894,442	-98.38%
1/1/2009	12,478,147	15,600,858	(3,122,711)	79.98%	2,101,055	-148.63%
<u>Non-Uniformed Employees:</u>						
1/1/2005	\$ 7,970,367	\$ 6,922,057	\$ 1,048,310	115.14%	\$ 1,902,280	55.11%
1/1/2007	8,461,345	7,740,665	720,680	109.31%	2,108,666	34.18%
1/1/2009	9,416,176	9,097,539	318,637	103.50%	2,322,047	13.72%

See accompanying note to required supplementary information.

CITY OF GREENSBURG

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

POLICE AND NON-UNIFORMED PENSION PLANS

YEAR ENDED DECEMBER 31, 2010

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
<u>Police:</u>		
12/31/2005	\$ 520,378	101%
12/31/2006	529,626	101%
12/31/2007	689,973	101%
12/31/2008	711,005	101%
12/31/2009	681,757	101%
12/31/2010	598,799	101%
<u>Non-Uniformed Employees:</u>		
12/31/2005	\$ -	100%
12/31/2006	-	100%
12/31/2007	11,594	100%
12/31/2008	17,991	100%
12/31/2009	25,450	100%
12/31/2010	29,030	100%

See accompanying note to required supplementary information.

CITY OF GREENSBURG

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2010

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

	<u>Police</u>	<u>Non-Uniformed Employees</u>
Actuarial valuation date	1/1/2009	1/1/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar
Amortization period	7 years	14.33 years
Asset valuation method	4-year smoothing	Market
Actuarial assumptions:		
Investment rate of return	8.00%	6.00%
Projected salary increases	5.50%	4.50%
Underlying inflation rate	3.00%	N/A

CITY OF GREENSBURG

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) FACTOR AND TRENDS USED IN ACTUARIAL VALUATION

YEAR ENDED DECEMBER 31, 2010

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

	<u>Police and Non-Uniformed</u>	
Actuarial valuation date	1/1/2008	
Actuarial cost method	Entry Age Normal	
Amortization method	Level Dollar Open	
Asset valuation method	N/A - the OPEB Plan is unfunded	
Remaining amortization period	30 years	
Actuarial assumptions:		
Investment rate of return	4.5% per year (unfunded OPEB Plan)	
Health care inflation rate:		
<u>Year</u>	<u>Medical/RX</u>	<u>Dental/Vision</u>
2008-2010	9.00%	5.00%
2011	8.00%	5.00%
2012	7.00%	5.00%
2013	6.00%	5.00%
2014 and later	5.00%	5.00%

Supplementary Information

CITY OF GREENSBURG

COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2010

	Special Revenue Funds					Capital Projects Funds				Total
	Armstrong Fund	Motor Tax Fund	Greensburg Community Days Fund	St. Clair Park Concert Series Fund	Grant Fund	2003 General Obligation Bond Fund	Fire Department Capital Equipment Fund	Hutchinson Garage Reserve Fund	Debt Service Fund	Other Governmental Funds
Assets										
Cash and cash equivalents	\$ 1,121	\$ 259,806	\$ 73,604	\$ 56,859	\$ -	\$ 96,296	\$ 739,384	\$ 87,872	\$ 79,701	\$ 1,394,643
Taxes receivables	-	-	-	-	-	-	-	-	106,678	106,678
Intergovernmental receivables	-	-	-	6,000	101,160	-	-	-	-	107,160
Total Assets	<u>\$ 1,121</u>	<u>\$ 259,806</u>	<u>\$ 73,604</u>	<u>\$ 62,859</u>	<u>\$ 101,160</u>	<u>\$ 96,296</u>	<u>\$ 739,384</u>	<u>\$ 87,872</u>	<u>\$ 186,379</u>	<u>\$ 1,608,481</u>
Liabilities and Fund Balance										
Liabilities:										
Accounts payable	\$ -	\$ 49,194	\$ -	\$ -	\$ 101,160	\$ -	\$ 33,033	\$ -	\$ -	\$ 183,387
Deferred revenue	-	-	-	-	-	-	-	-	89,236	89,236
Total Liabilities	<u>-</u>	<u>49,194</u>	<u>-</u>	<u>-</u>	<u>101,160</u>	<u>-</u>	<u>33,033</u>	<u>-</u>	<u>89,236</u>	<u>272,623</u>
Fund Balance:										
Unreserved, undesignated	<u>1,121</u>	<u>210,612</u>	<u>73,604</u>	<u>62,859</u>	<u>-</u>	<u>96,296</u>	<u>706,351</u>	<u>87,872</u>	<u>97,143</u>	<u>1,335,858</u>
Total Liabilities and Fund Balance	<u>\$ 1,121</u>	<u>\$ 259,806</u>	<u>\$ 73,604</u>	<u>\$ 62,859</u>	<u>\$ 101,160</u>	<u>\$ 96,296</u>	<u>\$ 739,384</u>	<u>\$ 87,872</u>	<u>\$ 186,379</u>	<u>\$ 1,608,481</u>

CITY OF GREENSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds					Capital Projects Funds				Total Other Governmental Funds
	Armstrong Fund	Motor Tax Fund	Greensburg Community Days Fund	St. Clair Park Concert Series Fund	Grant Fund	2003 Bond Fund	Fire Department Capital Equipment Fund	Hutchinson Garage Reserve Fund	Debt Service Fund	
Revenues:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 967,903	\$ 967,903
Charges for services	-	-	63,630	1,750	-	-	-	-	-	65,380
Intergovernmental revenue	-	300,901	-	-	101,160	155,782	-	-	-	557,843
Interest, rents, and royalties	-	796	386	131	-	311	2,033	51	1,321	5,029
Miscellaneous	500	-	13,501	97,586	-	-	-	-	-	111,587
Total revenues	500	301,697	77,517	99,467	101,160	156,093	2,033	51	969,224	1,707,742
Expenditures:										
Current:										
Department of Public Affairs and Safety	714	-	-	-	1,160	-	-	-	-	1,874
Department of Public Works	-	272,192	-	-	-	-	-	-	-	272,192
Department of Parks and Recreation	-	-	83,428	71,465	100,000	-	-	-	-	254,893
Capital outlay	-	-	-	-	-	155,782	62,315	-	-	218,097
Debt Service:										
Principal	-	-	-	-	-	-	7,488	-	680,552	688,040
Interest	-	-	-	-	-	-	234	-	252,831	253,065
Total expenditures	714	272,192	83,428	71,465	101,160	155,782	70,037	-	933,383	1,688,161
Excess (Deficiency) of Revenues Over Expenditures	(214)	29,505	(5,911)	28,002	-	311	(68,004)	51	35,841	19,581
Other Financing Sources (Uses):										
Transfers in	-	-	24,752	10,000	-	-	185,643	42,312	237,120	499,827
Transfers out	-	-	(17,032)	-	-	-	-	-	(349,558)	(366,590)
Total other financing sources (uses)	-	-	7,720	10,000	-	-	185,643	42,312	(112,438)	133,237
Net Change in Fund Balance	(214)	29,505	1,809	38,002	-	311	117,639	42,363	(76,597)	152,818
Fund Balance:										
Beginning of year	1,335	181,107	71,795	24,857	-	95,985	588,712	45,509	173,740	1,183,040
End of year	\$ 1,121	\$ 210,612	\$ 73,604	\$ 62,859	\$ -	\$ 96,296	\$ 706,351	\$ 87,872	\$ 97,143	\$ 1,335,858

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SPECIAL REVENUE FUNDS - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2010

	Armstrong Fund			Motor Tax Fund		
	Budget	Actual	Variance with	Budget	Actual	Variance with
	Original/Final	(Budgetary Basis)	Final Budget	Original/Final	(Budgetary Basis)	Final Budget
Revenues:						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	313,038	300,901	(12,137)
Interest, rents, and royalties	-	-	-	1,012	796	(216)
Miscellaneous	500	500	-	23,170	-	(23,170)
Total revenues	500	500	-	337,220	301,697	(35,523)
Expenditures:						
Current:						
Department of Public Affairs and Safety	800	714	86	-	-	-
Department of Public Works	-	-	-	300,429	237,930	62,499
Department of Parks and Recreation	-	-	-	-	-	-
Total expenditures	800	714	86	300,429	237,930	62,499
Excess (Deficiency) of Revenues Over Expenditures	<u>(300)</u>	<u>(214)</u>	<u>(86)</u>	<u>36,791</u>	<u>63,767</u>	<u>26,976</u>
Other Financing (Sources) Uses:						
Transfers in	-	-	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net Change in Fund Balance	<u>\$ (300)</u>	<u>\$ (214)</u>	<u>\$ (86)</u>	<u>\$ 36,791</u>	<u>\$ 63,767</u>	<u>\$ 26,976</u>

(Continued)

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SPECIAL REVENUE FUNDS - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2010
(Continued)

	Greensburg Community Days Fund			St. Clair Park Concert Series Fund		
	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:						
Charges for services	\$ 58,650	\$ 63,630	\$ 4,980	\$ 1,400	\$ 1,750	\$ 350
Intergovernmental	-	-	-	-	-	-
Interest, rents, and royalties	550	386	(164)	250	131	(119)
Miscellaneous	36,000	13,501	(22,499)	87,000	91,586	4,586
Total revenues	95,200	77,517	(17,683)	88,650	93,467	4,817
Expenditures:						
Current:						
Department of Public Affairs and Safety	-	-	-	-	-	-
Department of Public Works	-	-	-	-	-	-
Department of Parks and Recreation	109,950	83,428	26,522	93,200	89,644	3,556
Total expenditures	109,950	83,428	26,522	93,200	89,644	3,556
Excess (Deficiency) of Revenues Over Expenditures	(14,750)	(5,911)	8,839	(4,550)	3,823	8,373
Other Financing Sources (Uses):						
Transfers in	-	24,752	24,752	-	10,000	10,000
Proceeds from the sale of fixed assets	-	(17,032)	(17,032)	-	-	-
Total other financing sources (uses)	-	7,720	7,720	-	10,000	10,000
Net Change in Fund Balance	<u>\$ (14,750)</u>	<u>\$ 1,809</u>	<u>\$ 16,559</u>	<u>\$ (4,550)</u>	<u>\$ 13,823</u>	<u>\$ 18,373</u>

(Continued)

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SPECIAL REVENUE FUNDS - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2010

(Continued)

	Grant Fund		
	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:			
Charges for services	\$ -	\$ -	\$ -
Intergovernmental	1,202,264	1,450,929	248,665
Interest, rents, and royalties	-	-	-
Miscellaneous	-	-	-
Total revenues	1,202,264	1,450,929	248,665
Expenditures:			
Current:			
Department of Public Affairs and Safety	989	-	989
Department of Public Works	-	-	-
Department of Parks and Recreation	1,201,275	1,450,929	(249,654)
Total expenditures	1,202,264	1,450,929	(248,665)
Excess (Deficiency) of Revenues Over Expenditures	-	-	-
Other Financing Sources (Uses):			
Transfers in	-	-	-
Proceeds from the sale of fixed assets	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -

(Concluded)

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL PROJECTS FUNDS AND DEBT SERVICE FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2010

	2003 General Obligation Bond Fund			Fire Department Capital Equipment Fund		
	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,341,965	1,341,965	-	-	-
Interest, rents, and royalties	500	311	(189)	3,300	2,033	(1,267)
Total revenues	500	1,342,276	1,341,776	3,300	2,033	(1,267)
Expenditures:						
Current:						
Department of Accounts and Finance	-	-	-	-	-	-
Capital outlay	-	1,393,235	(1,393,235)	48,000	29,282	18,718
Debt service:						
Principal	-	-	-	7,722	7,488	234
Interest	-	-	-	-	234	(234)
Total expenditures	-	1,393,235	(1,393,235)	55,722	37,004	18,718
Excess (Deficiency) of Revenues Over Expenditures	500	(50,959)	(51,459)	(52,422)	(34,971)	17,451
Other Financing Sources (Uses):						
Transfers in	-	-	-	175,804	185,643	9,839
Transfers out	-	-	-	(2,000)	-	2,000
Total other financing sources (uses)	-	-	-	173,804	185,643	11,839
Net Change in Fund Balance	\$ 500	\$ (50,959)	\$ (51,459)	\$ 121,382	\$ 150,672	\$ 29,290

(Continued)

CITY OF GREENSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL PROJECT FUNDS AND DEBT SERVICE FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2010

(Continued)

	Hutchinson Garage Reserve Fund			Debt Service Fund		
	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 976,309	\$ 970,337	\$ (5,972)
Intergovernmental	-	-	-	-	-	-
Interest, rents, and royalties	200	51	(149)	3,000	1,321	(1,679)
Total revenues	200	51	(149)	979,309	971,658	(7,651)
Expenditures:						
Current:						
Department of Accounts and Finance	-	-	-	200	-	200
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	1,030,111	680,552	349,559
Interest	-	-	-	252,831	252,831	-
Total expenditures	-	-	-	1,283,142	933,383	349,559
Excess (Deficiency) of Revenues Over Expenditures	200	51	(149)	(303,833)	38,275	341,908
Other Financing Sources (Uses):						
Transfers in	40,069	42,312	2,243	237,120	237,120	-
Transfer out	-	-	-	-	(349,558)	(349,558)
Total financing sources (uses)	40,069	42,312	2,243	237,120	(112,438)	(349,558)
Net Change in Fund Balance	<u>\$ 40,269</u>	<u>\$ 42,363</u>	<u>\$ 2,094</u>	<u>\$ (66,713)</u>	<u>\$ (74,163)</u>	<u>\$ (7,650)</u>

(Concluded)

CITY OF GREENSBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity number	Expenditures
<u>U.S. Department of Transportation</u>			
Passed through the Pennsylvania Department of Transportation:			
Highway Planning and Construction:			
Local Critical Bridge Program	20.205	M125417000	\$ 12,195
Local Critical Bridge Program	20.205	M125416000	18,068
Hometown Streets Program	20.205	125467	<u>155,783</u>
Total U.S. Department of Transportation			<u>186,046</u>
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607	N/A	1,160
ARRA - Recovery Act - Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>380,666</u>
Total U.S. Department of Justice			<u>381,826</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Pennsylvania Emergency Management Agency:			
Disaster Grants - Public Assistance	97.036	N/A	<u>70,758</u>
Total U.S. Department of Homeland Security			<u>70,758</u>
Total Expenditures of Federal Awards			<u><u>\$ 638,630</u></u>

See accompanying note to schedule of expenditures of federal awards.

CITY OF GREENSBURG

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Greensburg and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the program financial statements.

City of Greensburg

Independent Auditor's Report in Accordance
with OMB Circular A-133

Year Ended December 31, 2010

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

City Council
City of Greensburg

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Greensburg, (City) Pennsylvania as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 13, 2011. 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'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2010-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

City Council
City of Greensburg
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Others Matters

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated September 13, 2011.

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

* * * * *

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

Maher Duessel

Pittsburgh, Pennsylvania
September 13, 2011

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

City Council
City of Greensburg

Compliance

We have audited the City of Greensburg's, (City) Pennsylvania, compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2010. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

City Council
City of Greensburg, Pennsylvania
Independent Auditor's Report on Compliance with Requirements
that Could Have a Direct and Material Effect on its Major Program

prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

* * * * *

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

Maher Duessel

Pittsburgh, Pennsylvania
September 13, 2011

CITY OF GREENSBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2010

I. Summary of Audit Results

1. Type of auditor's report issued: Unqualified

2. Internal control over financial reporting:

Material weakness(es) identified? ☒ yes ☐ no

Significant deficiencies identified that are not considered to be material weakness(es)?

☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?

☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ yes ☒ no

7. Major Programs:

CFDA Number(s)

16.710

Name of Federal Program or Cluster

ARRA - Recovery Act - Public Safety Partnership
and Community Policing Grants

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

9. Auditee qualified as low-risk auditee? ☐ yes ☒ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

FINDING: 2010-1- Internal Control over Financial Accounting and Reporting

Condition: Under the auditing standard, "*Communicating Internal Control Related Matters Identified in an Audit*," emphasis is placed on an organization's ability to produce its financial statements in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities (GAAP). If an entity relies upon its auditors to assist them in producing GAAP financial statements, as has been, and continues to be, true for many local governmental entities, the auditor is required to communicate a significant deficiency or material weakness related to financial reporting.

CITY OF GREENSBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2010

During the audit process, the following various adjustments were made to the City of Greensburg (City) records, in order that the financial statements could be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP financials): 1.) to summarize the pension trust fund statements for presentation in the financial statements; 2.) to record the Governmental Accounting Standards Board (GASB) Statement No. 34 conversion entries; 3.) to make fund balance agree to the prior year audited financial statements; 4.) to record the long-term debt activity and fixed asset activity in the enterprise funds; 5.) to correctly record the new capital lease liability and principal payments in the parking revenue fund; 6.) to reverse the prior year accounts receivable and payable; 7.) to make interfunds balance; and 8.) to ensure that the GASB Statement No. 33 entry for earned income tax receivable and deferred revenue was properly made.

Criteria: Under the aforementioned auditing standard more emphasis has been placed on determining an entity's ability to fully prepare their own external financial statements, including the posting of all adjustments necessary to present GAAP financials, and evaluating the need for all necessary financial statement disclosures.

Effect: Adjustments were required to be recorded in order to ensure that the financial statements were prepared in accordance with GAAP.

Cause: While the City maintains the information necessary to record all adjustments, these adjustments were not prepared and posted to the City's general ledger prior to the audit nor does the City have the level of expertise to evaluate that all the footnote disclosures required by GAAP are properly included in the financial statements.

Recommendation: We recommend that management record all adjustments required to ensure the City records are maintained in accordance with GAAP.

Management's Response: Management agrees with this finding; see the separate Corrective Action Plan.

III. Findings and questioned costs for federal awards.

No matters were reported.

CITY OF GREENSBURG

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2010

FINDING: 2009-1- Internal Control over Financial Accounting and Reporting

Condition: Under the auditing standard, "*Communicating Internal Control Related Matters Identified in an Audit*," emphasis is placed on an organization's ability to produce its financial statements in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities (GAAP). If an entity relies upon its auditors to assist them in producing GAAP financial statements, as has been, and continues to be, true for many local governmental entities, the auditor is required to communicate a significant deficiency or material weakness related to financial reporting.

During the audit process, fund balance and net assets were restated by the auditors for various reasons:

The following restatements were made to beginning fund balances in the fund financial statements: 1) the invested in capital assets, net of related debt in the Parking Revenue Fund was restated at January 1, 2009 to properly allocate the fixed assets between the governmental and proprietary funds resulting in an increase to invested in capital assets, net of related debt by \$315,843; 2) as the other postemployment benefits liability should only be recorded in the government-wide financial statements for governmental funds, the unreserved fund balance in the General Fund was restated at January 1, 2009 to remove the liability from the fund financial statements resulting in an increase to unreserved fund balance of \$377,951; and 3) various other minor restatements to fund balance.

The following restatements were made to beginning net assets in the government-wide financial statements: 1) the invested in capital assets, net of related debt was restated at January 1, 2009 to properly reflect the land value at December 31, 2008, to capitalize assets not previously capitalized, and properly allocate assets between the governmental and proprietary funds resulting in a decrease in invested in capital assets, net of related debt of \$1,054,891; 2) unrestricted net assets were restated at January 1, 2009 to implement the Governmental Accounting Standards Board (GASB) Statement No. 33, "*Accounting and Financial Reporting for Non-exchange Transactions*," for earned income taxes resulting in an increase in unrestricted net assets of \$742,076; 3) net assets were restated at January 1, 2009 to record the net pension asset at December 31, 2008 resulting in an increase to net assets of \$95,322; and 4) unrestricted net assets were restated at January 1, 2009 to properly reflect taxes receivable at December 31, 2008 resulting in a decrease to unrestricted net assets of \$76,567.

During the audit process, the following various other adjustments were made to the City records, in order that the financial statements could be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP financials): 1.) to summarize the pension trust fund statements for presentation in the financial statements and 2.) to record the GASB Statement No. 34 conversion entries.

CITY OF GREENSBURG

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2010

Status: Restatement of the net assets was not required during fiscal year 2010; however, the need for journal entries in order that the financial statements could be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP financials) continues and is expected to continue. See current year Finding 2010-1.