CITY OF MONESSEN
WESTMORELAND COUNTY, PENNSYLVANIA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

CITY OF MONESSEN

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
of the City of Monessen
Westmoreland County, Pennsylvania 15062

We have audited the accompanying general purpose financial statements of the City of Monessen, Pennsylvania, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Monessen, Pennsylvania's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include financial data of the Monessen Civic Recreation Authority, which should be included in order to conform with accounting principles generally accepted in the United States of America. The component unit is excluded because the financial data of the Monessen Civic Recreation Authority is unaudited and unavailable for inclusion in these financial statements. If the omitted component unit had been included, the assets, revenues, expenditures, and retained earnings of the Proprietary Funds would have increased by amounts immaterial to the aforementioned general purpose financial statements of the City of Monessen. Also, as described in Note A-3, the City of Monessen has valued the assets in the general fixed asset account group at appraised value rather than at historical cost as prescribed by accounting principles generally accepted in the United States of America.

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In our opinion, except as noted in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Monessen, Pennsylvania, as of December 31, 2001, and the results of its operations and its cash flows of its proprietary fund types and nonexpendable trust funds 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 July 25, 2002, on our consideration of the City of Monessen, Pennsylvania's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sarp & Company

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
July 25, 2002

CITY OF MONESSEN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	Governmental Fund Types			
Assets	General	Special Revenue	Debt Service	Capital Projects
Cash and Cash Equivalents	$33,676	$ 60,823	$ 152	$ 49,025
Investments	0	0	0	0
Accounts Receivable:				
Taxes	194,520	0	0	0
Other, (Note F)	87,909	0	0	0
Due from Other Funds	4,234	0	0	0
Due from Other Governments	0	23,723	0	0
Loans Receivable, Recipients	0	920,843	0	0
Prepaid Expenses, (Note G)	88,063	0	0	0
Fixed Assets, (Note A-3)	0	0	0	0
Accumulated Depreciation	0	0	0	0
Amount Available in Debt Service Funds	0	0	0	0
Amount to be Provided for the Retirement of Long-Term Debt, (Note E)	0	0	0	0
Amount to be Provided for Accumulated Compensated Absences (Note A-8)	0	0	0	0
Future Lease Rentals Receivable to Retirement of Bonded Debt, (Note B)	0	0	0	0
Total Assets	408,402	1,005,389	152	49,025
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	12,281	33,360	0	0
Accrued Liabilities	0	0	0	0
Long-Term Debt, Current Portion	0	0	0	0
Notes Payable, Long-Term Portion (Note E)	0	0	0	0
Bonded Debt, Parking Authority:				
Parking Revenue Bonds, Series of 1965, (Note B)	0	0	0	0
Deferred Revenue (Note H)	206,716	0	0	0
Due to Other Funds	0	4,234	0	0
Accumulated Compensated Absences Payable (Note A-8)	0	0	0	0
Lease Payable, Long Term Debt	0	0	0	0
Total Liabilities	218,997	37,594	0	0
Fund Balances:				
Unreserved	189,405	967,795	0	49,025
Reserved (Note A-11)	0	0	152	0
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Total Fund Balances	189,405	967,795	152	49,025
Total Liabilities and Fund Balances	$408,402	$ 1,005,389	$152	$ 49,025

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		2001	2000
Enterprise Funds	Trust and Agency	General Fixed Assets	General Long Term Debt	Total (Memo Only)	Total (Memo Only)
$ 237,450	$ 0	$ 0	$ 0	$ 381,126	$ 662,254
161,679	3,439,290	0	0	3,600,969	4,122,791
0	0	0	0	194,520	188,743
0	0	0	0	87,909	80,689
0	0	0	0	4,234	4,107
0	0	0	0	23,723	19,935
660,439	0	0	0	1,581,282	1,576,179
0	0	0	0	88,063	79,203
837,164	0	3,611,189	0	4,448,353	4,364,656
(572,508)	0	0	0	(572,508)	(561,665)
0	0	0	152	152	189
0	0	0	330,078	330,078	357,446
0	0	0	116,776	116,776	118,359
40,000	0	0	0	40,000	62,000
1,364,224	3,439,290	3,611,189	447,006	10,324,677	11,074,886
34,028	0	0	0	79,669	77,332
323	0	0	0	323	323
0	0	0	105,175	105,175	117,928
0	0	0	193,119	193,119	254,707
40,000	0	0	0	40,000	47,000
63,457	0	0	0	270,173	288,743
0	0	0	0	4,234	4,107
0	0	0	116,777	116,777	118,359
0	0	0	31,935	31,935	0
137,808	0	0	447,006	841,405	908,499
0	0	0	0	1,206,225	1,300,093
148,449	3,439,290	0	0	3,578,891	4,133,443
0	0	3,611,189	0	3,611,189	3,510,397
1,077,967	0	0	0	1,077,967	1,222,454
1,226,416	3,439,290	3,611,189	0	9,483,272	10,166,387
$ 1,364,224	$3,439,290	$3,611,189	$447,006	$10,324,677	$11,074,886

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	$1,983,073	$319,794	$65,528	$ 0
Licenses and Permits	165,608	0	0	0
Fines and Forfeits	39,726	0	0	0
Interest, Rents, and Royalties	12,915	12,914	112	1,892
Intergovernmental Revenues	289,977	381,958	0	0
Charges for Services	536,438	0	0	0
Miscellaneous Revenue	456,135	22,174	0	0
Total Revenue	3,483,872	736,840	65,640	1,892
Expenditures:				
General Government	483,360	0	0	2,903
Public Safety	978,017	0	0	0
Health and Welfare	50,353	0	0	0
Public Works:				
Sanitation	307,254	0	0	0
Highways, Roads, and Streets	600,797	0	0	0
Other	20,012	0	0	0
Culture, Recreation	241,638	0	0	0
Conservation and Development	63,725	378,294	0	0
Debt Service	54,894	0	65,677	0
Miscellaneous Expenditures	975,090	0	0	0
Lease Bond Payments	0	13,400	0	0
Capital Expenditures	0	146,735	0	0
Total Expenditures	3,775,140	538,429	65,677	2,903
Excess of Revenues Over (Under) Expenditures	$ (291,268)	$198,411	$ (37)	$(1,011)

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

2001 Total (Memo Only)	2000 Total (Memo Only)
$2,368,395	$2,360,992
165,608	210,653
39,726	38,976
27,833	50,565
671,935	673,621
536,438	467,443
478,309	597,368
4,288,244	4,399,618
486,263	603,319
978,017	932,318
50,353	57,166
307,254	301,415
600,797	776,852
20,012	5,395
241,638	192,669
442,019	730,392
120,571	120,571
975,090	881,045
13,400	26,800
146,735	0
4,382,149	4,627,942
$ (93,905)	$ (228,324)

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Other Financing Sources (Uses):				
Proceeds of General Fixed Asset Disposition	$ 0	$ 0	$ 0	$ 0
Operating Transfers In	183,753	0	0	0
Operating Transfers Out	0	(183,753)	0	0
Total Other Financing Sources (Uses)	183,753	(183,753)	0	0
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(107,515)	14,658	(37)	(1,011)
Fund Balance, January 1	296,920	953,137	189	50,036
Fund Balance, December 31	$189,405	$ 967,795	$152	$ 49,025

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

2001 Total (Memo Only)	2000 Total (Memo Only)
$ 0	$ 4,343
183,753	184,431
(183,753)	(184,431)
0	4,343
(93,905)	(223,981)
1,300,282	1,524,263
$1,206,377	$1,300,282

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	General			Special Revenue	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
Revenues:					
Taxes	$2,085,117	$1,983,073	$(102,044)	$344,448	$319,795
Licenses and Permits	159,000	165,608	6,608	0	0
Fines and Forfeits	51,500	39,726	(11,774)	0	0
Interest, Rents, and Royalties	27,000	12,915	(14,085)	5,000	5,506
Intergovernmental Revenue	232,560	289,977	57,417	0	0
Charges for Services	534,437	536,438	2,001	0	0
Miscellaneous Revenue	321,300	456,135	134,835	27,500	21,305
Total Revenue	3,410,914	3,483,872	72,958	376,948	346,606
Expenditures:					
General Government	495,349	483,360	11,989	0	0
Public Safety	984,191	978,017	6,174	0	0
Health and Welfare	62,302	50,353	11,949	0	0
Public Works:					
Sanitation	304,000	307,254	(3,254)	0	0
Highways, Roads, and Streets	536,087	600,797	(64,710)	0	0
Other	19,950	20,012	(62)	0	0
Culture, Recreation	206,616	241,638	(35,022)	0	0
Conservation and Development	70,951	63,725	7,226	0	0
Debt Service	55,000	54,894	106	0	0
Miscellaneous Expenditures	846,504	975,090	(128,586)	0	0
Lease Bond Payments	0	0	0	13,400	13,400
Capital Expenditures	0	0	0	164,448	146,735
Total Expenditures	3,580,950	3,775,140	(194,190)	177,848	160,135
Excess Revenues Over (Under) Expenditures	$ (170,036)	$ (291,268)	$(121,232)	$199,100	$186,471

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

Special Revenue	Debt Service				
Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	2001 Total (Memo Only)	2000 Total (Memo Only)
$ (24,653)	$62,056	$65,528	$3,472	$2,368,396	$2,360,992
0	0	0	0	165,608	210,653
0	0	0	0	39,726	38,976
506	0	112	112	18,533	36,688
0	0	0	0	289,977	85,380
0	0	0	0	536,438	467,443
(6,195)	0	0	0	477,440	522,054
(30,342)	62,056	65,640	3,584	3,896,118	3,722,186
0	0	0	0	483,360	443,534
0	0	0	0	978,017	932,318
0	0	0	0	50,353	57,166
0	0	0	0	307,254	301,415
0	0	0	0	600,797	776,852
0	0	0	0	20,012	5,395
0	0	0	0	241,638	192,669
0	0	0	0	63,725	69,975
0	62,056	65,677	(3,621)	120,571	120,571
0	0	0	0	975,090	881,045
0	0	0	0	13,400	26,800
17,713	0	0	0	146,735	0
17,713	62,056	65,677	(3,621)	4,000,952	3,807,740
$ (12,629)	$ 0	$ (37)	$ (37)	$ (104,834)	$ (85,554)

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

	General			Special Revenue	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
Other Financing Sources (Uses):					
Proceeds of General Fixed Asset Disposition	$ 2,000	$ 0	$ (2,000)	$ 0	$ 0
Operating Transfers In	0	183,753	181,753	0	0
Operating Transfers Out	0	0	0	0	(183,753)
Total Other Financing Sources (Uses)	2,000	183,753	181,753	0	(183,753)
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$(168,036)	(107,515)	$60,521	$199,100	2,718
Fund Balance, January 1		296,920			16,482
Fund Balance, December 31		$189,405			$ 19,200

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

Special Revenue	Debt Service				
Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	2001 Total (Memo Only)	2000 Total (Memo Only)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,343
0	0	0	0	183,753	184,431
(183,753)	0	0	0	(183,753)	(184,431)
(183,753)	0	0	0	0	4,343
$(196,382)	$ 0	(37)	$ (37)	(104,834)	(81,211)
		189		313,591	394,802
		$ 152		$208,757	$313,591

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		
	Monessen Parking Authority	Mon Valley Refuse Disposal Authority	Redevelopment Authority of the City of Monessen
Operating Revenue:			
Earnings on Investments	$ 2,121	$ 7,835	$ 26,628
Charges for Services	0	349,896	0
Intergovernmental Revenue	0	2,167	36,543
Other Revenue	0	752	195
Contributions	0	0	0
Rental Income	26,800	0	0
Total Operating Revenue	28,921	360,650	63,366
Operating Expenses:			
General Government	6,825	49,109	110,275
Public Works:			
Sanitation	0	338,606	0
Debt Service	22,000	0	0
Interest Expense	2,203	0	0
Depreciation Expense	15,192	0	0
Culture and Recreation	0	0	0
Benefits	0	0	0
Other Expenses	0	0	48,086
Capital Investment	0	0	0
Total Operating Expenses	46,220	387,715	158,361
Revenue Over (Under) Expenses	(17,299)	(27,065)	(94,995)
Retained Earnings/Fund Balance January 1	165,748	166,430	1,033,597
Retained Earnings/Fund Balance December 31	$ 148,449	$139,365	$ 938,602

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

Nonexpendable Trust Funds				
Police Pension Fund	Fire Truck Drivers Pension Fund	Nonuniformed Pension Fund	2001 Total (Memo Only)	2000 Total (Memo Only)
$ (195,327)	$(65,872)	$(117,109)	$ (341,724)	$ (83,531)
0	0	0	349,896	369,150
0	0	0	38,710	53,395
0	0	0	947	1,692
265,059	49,574	101,268	415,901	420,820
0	0	0	26,800	0
69,732	(16,298)	(15,841)	490,530	761,526
18,403	8,778	0	193,390	152,195
0	0	0	338,606	316,000
0	0	0	22,000	19,000
0	0	0	2,203	2,983
0	0	0	15,192	17,253
0	0	0	0	44,261
187,869	55,150	93,163	336,182	346,134
0	0	202,447	250,533	2,061
0	0	0.	0	5,930
206,272	63,928	295,610	1,158,106	905,817
(136,540)	(80,226)	(311,451)	(667,576)	(144,291)
2,090,735	778,373	1,098,399	5,333,282	5,500,000
$1,954,195	$698,147	$ 786,948	$4,665,706	$5,355,709

CITY OF MONESSEN
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		
	Monessen Parking Authority	Mon Valley Refuse Disposal Authority	Redevelopment Authority of the City of Monessen
Cash Flows from Operating Activities:			
Net Income (Loss)	$(17,299)	$ (27,065)	$(94,995)
Adjustment to Reconcile Excess Revenue Over (Under) Expenses to Net Cash Provided by Operating Activities:			
Depreciation Expense	15,192	0	0
Changes in Assets and Liabilities:			
(Increase) Decrease in Loans Receivable	0	0	(21,124)
(Increase) Decrease in Interest Receivable	0	0	13,377
(Increase) Decrease in Accounts Receivable	0	23,618	0
(Increase) Decrease in Grants Receivable	0	0	0
Increase (Decrease) in Accounts Payable	0	917	5,337
Increase (Decrease) in Deferred Revenue	0	0	(36,543)
Total Adjustments	15,192	24,535	(38,953)
Net Cash Provided (Used) by Operating Activities	(2,107)	(2,530)	(133,948)
Cash Flows From Capital and Related Financing Activities:			
Purchase of Fixed Assets	0	0	0
Net Cash Provided (Used) by Capital and Relating Financing Activities	0	0	0
Cash Flows from Investing Activities:			
Redemption (Purchase) of Investments, Net	2,997	(9,392)	0
Property Acquisitions	0	0	0
Net Cash Provided (Used) by Investing Activities	2,997	(9,392)	0
Net Increase (Decrease) in Cash and Cash Equivalents	890	(11,922)	(133,948)
Cash and Cash Equivalents, January 1	352	68,468	313,610
Cash and Cash Equivalents, December 31	$ 1,242	$ 56,546	$179,662
Supplemental Disclosures of Cash Flow Information:			
Cash Paid During the Year for:			
Interest	$ 2,203	$ 0	$ 0
Income Taxes	$ 0	$ 0	$ 0

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

Nonexpendable Trust Funds				
Police Pension Fund	Fire Truck Drivers Pension Fund	Nonuniformed Pension Fund	2001 Total (Memo Only)	2000 Total (Memo Only)
$ (136,540)	$(80,226)	$(311,451)	$(667,576)	$ (144,291)
0	0	0	15,192	17,253
0	0	0	(21,124)	(191,176)
0	0	0	13,377	0
0	0	0	23,618	0
0	0	0	0	6,228
0	0	0	6,254	(8,248)
0	0	0	(36,543)	80,263
0	0	0	774	(95,680)
(136,540)	(80,226)	(311,451)	(666,802)	(239,971)
0	0	0	0	(2,634)
0	0	0	0	(2,634)
136,540	80,226	311,451	521,822	70,370
0	0	0	0	(1,395)
136,540	80,226	311,451	521,822	68,975
0	0	0	(144,980)	(173,630)
0	0	0	382,430	565,740
$ 0	$ 0	$ 0	$237,450	$392,110
$ 0	$ 0	$ 0	$2,203	$2,984
$ 0	$ 0	$ 0	$ 0	$ 0

CITY OF MONESSEN
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Monessen, Westmoreland County, Pennsylvania, (the City) was incorporated September 16, 1921, under the provisions of Third Class City Code, as amended. The City operates under a Council form of government and provides the following services, as authorized by its charter: Public Safety (police and fire), Highways and Streets, Sanitation, Health and Social Services, Culture-Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

1. The Reporting Entity

Consistent with the guidance contained in Section 2100 of the "Codification of Governmental Accounting and Financial Reporting Standards," the basic criterion used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity is the exercise of "oversight responsibility" by the City over such entities. In determining the extent of oversight responsibility exercised in a given case, the City reviews the applicability of the following specific criteria:

a. Financial Interdependency - When a separate agency produces a financial benefit or imposes a financial burden on a unit of government, that agency is part of the reporting entity. Manifestations of financial interdependency include responsibility for financing deficits, entitlement to surpluses and guarantees of, or "moral responsibility" for, debt.

b. Selection of Governing Authority - An authoritative appointment is one where the entity's elected officials maintain a significant continuing relationship with the appointed officials with respect to carrying out important public functions.

c. Designation of Management - When management is appointed by and held accountable to a governing authority that is included in the entity, the activity being managed falls within the entity.

d. Ability to Significantly Influence Operations - This ability includes, but is not limited to, the authority to review and approve budgetary requests, adjustments and amendments.

NOTE A: (CONTINUED)

e. Accountability for Fiscal Matters - Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds and maintenance of title to assets.

A second criterion considered was scope of public service. This criterion for determining whether the statements of a specific agency should be included in the financial statements of a reporting entity considers the following aspects:

1. Whether the activity is for the benefit of the reporting entity and/or its residents, and

2. Whether the activity is conducted within the geographic boundaries of the reporting entity and is generally available to the citizens of that entity.

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

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

The Monessen Parking Authority, the Mon Valley Refuse Disposal Authority, and the Redevelopment Authority of the City of Monessen are considered component units of the City of Monessen and are included as such for reporting purposes. The City Council of Monessen appoints Parking Authority members. All obligations of the Parking Authority are guaranteed by the full faith and taxing power of the City. The Mon Valley Refuse Disposal Authority was formed by the City of Monessen and the Borough of North Belle Vernon, both of which have voting members on the Authority Board. Four members are from Monessen and three members are from North Belle Vernon. The Redevelopment Authority grants low interest loans to citizens and business owners located in the City of Monessen for the purpose of redeveloping areas which have became blighted. Separate financial statements of the component units may be obtained by contacting their offices.

NOTE A: (CONTINUED)

Not Included in the reporting entity

The Monessen Civic Recreation Authority was formed by the City of Monessen, the City appoints board members, and it administers recreation programs benefiting residents of the City of Monessen.

The general purpose financial statements do not include the financial data on the Monessen Civic Recreation Authority. The component unit is excluded because the financial data of the Monessen Civic Recreation Authority is unaudited and unavailable for inclusion in these financial statements.

2. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into seven fund types and three broad fund categories as follows:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds).

NOTE A: (CONTINUED)

Proprietary Fund Types

Proprietary fund types are used to account for operations that are financed and operated in a manner similar to private business enterprises. The Monessen Parking Authority, the Mon Valley Refuse Disposal Authority, and the Redevelopment Authority of the City of Monessen have been classified as proprietary funds for this report.

Fiduciary Fund Types

Trust and Agency Funds - Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments and/or other funds. These include pension trust and agency funds. Pension trust funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services on a continuing basis be financed primarily through member, employer and state contributions and interest earnings. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

3. Property, Plant, and Equipment and Long-Term Liabilities

The accounting and reporting treatment applied to property, plant, and equipment and long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (not current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property, plant, and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such property, plant, and equipment. Depreciation on fixed assets in proprietary fund types is computed on the straight line basis over their estimated useful lives of 5-39 years.

All property, plant, and equipment are valued at appraised value as determined by an independent appraisal service. Donated property, plant, and equipment are valued at their estimated fair value on the date donated. See Note D.

NOTE A: (CONTINUED)

The City has adopted the accounting policy of not capitalizing "infrastructure" general fixed assets (roads, bridges, curbs and gutters, streets and sidewalks, lighting systems, and similar assets that are immovable and of value only to the City).

The City capitalizes net interest costs and interest costs and interest earned as part of the cost of construction various fixed assets when material. The amount of interest capitalized during the year was $0.

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Special reporting treatments are also applied to governmental fund inventories and prepaid expenses to indicate that they do not represent "available spendable resources," even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts, represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are, instead, reported as liabilities in the General Long-Term Debt Account Group.

4. Basis of Accounting

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

All governmental and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All major revenues are susceptible to accrual.

NOTE A: (CONTINUED)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Proprietary funds account for the City's ongoing activities that are similar to those found in the private sector. The measurement focus is on determination of net income. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

5. Budgets and Budgetary Accounting

An operating budget is adopted each year for the General, certain Special Revenue Funds (Liquid Fuels Fund, Capital Reserve Fund, and Off Street Parking Fund), and Debt Service Funds on the modified accrual basis (GAAP Basis). The Small Community Projects Fund is budgeted by project on a project-length basis.

The budgets presented in the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Budgeted Governmental Fund Types" are as amended through December 31, 2001, by Council.

The Special Revenue column of the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Budgeted Governmental Fund Types" excludes Small Community Projects Fund, revenues and expenditures of $390,234 and $378,294, respectively.

6. Cash and Cash Equivalents

The City maintains cash accounts for each fund. The City conducts all of its banking and investment transactions through various banks. The City considers all investments with a maturity of three months or less to be cash equivalents

Temporary Investments - Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds as required by Act 72. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. As of the report date, the City's temporary investments consisted of certificates of deposit and various types of savings accounts.

NOTE A: (CONTINUED)

Deposits not exceeding $100,000 are entirely covered by Federal Depository Insurance.

The carrying amount of the City's deposits with financial institutions was $143,676 and the bank balance was $203,051. These amounts do not include the balances of the Mon Valley Refuse Disposal Authority, Monessen Parking Authority, or the Redevelopment Authority of the City of Monessen whose collateralization information is included in separately issued financial statements at December 31, 2001. The bank balance is categorized as follows:

Amounts insured by FDIC or collateralized with securities held by the City or by its agent in the City's name.	$176,783
Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution).	26,268
	$203,051

The City invested only in securities authorized by the Department of Community and Economic Development's Fiscal Management Handbook. Investments made by the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Investments that are insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Investments that are uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the City's name.

Category 3 - Includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name.

NOTE A: (CONTINUED)

The following amounts do not include the balances of the Mon Valley Refuse Disposal Authority or Monessen Parking Authority whose collateralization information is included in separately issued financial statements at December 31,2001:

Description	Category 1	Category 2	Category 3	Total	Carrying Value	Fair Value
Police Retirement	$ 0	$2,385,783	$ 0	$2,385,783	$1,954,195	$1,954,195
Fire Truck Driver's Retirement	0	854,732	0	854,732	698,147	698,147
Nonuniformed Pension	0	786,948	0	786,948	786,948	786,948
	$ 0	$4,027,463	$ 0	$4,027,463	$3,439,290	$3,439,290

8. Accumulated Compensated Absences

The employees of the City are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. Employees are represented by various labor unions and each contract contains different provisions for such employee compensated absences. In addition, management and other nonunion employees also have contracts or agreements with the City that provide for compensated absences. The City has established an amount to be provided for compensated absences in the general long-term debt account group of $116,777 for the year ended December 31, 2001.

9. Revenue Recognition - Property Taxes

Taxes are levied on March 1 and are due and payable at that time. All unpaid taxes levied March 1 become delinquent January 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowances for uncollectible taxes are provided.

NOTE A: (CONTINUED)

10. Pension Plans

The City has pension plans covering all full time employees and elected officials. The Monessen Employees' Pension Plan covers all nonuniform employees and elected officials and is funded by contributions by the employee and the City. The uniform employees are covered under the Paid Fire Truck Drivers' Pension Plan or the Police Pension Plan, and these plans are funded by employee contributions and state funded pension aid (See Note C).

11. Reserves of Fund Equity

The City records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves used by the City.

	Balance at December 31, 2001
Monessen Parking Authority	$ 148,449
Debt Service Fund	152
Pension Trust Funds	3,439,290
Total Reserved Fund Balance	$3,587,891

12. Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

NOTE A: (CONTINUED)

13. Total Columns on Combined Statements - Overview
Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable in consolidation. Interfund eliminations have not been made in aggregation of this data.

14. Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B: MONESSEN PARKING AUTHORITY: FUTURE LEASE RENTALS RECEIVABLE

The Authority issued parking revenue bonds, Series of 1965, to provide the principal funds to acquire certain additional tracts of land in Monessen and to develop the same as additional off street parking facilities (herein called the "Capital Addition No. 1"), and to refund the old bonds, series of 1956. The aggregate principal amount of the Series of 1965 Bonds is $478,000.

The lease in effect for the year ended December 31, 2001, provides that the City of Monessen shall pay to the Monessen Parking Authority, as rentals hereunder, the sum of $13,400 on March 15, and September 15, thereafter to and including September 15, 2004. Such rentals shall be payable only out of the current revenues of the City for each year during the term of this agreement. The City shall assume the payment of and shall punctually and faithfully pay, as if the City were primarily liable for the same, all taxes and assessments against the Authority.

MONESSEN PARKING AUTHORITY: BONDS OUTSTANDING

The following is a summary of the Authority's long term debt transactions for the year ended December 31, 2001:

Debt Outstanding January 1, 2001	$62,000
Less: Retirements and Repayments	(22,000)
Debt Outstanding December 31, 2001	$40,000

Bonds outstanding at December 31, 2001, consist of the Series of 1965, which has interest payable twice annually at a rate ranging from 3 1/8 percent to 3.90 percent. The principal is due semiannually on May 1 and November 1. Bonds are due to mature November 1, 2004.

NOTE B: (CONTINUED)

Maturities of long term debt at December 31, 2001, in each of the next three years, are as follows:

2002	$ 15,000
2003	15,000
2004	10,000
	$ 40,000

NOTE C: PENSION PLANS

Police Pension Plan

A. Description of Plan

1. **General**

The City of Monessen Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established by Ordinance No. 264, enacted February 28, 1945. The Plan was amended and restated by Ordinance No. 6 effective January 1, 2000. The Plan is governed by the City Council of the City of Monessen, which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to PNC Bank.

2. **Plan Membership**

Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 2001, discloses that pension plan membership consists of:

o Active employees	13
o Retirees and beneficiaries currently receiving benefits	23
o Terminated employees entitled to benefits but not yet receiving them	1
Total	37

NOTE C: (CONTINUED)

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

B. Summary of Significant Accounting Policies

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

2. **Valuation of Investments**
   Plan investments are listed at fair value as reported by PNC Bank.

C. Contributions

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

Employees are required to contribute 4 percent of covered payroll, plus $12 per year to the plan. This contribution is governed by the plan's governing ordinances and collective bargaining. Service increment contributions cease at age 65.

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

NOTE C: (CONTINUED)

CITY OF MONESSEN
Police Pension Plan

NOTES TO THE SUPPLEMENTARY SCHEDULES

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

Actuarial valuation date	January 1, 2001
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years (aggregate)
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.5 percent
Projected salary increases	5.0 percent
Underlying Inflation Rate	3.0 percent

City of Monessen
Police Pension Plan
Required Supplementary Information
Schedule of Funding Progress
1997-2001

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

NOTE C: (CONTINUED)

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed, beginning as of January 1, 1997, is as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	© Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
*01/01/97	$1,359,915	$3,041,346	$1,681,431	44.7%	$486,350	345.7%
01/01/99	$1,796,306	$3,229,554	$1,433,248	55.6%	$514,223	278.7%
01/01/01	$2,090,735	$3,454,906	$1,364,171	60.5%	$596,265	228.8%

* Revised assumptions due to experience review

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

	1998	1999	2000
Annual required contribution (ARC)	$ 214,188	$ 235,441	$ 238,237
Interest on NPO	0	0	0
Adjustment to the ARC	0	0	0
Annual Pension Cost	214,188	235,441	238,237
Contributions Made	214,188	235,441	240,729
Change in NPO	0	0	(2,492)
NPO, Beginning of Year (1/1)	0	0	0
NPO, End of Year (12/31)	$ 0	$ 0	$ (2,492)
Percentage Contributed	100%	100%	101%

NOTE C: (CONTINUED)

Annual Pension Cost for the Year beginning 1/1/01

Annual Required Contribution (ARC)	$ 241,313
Interest on NPO	(187)
Adjustment to the ARC	282
Annual Pension Cost	$ 241,408

Fire Truck Driver's Pension Plan

A. Description of Plan

1. **General**
   The City of Monessen Paid Firetruck Driver's Pension Fund is a single-employer defined benefit pension plan. The plan was established by Ordinance No. 2 of 1969, enacted January 31, 1969. The Plan was amended and restated by Ordinance No. 5 effective January 1, 2000. The plan is governed by the City Council of the City of Monessen which may amend plan provisions, and which is responsible for the management of plan assets. The City Council has delegated the authority to manage certain plan assets to PNC Bank.

2. **Plan Membership**
   Actuarial Valuation Report Form PC-202C, which was filed with the Public Employee Retirement Commission and dated January 1, 2001, discloses that pension plan membership consists of:

o Active employees	4
o Retirees and beneficiaries currently receiving benefits	3
o Terminated employees entitled to benefits but not yet receiving them	0
Total	7

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

NOTE C: (CONTINUED)

B. Summary of Significant Accounting Policies

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

2. **Valuation of Investments**
   Plan investments are listed at fair value as reported by PNC Bank.

C. Contributions

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

Employees are required to contribute 4 percent of covered payroll, plus $1 per month to the plan. This contribution is governed by the plan's governing ordinances and collective bargaining. The $1 per month contribution shall cease upon the attainment of age 65.

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

NOTE C: (CONTINUED)

CITY OF MONESSEN
Paid Fire truck Driver's Pension Fund

NOTES TO THE SUPPLEMENTARY SCHEDULES

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

Actuarial valuation date	January 1, 2001
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	17 years (aggregate)
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.5 percent
Projected salary increases	5.0 percent
Underlying Inflation rate`	3.0 percent

City of Monessen
Paid Fire truck Driver's Pension Fund
Required Supplementary Information
Schedule of Funding Progress
1997-2001

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

NOTE C: (CONTINUED)

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed, beginning as of January 1, 1997, is as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	© Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
*01/01/97	$501,599	$792,693	$291,094	63.3%	$112,248	259.3%
01/01/99	$700,471	$889,472	$189,001	78.8%	$108,811	173.7%
#01/01/01	$778,023	$732,864	$(45,159)	106.2%	$ 98,383	45.9%

* Revised assumptions due to experience review

A negative unfunded actuarial liability means that the actuarial value of assets exceeds the actuarial accrued liability by the specified amount.

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

	1998	1999	2000
Annual required contribution (ARC)	$ 58,264	$ 56,820	$ 46,055
Interest on NPO	0	0	0
Adjustment to the ARC	0	0	0
Annual pension cost	58,264	56,820	46,055
Contribution made	58,264	56,820	46,055
Change in NPO	0	0	0
NPO, Beginning of Year (1/1)	0	0	0
NPO, End of Year (12/31)	$ 0	$ 0	$ 0
Percentage Contributed	100%	100%	100%

NOTE C: PENSION PLANS

Annual Pension Cost for the Year beginning 1/1/2001

Annual Required Contribution (ARC)	$ 45,088
Interest on NPO	0
Adjustment to the ARC	0
Annual Pension Cost	$ 45,088

Nonuniformed Pension Plan

1. General
   The City of Monessen Nonuniformed Pension Plan is a single-employer defined contribution pension plan effective October 1, 1981, most recently amended January 1, 1989.

   The plan is governed by the Council of the City of Monessen which is responsible for the management of plan assets. The Council has delegated the authority to manage certain plan assets to Capital Retirement Plan Services, Inc.

2. Plan Membership
   As of December 31, 2001, the pension plan's membership consisted of:

Active employees	24
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	1
Total	26

3. Funding Policy
   Participants are required to contribute 5 percent of their compensation to the plan.

   The City makes the required contribution of 8 percent of the participants' compensation. The City's total payroll for the current year was $1,503,552 and the City's contributions were based on a payroll of $673,068. The covered employees made the required contribution of $33,655.

NOTE D: GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is comprised of the following:

	Building	Equipment	Total
Municipal Building	$1,322,752	$201,182	$1,523,934
Hilltop Fire Station	264,963	12,660	277,623
City Garage	415,680	246,336	662,016
Civic Center	737,710	30,707	768,417
Monessen Elementary Center	0	13,090	13,090
City Park	213,583	14,538	228,121
City Park - Comfort Station and Storage Bldg.	93,988	9,564	103,552
City Park - Storage Shed	2,353	0	2,353
City Park - Shelter #1	5,245	0	5,245
City Park - Shelter #2	12,420	0	12,420
City Park - Shelter #3	6,722	0	6,722
City Park - Footbridge	3,603	0	3,603
Shawnee Park	2,513	1,580	4,093
	$3,081,532	$529,657	$3,611,189

A summary of changes in General Fixed Assets for the year ended December 31, 2001, is as follows:

	Balance January 1, 2001	Additions	Disposals	Balance December 31, 2001
Building	$3,069,241	$ 12,291	$ 0	$3,081,532
Equipment	441,156	119,701	31,200	529,657
	$3,510,397	$ 131,992	$ 31,200	$3,611,189

NOTE E: CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP

The general long-term debt as of December 31, 2001, consists of:

Description	Original Amount of Issue	Interest Rate	Maturity Date	Balance Out-standing 01/01/01	Net Issued (Retired) During Year	Balance Out-Standing 12/31/01
General Obligation Term Loans:						
Payable to Mellon Bank	$453,312	4.99%	2002	$ 80,025	$(61,684)	$ 18,341
Payable to Mellon Bank	200,000	5.20%	2006	125,641	(18,419)	107,222
Payable to Mellon Bank	175,000	4.62%	2006	151,969	(22,803)	129,166
	$828,312			$357,635	$(102,906)	$254,729

The annual requirements to retire the general long-term debt as of December 31, 2001, are as follows:

Year Ending December 31,	Principal	Interest	Total
2002	61,610	12,540	74,150
2003	45,394	9,500	54,894
2004	47,614	7,280	54,894
2005	49,963	4,931	54,894
2006	50,148	2,575	52,723
Total	$254,729	$36,826	$291,555

NOTE F: ACCOUNTS RECEIVABLE, OTHER

Accounts receivable, other, at December 31, 2001, is represented by the following:

Sanitation Collection Fees Receivable - City of Monessen	$87,909

NOTE G: PREPAID EXPENSES

Prepaid expenses at December 31, 2001, is represented by the following:

Prepaid Employee Benefits - Health Insurance	$34,899
Insurance - Worker Compensation	29,796
Insurance - Life	1,445
Police Professional	10,290
Public Dishonesty Bond	312
Equipment	10,446
Umbrella Policy	875
	$88,063

NOTE H: DEFERRED REVENUE

The City receives lump sum distributions through various grant programs administered by the Pennsylvania Department of Community Affairs. The funds received are for operation of various programs as authorized by the grant contracts. The unexpended balance of these funds are recorded as deferred revenue. The deferred revenue will be recognized as it is expended throughout the term of the program. Deferred revenue, at December 31, 2001, consists of the following:

General Fund:	
Real Estate Taxes	$194,520
Deferred Grant Money	12,196
Redevelopment Authority:	
Deferred Grant Money	63,457
	$270,173

NOTE I: CONTINGENT LIABILITIES

As of the balance sheet date, there are questioned costs regarding the purchase of decorative holiday lighting and the procedures that were followed in obtaining them. As of the date of this report, these costs have not been resolved. The amount in question is immaterial to the financial statements taken as a whole.

NOTE J: LEASES

As of year ended December 31, 2001, the City has entered into a capital equipment lease with Laurel Capital Corporation. There is a purchase option available at the end of the lease term. There are no assets recorded in the individual fund balance sheets under capital leases, because as described in Note A3, all fixed asset purchases are expensed in the current period in the fund that finances the acquisition and capitalized in the General Fixed Asset Account Group. Future minimum lease payments are accounted for in the General Long-Term Debt Account Group. The future minimum lease payments for the next five years are as follows:

Years Ending December 31,	Lease Amounts
2002	$ 43,565
2003	31,935
	$ 75,500

SUPPLEMENTARY INFORMATION

EXHIBIT 1

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Liquid Fuels	Off Street Parking	Capital Reserve Fund
Revenue:			
Taxes	$179,937	$ 0	$139,857
Interest, Rents, and Royalties	3,816	0	1,690
Intergovernmental Revenue	0	0	0
Miscellaneous	0	21,306	0
Total Revenue	183,753	21,306	141,547
Expenditures:			
Community Redevelopment	0	0	0
Lease Bond Payments	0	13,400	0
Capital Expenditures	0	0	146,735
Total Expenditures	0	13,400	146,735
Excess of Revenues Over (Under) Expenditures	183,753	7,906	(5,188)
Other Financing Uses:			
Operating Transfers Out	(183,753)	0	0
Total Other Financing Uses	(183,753)	0	0
Excess Revenue Over (Under) Expenditures and Other Financing Uses	0	7,906	(5,188)
Fund Balance, January 1, 2001	0	5,727	10,754
Fund Balance, December 31, 2001	$ 0	$13,633	$ 5,566

Small Communities Projects	Total
$ 0	$ 319,794
7,408	12,914
381,958	381,958
868	22,174
390,234	736,840
378,294	378,294
0	13,400
0	146,735
378,294	538,429
11,940	198,411
0	(183,753)
0	(183,753)
11,940)	14,658
936,656	953,137
$948,596	$ 967,795

EXHIBIT 2

CITY OF MONESSEN
COMBINED BALANCE SHEET
ALL PROPRIETARY FUND TYPES
DECEMBER 31, 2001

	Monessen Parking Authority	Mon Valley Refuse Disposal Authority	Redevelopment Authority of the City of Monessen
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 1,242	$ 56,546	$ 179,662
Investments	51,287	110,392	0
Future Lease Rentals Receivable	40,000	0	0
Total Current Assets	92,529	166,938	179,662
Noncurrent Assets:			
Loans Receivable	0	0	660,439
Total Noncurrent Assets	0	0	660,439
Fixed Assets	607,669	60,759	168,736
Less: Accumulated Depreciation	(511,749)	(60,759)	0
Net Fixed Assets	95,920	0	168,736
Total Assets	188,449	166,938	1,008,837
Liabilities and Retained Earnings			
Liabilities:			
Deferred Revenue	0	0	63,457
Accounts Payable	0	27,250	6,778
Accrued Liabilities	0	323	0
Parking Revenue Bonds, Series of 1965	40,000	0	0
Total Liabilities	40,000	27,573	70,235
Retained Earnings:			
Unreserved	0	139,365	938,602
Reserved by Parking Authority Trust Indenture	148,449	0	0
Total Retained Earnings	148,449	139,365	938,602
Total Liabilities and Retained Earnings	$188,449	$166,938	$1,008,837

Total
$ 237,450
161,679
40,000
439,129
660,439
660,439
837,164
(572,508)
264,656
1,364,224
63,457
34,028
323
40,000
137,808
1,077,967
148,449
1,226,416
$1,364,224

EXHIBIT 3

CITY OF MONESSEN
COMBINED BALANCE SHEET
ALL FIDUCIARY FUND TYPES
DECEMBER 31, 2001

	Nonexpendable Trust Funds			Agency Fund	
	Police Pension Fund	Fire Truck Driver's Pension Fund	Nonuniformed Pension Fund	Fire Escrow Fund	Total
Assets					
Cash	$ 0	$ 0	$ 0	$ 0	$ 0
Investments	1,954,195	698,147	786,948	0	3,439,290
Total Assets	1,954,195	698,147	786,948	0	3,439,290
Fund Balance:					
Reserved for Employee Pension Benefits	1,954,195	698,147	786,948	0	3,439,290
Total Fund Balance	1,954,195	698,147	786,948	0	3,439,290
Total Liabilities and Fund Balance	$1,954,195	$698,147	$786,948	$ 0	$3,439,290

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1943 - 1991

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and
Members of Council
City of Monessen
Monessen, Pennsylvania 15062

We have audited the general purpose financial statements of the City of Monessen as of and for the year ended December 31, 2001, and have issued our report thereon dated July 25, 2002, which was qualified because the general purpose financial statements do not include the financial data of the Monessen Civic Recreation Authority and, as discussed in Note A-3 to the financial statements, the City of Monessen has consistently valued the assets in the General Fixed Asset Account Group at appraised value rather than at historical cost, as prescribed by accounting principles generally accepted in the United States of America. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Monessen's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal

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control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Sarp & Company

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
July 25, 2002