CITY OF MONESSEN

WESTMORELAND COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

Year Ended December 31, 2009

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HERBEIN+COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North America, Pennsylvania Institute of CPAs,
American Institute of Certified Public Accountants Private Companies Practice Section
www.herbein.com

To the Honorable Mayor and
Members of City Council
City of Monessen
Monessen, Pennsylvania

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Monessen, Pennsylvania, (the "City") as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, Schedules of Funding Progress and Employer Contributions - Pension Trust Funds and Schedule of Funding Progress - Post Employment Benefit Plan on pages 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

HERBEIN+COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The combining non-major fund financial statements 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.

Herbein + Company, Inc.

Greensburg, Pennsylvania
August 11, 2010

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 9,274	$ 127,563	$ 136,837
Accrued liabilities	68,709	6,483	75,192
Accrued interest payable	6,972	-	6,972
Current portion of notes payable	152,983	-	152,983
Current portion of leases payable	7,082	-	7,082
Deferred revenue	173,052	-	173,052
TOTAL CURRENT LIABILITIES	418,072	134,046	552,118
NONCURRENT LIABILITIES			
Notes payable	384,603	-	384,603
Compensated absences	210,873	-	210,873
Other post employment benefits	379,527	-	379,527
TOTAL NONCURRENT LIABILITIES	975,003	-	975,003
TOTAL LIABILITIES	1,393,075	134,046	1,527,121
NET ASSETS			
Invested in capital assets, net of related debt	909,050	1,864,323	2,773,373
Restricted by enabling legislation	72,042	-	72,042
Unrestricted	1,491,942	528,971	2,020,913
TOTAL NET ASSETS	2,473,034	2,393,294	4,866,328
TOTAL LIABILITIES AND NET ASSETS	$ 3,866,109	$ 2,527,340	$ 6,393,449

CITY OF MONESSEN

Statement of Activities

Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets: Governmental Activities	Net (Expense) Revenue and Change in Net Assets: Business-Type Activities	Net (Expense) Revenue and Change in Net Assets: Total
Governmental Activities:							
General government	$ 1,590,025	$ 454,897	$ 53,900	$ 2,205	$ (1,079,023)	$ -	$ (1,079,023)
Public safety	1,405,399	253,164	188,494	51,122	(912,619)	-	(912,619)
Health and welfare	112,997	-	-	-	(112,997)	-	(112,997)
Public Works - sanitation	315,681	-	240,283	-	(75,398)	-	(75,398)
Public Works - highways, roads and streets	738,006	554,993	230,756	-	47,743	-	47,743
Public Works - other	2,630	-	-	-	(2,630)	-	(2,630)
Culture and recreation	277,719	4,040	-	-	(273,679)	-	(273,679)
Conservation and development	702,924	-	565,897	-	(137,027)	-	(137,027)
Interest on long-term debt	37,364	-	-	-	(37,364)	-	(37,364)
TOTAL GOVERNMENTAL ACTIVITIES	5,182,745	1,267,094	1,279,330	53,327	(2,582,994)	-	(2,582,994)
Business-Type Activities:							
Redevelopment	224,377	7,081	151,596	-	-	(65,700)	(65,700)
Health and welfare	508,284	211,496	-	2,076,901	-	1,780,113	1,780,113
Total business-type activities	732,661	218,577	151,596	2,076,901	-	1,714,413	1,714,413
TOTAL	$ 5,915,406	$ 1,485,671	$ 1,430,926	$ 2,130,228	(2,582,994)	1,714,413	(868,581)
General Revenues							
Real estate taxes					2,023,460	-	2,023,460
Earned income and other taxes					773,391	-	773,391
Unrestricted investment earnings					58,843	532	59,375
Loss on disposal of assets					(17,667)	-	(17,667)
Miscellaneous income					17,793	-	17,793
Transfers					(114,737)	114,737	-
Total General Revenues and Transfers					2,741,083	115,269	2,856,352
Change in Net Assets					158,089	1,829,682	1,987,771
Net Assets - Beginning					2,314,945	563,612	2,878,557
Net Assets - Ending					$ 2,473,034	$ 2,393,294	$ 4,866,328

See accompanying notes.

CITY OF MONESSEN

Balance Sheet - Governmental Funds

December 31, 2009

	General	Small Communities Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 341,197	$ 2,141	$ 87,272	$ 430,610
Receivables, net of allowance where applicable:				
Taxes	875,394	-	-	875,394
Garbage fees	220,958	-	-	220,958
Loans receivable, recipients	-	742,153	-	742,153
Interfund receivable	-	-	-	-
Other	26,500	-	-	26,500
Intergovernmental receivables	4,100	-	-	4,100
Prepaid expenses	112,676	-	-	112,676
TOTAL ASSETS	$ 1,580,825	$ 744,294	$ 87,272	$ 2,412,391
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 9,274	$ -	$ -	$ 9,274
Accrued liabilities	59,336	-	-	59,336
Escrow liabilities	9,373	-	-	9,373
Interfund payable	-	-	-	-
Deferred revenue	1,269,404	742,153	-	2,011,557
TOTAL LIABILITIES	1,347,387	742,153	-	2,089,540
FUND BALANCES				
Reserved for community projects	-	2,141	-	2,141
Reserved for capital projects	-	-	72,042	72,042
Reserved for library expenditures	-	-	80	80
Reserved for canine expenditures	-	-	2,326	2,326
Reserved for debt service	-	-	12,824	12,824
Reserved for prepaid expenses	112,676	-	-	112,676
Unreserved, reported in:				
General Fund	120,762	-	-	120,762
TOTAL FUND BALANCES	233,438	2,141	87,272	322,851
TOTAL LIABILITIES AND FUND BALANCES	$ 1,580,825	$ 744,294	$ 87,272	$ 2,412,391

See accompanying notes.

CITY OF MONESSEN

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

December 31, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 322,851
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $3,925,831 and the accumulated depreciation is $2,472,113.		1,453,718
Taxes, loans and garbage fees receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		1,838,505
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Notes payable	$ (537,586)	
Accrued interest on notes	(6,972)	
Capital leases	(7,082)	
Other post employment benefits	(379,527)	
Compensated absences	(210,873)	(1,142,040)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		$ 2,473,034

See accompanying notes.

CITY OF MONESSEN

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended December 31, 2009

	General	Small Communities Projects	Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 2,222,212	$ -	$ 429,179	$ 2,651,391
Licenses and permits	175,538	-	-	175,538
Fines and forfeits	62,054	-	-	62,054
Interest, rents and royalties	54,706	2,442	1,695	58,843
Intergovernmental revenue	332,160	574,117	441,480	1,347,757
Charges for services	1,020,327	-	-	1,020,327
Miscellaneous revenue	15,629	-	2,164	17,793
TOTAL REVENUES	3,882,626	576,559	874,518	5,333,703
EXPENDITURES				
Current:				
General government	1,299,479	-	-	1,299,479
Public safety	1,223,237	-	6,429	1,229,666
Health and welfare	84,216	-	-	84,216
Public Works:				
Sanitation	306,107	-	-	306,107
Highways, roads and streets	453,775	-	211,914	665,689
Other	2,550	-	-	2,550
Culture and recreation	178,126	-	55,000	233,126
Conservation and development	79,484	602,123	-	681,607
Debt Service				
Principal	-	-	210,372	210,372
Interest	7,659	-	32,073	39,732
Capital Outlay	-	-	410,895	410,895
TOTAL EXPENDITURES	3,634,633	602,123	926,683	5,163,439
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	247,993	(25,564)	(52,165)	170,264
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(114,737)	-	-	(114,737)
TOTAL OTHER FINANCING SOURCES (USES)	(114,737)	-	-	(114,737)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	133,256	(25,564)	(52,165)	55,527
FUND BALANCES - BEGINNING	100,182	27,705	139,437	267,324
FUND BALANCES - ENDING	$ 233,438	$ 2,141	$ 87,272	$ 322,851

See accompanying notes.

CITY OF MONESSEN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities

Year Ended December 31, 2009

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 55,527
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 period:		
Capital outlays	$ 277,084	
Less: Loss on disposal of capital assets	(17,667)	
Less: Depreciation expense	(138,133)	121,284
Because some taxes and garbage fees will not be collected for several months after the City's year end, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased (decreased) by this amount during the year.		139,535
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets. Repayment of principal is not 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:		
Principal payments on capital leases	48,567	
Repayment of note principal	161,805	210,372
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 interest accrued in the Statement of Activities less the amount due is shown here.		2,368

See accompanying notes.

CITY OF MONESSEN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities - Continued

Year Ended December 31, 2009

Post employment benefits are recognized when they are paid on the fund statements. With the implementation of GASB No. 45, an estimated liability for future benefits due will be phased in over several years. This amount represents the difference between the estimated annual cost and the amount paid.	(379,527)
In the Statement of Activities, certain operating expenses - compensated absences (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.	8,530
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 158,089

CITY OF MONESSEN

Statement of Fund Net Assets
Proprietary Funds

December 31, 2009

	Business-type Activities Enterprise Fund Redevelopment Authority of the City of Monessen	Business-type Activities Enterprise Fund Mon Valley Health & Welfare	Totals Current Year
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 151,040	$ 15,883	$ 166,923
Other receivables	-	22,499	22,499
TOTAL CURRENT ASSETS	151,040	38,382	189,422
NONCURRENT ASSETS			
Loans receivable, net of allowance	473,595	-	473,595
Capital assets:			
Land	-	42,803	42,803
Buildings and building improvements	-	1,815,921	1,815,921
Equipment	-	104,423	104,423
Less accumulated depreciation	-	(98,824)	(98,824)
Total (capital assets, net of depreciation)	-	1,864,323	1,864,323
TOTAL NONCURRENT ASSETS	473,595	1,864,323	2,337,918
TOTAL ASSETS	$ 624,635	$ 1,902,705	$ 2,527,340
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 126,250	$ 1,313	$ 127,563
Accrued expenses	-	6,483	6,483
TOTAL CURRENT LIABILITIES	126,250	7,796	134,046
NET ASSETS			
Invested in capital, net of related debt	-	1,864,323	1,864,323
Unrestricted	498,385	30,586	528,971
TOTAL NET ASSETS	498,385	1,894,909	2,393,294
TOTAL LIABILITIES AND NET ASSETS	$ 624,635	$ 1,902,705	$ 2,527,340

See accompanying notes.

CITY OF MONESSEN

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year Ended December 31, 2009

	Business-type Activities Enterprise Fund Redevelopment Authority of the City of Monessen	Business-type Activities Enterprise Fund Mon Valley Health & Welfare	Totals
OPERATING REVENUES			
Rentals	$ -	$ 205,216	$ 205,216
Interest income on loans	7,081	-	7,081
Postage	-	83	83
Telephone equipment rental	-	2,549	2,549
Miscellaneous	-	3,457	3,457
Vending machine commissions	-	191	191
TOTAL OPERATING REVENUES	7,081	211,496	218,577
OPERATING EXPENSES			
Administration	34,582	-	34,582
Personnel services	-	223,827	223,827
Occupancy	-	112,718	112,718
Communications and copying	-	14,795	14,795
Supplies and equipment	-	29,154	29,154
Contract services	30,641	21,805	52,446
Other operating expenses	12,232	7,161	19,393
Depreciation	-	98,824	98,824
TOTAL OPERATING EXPENSES	77,455	508,284	585,739
OPERATING LOSS	(70,374)	(296,788)	(367,162)
NONOPERATING REVENUES (EXPENSES)			
Grant income	151,596	-	151,596
Grant pass through expense	(146,922)	-	(146,922)
Earnings on investments	473	59	532
TOTAL NONOPERATING REVENUE (EXPENSES)	5,147	59	5,206
CAPITAL CONTRIBUTION FROM COMPONENT UNIT	-	2,076,901	2,076,901
TRANSFER IN	-	114,737	114,737
CHANGE IN NET ASSETS	(65,227)	1,894,909	1,829,682
NET ASSETS AT BEGINNING OF YEAR	563,612	-	563,612
NET ASSETS AT END OF YEAR	$ 498,385	$ 1,894,909	$ 2,393,294

See accompanying notes.

CITY OF MONESSEN

Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2009

	Business-type Activities Enterprise Fund Redevelopment Authority of the City of Monessen	Business-type Activities Enterprise Fund Mon Valley Health & Welfare	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tenants	$ -	$ 188,997	$ 188,997
Cash received from customers	7,081	-	7,081
Interest payments on loans		-	-
Cash payments to employees for services	(34,582)	(223,827)	(258,409)
Other operating payments	(42,873)	(177,837)	(220,710)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(70,374)	(212,667)	(283,041)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from grants	151,596	-	151,596
Transfers from other funds		114,737	114,737
Pass-through grant payments	(146,922)	-	(146,922)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	4,674	114,737	119,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Principal payments on loans	56,702	-	56,702
Earnings on investments	473	59	532
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	57,175	59	57,234
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions from component unit	-	107,691	107,691
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,525)	9,820	1,295
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	159,565	6,063	165,628
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 151,040	$ 15,883	$ 166,923

See accompanying notes.

CITY OF MONESSEN

Statement of Cash Flows
Proprietary Funds - Continued

Year Ended December 31, 2009

	Business-type Activities Enterprise Fund Redevelopment Authority of the City of Monessen	Business-type Activities Enterprise Fund Mon Valley Health & Welfare	Totals
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
OPERATING LOSS	$ (70,374)	$ (296,788)	$ (367,162)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED (USED) BY NET OPERATING ACTIVITIES			
Depreciation	-	98,824	98,824
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable	-	(22,499)	(22,499)
Accounts payable	-	1,313	1,313
Accrued expenses	-	6,483	6,483
TOTAL ADJUSTMENTS	-	84,121	84,121
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (70,374)	$ (212,667)	$ (283,041)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contribution of capital assets from component unit	$ -	$ 1,969,210	$ 1,969,210

See accompanying notes.

CITY OF MONESSEN

Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2009

	Police Pension Fund	Fire Truck Drivers' Pension Fund	Non-uniformed Pension Fund	Total Pension Trust Funds
ASSETS				
Cash equivalents	$ 231,900	$ (4,051)	$ -	$ 227,849
Mutual fund investments	2,587,335	387,733	1,583,659	4,558,727
Common stocks	240,547	36,583		277,130
TOTAL ASSETS	$ 3,059,782	$ 420,265	$ 1,583,659	$ 5,063,706
NET ASSETS				
Held in trust for employee pension benefits	$ 3,059,782	$ 420,265	$ 1,583,659	$ 5,063,706
TOTAL NET ASSETS	$ 3,059,782	$ 420,265	$ 1,583,659	$ 5,063,706

See accompanying notes.

CITY OF MONESSEN

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended December 31, 2009

	Police Pension Fund	Fire Truck Drivers' Pension Fund	Non-uniformed Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions - employer	$ 248,740	$ -	$ 63,854	$ 312,594
Contributions - employee	26,530	-	39,526	66,056
Interest and dividends	84,587	13,125	11,270	108,982
Net increase in fair value of investments	543,131	83,539	309,028	935,698
TOTAL ADDITIONS	902,988	96,664	423,678	1,423,330
DEDUCTIONS				
Administration	37,107	10,271	7,223	54,601
Benefits	283,391	54,557	84,633	422,581
TOTAL DEDUCTIONS	320,498	64,828	91,856	477,182
CHANGE IN NET ASSETS	582,490	31,836	331,822	946,148
NET ASSETS AT BEGINNING OF YEAR	2,477,292	388,429	1,251,837	4,117,558
NET ASSETS AT END OF YEAR	$ 3,059,782	$ 420,265	$ 1,583,659	$ 5,063,706

See accompanying notes.

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: Public Safety, Highways and Streets, Sanitation, Health and Social Services, Culture and Recreation, Public Improvements, Planning and Zoning and General Administrative Services. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies and practices of the City:

Reporting Entity:
As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity should include those of the City (the primary government) and its component units.

The City used guidance issued by the Government Accounting Standards Board ("GASB") to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. The criteria used by the City for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the City reviews the applicability of the following criteria. The City is financially accountable for:

- Organizations that make up the legal City entity.
- Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City as defined below:

  Impose its Will - If the City can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization.

  Financial benefit or burden - exists if the City (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges or issue bonded debt without approval by the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Based on the foregoing criteria, the reporting entity has been defined to include all component units for which the City is financially accountable or for which there is another significant relationship. The criteria of GASB, Codification Section 2100, has been examined as to the relationship of the City to the Redevelopment Authority of the City of Monessen (the "Authority"), Monessen Civic Recreation Authority and the Mon Valley Refuse Disposal Authority. It has been determined that the Redevelopment Authority of the City of Monessen is a component unit of the City. The component unit is blended as a Proprietary Fund for reporting purposes.

The Monessen Civic Recreation Authority was formed by the City of Monessen and the Monessen School District, both of which appoint members of the Authority Board. The City Council of Monessen allocates a portion of the City budget to the Recreation Authority each year. Its activities are not material to the City of Monessen's financial statements. During 2009, the City paid $4,000 to the Recreation Authority. 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. However, the City cannot impose its will on the Refuse Authority, a financial benefit or burden does not exist and the Refuse Authority is not fiscally dependent on the City. During 2009, the City paid $306,107 to the Refuse Authority for services.

Separate financial statements from the entities above may be obtained by contacting their offices.

Government-Wide and Fund Financial Statements:
The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, would be reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds and the fiduciary funds of the City. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are rentals of its Health and Welfare building and interest income on loans issued by the Redevelopment Authority. Operating expenses for the City's Enterprise Funds include costs of services and administration of the building and the Authority's loan program and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 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 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 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year. 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.

Those revenues susceptible to accrual are charges for services and interest revenues associated with the current fiscal period and have been recognized as revenues of the current fiscal period. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash. The City has elected not to recognize tax revenue received in the subsequent period, even if received within 60 days and related to the year reported.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major Governmental Funds:

General Fund:
This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Small Communities Projects Fund:
This special revenue fund was established to account for the City's activities related to its federal Community Development Block Grant program.

The City also uses the following non-major funds: Liquid Fuels (to account for the City's Liquid Fuels grant activity), Capital Reserve (to account for real estate taxes levied for the City's capital activity as well as a local grant to make capital improvements), Canine Fund (to account for contributions to support the City's police dog), Library (to account for real estate taxes levied for and grants to the Library) and Debt Service (to account for the City's real estate taxes levied for payments for debt service).

The City reports the following Enterprise Funds, which are both major funds:

Redevelopment Authority of the City of Monessen:
This fund accounts for the grants received and loans made in connection with the City's redevelopment efforts. 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 become blighted.

Mon Valley Health & Welfare:
This fund accounts for the rents received from tenants in the City's Eastgate building and the costs to maintain and operate the building. This is a new fund in 2009 for the City and was a result of a contribution of cash of $107,691 and security deposits, a building and equipment of $1,969,210.

Additionally, the City reports the following Fiduciary Funds:

Pension Trust Funds:
Funds established to provide pension benefits for City employees. The principal revenue source for these funds is employer and employee contributions (includes Police, Fire Truck Drivers and Non-uniformed Pension Funds).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Budgets and Budgetary Accounting:
The budgetary data reflected in the general purpose financial statements is based on the annual operating budget adopted by City Council for the fiscal year beginning January 1. This legally ordained operating budget includes estimated receipts and proposed disbursements for the General Fund on the cash basis (non-GAAP basis). The primary differences between GAAP and the budgetary basis are:

1. Revenues are recognized when they are both measurable and available (GAAP basis), as opposed to when received in cash (budgetary basis).

2. Expenditures are recognized when the liability for services is incurred (GAAP basis), as opposed to when cash is disbursed (budgetary basis).

Adjustments necessary to convert results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

Excess of revenues over expenditures and other financing uses (budgetary basis)	$	29,174
Adjustments to revenues for accruals		(136,640)
Adjustments to expenditures for accruals		240,722
Excess of Revenues Over Expenditures and Other Financing Sources (GAAP Basis)	$	133,256

Within 31 days subsequent to the legal adoption of the budget, the City Clerk files a copy of the budget with the Department of Community and Economic Development of the Commonwealth of Pennsylvania. Should supplemental budget appropriations be required, the City Council may, within statutory limitations, authorize the transfer of funds between line items by means of a resolution approved at a regularly scheduled Council meeting. Expenditures may not legally exceed budgeted amounts at the fund level.

City Council approves the annual application for its Small Communities Project Fund that is submitted to a state and federal grantor. Any amendments to the budget must be approved by the grantors. As City Council has limited control of the budget, a budget to actual statement has not been presented.

Cash and Cash Equivalents:
Cash and cash equivalents include cash on hand, demand deposits and investments in money market funds with original maturities of three months or less from the date of acquisition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments:
For funds other than Pension Trust Funds, State law allows the City to invest in obligations of the United States of America, the Commonwealth of Pennsylvania or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the City to invest in certificates of deposit of banks, savings and loan associations and savings banks, both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the FDIC or other like insurance and that deposits in excess of such insurance are collateralized by the depository. The law provides that the City's Pension Trust Funds may be invested in any form or type of investment or financial instrument when determined by the City to be prudent. Investments are reported at fair value based on quoted market prices.

Interfund Receivables/Payables:
Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund payables and receivables." Any residual balances outstanding between the governmental activities and business-type activities would be reported in the government-wide financial statements as "internal balances." The City has no such transactions at December 31, 2009.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory and Prepaid Items:
The cost of inventory is recorded as an expenditure at the time individual inventory items are purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Fixed Assets:
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. The City has elected not to retroactively report infrastructure assets. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Total interest incurred by the City's Enterprise Funds during the current year was $0.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Assets	Years
Land improvements	15-50
Infrastructure	50
Buildings	50
Building improvements	20
Office equipment	20
Computer equipment	5
Vehicles	5-10

Compensated Absences:
The City's vacation policy varies among City departments, but generally provides for accumulation of between 0 and 20 days of vacation. The policy, with respect to the accumulation of sick leave, varies among City departments, but generally provides for accumulation of 125 days of sick leave. A liability for these amounts is reported in the fund statements only if they have matured as a result of resignations or retirements. The liability is accrued in the government-wide statements when it is incurred.

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

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

Fund Equity:
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. Designated fund balances, if any, are established to indicate tentative plans for future financial resource utilization. An amount of restricted net assets has been reported for future sewer improvements. The equity is restricted by enabling legislation enacted in 2008.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenues from Federal and State Sources:
Revenues from federal and state agencies designated for payment of specific City expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year-end is recorded as deferred revenue or a receivable, respectively.

Restricted Resources:
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.

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

Subsequent Events:
In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through August 11, 2010, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

The City's investment authority for all funds, except Fiduciary Funds, is set by state statute to include: U.S. Treasury Bills, short-term U.S. Government or Agency obligations, deposits in savings accounts, time deposits or share accounts, obligations of the United States or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities and shares of any investment company which invests only in the above or certificates of deposit. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

Custodial Credit Risk - Deposits:
Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a policy for custodial credit risk. $228,169 was uninsured as it was invested in the Pennsylvania Local Government Investment Trust ("PLGIT"). PLGIT is not SEC registered but is subject to oversight by the Commonwealth of Pennsylvania.

All of the Redevelopment Authority's cash was covered by FDIC insurance at December 31, 2009.

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Reconciliation to Financial Statements:

Uninsured and uncollateralized - PLGIT	$	228,169
Plus: Insured amount		455,265
Less: Outstanding checks		(85,901)
Carrying Amount - Cash Balances	$	597,533

At December 31, 2009, the City had the following investments in its Fiduciary Funds:

Investments in cash equivalents	$	227,849
Investments in mutual funds		4,558,727
Investments in common stocks		277,130
Carrying Amount - Investment Balances	$	5,063,706

Interest Rate Risk:
The City does not have a formal policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk:
The City has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2009, the City's investments had the following ratings by Morningstar: one star - Bridgeway Aggressive Investors fund ($137,138) and MFS Sector Rotational A fund ($112,606); two stars - PIMCO Developing Local Markets ($198,217) and SunAmerica Senior Floating Rate A ($243,631); three stars - JP Morgan Mid Cap Value A fund ($118,410), Keeley Small Cap Value A ($91,277), Franklin Income A ($208,019), Highbridge Statistical Markets Neutral ($127,210), MFS Emerging Markets Debt A ($66,767), and SunAmerica Strategic Bond A ($202,073); four stars - PowerShares FTSE RAFI US 1000 ($113,208), Stratton Small Cap Value ($83,065), Chase Growth ($135,262), MFS Value A ($108,735), Vanguard Convertible Securities ($104,422), and Cohen & Steers International Realty ($95,863); five stars - Thornburg International Value A ($412,621). No rating was available for the remainder of the City's investments.

Concentration of Credit Risk:
The City places no limit on the amount the City may invest in any one issuer. As of December 31, 2009, the City has no investments subject to concentration of credit risk.

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 security that are in the possession of an outside party. The City's investments for the police and fire plans are held in an omnibus account in the name of the RSGroup Trust Company. AIG Valic is the custodian of the non-uniformed plan investments.

NOTE 3 - PROPERTY TAXES

Property taxes levied for 2009 and unpaid are recorded as receivables, net of estimated uncollectible amounts. The net receivables available to fund 2009 expenditures have not been recognized as revenue in 2009. The term "available" means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Net receivables estimated to be subsequently collectible are reflected as deferred revenues. Prior year levies have been recorded using these same principles and remaining receivables are evaluated annually for collectability.

The City's real estate tax is levied on the assessed value listed as of the prior December 31 by the County Assessment Board for all property located in the City. Assessed values are established by the County Assessment Board at approximately 100% of estimated market value beginning in year 1973. The last valuation was completed as of December 31, 1972. The non-exempt assessed value (land and building) upon which the 2009 levy was based was $59,365,830.

Real estate tax bills are rendered by the City in March of each year. Taxes are due by June 30 of each year with a 2% discount awarded for payments made in March and April. A 10% penalty is assessed for payments made subsequent to June 30. Taxes still uncollected as of January 1 of the following year become delinquent and are turned over to the County's Tax Claim Bureau by January 15. Delinquent taxes are then liened; however, an allowance for uncollectible taxes has been provided in the amount of $79,043.

NOTE 4 - CAPITAL ASSETS

Governmental Activities

	Beginning Balance	Additions	Disposals	Ending Balance
Land and land improvements	$ 704,052	$ -	$ -	$ 704,052
Infrastructure	496,339	204,861	-	701,200
Buildings and improvements	1,139,088	-	-	1,139,088
Fixtures and equipment	665,054	11,385	-	676,439
Vehicles	686,614	60,838	(42,400)	705,052
Totals at Historical Cost	3,691,147	277,084	(42,400)	3,925,831
Less accumulated depreciation for:				
Land improvements	463,648	13,856	-	477,504
Infrastructure	35,395	13,481	-	48,876
Buildings and improvements	963,128	10,162	-	973,290
Fixtures and equipment	532,887	26,187	-	559,074
Vehicles	363,655	74,447	(24,733)	413,369
Total Accumulated Depreciation	2,358,713	138,133	(24,733)	2,472,113
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	1,332,434	138,951	(17,667)	1,453,718
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 1,332,434	$ 138,951	$ (17,667)	$ 1,453,718

NOTE 4 - CAPITAL ASSETS - CONTINUED

Business-Type Activities

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ -	$ 42,803	$ -	$ 42,803
Buildings and improvements	-	1,815,921	-	1,815,921
Fixtures and equipment	-	104,423	-	104,423
Totals at Historical Cost	-	1,963,147	-	1,963,147
Less accumulated depreciation for:				
Buildings and improvements	-	80,953	-	80,953
Fixtures and equipment	-	17,871	-	17,871
Total Accumulated Depreciation		98,824	-	98,824
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	-	1,864,323	-	1,864,323
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ -	$ 1,864,323	$ -	$ 1,864,323

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

General government	$ 40,375
Public safety	36,773
Health and welfare	2,634
Public Works - sanitation	9,574
Public Works - highways, roads and streets	20,246
Public Works - other	80
Culture and recreation	21,317
Conservation and development	7,134
Total Depreciation Expense - Governmental Activities	$ 138,133

An immaterial amount of land has been included in "Land and land improvements" in the governmental funds.

NOTE 5 - LOANS RECEIVABLE, RECIPIENTS

Loans receivable, recipients, at December 31, 2009 consists of the following:

	Small Communities Projects	Proprietary
Rehabilitation Loans - Small Communities Projects	$ 742,153	$ -
Enterprise Development Zone Program Loans - Redevelopment Authority of the City of Monessen	-	473,595
Total	$ 742,153	$ 473,595

Loans granted through the Small Communities Projects Fund are for the rehabilitation of owner occupied properties in need of repair. Interest rates vary from interest free to 4% based on the recipient's income and family size. The loans have a twenty-year term and are collateralized by the recipient's property. Loans granted under the City of Monessen Enterprise Development Zone Program are to small businesses and industries. They can be used for the start-up of new businesses or to improve or expand the facilities of an existing business. The loans have a 5% interest rate and a five-year term that can be extended to ten years. The loans are collateralized by land, buildings and/or equipment. The loans are secured by mortgages on the properties or security interests in equipment and thus, management has determined that no allowance for loan losses is necessary. Loans in the Small Communities Projects Fund are offset by deferred revenue in the amount of $742,153 as the assets are not available. Subsequent to year end, the Board of the Authority approved the forgiveness of a $150,000 loan to a local business. The forgiveness is subject to the approval of the PA Department of Community and Economic Development.

NOTE 6 - DEFERRED REVENUE

The City receives lump sum distributions through various grant programs administered by the Pennsylvania Department of Community and Economic Development. The funds received are for operation of various programs as authorized by the grant contracts. The unexpended balance of these funds is recorded as deferred revenue. The deferred revenue will be recognized as it is expended throughout the term of the program. Tax and loans receivable that are not yet available are also deferred.

NOTE 6 - DEFERRED REVENUE - CONTINUED

Deferred revenue at December 31, 2009 consists of the following:

General Fund:		
Real estate taxes	$	711,386
Earned income taxes		164,008
Deferred grant funds		44,643
Delinquent garbage fees		220,958
2010 garbage fees collected in 2009		128,409
Total	$	1,269,404

Only the amounts related to deferred grant funds and 2010 garbage fees collected in 2009 have been reported as deferred revenue on the Statement of Net Assets.

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions with respect to notes and capital lease obligations for the year ended December 31, 2009 of the Governmental Funds:

	Balance at Beginning of Year	New Loans	Principal Payments	Balance at End of Year	Due in One Year
Notes Payable:					
General obligation term loan, interest at 5.15%, payable in annual installments of $13,283 through April 15, 2012. (A)	$ 46,935	$ -	$ 10,866	$ 36,069	$ 11,425
General obligation term loan, interest at 4.59%, payable in annual installments of $57,037 through October 17, 2013. (E)	249,766	-	45,573	204,193	47,665
General obligation note, interest at 3.62%, payable in annual installments of $49,283 through June 1, 2011. (B)	137,758	-	44,296	93,462	45,900
General obligation note, interest at 4.02%, payable in annual installments of $56,188 through December 15, 2013. (F)	250,000	-	46,138	203,862	47,993
General obligation note, interest at 4.75%, payable in annual installments of $15,642 through July 1, 2009. (G)	14,932	-	14,932	-	-

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

	Balance at Beginning of Year	New Loans	Principal Payments	Balance at End of Year	Due in One Year
Capital Leases Payable:					
Equipment capital lease, interest at 5.95%, payable in three annual installments of $7,503 through July 2010. (C)	13,766	-	6,684	7,082	7,082
Equipment capital lease, interest at 4.3%, payable in five annual installments of $43,682 through April 2009. (D)	41,882	-	41,882	-	-
TOTAL	$ 755,039	$ -	$ 210,371	$ 544,668	$ 160,065

(A) The loan was obtained July 19, 2007 for the purchase of a street sweeper. The City is required to make five equal annual payments through 2012.

(B) The note was obtained May 8, 2004 for acquiring, constructing, improving or renovating the building, facilities or physical plant, purchasing or obtaining the equipment and/or otherwise acquiring capital items. The City will make seven annual payments through 2011.

(C) During 2008, the City entered into a lease agreement with Ford Motor Company for a Ford Crown Victoria. The City will make three annual payments through 2010.

(D) During 2005, the City entered into a lease agreement with Ford Motor Company for three Ford F-550 trucks plus equipment and one Ford F-350 with equipment. The City made five equal annual payments through 2009.

(E) During 2006, the City borrowed $335,000 from PNC Bank for emergency repairs and other capital projects. The City will make seven annual payments through 2013.

(F) During 2008, the City borrowed $250,000 from PNC Bank for cash flow purposes. The City will make five equal payments through 2013.

(G) During 2008, the City borrowed $30,000 from First Federal Savings Bank. The City made two equal payments of $15,642.

No short-term debt was outstanding at January 1, 2009. During 2009, the City borrowed and repaid $500,000 under a tax anticipation note for cash flow purposes in 2009 at an interest rate of 3.49%. On January 2, 2010, another tax anticipation note of $490,000 was obtained with similar terms to be repaid by December 31, 2010.

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

The annual requirements to pay principal and interest on all long-term notes outstanding at December 31, 2009 are as follows:

	Principal	Interest
2010	$ 152,983	$ 22,808
2011	159,351	16,442
2012	116,701	9,807
2013	108,551	4,674
	$ 537,586	$ 53,731

The annual requirements related to capital leases at December 31, 2009 are as follows:

Fiscal Year:	
2010	$ 7,504
Less amount representing interest	(422)
Present Value of Minimum Lease Payments	$ 7,082

The gross amount of assets in the Balance Sheet recorded under capital leases and the accumulated amortization of vehicles at December 31, 2009 was $242,712 and $135,907, respectively. Amortization expense on the related assets has been included in the City's depreciation expense.

Changes in the City's obligation for compensated absences during 2009 are as follows:

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year	Due in One Year
Compensated absences	$219,403	$ -	$ 8,530	$210,873	$ -

All of the City's lease and loan obligations are paid by the Debt Service Fund except for interest on the TAN which is repaid by the General Fund. The General Fund also funds the compensated absences.

NOTE 8 - CITY OF MONESSEN RETIREMENT PLANS

Plan Description:
The City sponsors and administers two contributory defined benefit pension plans and one defined contribution pension plan covering substantially all the City's employees. These three plans are known as the Paid Fire Truck Drivers' Pension Plan, Police Pension Plan and Monessen Employees' Pension Plan. The financial statements of these plans are included as Fiduciary Funds in the City's financial statements. No other financial statements are issued for the plans.

Plan provisions are established by ordinance with the authority for contributions required by Act 205 of 1984 of the Commonwealth of Pennsylvania. Under the Act, the City is eligible to receive state aid to fund the amortization of its unfunded accrued actuarial liability over a 40 year period.

Funding Policy and Annual Pension Cost:
PA Act 205 and City Council ordinances assign the authority to establish and amend the benefit provisions of the plans. The City's annual pension cost for the current year and related information for each plan is as follows:

	Fire	Police	Employees
Contribution rates:			
City	Minimum Municipal Obligation Under PA Act 205		
Plan members	4% plus $1 per month	4.5% plus $1 per month	5%
Annual pension cost	$ -	$ 248,910	$ 62,400
Contributions made	$ -	$ 248,740	$ 63,854

Actuarial methods and assumptions. The following is information as of the most recent actuarial valuation:

	Fire	Police
Valuation Date	01/01/09	01/01/09
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Closed	Level Dollar, Closed
Remaining Amortization Period	20 Years	10 Years
Asset Valuation Method	4-Year Smoothing	4-Year Smoothing
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0%	5.0%
Includes inflation - at	3.0%	3.0%

NOTE 8 - CITY OF MONESSEN RETIREMENT PLANS - CONTINUED

Fiscal Year	Annual Required Contribution	Percentage Contributed
FIRE PENSION FUND		
2007	$ -	100%
2008	-	100%
2009	-	100%
POLICE PENSION FUND		
2007	287,370	100%
2008	258,683	100%
2009	248,740	100%

Funded Status and Funding Progress. The funded status of each plan as of January 1, 2009, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Fire	$ 466,428	$ 469,148	$ (2,720)	99.42%	$ -	0.00%
Police	2,974,633	4,404,911	(1,430,278)	67.53%	631,214	226.59%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

NOTE 9 - INTERFUND ACTIVITY

The City had no operating transfers in or out for its governmental activities during the year ended December 31, 2009. It did make one transfer from its General Fund to the Health and Welfare Enterprise Fund:

	Operating Transfers In	Operating Transfers Out
Major Funds:		
General	$ -	$ 114,737
Health and Welfare	114,737	-
TOTAL	$ 114,737	$ 114,737

NOTE 9 - INTERFUND ACTIVITY - CONTINUED

Transfers between these funds were necessary to ensure that the Health and Welfare Enterprise Fund was financially stable during its first year of operations.

NOTE 10 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Plan Description:
The City provides certain healthcare benefits for employees who retire. Police employees who retire from the police pension plan with full Normal Retirement Benefits (age 50 with 20 years of service) or with a Disability Retirement Benefit and Fire employees who retire from the fire pension plan with full Normal Retirement Benefit (age 55 with 20 years of service), receive coverage for themselves, spouse and eligible dependents of medical, dental and vision coverage until the earlier of eligibility for equal or better medical coverage with another employer or until the retiree's death. At Medicare eligibility, coverage will be provided in the form of a Medicare Supplement plan. For police employees, upon the death of the retiree, the City will continue to provide medical, dental and vision coverage to the surviving spouse and dependent children for three years. For police and fire employees, a life insurance policy will remain in effect until death, with a benefit of $8,000 for police and $5,000 for fire. One police retiree who resides outside of Pennsylvania receives reimbursement for medical, dental and/or vision expenses on a monthly basis as incurred up to a maximum of $367.56 per month. Non-Uniformed employees who retire from the non-uniformed employees' pension plan will receive medical and dental coverage for the retiree, spouse and eligible dependents, until the retiree's death. At Medicare eligibility, coverage will be in the form of a Medicare Supplement plan. A life insurance policy will remain in full effect until death, with a benefit of $5,000. Benefit provisions are established through negotiation with the City and the unions representing the City's employees. A publicly available financial report is not issued and the City is implementing GASB Statement 45 prospectively.

Funding Policy:
Contribution requirements also are negotiated between the City and union representatives. The required contribution is based on pay as you go financing. The City will pay 100% of premiums for the retiree's coverage, except as noted above.

Annual OPEB Cost and Net OPEB Obligation:
The City's annual other postemployment benefit (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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 10 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	$ 517,601
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	517,601
Contributions made	(138,074)
Increase in net OPEB obligation	379,527
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 379,527

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of December 31, 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	$ 517,601	26.7%	$ 379,527

Funded Status and Funding Progress:
As of December 31, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $5,518,656 for the City and the actuarial value of assets was $0 for each plan, resulting in an unfunded actuarial accrued liability (UAAL) of $5,518,656 for the City.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

NOTE 10 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

Actuarial Methods and Assumptions:
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 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.

In the December 31, 2009 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 5% initially, increasing 4% the first year and decreasing 1% per year thereafter to an ultimate rate of 5% in 2015 and later. The unfunded actuarial accrued liability is being amortized based on level dollar, 30 year period.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, the City is subject to various contingent liabilities arising from litigation. The City does not anticipate future losses, if any, as a result of these transactions to be material to the City's financial statements.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes such disallowances, if any, will be immaterial.

The City is exposed to various risks of losses related to torts, theft, damage, destruction of assets, errors and omissions; injuries to employees and natural disasters. The City manages these risks through coverage from commercial insurance companies. Settlements have not exceeded insurance coverage for any of the past three years and there has been no reduction in insurance coverage.

The City has a 60-month lease for copy equipment for $387 per month. Commitments under this lease are $4,641 for 2010 and $3,868 in 2011. Expense for 2009 was $4,641.

The City has approximately 10 tenants in its Eastgate 8 building, each of whom have executed lease agreements with the City. Future rentals to be received under these agreements are as follows: 2010 - $249,902, 2011 - $183,191, 2012 - $63,304, 2013 - $10,957 and $8,580 in 2014-2017. The capital assets of the Mon Valley Health and Welfare Enterprise Fund represent the cost and carrying amount of the property held by the City for leasing.

NOTE 12 - CONDIUT DEBT

During 2007, the City, through its Small Communities Fund, was party to a conduit debt transaction in the amount of $2 million between the U.S. Department of Housing and Urban Development ("HUD") and a local business. In the transaction, HUD loaned $2 million to the City, which the City in turned loaned to the local business for use in its Riverfront Industrial Park project. Principal payments are due in the amount of $100,000 each August 1, beginning in 2009, through August 1, 2027 and the loan bears interest at LIBOR plus 20 basis points. Interest is due semi-annually each February 1 and August 1. The loan payments are due from the local developer. The balance at December 31, 2009 is $1.892 million.

As security for the loan, the City obtained a first priority lien in the subject property and also a right to any leases covering the property. The City has pledged as security for this loan future Community Development Block Grant funds and the incremental tax revenues received from growth in the assessed value of the project property. However, the Commonwealth of Pennsylvania has guaranteed repayment in the event of default by the local business. In exchange for the Commonwealth's guarantee, the City assigned its rights in the local business's collateral to the Commonwealth.

NOTE 13 - NEW ACCOUNTING STANDARD

The Government Accounting Standards Board ("GASB") has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information and classifies fund balances into the following categories - nonspendable, restricted, committed, assigned and unassigned. The City has not yet determined the impact of Statement No. 54 to its fund balances. The City is required to implement Statement No. 54 by the year ended December 31, 2011.

NOTE 14 - SUBSEQUENT EVENT

In May 2010, the City issued $5 million in General Obligation Bonds, Series 2010, to provide funding for improvements to the fire department, police department, public library and other improvements throughout the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONESSEN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund

Year Ended December 31, 2009

	GAAP Basis Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
REVENUES						
Taxes	$ 2,222,212	$ -	$ 2,222,212	$ 2,099,253	$ 2,099,253	$ 122,959
Licenses and permits	175,538	-	175,538	187,000	187,000	(11,462)
Fines and forfeits	62,054	-	62,054	85,000	85,000	(22,946)
Interest, rents and royalties	54,706	-	54,706	10,000	10,000	44,706
Intergovernmental revenue	332,160	14,655	317,505	375,100	375,100	(57,595)
Charges for services	1,020,327	(89,378)	1,109,705	964,100	964,100	145,605
Miscellaneous revenue	15,629	(61,917)	77,546	52,000	52,000	25,546
TOTAL REVENUES	3,882,626	(136,640)	4,019,266	3,772,453	3,772,453	246,813
EXPENDITURES						
Current:						
General Government	1,299,479	141,900	1,441,379	1,557,884	1,557,884	116,505
Public safety	1,223,237	(49,934)	1,173,303	1,140,145	1,140,145	(33,158)
Health and welfare	84,216	16,472	100,688	(66,419)	(66,419)	(167,107)
Public Works:						
Sanitation	306,107	-	306,107	310,000	310,000	3,893
Highways, roads and streets	453,775	220,905	674,680	668,165	668,165	(6,515)
Other	2,550	-	2,550	2,550	2,550	-
Culture and recreation	178,126	123,842	301,968	222,408	222,408	(79,560)
Conservation and development	79,484	(549)	78,935	129,495	129,495	50,560
Debt Service:						
Principal	-	-	-	-	-	-
Interest	7,659	-	7,659	15,000	15,000	7,341
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	3,634,633	452,636	4,087,269	3,979,228	3,979,228	(108,041)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	247,993	(315,996)	(68,003)	(206,775)	(206,775)	138,772

CITY OF MONESSEN

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund - Continued

Year Ended December 31, 2009

	GAAP Basis Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
EXCESS REVENUES OVER (UNDER) EXPENDITURES - CONTINUED	247,993	(315,996)	(68,003)	(206,775)	(206,775)	138,772
OTHER FINANCING SOURCES (USES)						
Operating transfers out	(114,737)	-	(114,737)	(5,000)	(5,000)	109,737
Operating transfers in	-	211,914	211,914	211,775	211,775	139
TOTAL OTHER FINANCING SOURCES (USES)	(114,737)	211,914	97,177	206,775	206,775	109,876
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ 133,256	$ (104,082)	$ 29,174	$ -	$ -	$ 248,648

CITY OF MONESSEN

Required Supplementary Information

Schedules of Funding Progress and Employer Contributions

December 31, 2009

I. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded (Overfunded) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded (Overfunded) Actuarial Liability as a Percentage of Covered Payroll (b-a/c)
Police Pension Plan						
January 1, 2005	$ 2,462,959	$ 3,968,856	$ 1,505,897	62.1	$ 661,830	$ 228
January 1, 2007	3,055,743	4,281,003	1,225,260	71.4	654,911	187
January 1, 2009	2,974,633	4,404,911	1,430,278	67.5	631,214	227
Paid Fire Truck Drivers' Plan						
January 1, 2005	$ 617,790	$ 512,985	$ (104,805)	120.4	$ -	$ -
January 1, 2007	609,514	491,421	(118,093)	124.0	-	-
January 1, 2009	466,428	469,148	2,720	99.4	-	-

Note: State law requires biennial valuations on the odd-numbered years.

II. Schedule of Employer Contributions

Plan	Year Ending	Annual Required Contribution	Percentage Contributed
Police Pension Plan:	2007	$ 287,370	100%
	2008	258,683	100%
	2009	248,740	100%
Paid Fire Truck Drivers' Pension:	2007	$ -	100%
	2008	-	100%
	2009	-	100%

CITY OF MONESSEN

Schedule of Funding Progress
Post Employment Benefit Plan

December 31, 2009

Required Supplementary Information

	Actuarial Valuation Date (a)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Governmental Activities	1/1/2009	$ -	$ 5,518,656	$ 5,518,656	0.00%	$ 1,405,959	393%

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

The Budgetary Comparison Schedule for the General Fund has been prepared on the cash basis of accounting.

The General Fund had an excess of expenditures over appropriations during 2009 in various departments. The total expenditures for the General Fund did exceed appropriations. The excesses were funded by revenues received that were greater than the budgeted amounts.

A legally adopted budget is not prepared for the Small Communities Fund, a major special revenue fund.

SUPPLEMENTARY INFORMATION

CITY OF MONESSEN

Combining Balance Sheet - Non-Major Governmental Funds

December 31, 2009

	Special Revenue Funds					
	Liquid Fuels	Capital Reserve Fund	Canine Fund	Library Fund	Debt Service Fund	Non-major Governmental Funds Total
ASSETS						
Cash and cash equivalents	$ -	$ 72,042	$ 2,326	$ 80	$ 12,824	$ 87,272
LIABILITIES AND FUND BALANCES						
FUND BALANCES						
Reserved for capital projects	$ -	$ 72,042	$ -	$ -	$ -	$ 72,042
Reserved for library expenditures	-	-	-	80	-	80
Reserved for canine expenditures	-	-	2,326	-	-	2,326
Reserved for debt service	-	-	-	-	12,824	12,824
TOTAL FUND BALANCES	-	72,042	2,326	80	12,824	87,272
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ 72,042	$ 2,326	$ 80	$ 12,824	$ 87,272

CITY OF MONESSEN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended December 31, 2009

	Special Revenue Funds					
	Liquid Fuels	Capital Reserve Fund	Canine Fund	Library Fund	Debt Service Fund	Non-major Governmental Funds Total
REVENUES						
Taxes	$ -	$ 118,988	$ -	$ 55,055	$ 255,136	$ 429,179
Interest, rents and royalties	1,190	308	41	25	131	1,695
Intergovernmental revenue	210,724	230,756	-	-	-	441,480
Miscellaneous revenue	-	-	2,164	-	-	2,164
TOTAL REVENUES	211,914	350,052	2,205	55,080	255,267	874,518
EXPENDITURES						
Current:						
Public safety	-	-	6,429	-	-	6,429
Public Works:						
Highways, roads and streets	211,914	-	-	-	-	211,914
Culture and recreation	-	-	-	55,000	-	55,000
Debt Service:						
Principal	-	-	-	-	210,372	210,372
Interest	-	-	-	-	32,073	32,073
Capital Outlay	-	410,895	-	-	0	410,895
TOTAL EXPENDITURES	211,914	410,895	6,429	55,000	242,445	926,683
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(60,843)	(4,224)	80	12,822	(52,165)
FUND BALANCES AT BEGINNING OF YEAR	-	132,885	6,550	-	2	139,437
FUND BALANCES AT END OF YEAR	$ -	$ 72,042	$ 2,326	$ 80	$ 12,824	$ 87,272