CITY OF MONESSEN
WESTMORELAND COUNTY, PENNSYLVANIA

FINANCIAL AND COMPLIANCE REPORT

Year Ended December 31, 2010



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INDEPENDENT AUDITOR'S REPORT

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

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, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, Schedules of Funding Progress and Employer Contributions - Pension Trust Funds and Schedule of Funding Progress - Post Employment Benefit Plan 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 operations, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor governmental fund and fiduciary fund financial statements and combining fiduciary fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor governmental fund and fiduciary fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements as a whole.

Herbein + Company, Inc.

Reading, Pennsylvania
August 31, 2011

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CITY OF MONESSEN

STATEMENT OF NET ASSETS

December 31, 2010

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and investments	$ 3,934,509	$ 167,903	$ 4,102,412
Taxes receivable, net of allowance	936,899	-	936,899
Intergovernmental receivables	357,410	-	357,410
Loans receivable	729,573	-	729,573
Garbage fees	268,231	-	268,231
Other receivables	48,666	10,185	58,851
Prepaid expenses	101,559	9,216	110,775
TOTAL CURRENT ASSETS	6,376,847	187,304	6,564,151
NONCURRENT ASSETS			
Loans receivable	-	282,993	282,993
Land and land improvements, net of depreciation	212,692	42,803	255,495
Infrastructure, net of depreciation	1,312,224	-	1,312,224
Building and building improvements, net of depreciation	166,657	1,657,081	1,823,738
Fixtures and equipment, net of depreciation	107,713	68,682	176,395
Vehicles, net of depreciation	218,403	-	218,403
Construction in progress	393,811	-	393,811
TOTAL NONCURRENT ASSETS	2,411,500	2,051,559	4,463,059
OTHER ASSETS			
Bond issue costs, net of amortization	143,485	-	143,485
TOTAL ASSETS	$ 8,931,832	$ 2,238,863	$ 11,170,695

See accompanying notes.

LIABILITIES AND NET ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT LIABILITIES			
Accounts payable	$ 268,360	$ 129,439	$ 397,799
Accrued liabilities	67,414	6,483	73,897
Accrued interest payable	13,485	-	13,485
Current portion of long-term liabilities	159,351	-	159,351
Deferred revenue	164,903	-	164,903
TOTAL CURRENT LIABILITIES	673,513	135,922	809,435
NONCURRENT LIABILITIES			
Long-term liabilities	5,225,252	-	5,225,252
Bond discount, net of amortization	(58,990)	-	(58,990)
Compensated absences	187,650	-	187,650
Other post employment benefits	731,489	-	731,489
TOTAL NONCURRENT LIABILITIES	6,085,401	-	6,085,401
TOTAL LIABILITIES	6,758,914	135,922	6,894,836
NET ASSETS			
Invested in capital assets, net of related debt	(2,973,103)	1,768,566	(1,204,537)
Restricted	3,873,311	-	3,873,311
Unrestricted	1,272,710	334,375	1,607,085
TOTAL NET ASSETS	2,172,918	2,102,941	4,275,859
TOTAL LIABILITIES AND NET ASSETS	$ 8,931,832	$ 2,238,863	$ 11,170,695

CITY OF MONESSEN

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Governmental Activities:				
General government	$ 1,903,306	$ 409,257	$ 3,270	$ 77,079
Public safety	1,450,479	232,515	189,599	60,210
Health and welfare	116,816	-	-	-
Public works - sanitation	430,330	-	228,533	-
Public works - highways, roads and streets	1,187,547	729,919	282,697	332,626
Public works - other	2,633	-	-	10,000
Culture and recreation	317,130	7,670	-	-
Conservation and development	570,564	12,850	556,384	-
Interest on long-term debt	34,781	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	6,013,586	1,392,211	1,260,483	479,915
Business-Type Activities:				
Redevelopment	236,011	5,112	7,262	-
Health and welfare	352,409	261,565	-	-
Total business-type activities	588,420	266,677	7,262	-
TOTAL	$ 6,602,006	$ 1,658,888	$ 1,267,745	$ 479,915
General Revenues				
Real estate taxes				
Earned income and other taxes				
Unrestricted investment earnings				
Miscellaneous income				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

See accompanying notes.

Net (Expense) Revenue and Change in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (1,413,700)	$ -	$ (1,413,700)
(968,155)	-	(968,155)
(116,816)	-	(116,816)
(201,797)	-	(201,797)
157,695	-	157,695
7,367	-	7,367
(309,460)	-	(309,460)
(1,330)	-	(1,330)
(34,781)	-	(34,781)
(2,880,977)	-	(2,880,977)
-	(223,637)	(223,637)
-	(90,844)	(90,844)
-	(314,481)	(314,481)
(2,880,977)	(314,481)	(3,195,458)
1,634,764	-	1,634,764
910,869	-	910,869
1,836	291	2,127
33,392	23,837	57,229
2,580,861	24,128	2,604,989
(300,116)	(290,353)	(590,469)
2,473,034	2,393,294	4,866,328
$ 2,172,918	$ 2,102,941	$ 4,275,859

CITY OF MONESSEN

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2010

	General	Small Communities Projects	Capital Reserve Fund	Capital Projects Fund
ASSETS				
Cash and investments	$ 174,754	$ 2,136	$ 47	$ 3,724,678
Receivables, net of allowance where applicable:				
Taxes	936,899	-	-	-
Garbage fees	268,231	-	-	-
Loans receivable, recipients	-	729,573	-	-
Other	48,666	-	-	-
Intergovernmental receivables	6,000	18,784	332,626	-
Prepaid expenses	101,559	-	-	-
TOTAL ASSETS	$ 1,536,109	$ 750,493	$ 332,673	$ 3,724,678
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 65,536	$ 18,784	$ 9,038	$ 175,002
Accrued liabilities	65,573	-	-	-
Escrow liabilities	1,841	-	-	-
Deferred revenue	1,370,033	729,573	-	-
TOTAL LIABILITIES	1,502,983	748,357	9,038	175,002
FUND BALANCES				
Reserved for community projects	-	2,136	-	-
Reserved for capital projects	-	-	323,635	3,549,676
Reserved for library expenditures	-	-	-	-
Reserved for canine expenditures	-	-	-	-
Reserved for parks expenditures	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for prepaid expenses	101,559	-	-	-
Unreserved, reported in:				
General Fund	(68,433)	-	-	-
TOTAL FUND BALANCES	33,126	2,136	323,635	3,549,676
TOTAL LIABILITIES AND FUND BALANCES	$ 1,536,109	$ 750,493	$ 332,673	$ 3,724,678

See accompanying notes.

Nonmajor Governmental Funds	Total Governmental Funds
$ 32,894	$ 3,934,509
-	936,899
-	268,231
-	729,573
-	48,666
-	357,410
-	101,559
$ 32,894	$ 6,376,847
$ -	$ 268,360
-	65,573
-	1,841
-	2,099,606
-	2,435,380
-	2,136
-	3,873,311
73	73
4,551	4,551
13,446	13,446
14,824	14,824
-	101,559
-	(68,433)
32,894	3,941,467
$ 32,894	$ 6,376,847

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CITY OF MONESSEN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 3,941,467
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 $5,028,003 and the accumulated depreciation is $2,616,503.		2,411,500
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.		1,934,703
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	$ (5,384,603)	
Accrued interest on notes	(13,485)	
Bond issue costs, net of amortization	143,485	
Bond discount, net of amortization	58,990	
Other post employment benefits	(731,489)	
Compensated absences	(187,650)	(6,114,752)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		$ 2,172,918

See accompanying notes.

CITY OF MONESSEN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended December 31, 2010

	General	Small Communities Projects	Capital Reserve Fund	Capital Projects Fund
REVENUES				
Taxes	$ 1,977,519	$ -	$ -	$ -
Licenses and permits	190,582	-	-	-
Fines and forfeits	61,082	-	-	-
Interest, rents and royalties	442	1,941	74	(1,605)
Intergovernmental revenue	435,845	547,244	561,159	20
Charges for services	1,072,854	12,580	-	-
Miscellaneous revenue	26,654	-	-	-
TOTAL REVENUES	3,764,978	561,765	561,233	(1,585)
EXPENDITURES				
Current				
General government	1,493,954	-	-	93,795
Public safety	1,196,914	16,877	-	5,000
Health and welfare	86,345	-	-	-
Public works:				
Sanitation	420,323	-	-	-
Highways, roads and streets	638,128	93,960	-	275,278
Other	2,550	-	-	-
Culture and recreation	12,031	-	-	755,238
Conservation and development	109,586	450,933	-	6,060
Debt Service				
Principal	-	-	-	-
Interest	5,725	-	-	102,794
Bond issuance costs	-	-	-	149,224
Capital Outlay	-	-	309,374	-
TOTAL EXPENDITURES	3,965,556	561,770	309,374	1,387,389
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(200,578)	(5)	251,859	(1,388,974)
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term debt	-	-	-	5,000,000
Discount on long-term debt	-	-	-	(61,350)
Operating transfers in	266	-		-
Operating transfers out	-	-	(266)	-
TOTAL OTHER FINANCING SOURCES (USES)	266	-	(266)	4,938,650
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(200,312)	(5)	251,593	3,549,676
FUND BALANCES - BEGINNING	233,438	2,141	72,042	-
FUND BALANCES - ENDING	$ 33,126	$ 2,136	$ 323,635	$ 3,549,676

See accompanying notes.

Nonmajor Governmental Funds	Total Governmental Funds
$ 502,070	$ 2,479,589
-	190,582
-	61,082
984	1,836
203,519	1,747,787
7,570	1,093,004
6,738	33,392
720,881	5,607,272
-	1,587,749
4,520	1,223,311
-	86,345
-	420,323
204,277	1,211,643
-	2,550
311,297	1,078,566
-	566,579
160,065	160,065
23,058	131,577
-	149,224
-	309,374
703,217	6,927,306
17,664	(1,320,034)
-	5,000,000
-	(61,350)
-	266
-	(266)
-	4,938,650
17,664	3,618,616
15,230	322,851
$ 32,894	$ 3,941,467

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, 2010

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 3,618,616
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	$ 990,764	
Interest capitalized in construction in progress	111,408	
Less: Depreciation expense	(144,390)	957,782
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.		96,198
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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of 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:		
Issuance of loans	(5,000,000)	
Bond discount, new issue	61,350	
Bond issuance costs	149,224	
Principal payments on capital leases	7,082	
Repayment of note principal	152,983	
Amortization of bond discount	(2,360)	
Amortization of bond issuance costs	(5,739)	(4,637,460)

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, 2010

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.	(6,513)
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.	(351,962)
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.	23,223
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (300,116)

See accompanying notes.

CITY OF MONESSEN

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS

December 31, 2010

	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	$ 143,533	$ 24,370	$ 167,903
Other receivables	-	10,185	10,185
Prepaid expenses	-	9,216	9,216
TOTAL CURRENT ASSETS	143,533	43,771	187,304
NONCURRENT ASSETS			
Loans receivable, net of allowance	282,993	-	282,993
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	-	(194,581)	(194,581)
Total (capital assets, net of depreciation)	-	1,768,566	1,768,566
TOTAL NONCURRENT ASSETS	282,993	1,768,566	2,051,559
TOTAL ASSETS	$ 426,526	$ 1,812,337	$ 2,238,863
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 127,706	$ 1,733	$ 129,439
Accrued expenses	-	6,483	6,483
TOTAL CURRENT LIABILITIES	127,706	8,216	135,922
NET ASSETS			
Invested in capital, net of related debt	-	1,768,566	1,768,566
Unrestricted	298,820	35,555	334,375
TOTAL NET ASSETS	298,820	1,804,121	2,102,941
TOTAL LIABILITIES AND NET ASSETS	$ 426,526	$ 1,812,337	$ 2,238,863

See accompanying notes.

CITY OF MONESSEN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

Year Ended December 31, 2010

	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	$ -	$ 257,847	$ 257,847
Interest income on loans	5,112	-	5,112
Telephone equipment rental	-	2,100	2,100
Miscellaneous	-	624	624
Maintenance services	-	724	724
Vending machine commissions	-	270	270
TOTAL OPERATING REVENUES	5,112	261,565	266,677
OPERATING EXPENSES			
Administration	33,093	-	33,093
Personnel services	-	90,303	90,303
Occupancy	-	122,876	122,876
Communications and copying	-	13,345	13,345
Supplies and equipment	-	18,996	18,996
Contract services	29,030	1,236	30,266
Other operating expenses	16,626	9,896	26,522
Depreciation	-	95,757	95,757
TOTAL OPERATING EXPENSES	78,749	352,409	431,158
OPERATING LOSS	(73,637)	(90,844)	(164,481)
NONOPERATING REVENUES (EXPENSES)			
Grant income	7,262	-	7,262
Grant pass through expense	(7,262)	-	(7,262)
Other income	23,837	-	23,837
Earnings on investments	235	56	291
Forgiveness of debt	(150,000)	-	(150,000)
TOTAL NONOPERATING REVENUE (EXPENSES)	(125,928)	56	(125,872)
CHANGE IN NET ASSETS	(199,565)	(90,788)	(290,353)
NET ASSETS AT BEGINNING OF YEAR	498,385	1,894,909	2,393,294
NET ASSETS AT END OF YEAR	$ 298,820	$ 1,804,121	$ 2,102,941

See accompanying notes.

CITY OF MONESSEN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2010

	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	$ -	$ 264,663	$ 264,663
Cash received from customers	5,112	-	5,112
Cash payments to employees for services	(33,093)	(90,303)	(123,396)
Other operating payments	(44,200)	(165,929)	(210,129)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(72,181)	8,431	(63,750)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from grants	7,262	-	7,262
Pass-through grant payments	(7,262)	-	(7,262)
Other receipts	23,837	-	23,837
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	23,837	-	23,837
CASH FLOWS FROM INVESTING ACTIVITIES			
Principal payments on loans	40,602	-	40,602
Earnings on investments	235	56	291
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	40,837	56	40,893
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,507)	8,487	980
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	151,040	15,883	166,923
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 143,533	$ 24,370	$ 167,903

See accompanying notes.

CITY OF MONESSEN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED

Year Ended December 31, 2010

	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 by Operating Activities:			
OPERATING LOSS	$ (73,637)	$ (90,844)	$ (164,481)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED (USED) BY NET OPERATING ACTIVITIES			
Depreciation	-	95,757	95,757
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable	-	12,314	12,314
Prepaid expenses	-	(9,216)	(9,216)
Accounts payable	1,456	420	1,876
TOTAL ADJUSTMENTS	1,456	99,275	100,731
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (72,181)	$ 8,431	$ (63,750)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Forgiveness of debt	$ 150,000	$ -	$ 150,000

See accompanying notes.

CITY OF MONESSEN

STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS

December 31, 2010

	Total Trust Funds
ASSETS	
Cash equivalents	$ 151,444
Mutual fund investments	4,633,180
Common stocks	255,352
TOTAL ASSETS	$ 5,039,976
NET ASSETS HELD IN TRUST FOR EMPLOYEE PENSION BENEFITS	$ 5,039,976
TOTAL NET ASSETS HELD IN TRUST FOR EMPLOYEE PENSION BENEFITS	$ 5,039,976

See accompanying notes.

CITY OF MONESSEN

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

Year Ended December 31, 2010

	Total Trust Funds
ADDITIONS	
Contributions - employer	$ 307,631
Contributions - employee	70,332
Interest and dividends	95,577
Net increase in fair value of investments	436,731
TOTAL ADDITIONS	910,271
DEDUCTIONS	
Administration	67,846
Benefits	866,155
TOTAL DEDUCTIONS	934,001
CHANGE IN NET ASSETS	(23,730)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	5,063,706
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	$ 5,039,976

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 blended 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 had allocated 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 2010, the Recreation Authority was dissolved. 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 2010, the City paid $420,323 to the Refuse Authority for services.

Separate financial statements from the Refuse Authority may be obtained by contacting their offices.

Government-Wide and Fund Financial Statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The **government-wide financial statements** (i.e., the statement of net assets and the statement of activities) report information on all of the 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

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. Nonmajor 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

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues and expenses or expenditures as appropriate. Resources are allocated to and accounted for in the individual funds based on the purposes for which they are to be spent.

The three types of funds presented in this report are as follows:

GOVERNMENTAL FUND TYPES - These fund types are used to account for most of the existing governmental functions. The focus is on determination of the financial position and changes in financial position (current financial resources) rather than income determination. The following are major governmental funds:

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.

Capital Reserve Fund:
This special revenue fund was established to account for real estate taxes levied for the City's capital activity as well as a local grant to make capital improvements

Capital Projects Fund:
This fund was established to account for financial resources to be used for major capital expenditures not financed by Enterprise Funds.

The City also uses the following nonmajor funds: Liquid Fuels (to account for the City's Liquid Fuels grant activity), 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), Parks Fund (to account for real estate taxes levied for parks and recreation projects and activities), and Debt Service (to account for the City's real estate taxes levied for payments for debt service).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUND TYPES - These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds and Internal Service Funds.

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.

FIDUCIARY FUND TYPES - These funds account for assets held by the City in a trustee capacity or as agent for individuals, other governments and other funds. These funds are as follows:

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 Nonuniformed Pension Funds).

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.

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, 2010.

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.

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 31, 2011, the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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).

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

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 deficiency of revenues under expenditures and other financing uses (budgetary basis)	$ (143,876)
Adjustments to revenues for accruals	(74,866)
Adjustments to expenditures for accruals	18,430
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (GAAP Basis)	$ (200,312)

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.

Excess of Expenditures over Appropriations

For the year ended December 31, 2010, expenditures exceeded appropriations in the general operating fund. The excess expenditures were satisfied by use of existing fund balance.

NOTE 3 - 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.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Cash

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. As of December 31, 2010, the carrying amount of the City's deposits was $525,175 and the bank balance was $1,021,701. Of the balance, $515,837 was covered by federal depository insurance and $505,864 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the City's name.

A portion of the City's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

Investments

As of December 31, 2010, the City had the following nonpension investments:

Investment Type	Fair Market Value	0-1 Year
Fixed Income Notes	$ 1,159,464	$ 1,159,464
Short term bank notes	2,198,896	2,198,896
	3,358,360	$ 3,358,360
Money Market Funds	176,674	
Pooled Cash (PLGIT)	42,203	
	$ 3,577,237	

Investment maturities are from December 31, 2010.

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.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Credit Risk

The City does not have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2010, the City's investments were rated as:

Investments	Standard & Poor's (Moody's & Fitch)
Fixed income notes	AAA
Short-term bank notes	AAA
PLGIT	AAA

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments in the fixed income notes represent 32.4 percent of the City's total investments and consist of five notes ranging from $200,000 to $250,000. Investments in short-term bank notes represent 61.5 percent of the City's total investments and consist of nine notes ranging from $240,000 to $250,000.

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. As of December 31, 2010, the carrying amount of the City's investments was $3,577,238. Of the balance, $1,336,138 was covered by federal depository insurance, $42,204 was invested in pooled funds, and $2,198,896 was exposed to custodial credit risk.

Pension Trust Fund

The pension trust funds' investments are held separately from those of other City funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition. The City maintains investment policies that summarize the investment philosophy of the City and establishes investment guidelines and performance objectives for the Police, the Paid Firemen's and Monessen Employees' Pension Funds.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

As of December 31, 2010, the City had the following cash and investments in its pension trust funds:

Police

Cash or Investment Type	Fair Market Value
Cash and Cash Equivalents	$ 144,669
Equity Mutual Funds	1,777,698
Common Stock	230,930
Fixed Mutual Funds	1,208,196
Total Cash and Investments	$ 3,361,493

Paid Firemen

Cash or Investment Type	Fair Market Value
Cash and Cash Equivalents	$ 6,775
Equity Mutual Funds	214,609
Common Stock	24,421
Fixed Mutual Funds	152,848
Total Cash and Investments	$ 398,653

Monessen Employees

Cash or Investment Type	Fair Market Value
Mutual Fund Investments	$ 1,279,830
Total Cash and Investments	$ 1,279,830

Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. The pension trust funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations.

Investments held in mutual funds are not subject to credit risk.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the pension trust funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The pension trust funds do not have a formal deposit or investment policy for custodial credit risk.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. There were no investments in any pension plan that constituted more than five percent of any of the pension plan net assets available for benefits at December 31, 2010. In addition, the plans did not have any investment transactions with related parties during the year.

Interest Rate Risk

The pension trust funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4 - PROPERTY TAXES

Property taxes levied for 2010 and unpaid are recorded as receivables, net of estimated uncollectible amounts. The net receivables available to fund 2010 expenditures have not been recognized as revenue in 2010. 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 nonexempt assessed value (land and building) upon which the 2010 levy was based was $58,917,040.

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 two percent discount awarded for payments made in March and April. A ten percent 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 $85,877.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

Governmental Activities

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ -	$ 393,811	$ -	$ 393,811
Capital assets being depreciated:				
Land improvements	704,052	-	-	704,052
Infrastructure	701,200	683,226	-	1,384,426
Buildings and improvements	1,139,088	6,135	-	1,145,223
Fixtures and equipment	676,439	19,000	-	695,439
Vehicles	705,052	-	-	705,052
Totals at Historical Cost	3,925,831	708,361	-	4,634,192
Less accumulated depreciation for:				
Land improvements	477,504	13,856	-	491,360
Infrastructure	48,876	23,326	-	72,202
Buildings and improvements	973,290	5,276	-	978,566
Fixtures and equipment	559,074	28,652	-	587,726
Vehicles	413,369	73,280	-	486,649
Total Accumulated Depreciation	2,472,113	144,390	-	2,616,503
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	1,453,718	563,971	-	2,017,689
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 1,453,718	$ 957,782	$ -	$ 2,411,500

Included in construction in progress at December 31, 2010 is $111,408 of capitalized interest.

NOTE 5 - CAPITAL ASSETS - CONTINUED

Business-Type Activities

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 42,803	$ -	$ -	$ 42,803
Capital assets being depreciated:				
Buildings and improvements	1,815,921	-	-	1,815,921
Fixtures and equipment	104,423	-	-	104,423
Totals at Historical Cost	1,920,344		-	1,920,344
Less accumulated depreciation for:				
Buildings and improvements	80,953	77,887	-	158,840
Fixtures and equipment	17,871	17,870	-	35,741
Total Accumulated Depreciation	98,824	95,757	-	194,581
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	1,821,520	(95,757)	-	1,725,763
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ 1,864,323	$ (95,757)	$ -	$ 1,768,566

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

General government	$ 42,204
Public safety	38,439
Health and welfare	2,753
Public Works - sanitation	10,007
Public Works - highways, roads and streets	21,163
Public Works - other	83
Culture and recreation	7,458
Conservation and development	22,283
Total Depreciation Expense - Governmental Activities	$ 144,390

NOTE 6 - LOANS RECEIVABLE, RECIPIENTS

Loans receivable, recipients, at December 31, 2010 consists of the following:

	Small Communities Projects	Proprietary
Rehabilitation Loans - Small Communities Projects	$ 729,573	$ -
Enterprise Development Zone Program Loans - Redevelopment Authority of the City of Monessen	-	282,993
Total	$ 729,573	$ 282,993

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 four percent 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 five percent 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 $729,573 as the assets are not available. 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 7 - 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 7 - DEFERRED REVENUE - CONTINUED

Deferred revenue at December 31, 2010 consists of the following:

	General Fund	Small Communities Projects Fund
Real estate taxes	$ 772,891	$ -
Earned income taxes	164,008	-
Deferred grant funds	40,153	-
Delinquent garbage fees	268,231	-
2011 garbage fees collected in 2010	124,750	-
Loans receivable	-	729,573
Total	$ 1,370,033	$ 729,573

Only the amounts related to deferred grant funds and 2011 garbage fees collected in 2010 have been reported as deferred revenue on the Statement of Net Assets.

NOTE 8 - LIABILITIES

In January, 2010, the City borrowed $490,000 under a tax anticipation note for cash flow purposes at an interest rate of 2.39 percent. The note was repaid in 2010. In February, 2011, another tax anticipation note of $500,000 was obtained with similar terms to be repaid by December 31, 2011. The City's short-term liabilities are summarized as follows:

Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
$ -	$ 490,000	$ 490,000	$ -

NOTE 8 - LIABILITIES - CONTINUED

The following is a summary of long-term liability transactions with respect to notes, bonds, and capital lease obligations for the year ended December 31, 2010 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)	$ 36,069	$ -	$ 11,425	$ 24,644	$ 12,014
General obligation note, interest at 3.62%, payable in annual installments of $49,283 through June 1, 2011. (B)	93,462	-	45,900	47,562	47,562
General obligation term loan, interest at 4.59%, payable in annual installments of $57,037 through October 17, 2013. (D)	204,193	-	47,665	156,528	49,853
General obligation note, interest at 4.02%, payable in annual installments of $56,188 through December 15, 2013. (E)	203,862	-	47,993	155,869	49,922
Bonds Payable:					
General obligation bonds, Series of 2010, with 5.50% interest payable through 2035. (F)	-	5,000,000	-	5,000,000	-
Capital Leases Payable:					
Equipment capital lease, interest at 5.95%, payable in three annual installments of $7,503 through July 2010. (C)	7,082	-	7,082	-	-
TOTAL	$ 544,668	$5,000,000	$ 160,065	$5,384,603	$159,351

NOTE 8 - LIABILITIES - CONTINUED

(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 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.

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

(F) The bonds were issued May 3, 2010 for the purpose of providing funds for a project, funding a capitalized interest account with respect to the bonds, and paying costs of issuance. The project consists of improvements to the fire department, police department, public library and various other improvements throughout the City.

The annual requirements to pay principal and interest on all long-term notes outstanding at December 31, 2010 are as follows:

	Principal	Interest
2011	$ 159,351	$ $ 223,180
2012	121,701	216,545
2013	143,551	211,299
2014	150,000	205,838
2015	155,000	202,463
2016 - 2020	860,000	939,090
2021 - 2025	1,020,000	767,425
2026 - 2030	1,245,000	529,718
2031 - 2035	1,530,000	219,945
	$ 5,384,603	$ $ 3,515,503

NOTE 8 - LIABILITIES - CONTINUED

Changes in the City's obligation for compensated absences during 2010 are as follows:

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year	Due in One Year
Compensated absences	$ 210,873	$ -	$ 23,223	$ 187,650	$ -

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

NOTE 9 - 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	$ -	$ 238,973	$ 62,037
Contributions made	$ -	$ 238,973	$ 68,658

NOTE 9 - CITY OF MONESSEN RETIREMENT PLANS - CONTINUED

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

	Fire	Police
Valuation date	01/01/10	01/01/10
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	Four-year smoothing	Four-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%

Fiscal Year	Annual Required Contribution	Percentage Contributed
FIRE PENSION FUND		
2008	$ -	100%
2009	-	100%
2010	-	100%
POLICE PENSION FUND		
2008	$ 258,683	100%
2009	248,740	100%
2010	238,973	100%

NOTE 9 - CITY OF MONESSEN RETIREMENT PLANS - CONTINUED

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 10 - INTERFUND ACTIVITY

The City had operating transfers in and out for the following amounts at December 31, 2010:

	Operating Transfers In	Operating Transfers Out
Major Funds:		
General	$ 266	$ -
Capital Reserve	-	266
TOTAL	$ 266	$ 266

Transfers between these funds were necessary to reimburse the general fund for capital reserve expenses paid by the general fund.

NOTE 11 - 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. Nonuniformed employees who retire from the nonuniformed 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 percent 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 11 - 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	17,079
Adjustment to annual required contribution	(23,300)
Annual OPEB cost	511,380
Contributions made	(159,418)
Increase in net OPEB obligation	351,962
Net OPEB obligation - beginning of year	379,527
Net OPEB obligation - end of year	$ 731,489

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 511,380	31.2%	$ 731,489
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 11 - 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 percent investment rate of return and an annual healthcare cost trend rate of five percent initially, increasing four percent the first year and decreasing one percent per year thereafter to an ultimate rate of five percent in 2015 and later. The unfunded actuarial accrued liability is being amortized based on level dollar, 30-year period.

NOTE 12 - 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. The remaining commitment under this lease is $3,868 for 2011. Expense for 2010 was $4,641.

NOTE 12 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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:

2011	$ 183,191
2012	63,304
2013	10,957
2014	8,580
2015	8,580
2016 - 2017	15,730
	$ 290,342

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.

During 2010, the City entered into several contracts for capital improvement projects. At December 31, 2010, the commitment outstanding on the open contracts is $5,560,395. In addition, the City entered into several contracts for capital improvements subsequent to December 31, 2010. The total balance of these contracts is $2,236,276.

NOTE 13 - CONDUIT 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 turn 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 semiannually each February 1 and August 1. The loan payments are due from the local developer. The balance at December 31, 2010 is $1.785 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' collateral to the Commonwealth.

NOTE 14 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONESSEN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended December 31, 2010

	GAAP Basis Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis
REVENUES			
Taxes	$ 1,977,519	$ -	$ 1,977,519
Licenses and permits	190,582	5,930	184,652
Fines and forfeits	61,082	-	61,082
Interest, rents and royalties	442	-	442
Intergovernmental revenue	435,845	56,810	379,035
Charges for services	1,072,854	(12,994)	1,085,848
Miscellaneous revenue	26,654	(124,612)	151,266
TOTAL REVENUES	3,764,978	(74,866)	3,839,844
EXPENDITURES			
Current:			
General Government	1,493,954	(20,759)	1,473,195
Public safety	1,196,914	(35,693)	1,161,221
Health and welfare	86,345	(34,035)	52,310
Public Works:			
Sanitation	420,323	-	420,323
Highways, roads and streets	638,128	266,370	904,498
Other	2,550	-	2,550
Culture and recreation	12,031	68,113	80,144
Conservation and development	109,586	(21,289)	88,297
Debt Service:			
Principal	-	-	-
Interest	5,725	-	5,725
Capital Outlay	-	-	-
TOTAL EXPENDITURES	3,965,556	222,707	4,188,263
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(200,578)	(147,841)	(348,419)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	266	204,277	204,543
TOTAL OTHER FINANCING TOTAL OTHER FINANCING SOURCES (USES)	266	204,277	204,543
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ (200,312)	$ 56,436	$ (143,876)

Original Budget	Final Budget	Variance with Final Budget
$ 2,068,892	$ 2,068,892	$ (91,373)
176,500	176,500	8,152
80,000	80,000	(18,918)
5,000	5,000	(4,558)
427,300	427,300	(48,265)
1,212,200	1,212,200	(126,352)
32,000	32,000	119,266
4,001,892	4,001,892	(162,048)
1,392,762	1,392,762	(80,433)
1,234,201	1,234,201	72,980
84,296	84,296	31,986
421,000	421,000	677
615,740	615,740	(288,758)
2,550	2,550	-
100,000	100,000	19,856
141,343	141,343	53,046
-	-	-
-	-	(5,725)
-	-	-
3,991,892	3,991,892	(196,371)
10,000	10,000	(358,419)
-	-	204,543
-	-	204,543
$ 10,000	$ 10,000	$ (153,876)

CITY OF MONESSEN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

December 31, 2010

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	$ -	0%
January 1, 2007	609,514	491,421	(118,093)	124.0	-	0%
January 1, 2009	466,428	469,148	2,720	99.4	-	0%

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	2005	$ 259,883	100%
	2006	288,149	100%
	2007	287,370	100%
	2008	258,683	100%
	2009	248,740	100%
	2010	238,973	100%
Paid Fire Truck Drivers' Pension	2005	$ -	100%
	2006	-	100%
	2007	-	100%
	2008	-	100%
	2009	-	100%
	2010	-	100%

CITY OF MONESSEN

SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT BENEFIT PLAN

December 31, 2010

Schedule of Funding Progress

	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%

CITY OF MONESSEN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2010

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 2010 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 and prior year fund balances.

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 - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2010

	Special Revenue Funds			
	Liquid Fuels	Canine Fund	Library Fund	Parks Fund
ASSETS				
Cash and cash equivalents	$ -	$ 4,551	$ 73	$ 13,446
LIABILITIES AND FUND BALANCES				
FUND BALANCES				
Reserved for library expenditures	$ -	$ -	$ 73	$ -
Reserved for canine expenditures	-	4,551	-	-
Reserved for parks expenditures	-	-	-	13,446
Reserved for debt service	-	-	-	-
TOTAL FUND BALANCES	-	4,551	73	13,446
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ 4,551	$ 73	$ 13,446

Debt Service Fund	Nonmajor Governmental Funds Total
$ 14,824	$ 32,894
$ -	$ 73
-	4,551
	13,446
14,824	14,824
14,824	32,894
$ 14,824	$ 32,894

CITY OF MONESSEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2010

	Special Revenue Funds			
	Liquid Fuels	Canine Fund	Library Fund	Parks Fund
REVENUES				
Taxes	$ -	$ -	$ 54,991	$ 262,079
Interest, rents and royalties	758	7	2	94
Intergovernmental revenue	203,519	-	-	-
Charges for services	-	-	-	7,570
Miscellaneous revenue	-	6,738	-	-
TOTAL REVENUES	204,277	6,745	54,993	269,743
EXPENDITURES				
Current:				
Public safety	-	4,520	-	-
Public Works:				
Highways, roads and streets	204,277	-	-	-
Culture and recreation	-	-	55,000	256,297
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	204,277	4,520	55,000	256,297
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	2,225	(7)	13,446
FUND BALANCES AT BEGINNING OF YEAR	-	2,326	80	-
FUND BALANCES AT END OF YEAR	$ -	$ 4,551	$ 73	$ 13,446

Debt Service Fund	Nonmajor Governmental Funds Total
$ 185,000	$ 502,070
123	984
-	203,519
-	7,570
-	6,738
185,123	720,881
-	4,520
-	204,277
-	311,297
160,065	160,065
23,058	23,058
183,123	703,217
2,000	17,664
12,824	15,230
$ 14,824	$ 32,894

CITY OF MONESSEN

COMBINING STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS

December 31, 2010

	Police Pension Fund	Fire Truck Pension Fund	Nonuniformed Pension Fund	Total Trust Funds
ASSETS				
Cash equivalents	$ 144,669	$ 6,775	$ -	$ 151,444
Mutual fund investments	2,985,894	367,456	1,279,830	4,633,180
Common stocks	230,930	24,422	-	255,352
TOTAL ASSETS	$ 3,361,493	$ 398,653	$ 1,279,830	$ 5,039,976
NET ASSETS				
Held in trust for employee pension benefits	$ 3,361,493	$ 398,653	$ 1,279,830	$ 5,039,976
TOTAL NET ASSETS	$ 3,361,493	$ 398,653	$ 1,279,830	$ 5,039,976

CITY OF MONESSEN

COMBINING STATEMENT OF CHANGES IN NET ASSETS -
FIDUCIARY FUNDS

Year Ended December 31, 2010

	Police Pension Fund	Fire Truck Pension Fund	Nonuniformed Pension Fund	Total Trust Funds
ADDITIONS				
Contributions - employer	$ 238,973	$ -	$ 68,658	$ 307,631
Contributions - employee	27,787	-	42,545	70,332
Interest and dividends	76,454	10,149	8,974	95,577
Net increase in fair value of investments	269,636	35,189	131,906	436,731
TOTAL ADDITIONS	612,850	45,338	252,083	910,271
DEDUCTIONS				
Administration	48,917	12,393	6,536	67,846
Benefits	262,222	54,557	549,376	866,155
TOTAL DEDUCTIONS	311,139	66,950	555,912	934,001
CHANGE IN NET ASSETS	301,711	(21,612)	(303,829)	(23,730)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	3,059,782	420,265	1,583,659	5,063,706
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	$ 3,361,493	$ 398,653	$ 1,279,830	$ 5,039,976

CITY OF MONESSEN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2010

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Number
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Commonwealth of Pennsylvania:			
Community Development Block Grant/State's program	I	14.228	C000022545
Community Development Block Grant/State's program	I	14.228	C000029394
Community Development Block Grant/State's program	I	14.228	C000036513
Community Development Block Grant/State's program	I	14.228	C000045883
Community Development Block Grant/State's program (CDBG-R)	I	14.228	C000045883
Community Development Block Grant/State's program	I	14.228	C000049541
Passed through Westmoreland County HOME Program	I	14.239	Not provided
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Pennsylvania Emergency Management Agency:			
FEMA Disaster Grants - Public Assistance	I	97.036	FEMA-1898-DR-PA
U.S. DEPARTMENT OF JUSTICE			
Bureau of Justice Assistance Grant	D	16.738	2009-DJ-BX-0278
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Westmoreland County:			
NRP Program - ARRA Community Services Block Grant	I	93.710	920-001
DARE - ARRA Community Services Block Grant	I	93.710	920-021
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TOTAL FEDERAL AWARDS			

Source Codes:
D = Direct funding; I = Indirect funding

Grant Period	Total Award	Amount Received	Accrued or (Deferred) Revenue at 12/31/09	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 12/31/10
08/04/06 - 08/03/11	$ 364,309	$ 5,000	$ -	$ 5,000	$ 5,000	$ -
08/02/07 - 08/01/12	346,268	7,886	-	7,886	7,886	-
08/20/08 - 08/19/13	337,987	97,345	-	97,345	97,345	-
08/07/09 - 08/06/14	342,457	236,112	-	243,463	243,463	7,351
08/07/09 - 08/06/14	93,960	93,960	-	93,960	93,960	-
08/24/10 - 08/23/15	366,761	48,181	-	59,614	59,614	11,433
01/01/10 - 12/31/10	4,000	4,000	-	4,000	4,000	-
		492,484	-	511,268	511,268	18,784
01/01/10 - 12/31/10	50,067	50,067	-	50,067	50,067	-
01/01/09 - 12/31/10	11,193	10,509	6,573	3,936	3,936	-
01/01/10 - 12/31/10	25,000	25,000	-	25,000	25,000	-
01/01/10 - 12/31/10	25,000	25,000	-	25,000	25,000	-
		50,000	-	50,000	50,000	-
		$ 603,060	$ 6,573	$ 615,271	$ 615,271	$ 18,784

CITY OF MONESSEN

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2010

NOTE 1 - BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting which recognizes income in the period it is earned and expenses in the period they are incurred.

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monessen, as of and for the year ended December 31, 2010, which collectively comprise the City of Monessen's basic financial statements and have issued our report thereon dated August 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Monessen's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monessen's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Monessen's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees , in the normal course of performing their assigned functions, to prevent , or detect and correct misstatements on a timely basis, A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. See 10-1 and 10-2. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Monessen in a separate letter dated August 31, 2011.

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

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

Herbein + Company, Inc.

Reading, Pennsylvania
August 31, 2011

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American Institute of Certified Public Accountants Private Companies Practice Section
www.herbein.com

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program with not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 10-2.

The City of Monessen's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Monessen's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the management, the mayor and city council members, others within the entity, 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.

Herbein + Company, Inc.

Reading, Pennsylvania
August 31, 2011

CITY OF MONESSEN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(s) identified not considered to be material weaknesses?	X yes	____ none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(s) identified not considered to be material weaknesses?	X yes	____ none reported
Type of auditor's report issued on compliance for major programs:	unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ____ yes X no

Section II - Financial Statement Findings

10-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Criteria
Financial reporting in accordance with U.S. generally accepted accounting principles requires financial information for governmental funds to be reported on the modified accrual basis of accounting and for proprietary funds to be reported on the full accrual basis of accounting.

Condition/Cause
The City maintains its financial records on the cash basis of accounting and does not record modified or full accrual journal entries prior to the audit in accordance with U.S. generally accepted accounting principles.

Effect
Numerous journal entries were posted as part of the audit to adjust the various funds to the modified and full accrual basis of accounting, as appropriate.

Recommendation
Financial records for all funds should be maintained in accordance with the basis of accounting required by U.S. generally accepted accounting principles.

Benefit
Maintaining financial records for all funds in accordance with U.S. generally accepted accounting principles provides for more consistent reporting to provide a more accurate assessment of financial needs. The city council can be proactive in responding to financial concerns and the information will also allow management to better monitor the operations of the City.

Management Response
See corrective action plan included in this reporting package.

Section II - Financial Statement Findings - continued

10-2 LACK OF SEGREGATION OF DUTIES

Criteria
The City receives funding from the Department of Housing and Urban Development (HUD) through the Community Development Block Grant Small Communities program.

Condition/Cause
The Community Development Block Grant funds financial recordkeeping responsibilities are overseen by one City employee. This employee prepares disbursements, submits expenses through the IDIS system for reimbursement, records revenue, and reconciles bank statements.

Effect
The City does not have strong internal controls over the Community Development Block Grant Small Communities program which allows for errors to be made and not be caught and corrected.

Recommendation
The City should have an employee other than the Small Communities employee prepare the bank reconciliations on a monthly basis. This other employee should also review and approve the reports that are submitted through the IDIS system for federal expense reimbursement.

Benefit
The City will enhance controls over the Community Development Block Grant Small Communities funds by segregating the duties for the financial recordkeeping responsibilities.

Management Response
See corrective action plan included in this report package.

Section III - Federal Award Findings and Questioned Costs

10-2 Lack of Segregation of Duties Finding is also a Federal Award Finding which relates to Community Development Block Grant 14.228

CITY OF MONESSEN

STATUS OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

December 31, 2010

There were no prior year federal award findings or questioned costs.

City of Monessen

CORRECTIVE ACTION PLAN

December 31, 2010

Department of Housing and Urban Development

The City of Monessen respectfully submits the following corrective action plan for the year ended December 31, 2010.

Name and address of independent public accounting firm:

Herbein + Company, Inc.
2763 Century Boulevard
Wyomissing, PA 19610

Audit period: Year Ended December 31, 2010

The findings from the December 31, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2010-1 Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles

Recommendation
Financial records for all funds should be maintained in accordance with the basis of accounting required by U.S. generally accepted accounting principles.

Action Taken
We concur with the recommendation; however, limited resources prevent us from preparing the accrual basis accounting entries. City Council and management are aware of the issue and are cognizant of this issue when making management decisions.

FINDINGS – FINANCIAL STATEMENT AND FEDERAL AWARD PROGRAMS AUDITS

SIGNIFICANT DEFICIENCY

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2010-2 Community Development Block Grant 14.228

Recommendation
The City should have an employee other than the Small Communities employee prepare the bank reconciliations on a monthly basis. This other employee should also review and approve the reports that are submitted through the IDIS system for federal expense reimbursement.

Action Taken
We concur with the recommendation and will be utilizing a part-time position to assist in adding more segregation to our office. This individual will be responsible for preparing the Small Communities bank reconciliation on a monthly basis. In addition, monthly financial reports including the bank reconciliation will be approved by City Council at council meetings.

If the Department of Housing and Urban Development has questions regarding this plan, please call Rosalie Nicksich at 724.684.9714.

Sincerely yours,

Rosalie Nicksich

Rosalie Nicksich, City Clerk
City of Monessen