Here are several interesting and notable aspects of the 1998–1999 audit report for the City of Monessen:

---

## 1. Audit Qualification

The independent auditor's report issued a **qualified opinion**, not a clean/unmodified one. The audit notes:

- The **accounts of the wage tax collector were not included** in the audit.
- The city **valued fixed assets at appraised value**, not historical cost, which is **not in accordance with generally accepted accounting principles (GAAP)**.

This means the financial statements do not fully comply with GAAP, which is a red flag for accuracy and comparability.

---

## 2. Fund Balance Shift

- The **General Fund** ended 1999 with a **fund balance of $330,248**, up from $246,215 in 1998 — a positive increase of $84,033.
- However, this gain occurred despite a **net operating deficit** of $120,619, which was offset by interfund transfers ($204,102) and a fixed asset sale ($550).

This suggests the surplus came from **non-recurring financing**, not actual operational strength.

---

## 3. Heavy Reliance on Intergovernmental Revenue

- Intergovernmental revenue for special revenue funds was $513,417, making up over **60% of that fund's revenue**. This indicates **dependence on outside grants or aid**, which may not be sustainable long-term.

---

## 4. Pension Plans and Long-Term Liabilities

- The city managed **three pension plans**, all well funded in 1999:
    - **Police Pension Plan**: Funded ratio improved to 55.6% from prior years.
    - **Fire Truck Drivers**: Funded at 63.3% in the last reported valuation.
    - **Nonuniformed Plan**: A defined contribution plan with full employer match.

The total value of pension plan assets was **over $4 million**, and **the city met 100% of its annual required contributions** — a commendable financial practice.

---

## 5. Fixed Asset Reporting Weakness

- The city did **not capitalize infrastructure assets** (like roads and sidewalks) and did **not record depreciation** in government funds. Also, asset values were based on **appraisals**, not original cost.

This approach lacks accuracy and transparency for long-term capital planning.

---

## 6. Component Units

- The city included **four component units** in its reporting: Monessen Parking Authority, Mon Valley Refuse Disposal Authority, Civic Recreation Authority, and the Redevelopment Authority.
- These entities had **modest net assets** but played specific roles — such as owning parking infrastructure or providing redevelopment loans.

---

## 7. Parking Authority Debt

- The city **guaranteed** parking bonds dating back to 1965. By 1999, **$81,000 remained**, set to fully mature in 2004. The city made **annual lease payments to the authority** to cover debt service.

This historic debt highlights long-standing infrastructure financing mechanisms still impacting the city.

# CITY OF MONESSEN
# WESTMORELAND COUNTY, PENNSYLVANIA

## AUDITED FINANCIAL STATEMENTS

## DECEMBER 31, 1999 AND 1998

CITY OF MONESSEN

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CITY OF MONESSEN

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the City of Monessen, as of and for the year ended December 31, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 opinion.

Our examination did not include the accounts of the wage tax collector. Also, as described in Note A-3, the City of Monessen has valued the assets in the general fixed asset account group at appraised value rather than at historical cost as prescribed by generally accepted accounting principles.

In our opinion, except as noted in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Monessen, as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.



MEMBER: PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2000, on our consideration of the City of Monessen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Monessen, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the general purpose financial statements. Also, other supplementary information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Sarp & Company

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
August 16, 2000

CITY OF MONESSEN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

| | Governmental Fund Types | | | |
|---|---|---|---|---|
| Assets | General | Special Revenue | Debt Service | Capital Projects |
| Cash and Cash Equivalents | $210,010 | $ 208,645 | $ 155 | $149,457 |
| Investments | 0 | 0 | 0 | 0 |
| Accounts Receivable: | | | | |
| Taxes | 197,320 | 0 | 0 | 0 |
| Other, (Note F) | 41,399 | 0 | 0 | 0 |
| Due from Other Funds | 11,976 | 0 | 0 | 0 |
| Due from Other Governments | 13,795 | 21,375 | 0 | 0 |
| Loans Receivable, Recipients | 0 | 853,381 | 0 | 0 |
| Prepaid Expenses, (Note G) | 65,652 | 0 | 0 | 0 |
| Fixed Assets, (Note A-3) | 0 | 0 | 0 | 0 |
| Accumulated Depreciation | 0 | 0 | 0 | 0 |
| Amount Available in Debt Service Funds | 0 | 0 | 0 | 0 |
| Amount to be Provided for the Retirement of Long-Term Debt, (Note E) | 0 | 0 | 0 | 0 |
| Accumulated Compensated Absences (Note A-8) | 0 | 0 | 0 | 0 |
| Future Lease Rentals Receivable to Retirement of Bonded Debt, (Note B) | 0 | 0 | 0 | 0 |
| Total Assets | 540,152 | 1,083,401 | 155 | 149,457 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts Payable | 12,584 | 25,028 | 0 | 0 |
| Accrued Liabilities | 0 | 0 | 0 | 0 |
| Long-Term Debt, Current Portion | 0 | 0 | 0 | 0 |
| Notes Payable, Long-Term Portion (Note E) | 0 | 0 | 0 | 0 |
| Bonded Debt, Parking Authority: | | | | |
| Parking Revenue Bonds, Series of 1965, Long-Term Portion (Note B) | 0 | 0 | 0 | 0 |
| Due to Other Governments | 0 | 1,994 | 0 | 0 |
| Deferred Revenue (Note H) | 197,320 | 0 | 0 | 0 |
| Due to Other Funds | 0 | 11,976 | 0 | 0 |
| Accumulated Compensated Absences Payable (Note A-8) | 0 | 0 | 0 | 0 |
| Total Liabilities | 209,904 | 38,998 | 0 | 0 |
| Fund Balances: | | | | |
| Unreserved | 330,248 | 1,044,403 | 0 | 149,457 |
| Reserved (Note A-11) | 0 | 0 | 155 | 0 |
| Investment in Fixed Assets | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 |
| Total Fund Balances | 330,248 | 1,044,403 | 155 | 149,457 |
| Total Liabilities and Fund Balances | $540,152 | $1,083,401 | $155 | $149,457 |

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

| Proprietary Fund Types Enterprise Funds | Fiduciary Fund Types Trust and Agency | Account Groups General Fixed Assets | Account Groups General Long Term Debt | 1999 Total (Memo Only) | 1998 Total (Memo Only) |
|---|---|---|---|---|---|
| $ 565,740 | $ 0 | $ 0 | $ 0 | $ 1,134,007 | $ 853,941 |
| 125,415 | 4,067,747 | 0 | 0 | 4,193,162 | 3,582,115 |
| 0 | 0 | 0 | 0 | 197,320 | 181,651 |
| 36,995 | 0 | 0 | 0 | 78,394 | 60,505 |
| 0 | 0 | 0 | 0 | 11,976 | 15,862 |
| 6,228 | 0 | 0 | 0 | 41,398 | 52,286 |
| 448,139 | 0 | 0 | 0 | 1,301,520 | 1,382,985 |
| 0 | 0 | 0 | 0 | 65,652 | 78,291 |
| 850,231 | 0 | 3,555,456 | 0 | 4,405,687 | 4,243,331 |
| (544,412) | 0 | 0 | 0 | (544,412) | (527,686) |
| 0 | 0 | 0 | 155 | 155 | 298 |
| 0 | 0 | 0 | 456,725 | 456,725 | 354,154 |
| 0 | 0 | 0 | 30,015 | 30,015 | 35,598 |
| 81,000 | 0 | 0 | 0 | 81,000 | 98,000 |
| 1,569,336 | 4,067,747 | 3,555,456 | 486,895 | 11,452,599 | 10,411,331 |
| 36,023 | 0 | 0 | 0 | 73,635 | 63,601 |
| 323 | 0 | 0 | 0 | 323 | 323 |
| 0 | 0 | 0 | 98,488 | 98,488 | 72,529 |
| 0 | 0 | 0 | 358,392 | 358,392 | 281,923 |
| 81,000 | 0 | 0 | 0 | 81,000 | 98,000 |
| 0 | 0 | 0 | 0 | 1,994 | 1,284 |
| 19,737 | 0 | 0 | 0 | 217,057 | 181,651 |
| 0 | 0 | 0 | 0 | 11,976 | 15,862 |
| 0 | 0 | 0 | 30,015 | 30,015 | 35,598 |
| 137,083 | 0 | 0 | 486,895 | 872,880 | 750,771 |
| 0 | 0 | 0 | 0 | 1,524,108 | 1,389,123 |
| 187,580 | 4,067,747 | 0 | 0 | 4,255,482 | 3,628,807 |
| 0 | 0 | 3,555,456 | 0 | 3,555,456 | 3,447,542 |
| 1,244,673 | 0 | 0 | 0 | 1,244,673 | 1,195,088 |
| 1,432,253 | 4,067,747 | 3,555,456 | 0 | 10,579,719 | 9,660,560 |
| $ 569,336 | $4,067,747 | $3,555,456 | $486,895 | $11,452,599 | $10,411,331 |

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

| | Governmental Fund Types | | | |
|---|---|---|---|---|
| | General | Special Revenue | Debt Service | Capital Projects |
| Revenues: | | | | |
| Taxes | $2,055,007 | $284,500 | $65,458 | $ 0 |
| Licenses and Permits | 149,199 | 0 | 0 | 0 |
| Fines and Forfeits | 44,295 | 0 | 0 | 0 |
| Interest, Rents, and Royalties | 19,230 | 25,973 | 76 | 5,209 |
| Intergovernmental Revenues | 91,527 | 513,417 | 0 | 0 |
| Charges for Services | 480,367 | 0 | 0 | 0 |
| Miscellaneous Revenue | 476,027 | 25,366 | 0 | 2,000 |
| Total Revenue | 3,315,652 | 849,256 | 65,534 | 7,209 |
| Expenditures: | | | | |
| General Government | 424,830 | 0 | 0 | 77,861 |
| Public Safety | 909,263 | 50,000 | 0 | 0 |
| Health and Welfare | 59,090 | 0 | 0 | 0 |
| Public Works: | | | | |
| Sanitation | 300,006 | 0 | 0 | 0 |
| Highways, Roads, and Streets | 561,774 | 156,679 | 0 | 0 |
| Other | 6,169 | 0 | 0 | 0 |
| Culture, Recreation | 191,585 | 0 | 0 | 0 |
| Conservation and Development | 70,645 | 465,071 | 0 | 0 |
| Debt Service | 24,991 | 0 | 65,677 | 0 |
| Miscellaneous Expenditures | 887,918 | 0 | 0 | 0 |
| Lease Bond Payments | 0 | 26,800 | 0 | 0 |
| Total Expenditures | 3,436,271 | 698,550 | 65,677 | 77,861 |
| Excess of Revenues Over (Under) Expenditures | $ (120,619) | $150,706 | $ (143) | $(70,652) |

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

| 1999 Total (Memo Only) | 1998 Total (Memo Only) |
|---|---|
| $2,404,965 | $2,346,441 |
| 149,199 | 138,542 |
| 44,295 | 49,629 |
| 50,488 | 54,865 |
| 604,944 | 463,909 |
| 480,367 | 486,264 |
| 503,393 | 552,511 |
| 4,237,651 | 4,092,161 |
| 502,691 | 472,466 |
| 959,263 | 870,134 |
| 59,090 | 58,044 |
| 300,006 | 306,637 |
| 718,453 | 657,132 |
| 6,169 | 5,147 |
| 191,585 | 179,062 |
| 535,716 | 571,745 |
| 90,668 | 90,668 |
| 887,918 | 869,825 |
| 26,800 | 26,800 |
| 4,278,359 | 4,107,660 |
| $ (40,708) | $ (15,499) |

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)

| | Governmental Fund Types | | | |
|---|---|---|---|---|
| | General | Special Revenue | Debt Service | Capital Projects |
| Other Financing Sources (Uses): | | | | |
| Proceeds of General Fixed Asset Disposition | $ 550 | $ 0 | $ 0 | $ 0 |
| Operating Transfers In | 204,102 | 0 | 0 | 0 |
| Operating Transfers Out | 0 | (204,102) | 0 | 0 |
| Proceeds of Long-Term Debt | 0 | 0 | 0 | 175,000 |
| Total Other Financing Sources (Uses) | 204,652 | (204,102) | 0 | 175,000 |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 84,033 | (53,396) | (143) | 104,348 |
| Fund Balance, January 1 | 246,215 | 1,097,799 | 298 | 45,109 |
| Fund Balance, December 31 | $330,248 | $1,044,403 | $155 | $149,457 |

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

| 1999 Total (Memo Only) | 1998 Total (Memo Only) |
|---|---|
| $ 550 | $ 250 |
| 204,102 | 157,567 |
| (204,102) | (157,567) |
| 175,000 | 0 |
| 175,550 | 250 |
| 134,842 | (15,249) |
| 1,389,421 | 1,404,670 |
| $1,524,263 | $1,389,421 |

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

| | General | | | Special Revenue | |
|---|---|---|---|---|---|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual |
| Revenues: | | | | | |
| Taxes | $2,008,570 | $2,055,007 | $ 46,437 | $348,940 | $284,500 |
| Licenses and Permits | 144,000 | 149,199 | 5,199 | 0 | 0 |
| Fines and Forfeits | 56,500 | 44,295 | (12,205) | 0 | 0 |
| Interest, Rents, and Royalties | 22,000 | 19,230 | (2,770) | 5,300 | 12,345 |
| Intergovernmental Revenue | 87,100 | 91,527 | 4,427 | 0 | 0 |
| Charges for Services | 547,417 | 480,367 | (67,050) | 0 | 0 |
| Miscellaneous Revenue | 484,000 | 476,027 | (7,973) | 29,800 | 25,075 |
| Total Revenue | 3,349,587 | 3,315,652 | (33,935) | 384,040 | 321,920 |
| Expenditures: | | | | | |
| General Government | 450,762 | 424,830 | 25,932 | 0 | 0 |
| Public Safety | 952,741 | 909,263 | 43,478 | 0 | 50,000 |
| Health and Welfare | 62,352 | 59,090 | 3,262 | 0 | 0 |
| Public Works: | | | | | |
| Sanitation | 304,000 | 300,006 | 3,994 | 0 | 0 |
| Highways, Roads, and Streets | 532,308 | 561,774 | (29,466) | 165,726 | 156,679 |
| Other | 19,950 | 6,169 | 13,781 | 0 | 0 |
| Culture, Recreation | 191,308 | 191,585 | (277) | 0 | 0 |
| Conservation and Development | 65,539 | 70,645 | (5,106) | 0 | 0 |
| Debt Service | 55,000 | 24,991 | 30,009 | 0 | 0 |
| Miscellaneous Expenditures | 925,541 | 887,918 | 37,623 | 0 | 0 |
| Lease Bond Payments | 0 | 0 | 0 | 30,100 | 26,800 |
| Total Expenditures | 3,559,501 | 3,436,271 | 123,230 | 195,826 | 233,479 |
| Excess Revenues Over (Under) Expenditures | $ (209,914) | $ (120,619) | $ 89,295 | $188,214 | $ 88,441 |

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

| Special Revenue | Debt Service | | | | |
|---|---|---|---|---|---|
| Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | 1999 Total (Memo Only) | 1998 Total (Memo Only) |
| $ (64,440) | $62,538 | $65,458 | $2,920 | $2,404,965 | $2,346,441 |
| 0 | 0 | 0 | 0 | 149,199 | 138,542 |
| 0 | 0 | 0 | 0 | 44,295 | 49,629 |
| 7,045 | 0 | 76 | 76 | 31,651 | 44,039 |
| 0 | 0 | 0 | 0 | 91,527 | 83,084 |
| 0 | 0 | 0 | 0 | 480,367 | 491,264 |
| (4,725) | 0 | 0 | 0 | 501,102 | 529,784 |
| (62,120) | 62,538 | 65,534 | 2,996 | 3,703,106 | 3,682,783 |
| 0 | 0 | 0 | 0 | 424,830 | 419,801 |
| (50,000) | 0 | 0 | 0 | 959,263 | 870,134 |
| 0 | 0 | 0 | 0 | 59,090 | 58,044 |
| 0 | 0 | 0 | 0 | 300,006 | 306,637 |
| 9,047 | 0 | 0 | 0 | 718,453 | 657,132 |
| 0 | 0 | 0 | 0 | 6,169 | 5,147 |
| 0 | 0 | 0 | 0 | 191,585 | 179,062 |
| 0 | 0 | 0 | 0 | 70,645 | 99,405 |
| 0 | 62,538 | 65,677 | (3,139) | 90,668 | 90,668 |
| 0 | 0 | 0 | 0 | 887,918 | 869,825 |
| 3,300 | 0 | 0 | 0 | 26,800 | 26,800 |
| (37,653) | 62,538 | 65,677 | (3,139) | 3,735,427 | 3,582,655 |
| $ (99,773) | $ 0 | $ (143) | $ (143) | $ (32,321) | $ 100,128 |

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)

| | General | | | Special Revenue | |
|---|---|---|---|---|---|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual |
| Other Financing Sources (Uses): | | | | | |
| Proceeds of General Fixed Asset Disposition | $ 5,000 | $ 550 | $ (4,450) | $ 0 | $ 0 |
| Operating Transfers In | 0 | 204,102 | 204,102 | 0 | 0 |
| Operating Transfers Out | 0 | 0 | 0 | 0 | (204,102) |
| Total Other Financing Sources (Uses) | 5,000 | 204,652 | 199,652 | 0 | (204,102) |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | $(204,914) | 84,033 | $288,947 | $188,214 | (115,661) |
| Fund Balance, January 1 | | 246,215 | | | 180,060 |
| Fund Balance, December 31 | | $330,248 | | | $ 64,399 |

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

| Special Revenue | Debt Service | | | | |
|---|---|---|---|---|---|
| Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | 1999 Total (Memo Only) | 1998 Total (Memo Only) |
| $ 0 | $ 0 | $ 0 | $ 0 | $ 550 | $ 250 |
| 0 | 0 | 0 | 0 | 204,102 | 157,567 |
| (204,102) | 0 | 0 | 0 | (204,102) | (157,567) |
| (204,102) | 0 | 0 | 0 | 550 | 250 |
| $(303,875) | $ 0 | (143) | $(143) | (31,771) | 100,378 |
| | | 298 | | 426,573 | 326,195 |
| | | $ 155 | | $394,802 | $426,573 |

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

| | Proprietary Fund Types | | | |
|---|---|---|---|---|
| | Monessen Civic Recreation Authority | Monessen Parking Authority | Mon Valley Refuse Disposal Authority | Redevelopment Authority of the City of Monessen |
| Operating Revenue: | | | | |
| Interest, Rents, and Royalties | $ 435 | $ 29,555 | $ 3,968 | $ 27,188 |
| Charges for Services | 11,875 | 0 | 349,896 | 0 |
| Intergovernmental Revenue | 30,000 | 0 | 6,228 | 155,263 |
| Other Revenue | 0 | 0 | 762 | 3,474 |
| Contributions | 0 | 0 | 0 | 0 |
| Total Operating Revenue | 42,310 | 29,555 | 360,854 | 185,925 |
| Operating Expenses: | | | | |
| General Government | 0 | 6,668 | 19,655 | 167,279 |
| Public Works: | | | | |
| Sanitation | 0 | 0 | 316,000 | 0 |
| Debt Service | 0 | 17,000 | 0 | 0 |
| Interest Expense | 0 | 3,646 | 0 | 0 |
| Depreciation Expense | 1,535 | 15,192 | 0 | 0 |
| Culture and Recreation | 35,035 | 0 | 0 | 0 |
| Benefits | 0 | 0 | 0 | 0 |
| Other Expenses | 0 | 0 | 0 | 0 |
| Total Operating Expenses | 36,570 | 42,506 | 335,655 | 167,279 |
| Revenue Over (Under) Expenses | 5,740 | (12,951) | 25,199 | 18,646 |
| Retained Earnings/Fund Balance January 1 | 13,485 | 200,531 | 140,478 | 1,041,125 |
| Retained Earnings/Fund Balance December 31 | $19,225 | $187,580 | $165,677 | $1,059,771 |

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

| Nonexpendable Trust Funds | | | | |
|---|---|---|---|---|
| Police Pension Fund | Fire Truck Drivers Pension Fund | Nonuniformed Pension Fund | 1999 Total (Memo Only) | 1998 Total (Memo Only) |
| $ 235,408 | $ 92,537 | $171,127 | $ 560,218 | $ 582,118 |
| 0 | 0 | 0 | 361,771 | 364,828 |
| 0 | 0 | 0 | 191,491 | 35,857 |
| 0 | 0 | 0 | 4,236 | 9,085 |
| 256,159 | 60,583 | 104,074 | 420,816 | 403,357 |
| 491,567 | 153,120 | 275,201 | 1,538,532 | 1,395,245 |
| 14,264 | 5,784 | 0 | 213,650 | 131,833 |
| 0 | 0 | 0 | 316,000 | 316,000 |
| 0 | 0 | 0 | 17,000 | 18,000 |
| 0 | 0 | 0 | 3,646 | 4,329 |
| 0 | 0 | 0 | 16,727 | 15,702 |
| 0 | 0 | 0 | 35,035 | 21,747 |
| 201,250 | 52,116 | 0 | 253,366 | 226,336 |
| 0 | 0 | 6,705 | 6,705 | 62,255 |
| 215,514 | 57,900 | 6,705 | 862,129 | 796,202 |
| 276,053 | 95,220 | 268,496 | 676,403 | 599,043 |
| 1,796,306 | 700,471 | 931,201 | 4,823,597 | 4,224,554 |
| $2,072,359 | $795,691 | $1,199,697 | $5,500,000 | $4,823,597 |

CITY OF MONESSEN
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

| | Proprietary Fund Types | | | |
|---|---|---|---|---|
| | Monessen Civic Recreation Authority | Monessen Parking Authority | Mon Valley Refuse Disposal Authority | Redevelopment Authority of the City of Monessen |
| Cash Flows from Operating Activities: | | | | |
| Net Income (Loss) | $5,740 | $(12,951) | $25,199 | $18,646 |
| Adjustment to Reconcile Excess Revenue Over (Under) Expenses to Net Cash Provided by Operating Activities: | | | | |
| Depreciation Expense | 1,535 | 15,192 | 0 | 0 |
| Changes in in Assets and Liabilities: | | | | |
| (Increase) Decrease in Interest Receivable | 0 | 0 | 0 | 0 |
| (Increase) Decrease in Loans Receivable | 0 | 0 | 0 | 79,999 |
| (Increase) Decrease in Accounts Receivable | 0 | 0 | (23,618) | 0 |
| (Increase) Decrease in Grants Receivable | 0 | 0 | (6,228) | 0 |
| Increase (Decrease) in Accounts Payable | (331) | 0 | 0 | 4,303 |
| Increase (Decrease) in Accrued and Withheld Payroll Taxes | 0 | 0 | 0 | 0 |
| Increase (Decrease) in Deferred Revenue | 0 | 0 | 0 | 19,737 |
| Total Adjustments | 1,204 | 15,192 | (29,846) | 104,039 |
| Net Cash Provided (Used) by Operating Activities | 6,944 | 2,241 | (4,647) | 122,685 |
| Cash Flows from Investing Activities: | | | | |
| Purchase of Investments, Net | 0 | (2,751) | 31,472 | 0 |
| Property Acquisitions | (11,670) | 0 | 0 | (42,772) |
| Net Cash Provided (Used) by Investing Activities | (11,670) | (2,751) | 31,472 | (42,772) |
| Net Increase (Decrease) to Cash and Cash Equivalents | (4,726) | (510) | 26,825 | 79,913 |
| Cash and Cash Equivalents, January 1 | 11,777 | 1,372 | 70,662 | 380,427 |
| Cash and Cash Equivalents, December 31 | $ 7,051 | $ 862 | $ 97,487 | $460,340 |
| Supplemental Disclosures of Cash Flow Information: | | | | |
| Cash Paid During the Year for: | | | | |
| Interest | $ 0 | $3,647 | $ 0 | $ 0 |
| Income Taxes | $ 0 | $ 0 | $ 0 | $ 0 |

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

| Nonexpendable Trust Funds | | | | |
|---|---|---|---|---|
| Police Pension Fund | Fire Truck Drivers Pension Fund | Nonuniformed Pension Fund | 1999 Total (Memo Only) | 1998 Total (Memo Only) |
| $ 276,053 | $ 95,220 | $ 268,496 | $676,403 | $ 599,043 |
| 0 | 0 | 0 | 16,727 | 15,702 |
| 0 | 0 | 0 | 0 | 12,838 |
| 0 | 0 | 0 | 79,999 | 234,949 |
| 0 | 0 | 0 | (23,618) | 0 |
| 0 | 0 | 0 | (6,228) | 0 |
| 0 | 0 | 0 | 3,972 | (34,123) |
| 0 | 0 | 0 | 0 | (627) |
| 0 | 0 | 0 | 19,737 | (5,000) |
| 0 | 0 | 0 | 90,589 | 223,739 |
| 276,053 | 95,220 | 268,496 | 766,992 | 822,782 |
| (276,053) | (95,220) | (268,496) | (611,048) | (612,882) |
| 0 | 0 | 0 | (54,442) | (18,392) |
| (276,053) | (95,220) | (268,496) | (665,490) | (631,274) |
| 0 | 0 | 0 | 101,502 | 191,508 |
| 0 | 0 | 0 | 464,238 | 272,730 |
| $ 0 | $ 0 | $ 0 | $565,740 | $464,238 |
| $ 0 | $ 0 | $ 0 | $3,647 | $4,329 |
| $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |

CITY OF MONESSEN
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

## NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. The Reporting Entity

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

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

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

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

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

**NOTE A: (CONTINUED)**

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

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

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

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

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

Based on the foregoing criteria, the financial statements of the following organizations are either included or excluded as indicated in the accompanying financial statements.

Included in the Reporting Entity

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

**NOTE A: (CONTINUED)**

The Monessen Public Library is considered a component unit of the City of Monessen for Internal Revenue Service purposes. Their separately issued financial statements are not included in this report.

2. Fund Accounting

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

**NOTE A: (CONTINUED)**

Fiduciary Fund Types

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

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

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

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

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

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

**NOTE A: (CONTINUED)**

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

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

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

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

4. Basis of Accounting

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

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

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

**NOTE A: (CONTINUED)**

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

5. Budgets and Budgetary Accounting

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

The budgets presented in the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Budgeted Governmental Fund Types" are as amended through December 31, 1999, by Council.

The applicable columns of the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Budgeted Governmental Fund Types" exclude Small Community Projects Fund, and Capital Projects Fund revenues and expenditures of $709,545 and $542,932, respectively.

6. Cash and Cash Equivalents

The City maintains cash accounts for each fund. The City conducts all of its banking and investment transactions through various banks.

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

**NOTE A: (CONTINUED)**

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

The carrying amount of the City's deposits with financial institutions was $568,267 and the bank balance was $667,877. These amounts do not include the balances of the Mon Valley Refuse Disposal Authority, Monessen Parking Authority, the Monessen Civic Recreation Authority, or the Redevelopment Authority of the City of Monessen whose collateralization information is included in separately issued financial statements at December 31, 1999. The bank balance is categorized as follows:

| | |
|---|---|
| Amounts insured by FDIC or collateralized with securities held by the City or by its agent in the City's name. | $200,000 |
| Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution). | 467,877 |
| | $667,877 |

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

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

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

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

**NOTE A: (CONTINUED)**

The following amounts do not include the balances of the Mon Valley Refuse Disposal Authority or Monessen Parking Authority whose collateralization information is included in separately issued financial statements at December 31,1999:

| Description | Category 1 | Category 2 | Category 3 | Total | Carrying Value | Fair Value |
|---|---|---|---|---|---|---|
| Police Retirement | $ 0 | $1,964,365 | $ 0 | $1,964,365 | $2,072,360 | $2,072,360 |
| Fire Truck Driver's Retirement | 0 | 749,666 | 0 | 749,666 | 795,690 | 795,690 |
| Nonuniformed Pension | 0 | 1,199,697 | 0 | 1,199,697 | 1,199,697 | 1,199,697 |
| | $ 0 | $3,913,728 | $ 0 | $3,913,728 | $4,067,747 | $4,067,747 |

8. Accumulated Compensated Absences
The employees of the City are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. Employees are represented by various labor unions and each contract contains different provisions for such employee compensated absences. In addition, management and other nonunion employees also have contracts or agreements with the City that provide for compensated absences. The City has established an amount to be provided for compensated absences in the general long-term debt account group of $30,015 for the year ended December 31, 1999.

9. Revenue Recognition - Property Taxes
Taxes are levied on March 1 and are due and payable at that time. All unpaid taxes levied March 1 become delinquent March 1 of the following year.

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

**NOTE A: (CONTINUED)**

10. Pension Plans

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

11. Reserves of Fund Equity

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

| | Balance at December 31, 1999 |
|---|---|
| Monessen Parking Authority | $ 187,580 |
| Debt Service Fund | 155 |
| Pension Trust Funds | 4,067,747 |
| Total Reserved Fund Balance | $4,255,482 |

12. Comparative Data

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

**NOTE A: (CONTINUED)**

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

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

**NOTE B: MONESSEN PARKING AUTHORITY: FUTURE LEASE RENTALS RECEIVABLE**

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

The lease in effect for the year ended December 31, 1999, provides that the City of Monessen shall pay to the Monessen Parking Authority, as rentals hereunder, the sum of $13,400 on March 15, and September 15, thereafter to and including September 15, 2004. Such rentals shall be payable only out of the current revenues of the City for each year during the term of this agreement. The City shall assume the payment of and shall punctually and faithfully pay, as if the City were primarily liable for the same, all taxes and assessments against the Authority.

**MONESSEN PARKING AUTHORITY: BONDS OUTSTANDING**

The following is a summary of the Authority's long term debt transactions for the year ended December 31, 1999:

| | |
|---|---|
| Debt Outstanding January 1, 1999 | $98,000 |
| Less: Retirements and Repayments | (17,000) |
| Debt Outstanding December 31, 1999 | $81,000 |

Bonds outstanding at December 31, 1999, consist of the Series of 1965, which has interest payable twice annually at a rate ranging from 3 1/8 percent to 3.90 percent. The principal is due semiannually on May 1 and November 1. Bonds are due to mature November 1, 2004.

**NOTE B: (CONTINUED)**

Maturities of long term debt at December 31, 1999, in each of the next five years, are as follows:

| | |
|---|---|
| 2000 | $15,000 |
| 2001 | 15,000 |
| 2002 | 15,000 |
| 2003 | 15,000 |
| 2004 | 21,000 |
| | $81,000 |

**NOTE C: PENSION PLANS**

Police Pension Plan

A. Description of Plan

1. **General**

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

2. **Plan Membership**

Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 1999, discloses that pension plan membership consists of:

| | |
|---|---|
| o Active employees | 12 |
| o Retirees and beneficiaries currently receiving benefits | 24 |
| o Terminated employees entitled to benefits but not yet receiving them | 1 |
| Total | 37 |

**NOTE C: (CONTINUED)**

3. **Benefit Provisions**
Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 1999, discloses that the pension plan benefit provisions are as follows:

- o Eligibility Requirements
Normal Retirement:
Age 55 and the completion of 20 years of service; or age 50 and the completion of 20 years of service if hired prior to January 1,1984.

  Vesting:
100 percent after the completion of 12 years of service.

- o Retirement Benefit
A monthly benefit equal to 50 percent of the greater of monthly pay at retirement or salary averaged over the final 60 months of employment, plus a service increment of 1/40th of normal retirement benefit for each year of completed service in excess of 20 years up to a maximum increment of $100 per month.

- o Death Benefit
For Members Killed-in-Service:
A monthly benefit equal to 50 percent of the participant's monthly pay, is payable to the participant's spouse until death. In the event of death (or no spouse is alive when participant dies), each of the participant's dependent children will receive an equal share of the benefit until their 18th birthday.

  Non-Service Related Death Before Completion of Ten Years of Service:
A monthly benefit equal to 25 percent of the participant's monthly pay is payable to the spouse until the youngest child attains age 18. After the youngest child attains age 18, the benefit drops to 12.5 percent of monthly pay, and is payable until the spouse's death. If the spouse dies prior to the youngest child attaining age 18, the children will share the 25 percent of monthly pay benefit until the youngest attains age 18, at which time no further benefits will be payable.

**NOTE C: (CONTINUED)**

Non-Service Related Death After Completion of Ten Years of Service but Before Retirement Eligibility:
A monthly benefit equal to 50 percent of the participant's monthly pay is payable to the spouse until the youngest child attains age 18. After the youngest child attains age 18, the benefit drops to 25 percent of monthly pay, and is payable until the spouse's death. If the spouse dies prior to the youngest child attaining age 18, the children will share the 50 percent of monthly pay benefit until the youngest attains age 18, at which time no further benefits will be payable.

Non-Service Related Death After Retirement Eligibility:
A monthly benefit equal to 50 percent of the pension the participant was receiving or entitled to receive on the day of the participant's death is payable to the participant's spouse until death. In the event of death, each of the participant's dependent children will receive an equal share of the benefit until their 18th birthday.

- Disability Benefit
  Service Related:
  For total and permanent disablement after the completion of ten years of service, a monthly benefit equal to 50 percent of pay (or average compensation as described above) is payable. Prior to the completion of 10 years of service, 25 percent of pay (or average compensation) is payable.

  Non-Service Related:
  Same

- Vesting
  If eligible (see above) benefit is 50 percent of average pay or pay at termination, multiplied by the ratio of service at termination to service that would have been completed at normal retirement.

- Member Contributions
  Amount or Rate:
  4.0 percent of compensation, plus $13 per year for the service increment.

  Interest Rate Credited to Member Contributions:
  0.0 percent

**NOTE C: (CONTINUED)**

B. Summary of Significant Accounting Policies

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

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

C. Contributions

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

Employees are required to contribute 4 percent of covered payroll, plus $13 per year to the plan. This contribution is governed by the plan's governing ordinances and collective bargaining.

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

D. Investments that Represent 5 Percent or More of Plan Net Assets

At December 31, 1999, the plan had the following investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization that represent 5 percent or more of Plan Net Assets ($2,072,360 x .05 = $103,618).

| | |
|---|---|
| Blackrock Funds (PNC Bank): | |
| Large Cap Value Equity Portfolio | $383,486 |
| Large Cap Growth Equity Portfolio | $476,870 |
| Select Equity Portfolio | $424,708 |
| Core Bond Portfolio | $646,002 |

**NOTE C: (CONTINUED)**

CITY OF MONESSEN
Police Pension Plan

NOTES TO THE SUPPLEMENTARY SCHEDULES

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

| | |
|---|---|
| Actuarial valuation date | January 1, 1999 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 13 years (aggregate) |
| Asset valuation method | Contract value |
| Actuarial assumptions: | |
| Investment rate of return | 7.5 percent |
| Projected salary increases* | 5.0 percent |
| *Includes inflation at | 3.0 percent |

City of Monessen
Police Pension Plan
Required Supplementary Information
Schedule of Funding Progress
1991-1999

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

**NOTE C: (CONTINUED)**

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed, beginning as of January 1, 1991, is as follows:

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) Entry Age | (b-a) Unfunded AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | [(b-a)/c] UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| *01/01/91 | $1,035,575 | $2,385,218 | $1,349,643 | 43.4% | $317,873 | 424.6% |
| 01/01/93 | $1,094,957 | $2,601,521 | $1,506,564 | 42.1% | $417,130 | 361.2% |
| 01/01/95 | $1,179,689 | $2,679,413 | $1,499,724 | 44.0% | $439,421 | 341.3% |
| *01/01/97 | $1,359,915 | $3,041,346 | $1,681,431 | 44.7% | $486,350 | 345.7% |
| 01/01/99 | $1,796,306 | $3,229,554 | $1,433,248 | 55.6% | $514,223 | 278.7% |

* Revised assumptions due to experience review

City of Monessen
Police Pension Plan
Required Supplementary Information
Schedule of Contributions from the Employer
and Other Contributing Entities
1992-1999

| Years Ended December 31, | Annual Required Contribution | Percentage Contributed |
|---|---|---|
| 1992 | $146,345 | 100% |
| 1993 | $170,113 | 102% |
| 1994 | $174,180 | 100% |
| 1995 | $196,245 | 100% |
| 1996 | $202,707 | 100% |
| 1997 | $212,299 | 100% |
| 1998 | $214,188 | 100% |
| 1999 | $235,441 | 100% |

**NOTE C: (CONTINUED)**

Fire Truck Driver's Pension Plan

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

2. **Plan Membership**
   Actuarial Valuation Report Form PC-202C, which was filed with the Public Employee Retirement Commission and dated January 1, 1997, discloses that pension plan membership consists of:

| | |
|---|---|
| o Active employees | 3 |
| o Retirees and beneficiaries currently receiving benefits | 2 |
| o Terminated employees entitled to benefits but not yet receiving them | 0 |
| Total | 5 |

3. **Benefit Provisions**
   Actuarial Valuation Report Form PC-202C, which was filed with the Public Employee Retirement Commission and dated January 1, 1997, discloses that the pension plan benefit provisions are as follows:

   o Eligibility Requirements
   Normal Retirement:
   For participants hired on or before January 1, 1984: Later of age 50 and the completion of 20 years of service. For participants hired after January 1, 1984: Later of age 55 and the completion of 20 years of service.

   Vesting:
   100 percent after the completion of 12 years of service.

   o Retirement Benefit
   A monthly benefit equal to 50 percent of final monthly Compensation (or Average Compensation over the highest five years, if greater) plus a service increment of 1/40th of pension benefit for each year of service in excess of 20 years, but excluding service after age 65. Maximum increment is $100.

**NOTE C: (CONTINUED)**

- Death Benefit
  Before Retirement Eligibility:
  Refund of Contributions without interest.

  After Retirement Eligibility or for Members Killed-in-Service:
  The spouse will receive the amount the participant was receiving or entitled to receive for life or until remarriage. In the event of the spouse's death or remarriage, the participant's children under 18 will share the benefit.

- Disability Benefit
  Service Related:
  For total and permanent disablement, a monthly benefit equal to 50 percent of final monthly compensation (or Average Compensation as above; if greater) will be payable, reduced by any workers' compensation received.

  Non-Service Related:
  None

- Vesting
  If eligible (see above), the benefit is 50 percent of final monthly Compensation (or Average Compensation) at termination, multiplied by the ratio of service at termination to service that would have been completed at normal retirement.

- Member Contributions
  Amount or Rate:
  4.0 percent of compensation plus $1 per month.

  Interest Rate Credited to Member Contributions:
  0.0 percent

**NOTE C: (CONTINUED)**

B. Summary of Significant Accounting Policies

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

2. **Valuation of Investments**
   Plan investments are listed at fair value as reported by Cigna. The pension plan's unallocated insurance contract is valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay administrative expenses charged by the insurance company.

C. Contributions

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

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

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

D. Investments that Represent 5 Percent or More of Plan Net Assets

At December 31, 1998, the plan had the following investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization that represent 5 percent or more of Plan Net Assets ($700,471 x .05 = $35,024).

| | |
|---|---|
| Blackrock Funds (PNC Bank): | |
| Money Market | $ 57,282 |
| Large Cap Value Equity Portfolio | $122,945 |
| Large Cap Growth Equity Portfolio | $133,048 |
| Select Equity Portfolio | $126,857 |
| Core Bond Portfolio | $231,741 |

**NOTE C: (CONTINUED)**

CITY OF MONESSEN
Paid Firetruck Driver's Pension Fund

NOTES TO THE SUPPLEMENTARY SCHEDULES

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

| | |
|---|---|
| Actuarial valuation date | January 1, 1997 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 15 years (aggregate) |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| Investment rate of return | 7.5 percent |
| Projected salary increases* | 5.0 percent |
| *Includes inflation at | 4.0 percent |

City of Monessen
Paid Firetruck Driver's Pension Fund
Required Supplementary Information
Schedule of Funding Progress
1991-1997

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

**NOTE C: (CONTINUED)**

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed, beginning as of January 1, 1991, is as follows:

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) Entry Age | (b-a) Unfunded AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | [(b-a)/c] UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 01/01/91 | $274,081 | $610,292 | $336,211 | 44.9% | $111,547 | 301.4% |
| 01/01/93 | $361,006 | $696,484 | $335,478 | 51.8% | $102,116 | 328.5% |
| 01/01/95 | $422,797 | $753,474 | $330,677 | 56.1% | $ 97,957 | 337.6% |
| *01/01/97 | $501,599 | $792,693 | $291,094 | 63.3% | $112,248 | 259.3% |

* Revised assumptions due to experience review

City of Monessen
Paid Firetruck Driver's Pension Fund
Required Supplementary Information
Schedule of Contributions from the Employer
and Other Contributing Entities
1992-1997

| Years Ended December 31, | Annual Required Contribution | Percentage Contributed |
|---|---|---|
| 1992 | $47,831 | 100% |
| 1993 | $48,565 | 100% |
| 1994 | $44,528 | 100% |
| 1995 | $50,080 | 100% |
| 1996 | $52,084 | 100% |
| 1997 | $56,108 | 100% |
| 1998 | $58,264 | 100% |

## NOTE C: PENSION PLANS

Nonunifored Pension Plan

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

   The plan is governed by the Council of the City of Monessen which is responsible for the management of plan assets. The Council has delegated the authority to manage certain plan assets to PEBSCO.

2. Plan Membership
   As of January 1, 1999, the pension plan's membership consisted of:

| | 1999 |
|---|---|
| Active employees | 32 |
| Retirees and beneficiaries currently receiving benefits | 0 |
| Terminated employees entitled to benefits but not yet receiving them | 1 |
| Total | 33 |

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

   The City makes the required contribution of 8 percent of the participants' compensation. The City's total payroll for the current year was $1,461,953 and the City's contributions were based on a payroll of $784,596. The covered employees made the required contribution of $32,599.

## NOTE D: GENERAL FIXED ASSETS ACCOUNT GROUP

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

| | Building | Equipment | Total |
|---|---|---|---|
| Municipal Building | $1,322,753 | $228,741 | $1,551,494 |
| Hilltop Fire Station | 264,963 | 12,660 | 277,623 |
| City Garage | 415,680 | 175,335 | 591,015 |
| Civic Center | 725,418 | 30,707 | 756,125 |
| Monessen Elementary Center | 0 | 13,090 | 13,090 |
| City Park | 213,583 | 14,538 | 228,121 |
| City Park - Comfort Station and Storage Bldg. | 93,988 | 9,564 | 103,552 |
| City Park - Storage Shed | 2,353 | 0 | 2,353 |
| City Park - Shelter #1 | 5,245 | 0 | 5,245 |
| City Park - Shelter #2 | 12,420 | 0 | 12,420 |
| City Park - Shelter #3 | 6,722 | 0 | 6,722 |
| City Park - Footbridge | 3,603 | 0 | 3,603 |
| Shawnee Park | 2,513 | 1,580 | 4,093 |
| | $3,069,241 | $486,215 | $3,555,456 |

A summary of changes in General Fixed Assets for the year ended December 31, 1999, is as follows:

| | Balance January 1, 1999 | Additions | Disposals | Balance December 31, 1999 |
|---|---|---|---|---|
| Building | $3,039,896 | $ 29,345 | $ 0 | $3,069,241 |
| Equipment | 407,646 | 78,569 | 0 | 486,215 |
| | $3,447,542 | $107,914 | $ 0 | $3,555,456 |

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

The general long-term debt as of December 31, 1999, consists of:

| Description | Original Amount of Issue | Interest Rate | Balance Out-standing 01/01/99 | Net Issued (Retired) During Year | Balance Out-standing 12/31/99 |
|---|---|---|---|---|---|
| General Obligation Term Loans: | | | | | |
| Payable to Mellon Bank | $453,312 | 4.99% | $194,736 | $(55,959) | $138,777 |
| Payable to Mellon Bank | 200,000 | 5.20% | 159,716 | (16,613) | 143,103 |
| Payable to Mellon Bank | 175,000 | 4.62% | 0 | 175,000 | 175,000 |
| | $828,312 | | $354,452 | $102,428 | $456,880 |

The annual requirements to retire the general long-term debt as of December 31, 1999, are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2000 | $ 98,488 | $22,083 | $120,571 |
| 2001 | 102,798 | 17,773 | 120,571 |
| 2002 | 60,795 | 12,661 | 73,456 |
| 2003 | 45,249 | 9,645 | 54,894 |
| 2004 | 47,468 | 7,426 | 54,894 |
| Thereafter | 102,082 | 7,646 | 109,728 |
| Total | $456,880 | $77,234 | $534,114 |

## NOTE F: ACCOUNTS RECEIVABLE, OTHER

Accounts receivable, other, at December 31, 1999, is represented by the following:

| | |
|---|---|
| Sanitation Collection Fees Receivable - City of Monessen | $41,399 |
| Redevelopment Authority of the City of Monessen, Interest Receivable | 13,377 |
| Refuse Removal Fees - Mon Valley Refuse Disposal Authority | 23,618 |
| Total Accounts Receivable, Other | $78,394 |

## NOTE G: PREPAID EXPENSES

Prepaid expenses at December 31, 1999, is represented by the following:

| | |
|---|---|
| Prepaid Employee Benefits - Health Insurance | $30,815 |
| Insurance - Worker Compensation | 15,609 |
| Insurance - Life | 1,130 |
| Police Professional | 5,898 |
| Policy Renewal | 312 |
| Equipment | 9,762 |
| Umbrella Policy | 3,126 |
| | $65,652 |

## NOTE H: DEFERRED REVENUE

The City receives lump sum distributions through various grant programs administered by the Pennsylvania Department of Community Affairs. The funds received are for operation of various programs as authorized by the grant contracts. The unexpended balance of these funds are recorded as deferred revenue. The deferred revenue will be recognized as it is expended throughout the term of the program. Deferred revenue, at December 31, 1999, consists of the following:

| | |
|---|---|
| General Fund: | |
| Real Estate Taxes | $197,320 |
| Redevelopment Authority: | |
| Deferred Grant Money | 19,737 |
| | $217,057 |

## NOTE I: CONTINGENT LIABILITIES

Management is not aware of any threatened litigation, claims, or assessments of any nature involving the City of Monessen.

## SUPPLEMENTARY INFORMATION

| Small Communities Projects | Total |
|---|---|
| $ 0 | $ 284,500 |
| 13,628 | 25,973 |
| 513,417 | 513,417 |
| 291 | 25,366 |
| 527,336 | 849,256 |
| 0 | 50,000 |
| 465,071 | 465,071 |
| 0 | 26,800 |
| 0 | 156,679 |
| 465,071 | 698,550 |
| 62,265 | 150,706 |
| 0 | (204,102) |
| 0 | (204,102) |
| 62,265 | (53,396) |
| 917,739 | 1,097,799 |
| $980,004 | $1,044,403 |

| | Total |
|---|---|
| | |
| | $ 565,740 |
| | 125,415 |
| | 6,228 |
| | 81,000 |
| | 13,377 |
| | 23,618 |
| | 815,378 |
| | 448,139 |
| | 448,139 |
| | 850,231 |
| | (544,412) |
| | 305,819 |
| | 1,569,336 |
| | 19,737 |
| | 36,023 |
| | 323 |
| | 81,000 |
| | 137,083 |
| | 1,244,673 |
| | 187,580 |
| | 1,432,253 |
| | $1,569,336 |

**EXHIBIT 3**

# CITY OF MONESSEN
# COMBINED BALANCE SHEET
# ALL FIDUCIARY FUND TYPES
# DECEMBER 31, 1999

| | Nonexpendable Trust Funds | | | Agency Fund | |
|---|---|---|---|---|---|
| | Police Pension Fund | Fire Truck Driver's Pension Fund | Nonuniformed Pension Fund | Fire Escrow Fund | Total |
| Assets | | | | | |
| Cash | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Investments | 2,072,360 | 795,690 | 1,199,697 | 0 | 4,067,747 |
| Total Assets | 2,072,360 | 795,690 | 1,199,697 | 0 | 4,067,747 |
| Fund Balance: | | | | | |
| Reserved for Employee Pension Benefits | 2,072,360 | 795,690 | 1,199,697 | 0 | 4,067,747 |
| Total Fund Balance | 2,072,360 | 795,690 | 1,199,697 | 0 | 4,067,747 |
| Total Liabilities and Fund Balance | $2,072,360 | $795,690 | $1,199,697 | $ 0 | $4,067,747 |

* Amounts recorded at fair value.

| Program or Award Amount | Total Received For Year | Accrued or (Deferred) Revenue @ 12/31/98 | Revenue Recognized | Expenditures | Accrued or (Deferred) Revenue @ 12/31/99 |
|---|---|---|---|---|---|
| $421,127 | $ 28,983 | $ 0 | $ 38,690 | $ 38,690 | $ 9,707 |
| 417,385 | 237,712 | 21,736 | 226,249 | 226,249 | 10,273 |
| 428,375 | 48,054 | 2,406 | 47,044 | 47,044 | 1,396 |
| 434,502 | 137,406 | 0 | 137,406 | 137,406 | 0 |
| | 452,155 | 24,142 | 449,389 | 449,389 | 21,376 |
| 96,500 | 0 | 0 | 0 | 0 | 0 |
| 195,500 | 10,000 | 0 | 10,000 | 10,000 | 0 |
| 163,250 | 69,604 | 15,576 | 54,028 | 54,028 | 0 |
| 109,050 | 6,000 | 6,000 | 0 | 0 | 0 |
| | 85,604 | 21,576 | 64,028 | 64,028 | 0 |
| | 537,759 | 45,718 | 513,417 | 513,417 | 21,376 |
| $150,000 | 45,446 | 6,568 | 52,673 | 52,673 | 13,795 |
| | $583,205 | $52,286 | $566,090 | $566,090 | $35,171 |

CITY OF MONESSEN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Monessen and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

# SINGLE AUDIT REPORTS

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**Lawrence J. Nicolette, CPA (1943-1991)**


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

We have performed the Single Audit of the City of Monessen for the year ended December 31, 1999, and have enclosed the Single Audit reporting package.

The single audit was done to fulfill the requirements of OMB Circular A-133. It entailed: 1. an audit of the general purpose financial statements and our opinion thereon; 2. an examination of the schedule of expenditures of federal awards and our opinion thereon; 3. a review of the internal control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; 4. a review of the internal control structure made as a part of the audit of the federal awards programs; 5. a review of compliance based on an audit of the general purpose financial statements in accordance with *Government Auditing Standards*; and 6. a review of compliance with laws and regulations related to the federal awards programs and our opinion thereon.

As part of our report, we have enclosed a Management Letter.

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
August 16, 2000



MEMBER: PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CITY OF MONESSEN

## - LIST OF REPORT DISTRIBUTION -

- City of Monessen - Ten copies of the Single Audit Report Package.

- County of Westmoreland, Planning Department, 601 Courthouse Square, Greensburg, Pennsylvania 15601, Attn: Mr. Andrew Jonczak - One copy of the Single Audit Report Package.

- Commonwealth of Pennsylvania, Office of the Budget, Bureau of Audits, Bell Tower - 6th Floor, 303 Walnut Street, Harrisburg, Pennsylvania 17101-1830 - Attn: Subrecipient Audit Review - Five copies of the Single Audit Report package.

- Bureau of the Census, Data Preparation Division, 1201 East 10 Street, Jeffersonville, Indiana 47132, Attn: Single Audit Clearing House - Two copies of the Single Audit Report Package.

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## MANAGEMENT LETTER

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

We have audited the general purpose financial statements of the City of Monessen for the year ended December 31, 1999, and have issued our report thereon dated August 16, 2000.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the City of Monessen for the year ended December 31, 1999, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the City of Monessen is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in condition or that the effectiveness of the design and operation of policies and procedures may deteriorate.



MEMBER: PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

We obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We are pleased to note that all of the prior year's recommendations have been implemented in the current year.

This information is intended solely for the information of the City of Monessen. This restriction, however, is not intended to limit the distribution of this report, which is a matter of public record.

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
August 16, 2000

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

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

We have audited the financial statements of the City of Monessen as of and for the year ended December 31, 1999, and have issued our report thereon dated August 16, 2000. In our report, our opinion on the general purpose financial statements was qualified because, as discussed in Note A-3 to the financial statements, the City of Monessen has consistently valued the assets in the General Fixed Asset Account Group at appraised value rather than at historical cost, as prescribed by generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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



MEMBER: PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

This report is intended for the information of the board of directors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Sarp & Company

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
August 16, 2000

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

We have audited the compliance of the City of Monessen with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The City of Monessen's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal 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 generally accepted auditing standards; 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 on the City of Monessen's compliance with those requirements.

In our opinion, the City of Monessen complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.



MEMBER: PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the board of directors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Sarp & Company

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
August 16, 2000

CITY OF MONESSEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

1. Summary of Auditors' Results

**Financial Statement Items:**

- The auditors' report expresses a qualified opinion on the general purpose financial statements due to the recording of fixed assets at appraised value rather than at historical cost as prescribed by generally accepted accounting principles.
- No reportable conditions were disclosed.
- No instances of noncompliance that would be material to the financial statements were found.

**Single Audit Items:**

- No reportable conditions were disclosed on internal controls over major programs.
- The auditors' report on compliance for major programs is unqualified.
- There were no audit findings for the year ended December 31, 1999.
- The Community Development Block Grant Program (CFDA# 14.228) was tested as a major program.
- The dollar threshold between Type A programs and Type B programs is $300,000.
- City of Monessen was determined to be a non-low-risk auditee.

2. Findings Relating to the Financial Statements Audited in Accordance with *Government Auditing Standards*

NONE

3. Findings and Questioned Costs for Major Federal Award Programs

NONE

CITY OF MONESSEN
REPORT ON STATUS OF PRIOR YEAR
COMPLIANCE FINDINGS AND INTERNAL CONTROL WEAKNESSES
FOR THE YEAR ENDED DECEMBER 31, 1999

**N/A**

CITY OF MONESSEN
SINGLE AUDIT RESPONSE AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 1999

**N/A**