Here are several **interesting findings** from the **City of Monessen's 1998 audit report**:

---

1. Qualified Audit Opinion

- The audit report includes a **qualified opinion**, which means the auditor could not fully verify all aspects of the financial statements.
- Specifically, the **wage tax collector's records were not audited**, and **fixed assets were recorded at appraised value instead of historical cost**, violating GAAP (Generally Accepted Accounting Principles) .

🟐 **Why it's interesting**: This indicates transparency issues in key revenue areas and nonstandard accounting practices, both of which limit financial reliability.

---

2. General Fund Operating Deficit

- The General Fund ran a **net operating deficit of $120,619**, yet still reported a **year-end fund balance of $330,248**.
- The deficit was offset by **interfund transfers ($204,102)** and a **small asset sale ($550)** .

🟐 **Why it's interesting**: The city technically stayed in the black, but only because of internal money shifting — not from a strong revenue base.

---

3. Major Reliance on Intergovernmental Aid

- The **Special Revenue Funds** received $513,417 in intergovernmental revenues, over 60% of that fund's total.
- The largest portion came from **Community Development Block Grants (CDBG)**.

🟐 **Why it's interesting**: This shows **heavy dependence on grants**, which may not be guaranteed from year to year — a risk for long-term sustainability.

---

4. No Depreciation and Incomplete Asset Accounting

- The city did **not depreciate assets** or include **infrastructure (roads, bridges, etc.)** in financial statements.
- Asset values were also based on **appraisals**, not actual cost .

🟐 **Why it's interesting**: This limits the city's ability to plan for future capital investment and distorts its financial position.

---

5. Component Units Included

- Four component units were reported: Parking Authority, Refuse Disposal Authority, Civic Recreation Authority, and Redevelopment Authority.
- These entities had small net assets and minimal financial activity, but they represent **separate, city-related bodies with potential liabilities or influence** .

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6. Bond Liability from the 1960s Still Outstanding

- The city still carried debt for **parking revenue bonds issued in 1965**.
- As of 1998, **$81,000 remained** and was scheduled to be fully paid off by 2004.

🟐 **Why it's interesting**: It highlights the **long lifespan of public debt** and the city's ongoing obligation to legacy projects.

CITY OF MONESSEN
WESTMORELAND COUNTY, PENNSYLVANIA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

CITY OF MONESSEN

- TABLE OF CONTENTS -

	Page
Independent Auditors'Report	1,2
Combined Balance Sheet - All Fund Types and Account Groups	3,4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	5,6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Budgeted Governmental Fund Types	7,8
Combined Statement of Revenues, Expenses, and Changes in Retained Eamings/Fund Balance - All Proprietary Fund Types and Similar Trust Funds	9
Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds	10,11
Notes to Financial Statements	12-46
Supplementary Information	47
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Special Revenue Funds - **Exhibit 1**	48
Combined Balance Sheet - All Proprietary Fund Types - **Exhibit 2**	49
Combined Balance Sheet - All Fiduciary Fund Types - **Exhibit 3**	50
Schedule of Expenditures of Federal Awards **- Exhibit 4**	51
Note to Schedule of Expenditures of Federal Awards	52
Single Audit Reports	53
Transmittal Letter	54

CITY OF MONESSEN

- TABLE OF CONTENTS -
(CONTINUED)

	Page
List of Report Distribution	55
Management Letter	56,57
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	58,59
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	60,61
Schedule of Findings and Questioned Costs	62
Report on Status of Prior Year Compliance Findings and Internal Control Weaknesses	63
Single Audit Response and Corrective Action Plan	64
Required Supplementary Information:	
Year 2000 Comment	65

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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, 1998, 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, 1998, 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

The Year 2000 Supplementary Information on page 65 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the City of Monessen is or will become Year 2000 compliant, that the City of Monessen's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of Monessen does business are or will become Year 2000 compliant.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 14, 1999, 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
June 14, 1999

CITY OF MONESSEN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and Cash Equivalents	$111,243	$233,053	$298	$45,109
Investments	0	0	0	0
Accounts Receivable:				
Taxes	181,651	0	0	0
Other, (Note F)	47,128	0	0	0
Due from Other Funds	15,862	0	0	0
Due from Other Governments	6,568	45,718	0	0
Loans Receivable, Recipients	0	854,847	0	0
Prepaid Expenses, (Note G)	78,291	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-7)	0	0	0	0
Future Lease Rentals Receivable to Retirement of Bonded Debt, (Note B)	0	0	0	0
Total Assets	440,743	1,133,618	298	45,109
Liabilities and Fund Balance				
Accounts Payable	12,877	18,673	0	0
Accrued Liabilities	0	0	0	0
Long Term Debt, Current Portion	0	0	0	0
Notes Payable, Long Tenn Portion, (Note E)	0	0	0	0
Bonded Debt, Parking Authority:				
Parking Revenue Bonds Series of 1966 Long Term Portion (Note B)	0	0	0	0
Due to Other Governments	0	1,284	0	0
Deferred Revenue (Note H)	181,651	0	0	0
Due to Other Funds	0	15,862	0	0
Other Liabilities	0	0	0	0
Accumulated Compensated Absences Payable (Note A-7)	0	0	0	0
Total Liabilities	194,528	35,819	0	0

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		1998	1997
Enterprise Funds	Trust and Agency	General Fixed Assets	General Long Term Debt	Total (Memo Only)	Total (Memo Only)
$464,238	$0	$0	$0	$853,941	$532,035
154,137	3,427,978	0	0	3,582,115	3,141,334
0	0	0	0	181,651	208,406
13,377	0	0	0	60,505	68,729
0	0	0	0	15,862	13,640
0	0	0	0	52,286	21,033
528,138	0	0	0	1,382,985	1,653,802
0	0	0	0	78,291	42,068
795,789	0	3,447,542	0	4,243,331	4,158,272
(527,686)	0	0	0	(527,686)	(511,984)
0	0	0	298	298	221
0	0	0	354,154	354,154	423,286
0	0	0	35,598	35,598	27,243
98,000	0	0	0	98,000	116,000
1,525,993	3,427,978	3,447,542	390,050	10,411,331	9,894,085
32,051	0	0	0	63,601	83,189
323	0	0	0	323	950
0	0	0	72,529	72,529	69,039
0	0	0	281,923	281,923	354,468
98,000	0	0	0	98,000	116,000
0	0	0	0	1,284	1,052
0	0	0	0	181,651	213,406
0	0	0	0	15,862	13,639
0	0	0	0	0	5,000
0	0	0	35,598	. 35,598	27,243
130,374	0	0	390,050	750,771	883,986

CITY OF MONESSEN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 3 L 1998
(CONTINUED)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Fund Balances:				
Unreserved	246,215	1,097,799	0	45,109
Reserved (Note A-l 1)	0	0	298	0
Investment in Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Total Fund Balances	246,215	1,097,799	298	45,109
Total Liabilities and Fund Balances	$440,743	$1,133,618	$298	$45,109

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups			
Enterprise Funds	Trust and Agency	General Fixed Assets	General Long Term Debt	1998 Total (Memo Only)	1997 Total (Memo Only)
0	0	0	0	1,389,123	1,404,449
200,531	3,427,978	0	0	3,628,807	3,037,312
0	0	3,447,542	0	3,447,542	3,380,875
1,195,088	0	0	0	1,195,088	1,187,463
1,395,619	3,427,978	3,447,542	0	9,660,560	9,010,099
$1,525,993	$3,427,978	$3,447,542	$390,050	$10,411,331	$9,894,085

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 3 L 1998

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	$1,978,579	$302,185	$65,677	$0
Licenses and Permits	138,542	0	0	0
Fines and Forfeits	49,629	0	0	0
Interest, Rents, and Royalties	23,621	29,778	77	1,389
Intergovernmental Revenue	83,084	380,825	0	0
Charges for Services	486,264	0	0	0
Miscellaneous Revenue	498,816	50,695	0	3,000
Total Revenue	3,258,535	763,483	65,754	4,389
Expenditures:				
General Government	419,801	0	0	52,665
Public Safety	870,134	0	0	0
Health and Welfare	58,044	0	0	0
Public Works:			0	0
Sanitation	306,637	0	0	0
Highways, Roads, and Streets	476,230	180,902	0	0
Other	5,147	0	0	0
Culture, Recreation	179,062	0	0	0
Conservation and Development	99,405	472,340	0	0
Debt Service	24,991	0	65,677	0
Miscellaneous Expenditures	869,825	0	0	0
Lease Bond Payments	0	26,800	0	0
Payments to Other Governmental Entities	0	0	0	0
Total Expenditures	3,309,276	680,042	65,677	52,665
Excess of Revenues Over (Under) Expenditures	(50,741)	83,441	77	(48,276)

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

	1998 Total (Memo Only)	1997 Total (Memo Only)
	$2,346,441	$2,238,263
	138,542	100,962
	49,629	48,366
	54,865	61,770
	463,909	705,192
	486,264	494,794
	552,511	501,767
	4,092,161	4,151,114
	472,466	583,161
	870,134	899,892
	58,044	54,777
	306,637	299,573
	657,132	659,524
	5,147	18,566
	179,062	176,176
	571,745	556,738
	90,668	93,672
	869,825	845,853
	26,800	13,400
	0	259,528
	4,107,660	4,460,860
	(15,499)	(309,746)

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 3 L 1998
(CONTINUED)

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Other Financing Sources (Uses):				
Proceeds of General Fixed Asset Disposition	250	0	0	0
Operating Transfers In	157,567	0	0	0
Operating Transfers Out	0	(157,567)	0	0
Proceeds of Long Term Debt	0	0	0	0
Total Other Financing Sources (Uses)	157,817	(157,567)	0	0
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	107,076	(74,126)	'll	(48,276)
Fund Balance, January 1	139,139	1,171,925	221	93,385
Adjustment to Fund Balance	0	0	0	0
Fund Balance, December 31	$246,215	$1,097,799	$298	$45,109

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

	1998 Total (Memo Only)	1997 Total (Memo Only)
	250	2,550
	157,567	158,943
	(157,567)	(158,943)
	0	200,000
	250	202,550
	250	202,550
	1,404,670	2,130,468
	0	(618,602)
	$1,404,920	$1,714,416

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 31,1998

	GENERAL			SPECIAL REVENUE	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
Revenues:					
Taxes	$1,998,742	$1,978,579	($20,163)	$341,922	$302,185
Licenses and Permits	129,000	138,542	9,542	0	0
Fines and Forfeits	55,000	49,629	(5,371)	0	0
Interest, Rents and Royalties	23,000	23,621	621	5,300	20,341
Intergovernmental Revenue	86,900	83,084	(3,816)	0	0
Charges for Services	512,217	491,264	(20,953)	0	0
Miscellaneous Revenue	479,350	493,816	14,466	39,000	35,968
Total Revenue	3,284,209	3,258,535	(25,674)	386,222	358,494
Expenditures:					
General Government	448,922	419,801	29,121	0	0
Public Safety	944,562	870,134	74,428	0	0
Health and Welfare	58,812	58,044	768	0	0
Public Works :					
Sanitation	304,000	306,637	(2,637)	0	0
Highways, Roads, and Streets	527,344	476,230	51,114	165,622	180,902
Other	19,950	5,147	14,803	0	0
Culture, Recreation	175,620	179,062	(3,442)	0	0
Conservation and Development	58,487	99,405	(40,918)	0	0
Debt Service	25,000	24,991	9	0	0
Miscellaneous Expenditures	933,712	869,825	63,887	0	0
Lease Bond Payments	0	0	0	13,400	26,800
Total Expenditures	3,496,409	3,309,276	187,133	179,022	207,702
Excess Revenues Over (Under) Expenditures	(212,200)	(50,741)	161,459	207,200	150,792
Other Financing Sources (Uses):					
Proceeds of General Fixed Asset Disposition	5,000	250	(4,750)	0	0
Operating Transfers In	0	157,567	157,567	0	0
Operating Transfers Out	0	0	0	0	(157,567)
Total Other Financing Sources (Uses)	5,000	157,817	152,817	0	(157,567)

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)	**1998 Total (Memo Only)**	**1997 Total (Memo Only)**
($39,737)	$62,499	$65,677	$3,178	$2,346,441	$2,238,263
0	0	0	0	138,542	100,962
0	0	0	0	49,629	48,366
15,041	0	77	77	44,039	30,468
0	0	0	0	83,084	281,979
0	0	0	0	491,264	494,794
(3,032)	0	0	0	529,784	476,435
(27,728)	62,499	65,754	3,255	3,682,783	3,671,267
0	0	0	0	419,801	425,334
0	0	0	0	870,134	897,487
0	0	0	0	58,044	54,777
0	0	0	0	306,637	299,573
(15,280)	0	0	0	657,132	659,524
0	0	0	0	5,147	18,566
0	0	0	0	179,062	176,176
0	0	0	0	99,405	67,091
0	62,499	65,677	(3,178)	90,668	93,672
0	0	0	0	869,825	845,491
(13,400)	0	0	0	26,800	13,400
(28,680)	62,499	65,677	(3,178)	3,582,655	3,551,091
(56,408)	0	77	77	100,128	120,176
0	0	0	0	250	2,550
0	0	0	0	157,567	158,943
(157,567)	0	0	0	(157,567)	(158,761)
(157,567)	0	0	0	250	2,732

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES,EXPENDITTJRES,AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALL BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 3 L1998
(CONTINUED)

	GENERAL			SPECIAL REVENUE	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
Excess Revenues and Other Sources Over (Under) Expenditures and Other Financing Uses	($207,200)	107,076	$314,276	$207,200	(6,775)
Fund Balance, January 1		139,139			186,835
Fund Balance, December 31		$246,215			$180,060

SPECIAL REVENUE		DEBT SERVICE			
Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	**1998 Total (Memo Only)**	**1997 Total (Memo Only)**
($213,975)	$0	77	$77	100,378	122,908
		221		326,195	203,287
		$298		$426,573	$326,195

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
NON EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 3 L 1998

	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	$214	$29,651	$6,702	$21,981
Charges for Services	14,932	0	349,896	0
Intergovernmental Revenue	28,000	0	7,857	0
Other Revenue	71	0	770	8,244
Contributions	0	0	0	0
Total Operating Revenue	43,217	29,651	365,225	30,225
Operating Expenses:				
General Government	0	4,201	16,495	76,290
Public Works:				
Sanitation	0	0	316,000	0
Debt Service	0	18,000	0	0
Interest Expense	0	4,329	0	0
Depreciation Expense	510	15,192	0	0
Culture and Recreation	21,747	0	0	0
Benefits	0	0	0	0
Other Expenses	0	0	0	0
Total Operating Expenses	22,257	41,722	332,495	76,290
Revenue Over (Under) Expenses	20,960	(12,071)	32,730	(46,065)
Retained Eamings/Fund Balance January 1	(7,475)	212,602	107,748	1,087,190
Adjustment to Retained Earnings	0	0	0	0
Retained Eamings/Fund Balance December 31	$13,485	$200,531	$140,478	$1,041,125

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	**1998 Total (Memo Only)**	**1997 Total (Memo Only)**
$294,894	$123,610	$105,066	$582,118	$257,004
0	0	0	364,828	349,896
0	0	0	35,857	293,141
0	0	0	9,085	21,662
233,753	62,953	106,651	403,357	379,339
528,647	186,563	211,717	1,395,245	1,301,042
15,212	19,635	0	131,833	103,008
0	0	0	316,000	323,706
0	0	0	18,000	16,030
0	0	0	4,329	4,992
0	0	0	15,702	15,192
0	0	0	21,747	55,416
202,471	23,865	0	226,336	233,835
0	0	62,255	62,255	0
217,683	43,500	62,255	796,202	752,179
310,964	143,063	149,462	599,043	548,863
1,485,342	557,408	781,739	4,224,554	3,057,089
0	0	0	0	618,602
$1,796,306	$700,471	$931,201	$4,823,597	$4,224,554

CITY OF MONESSEN
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 3L1998

	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)	$20,960	($12,071)	$32,730	($46,065)
Adjustments to Reconcile Excess Revenue Over (Under) Expenses to Net Cash Provided by Operating Activities:				
Depreciation Expense	510	15,192	0	0
Retained Earnings Adjustment	0	0	0	0
Increase (Decrease) in Assets and Liabilities:				
(Increase) Decrease in Interest Receivable	0	0	2,425	10,413
(Increase) Decrease in Loans Receivable	0	0	0	234,949
Increase (Decrease) in Accounts Payable	(2,528)	0	(27,618)	(3,977)
Increase (Decrease) in Accrued and Withheld Payroll Taxes	(230)	0	(397)	0
Increase (Decrease) in Deferred Revenue	(5,000)	0	0	0
Increase (Decrease) in Other Liabilities	0	0	0	0
Total Adjustments	(7,758)	0	(25,590)	241,385
Net Cash Provided (Used) by Operating Activities	13,712	3,121	7,140	195,320
Cash Flows From Investing Activities:				
Purchase of Investments, Net	0	(2,921)	(6,472)	0
Property Acquisitions	(1,943)	0	0	(16,449)
Net Cash Provided (Used) by Investing Activities	(1,943)	(2,921)	(6,472)	(16,449)
Net Increase (Decrease) to Cash and Cash Equivalents	11,769	200	668	178,871

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	**1998 Total (Memo Only)**	**1997 Total (Memo Only)**
$310,964	$143,063	$149,462	$599,043	$548,864
0	0	0	15,702	15,313
0	0	0	0	618,602
0	0	0	12,838	(5,487)
0	0	0	234,949	(691,569)
0	0	0	(34,123)	37,042
0	0	0	(627)	(540)
0	0	0	(5,000)	5,000
0	0	0	0	0
0	0	0	208,037	(655,554)
310,964	143,063	149,462	822,782	527,225
(310,964)	(143,063)	(149,462)	(612,882)	(378,739)
(310,964)	(143,063)	(149,462)	(612,882)	(378,739)
0	0	0	209,900	148,486

CITY OF MONESSEN
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31,1998
(CONTINUED^

	PROPRIETARY FUND TYPES			
	Monessen Civic Recreation Authority	Monessen Parking Authority	Mon Valley Refuse Disposal Authority	Redevelopment Authority of the City of Monessen
Cash and Cash Equivalents, Januaiy 1,	8	1,172	69,994	201,556
Cash and Cash Equivalents, December 31,	$11,777	$1,372	$70,662	$380,427
Supplemental Disclosures of Cash Flow Information:				
Cash Paid During the Year for:				
Interest	$0	$4,329	$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	Nonunifonned Pension Fund	**1998 Total (Memo Only)**	**1997 Total (Memo Only)**
0	0	0	272,730	124,244
$0	$0	$0	$482,630	$272,730
$0	$0	$0	$4,329	$4,992
$0	$0	$0	$0	$0

CITY OF MONESSEN
WESTMORELAND COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

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.

NOTEA: (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.

NOTEA: (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.

NOTEA: (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).

NOTEA: (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.

NOTEA: (CONTINUED)

AU 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.

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, 1998, 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 $409,377 and $525,005, respectively.

6. Cash and Cash Equivalents

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

The City's deposits are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes deposits that are uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

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.

NOTEA: (CONTINUED)

At December 31, 1998, the carrying amount of the City's deposits was $389,703, and the bank balance was $464,761. Of the bank balance, $200,622 was covered by Federal Depository Insurance and $264,139 was covered by collateral held by its banks, PNC and Mellon Bank, but not in the City's name. These amounts do not include ±e balances of the Mon Valley Refuse Disposal Authority, Monessen Parking Authority, the Monessen Civic Recreation Authority, which are all covered under Federal Depository Insurance or the Redevelopment Authority of the City of Monessen whose collateralization information is included in its separately issued financial statements at December 31, 1998.

	Catesory			Total Bank	Carrying	Fair
Description	L	2	3	Balance	Amount	Value
Mellon Bank	$100,000	$ 0	$220,128	$320,128	$315,870	$315,870
PNC Bank	100,000	0	44,011	144,011	73,211	73,211
PLGIT	622	0	0	622	622	622
	.$.200.622	L_5	3234J39	$464.761	.W2Q3	$389,703

7. Investments

At December 31, 1998, the carrying amount of the City's investments was $3,582,115. Of this amount, $96,472 were investments made by the Mon Valley Refuse Disposal Authority, and $57,665 were investments made by the Monessen Parking Authority. The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity'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 but not in the entity's name. The City invested only in securities authorized by the Department of Community and Economic Development's Fiscal Management Handbook.

	Category			Carrying	Fair
Description	1	2	3	Amount	Value
Police Retirement	$0	$1,796,306	$0	$1,796,306	$1,796,306
Fire Truck Driver's Retirement	0	700,471	0	700,471	700,471
Nonuniformal Pension	0	931,201	0	931,201	931,201
	LQ	$3.427.978	LQ	$3.427.978	£3,427.278

NOTEA: (CONTINUED)

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 die 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 $35,598 for the year ended December 31, 1998.

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.

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).

The City did not have available all information for required disclosure in conformity with GASB 25 "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and GASB 27 "Accounting for Pension Plans by State and Local Governmental Employers." Therefore, the following information is presented in conformity with GASB 5 "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers."

NOTEA: (CONTINUED)

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, 1998
Monessen Parking Authority	$ 200,531
Debt Service Fund	298
Pension Trust Funds	3,427,978
Total Reserved Fund Balance	$3,628,807

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.

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.

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, 1998, 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.

NOTES: (CONTINUED)

MONESSEN PARKING AUTHORITY: BONDS OUTSTANDING

The following is a summary of the Authority's long term debt transactions for the year ended December 31, 1998:

Debt Outstanding January 1, 1998	$116,000
Less: Retirements and Repayments	(18,000)
Debt Outstanding December 31, 1998	$ 98.000

Bonds outstanding at December 31, 1998, 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.

Maturities of long term debt at December 31, 1998, in each of the next five years, are as follows:

1999	$15,000
2000	15,000
2001	15,000
2002	15,000
2003	15,000
2004	23,000
	$98.000

NOTEC: PENSION PLANS

The City of Monessen has a police pension plan that covers the uniformed employees (police department), a paid fire truck driver's pension plan, and a service employees' pension plan that covers the nonuniformed employees.

a. Police Pension Plan Description - The City of Monessen governs the City of Monessen Police Pension Plan (The Plan), a single employer defined benefit pension plan.

   City of Monessen payroll for employees covered by the Plan for the year ended December 31, 1998, was $489,125 which is 35 percent of total payroll of $1,411,578.

NOTEC: (CONTINUED)

The Plan's assets consist of cash and insurance/annuity cash surrender values. The Plan's administrator is Connecticut General Life Insurance Company. The most recent actuarial report available for the Plan was prepared by Mockenhaupt Associates and was dated January 1, 1997. Actuarial reports are required biennially.

As of January 1, 1997, the Plan membership consisted of twelve (12) active participants.

As of December 31, 1998, the police pension plan's benefit provisions were as follows:

1. Normal Retirement

Eligibility:	Later of age 55 or the completion of 20 years of Service. Employees hired prior to January 1, 1984, may retire at the later of age 50 and the completion of 20 years of Service. Retirement is mandatory at age 70.
Amount of Benefit:	A monthly benefit equal to 50 percent of monthly Pay (or Average Pay, if greater) plus Service Increment, if any.

2. Disability

Eligibility:	Total and permanent disablement.
Amount of Benefit:	If the participant has completed ten or more years of Service, 50 percent of monthly Pay. If the participant has completed less than ten years of Service, 25 percent of monthly Pay.

NOTE C: (CONTINUED)

2. Disability (Continued)

Benefit Commencement Date:	First day of calendar month following disablement and continuing for duration of Disability and life thereafter. After the participant dies, 100 percent of the benefit will continue to the spouse until the youngest child attains age 18, at which time 50 percent of the benefit will continue to the spouse until she dies or remarries. If there is no spouse when the participant dies, 100 percent of the benefit will be payable to the surviving children, if any, until the youngest attains age 18.

3. Vesting

Schedule:	100 percent after the completion of 12 years of Service
Amount of Benefit:	50 percent of Pay (or Average Pay) at termination times the ratio of Service at termination to Service at Normal Retirement.

4. Death Benefits

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 or remarriage. In the event of death or remarriage (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.

NOTEC: (CONTINUED)

4. Death Benefits (Continued)

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 or remarriage. If the spouse dies or remarries 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.
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 or remarriage. If the spouse dies or remarries 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.

NOTE C: (CONTINUED)

Death Benefits (Continued)

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 or remarriage. In the event of death or remarriage, each of the participant's dependent children will receive an equal share of the benefit until their 18th birthday.

5. Employee Contributions

Mandatory:	Participants will contribute 4.0 percent of their Pay plus $13 per year for the Service Increment. Service Increment contributions cease at age 70.
Refund:	Accumulated contributions without interest.

Summary of Significant Accounting Policies and Plan Asset Matters - Basis of Accounting -The Plan's financial statements are prepared using the accrual basis of accounting. Contributions to the Plan are recognized as revenues in the period in which employee services are performed.

The following is a summary of actuarial data as of January 1, 1997

SUMMARY OF ACTUARIAL DATA

1. Actuarial present value of future benefits as of valuation date.	$3,826,191
2. Actuarial present value of future normal cost as of valuation date.	$ 784,845

NOTEC: (CONTINUED)

3. Actuarial accrued liability as of valuation date.	$3,041,346
4. Actuarial value of assets, including aggregate insurance/annuity cash surrender value, as of valuation date.	$1,359,915
5. Unfunded actuarial accrued liability as of valuation date (+ or -)	$1,681,431
6. Normal cost (employer & employee), excluding administrative expenses, payable as of valuation date for the plan year beginning on valuation date:	
a. As a dollar amount	$ 67,225
b. As a percentage of total annual payroll	13.822%
7. Average administrative expenses payable from the assets of the pension plan for the plan year beginning on valuation date.	$ 7,782
8. Annual covered payroll of active members as of valuation date.	$ 486,350
9. Amortization contributions:	
a. For amortization of initial unfunded actuarial accrued liability established January 1, 1985.	
1. Amortization period remaining (years)	18
2. Amortization contribution calculated as a level dollar amount for the plan year beginning on valuation date.	$ 80,187
3. Amortization contribution calculated as a level percentage of payroll for the plan year beginning on valuation date.	N/A
b. For amortization of all increases or decreases in unfunded actuarial accrued liability occurring after January 1, 1985 or the initial UAL's establishment.	
1. Aggregated amortization period (years)	11
2. Aggregated amortization contribution calculated as a level dollar amount for the plan year beginning on valuation date.	$ 108,167
c. Total amortization requirement	$ 188,354

NOTEC: (CONTINUED)

10. Actual or estimated member contributions to the pension plan for the year beginning on the valuation date.	$19,610
11. Actuarial present value of insurance/annuity contract cash values at retirement as of valuation date.	N/A
12. Adjusted actuarial present value of future benefits as of valuation date (1 - 11)	N/A
13. Adjusted actuarial present value of future normal costs as of valuation date.	N/A
14. Adjusted actuarial accrued liability as of valuation date.	N/A
15. Actuarial value of assets, excluding aggregate insurance/annuity cash surrender value, as of valuation date.	N/A
16. Adjusted unfunded actuarial accrued liability as of valuation date (+or-)	N/A
17. Adjusted normal cost, excluding administrative expenses, payable as of valuation date for the plan year beginning on valuation date.	N/A
18. Annual insurance/annuity premium payments for the plan year beginning on valuation date.	N/A
19. Gross adjusted normal cost for the plan year beginning on valuation date (17 + 18):	
a. As a dollar amount	N/A
b. As a percentage of payroll	N/A
20. Adjusted amortization contribution calculated as a level dollar amount for the plan year beginning on valuation date.	N/A

NOTEC: (CONTINUED)

Actuarial Assumptions - In preparing the actuarial report and minimum obligation required, the actuary assumed an investment earnings rate of 7.5 percent and a salary projection increase of 5.0 percent.

Funding Status and Progress - The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future, as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the pension plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is independent of the funding method used to determine the contributions to the pension plan.

The actuarial costs of this plan are determined under the Entry Age Normal Actuarial Benefit Method as described in Act 205 of 1984. The total contribution (the Financial Requirements of the Pension Plan) is made up of three components: normal cost, administrative expense, and amortization payment (or funding adjustment).

The normal cost for each active participant covered by the plan is calculated to be the annual contribution necessary to completely fund his pension by his retirement age. Contributions are assumed to begin with the year of employment and to be a constant percentage of the participant's annual pay. The normal cost for the plan is the sum of these individually computed amounts. The plan normal cost is expressed as a percentage of the total annual payroll of the participants to be used in the budgeting of required contributions.

Contributions Required and Contributions Made - The actuarial computed minimum municipal obligation of contributions required to the pension plan for 1998 was $214,188. Actual contributions made for the year ending December 31, 1998, were as follows:

Employee	$ 19.565
City of Monessen	$214J88

NOTEC: (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

Ten-year 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.

The actuarial information is required by act 205 biennially, except for distressed pension plans, which require annual reporting. The ten-year historical information required to be disclosed, beginning as of January 1, 1985, is as follows:

Valuation Hale.	(1) Actuarial Value of Assets	(2) Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded (Assets in Excess of) Accrued Liability (2)/(1)	(5) Annual Covered Payroll	(6) Unfunded (Assets in Excess of) Accrued Liability as a % of Payroll (4)/(5)
01/01/88						
01/01/89	$ 974,857	$2,137,162	45.6%	$1,162,305	$274,982	422.7%
01/01/90						
01/01/91	1,035,575	2,835,218	36.5%	1,799,643	317,873	566.2%
01/01/92						
01/01/93	1,094,957	2,601,521	42.1%	1,506,564	417,130	361.2%
01/01/94						
01/01/95	1,179,689	2,679,413	44.0%	1,499,724	439,421	341.3%
01/01/96						
01/01/97	$1,359,915	$3,041,346	44.71%	$1,681,431	$486,350	345.72%
01/01/98						

Information for years not shown is unavailable.

NOTEC: (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

REVENUES BY SOURCE

Calendar Year	Municipal Contribution	State Aid	Total	Percentage of of Covered Payroll	Employee Contribution
1988	$ 31,692	$ 62,170	$ 93,862	$ 0	$11,327
1989	0	130,000	130,000	0	12,728
1990	30,299	90,021	120,320	0	14,181
1991	48,260	94,609	142,869	0	13,377
1992	48,423	97,922	146,345	0	17,390
1993	74,829	95,284	170,113	0	18,490
1994	79,892	94,288	174,180	0	15,918
1995	101,510	94,735	196,245	0	16,883
1996	98,850	103,857	202,707	0	17,622
1997	112,927	99,372	212,299	0	19,182
1998	$117,299	$ 96,889	$214,188	$ 0	$19,565

Information for years not shown is unavailable.

Net Investment Income	Other Revenue	Total
$ 84,050	$ 7,015	$196,254
86,714	8,442	237,884
97,448	2,800	234,749
98,769	333	255,348
86,479	93	250,307
76,137	0	264,740
79,862	0	269,960
89,476	0	302,604
89,316	0	309,645
105,703	0	337,184
$294,894	$ 0	$528,647

NOTEC: (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

EXPENSES BY TYPE

Calendar Year	Pension Payments	Refund of Contributions	Administrative Expenses	Other Expenses	Total
1988	$150,865	$ 0	$ 8,167	$ 0	$159,032
1989	192,004	346	9,533	0	201,883
1990	199,147	1,828	9,057	0	210,032
1991	212,753	0	9,433	0	222,186
1992	213,400	0	10,687	0	224,087
1993	218,777	0	11,294	0	230,071
1994	212,522	0	12,874	0	225,396
1995	210,749	0	6,752	0	217,501
1996	206,057	0	8,722	0	214,779
1997	202,016	0	9,077	0	211,093
1998	$202,471	$ 0	$15,212	$ 0	$217,683

Information for years not shown is unavailable.

Three Year Historical Trend Information

Year Ending 12/31	Net Assets Available as a Percentage of Pension Benefit Obligation	Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll	Employer Contributions as a Percentage of Annual Covered Payroll
1996	44.00%	307.10%	41.51%
1997	44.71%	339.22%	42.83%
1998	44.71%	343.76%	43.79%

Net Assets Available for Benefits as of January 1, 1997

Net Assets at Beginning of Year (Market Value)	$1,264,792
Revenues:	
Member Contributions	17,880
General Municipal Pension System State Aid	90,000
Municipal Contributions	112,707
Supplemental State Assistance Grant	0
Interest Earnings	89,316
Dividend Income	0
Realized Capital Gains	0
Other Revenues or Credits:	
Donations	0
Total Revenues	$ 309,903

NOTEC: (CONTINUED)

Expenses:	
Total Benefit Payments (Lump Sum)	$ 0
Total Benefit Payments (Monthly)	206,057
Annuity Purchases (Lump Sum)	0
Insurance Premiums	0
Refund of Member Contributions	0
Administrative Expenses	8,723
Realized Capital Losses	0
Other Expenses or Debits:	
Benefits Payable - 1994 COLA	0
Total Expenses	214,780
Net Change in Market Value of Assets (Unrealized Capital Gains or Losses)	0
Net Assets at End of Year (Market Value)	$1,359,9 L5

Pension Benefit Obligation

As ofjanuary 1, 1997, the unfunded pension benefit obligation was $1,681,431 as follows:

1.	Pension Benefit Obligation for:	
a.	Retirees and Beneficiaries Currently Receiving Benefits	$1,925,341
b.	Terminated Employees not yet Receiving Benefits	0
c.	Current Employees	
1.	Accumulated Employee Contributions Including Interest	150,777
2.	Employer-Financed Vested	462,482
3.	Employer-Financed Nonvested	502.746
d.	Total Pension Benefit Obligation *	3,041,346
2.	Net Assets Available for Benefits at Reported Value	1,359,915
3.	Unfunded Pension Benefit Obligation	$ 1,68,1 A31

** Because the Plan and Plan Sponsor meet the exemptions described in footnote 5 of GASB Statement No. 5, the Total Pension Benefit Obligation presented is the Actuarial Accrued Liability determined under the Entry Age Normal Actuarial Cost Method.*

NOTE C: (CONTINUED)

b. Paid Fire Truck Drivers Pension Plan Description - The City of Monessen governs the City of Monessen Paid Fire Truck Drivers Pension Plan (The Plan), a single employer defined benefit pension plan.

City of Monessen payroll for employees covered by the Plan for the year ended December 31, 1998, was $117,225 which is 8.3 percent of total payroll of $1,411,578.

The Plan's assets consist of cash and insurance/annuity cash surrender values. The Plan's administrator is Connecticut General Life Insurance Company. The most recent actuarial report available for the Plan was prepared by Mockenhaupt Associates and was dated January 1, 1997. Actuarial reports are required biennially.

As of January 1, 1997, the Plan membership consisted of three (3) active participants.

As of December 31, 1998, the pension plans benefit provisions were as follows:

1. Normal Retirement

Eligibility:	For participants hired after January 1, 1984: Later of age 55 or the completion of 20 years of Service. For participants hired on or before January 1, 1984: Later of age 50 or the completion of 20 years of Service.
Amount of Benefit:	A monthly benefit equal to 50 percent of the greater of final monthly Compensation or Average Compensation.

2. Disability

Eligibility:	Total disablement due to service-related injury.
Amount of Benefit:	Prospective Normal Retirement Benefit at date of disablement reduced by any workers' compensation payments received.

NOTEC: (CONTINUED)

Benefit Commencement Date:	First day of calendar month following disablement and continuing for duration of Disability prior to Normal Retirement Age and life thereafter, with the benefit continuing to the surviving spouse after death.

3. Vesting

Schedule:	100 percent after the completion of 12 years of Service.
Amount of Benefit:	50 percent of final monthly Compensation (or Average Compensation) at termination times the ratio of Service at termination to Service at Normal Retirement.

4. Death Benefits

Before Retirement Eligibility:	Refund of contributions.
After Retirement Eligibility or for Members Killed-in-Service:	A monthly benefit equal to 100 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 (if married to the participant at retirement), until death or remarriage. In the event of death or remarriage, each of the participant's dependent children will receive an equal share of the benefit until their 18 th birthday.

NOTEC: (CONTINUED)

5. Employee Contribution

Mandatory:	Participants will contribute 4.0 percent of their wages plus $1 per month for Service Increment. The $1 per month contribution shall cease upon the attainment of age 65.
Refund:	Accumulated contributions without interest if participant terminates without eligibility for benefits. Deceased participants with no surviving spouse or children under the age of 18 will have their contributions paid to their estate.

Summary of Significant Accounting Policies and Plan Asset Matters - Basis of Accounting -The Plan's financial statements are prepared using the accrual basis of accounting. Contributions to the Plan are recognized as revenues in the period in which employee services are performed.

The following is a summary of actuarial data as of January 1, 1997

SUMMARY OF ACTUARIAL DATA

1. Actuarial present value of future benefits as of valuation date.	$906,421
2. Actuarial present value of future normal cost as of valuation date.	$113,728
3. Actuarial accrued liability as of valuation date.	$792,693
4. Actuarial value of assets, including aggregate insurance/annuity cash surrender value, as of valuation date.	$501,599
5. Unfunded actuarial accrued liability as of valuation date (+or-)	$291,094

NOTEC: (CONTINUED)

6. Normal cost (employer & employee), excluding administrative expenses, payable as of valuation date for the plan year beginning on valuation date:	
a. Asa dollar amount	$ 22,575
b. As a percentage of total annual payroll	20.112%
7. Average administrative expenses payable from the assets of the pension plan for the plan year beginning on valuation date.	$ 5,051
8. Annual covered payroll of active members as of valuation date.	$112,248
9. Amortization contributions:	
a. For amortization of initial unfunded actuarial accrued liability established January 1, 1985.	
1. Amortization period remaining (years)	18
2. Amortization contribution calculated as a level dollar amount for the plan year beginning on valuation date.	$ 22,769
3. Amortization contribution calculated as a level percentage of payroll for the plan year beginning on valuation date.	N/A
b. For amortization of all increases or decreases in unfunded actuarial accrued liability occurring after January 1, 1985 or the initial UAL's establishment.	
1. Aggregated amortization period (years)	9
2. Aggregated amortization contribution calculated as a level dollar amount for the plan year beginning on valuation date.	$ 8,455
c. Total amortization requirement	$ 31,224
10. Actual or estimated member contributions to the pension plan for the year beginning on the valuation date.	$ 4,489
11. Actuarial present value of insurance/annuity contract cash values at retirement as of valuation date.	N/A

NOTEC: (CONTINUED)

12. Adjusted actuarial present value of future benefits as of valuation date (1-11)	N/A
13. Adjusted actuarial present value of future normal costs as of valuation date.	N/A
14. Adjusted actuarial accrued liability as of valuation date.	N/A
15. Actuarial value of assets, excluding aggregate insurance/annuity cash surrender value, as of valuation date.	N/A
16. Adjusted unfunded actuarial accrued liability as of valuation date (+ or -)	N/A
17. Adjusted normal cost, excluding administrative expenses, payable as of valuation date for the plan year beginning on valuation date.	N/A
18. Annual insurance/annuity premium payments for the plan year beginning on valuation date.	N/A
19. Gross adjusted normal cost for the plan year beginning on valuation date (17 + 18):	
a. As a dollar amount	N/A
b. As a percentage of payroll	N/A
20. Adjusted amortization contribution calculated as a level dollar amount for the plan year beginning on valuation date.	N/A

Actuarial Assumptions - In preparing the actuarial report and minimum obligation required, the actuary assumed an investment earnings rate of 7.5 percent and a salary projection increase of 5.0 percent.

NOTEC: (CONTINUED)

Funding Status and Progress - The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future, as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the pension plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is independent of the funding method used to determine the contributions to the pension plan.

The actuarial costs of this plan are determined under the Entry Age Normal Actuarial Benefit Method as described in Act 205 of 1984. The total contribution (the Financial Requirements of the Pension Plan) is made up of three components: normal cost, administrative expense, and amortization payment (or funding adjustment).

The normal cost for each active participant covered by the plan is calculated to be the annual contribution necessary to completely fund his pension by his retirement age. Contributions are assumed to begin with the year of employment and to be a constant percentage of the participant's annual pay. The normal cost for the plan is the sum of these individually computed amounts. The plan normal cost is expressed as a percentage of the total annual payroll of the participants to be used in the budgeting of required contributions.

Contributions Required and Contributions Made - The actuarial computed minimum municipal obligation of contributions required to the pension plan for 1998 was $58,264. Actual contributions made for the year ending December 31, 1998, were as follows:

Employee	$ 4.689
City of Monessen	$58.264

NOTEC: (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

Ten-year 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.

The actuarial information is required by act 205 biennially, except for distressed pension plans, which require annual reporting. The ten-year historical information required to be disclosed, beginning as of January 1, 1985, is as follows:

Valuation Hate	1 Actuarial Value of Assets	2 Accrued Liability	3 Percentage Funded (l)/(2)	4 Unfunded (Assets in Excess of) Accrued Liability (2)/(l)	5 Annual Covered Payroll	6 Unfunded (Assets in Excess of) Accrued Liability as a % of Payroll (4)/(5)
01/01/88						
01/01/89	$208,966	$505,337	41.4%	$296,371	$ 99,836	296.9%
01/01/90						
01/01/91	274,081	610,292	44.9%	336,211	111,547	301.4%
01/01/92						
01/01/93	361,006	696,484	51.8%	335,478	102,116	328.5%
01/01/94						
01/01/95	422,797	753,474	56.11%	330,677	97,957	337.57%
01/01/96						
01/01/97	$501,599	$792,693	63.28%	$291,094	$112,248	259.33%
01/01/98						

Information for years not shown is unavailable.

NOTEC: (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

REVENUES BY SOURCE

Calendar Year	Municipal Contribution	State Aid	Total	Percentage of of Covered Payroll	Employee Contribution
1988	$11,083	$20,723	$31,806		$3,775
1989					
1990	600	35,008	35,608		4,249
1991	600	47,297	47,897		4,495
1992	15,190	32,641	47,831		3,940
1993	16,804	31,761	48,565		3,488
1994	13,098	31,430	44,528		3,850
1995	18,856	31,224	50,080		4,088
1996	22,701	29,383	52,084		4,260
1997	25,034	31,074	56,108		7,247
1998	$25,968	$32,296	$58,264		$4,689

Information for years not shown is unavailable.

Net Investment Income	Other Revenue	Total
$ 10,090	$1,502	$47,173
18,188	0	58,045
26,698	0	79,090
33,458	892	86,121
25,837	0	77,890
33,998	0	82,376
32,438	0	86,606
35,132	0	91,476
35,990	0	96,345
$123,610	$ 0	$186,563

NOTE C: (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

EXPENSES BY TYPE

Calendar Year	Pension Payments	Refund of Contributions	Administrative Expenses	Other Expenses	Total
1988	$26,121	$ 0	$ 0	$ 0	$26,121
1989					
1990	26,721	0	595	0	27,316
1991	26,621	0	4,169	0	30,790
1992	43,072	0	4,423	0	47,495
1993	44,613	0	4,566	0	49,179
1994	44,613	0	4,683	0	49,296
1995	47,542	0	4,890	0	52,432
1996	42,370	0	5,138	0	47,508
1997	31,819	0	8,718	0	40,537
1998	$23,864	$ 0	$19,635	$ 0	$43,499

Information for years not shown is unavailable.

Three Year Historical Trend Information

Yc.arEnding_12Zll	Net Assets Available as a Percentage of Pension Benefit Obligation	Unfunded Pension Benefit Obligation as a Percentage o£AQiw.aLCoyered_Paxmll	Employer Contributions as a Percentage of Annual Covered Payroll
1996	56.11%	294.59%	46.40%
1997	63.28%	265.08%	51.09%
1998	63.28%	248.32%	49.70%

Net Assets Available for Benefits as of January 1, 1997

Net Assets at Beginning of Year (Market Value)	$45^271
Revenues:	
Member Contributions	4,260
General Municipal Pension System State Aid	28,783
Municipal Contributions	23,301
Supplemental State Assistance Grant	0
Interest Earnings	35,132
Dividend Income	0
Realized Capital Gains	0
Other Revenues or Credits:	
Miscellaneous	660
Total Revenues	$.92,136

NOTEC: (CONTINUED)

Expenses:	
Total Benefit Payments (Lump Sum)	$ 0
Total Benefit Payments (Monthly)	42,370
Annuity Purchases (Lump Sum)	0
Insurance Premiums	0
Refund of Member Contributions	0
Administrative Expenses	5,138
Realized Capital Losses	0
Other Expenses or Debits:	
Benefits Payable - 1994 COLA	0
Total Expenses	$ 47,508
Net Change in Market Value of Assets (Unrealized Capital Gains or Losses)	$____ Q
Net Assets at End of Year (Market Value)	$501,599

Pension Benefit Obligation

As of January 1, 1997, the unfunded pension benefit obligation was $291,094 as follows:

1. Pension Benefit Obligation	
a. Retirees and Beneficiaries Currently Receiving Benefits	$292,131
b. Terminated Employees not yet Receiving Benefits	0
c. Current Employees	
1. Accumulated Employee Contributions Including Interest	49,822
2. Employer-financed Vested	278,862
3. Employer-financed Nonvested	171,878
d. Total Pension Benefit Obligation *	$792,693
2. Net Assets Available for Benefits at Reported Value	501,599
3. Unfunded Pension Benefit Obligation	$29L094

* *Because the Plan and Plan Sponsor meet the exemptions described in footnote 5 of GASB Statement No. 5, the Total Pension Benefit Obligation presented is the Actuarial Accrued Liability determined under the Entry Age Normal Actuarial Cost Method.*

NOTE C: PENSION PLANS

c. Pension Plan Description

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, 1997, the pension plan's membership consisted of:

	JL297
Active employees	31
Retirees and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	0
Total	31

3. Funding Policy

Participants are required to contribute 4 percent of their compensation to the plan and may voluntarily contribute an additional 6 percent.

The City makes the required contribution of 5 percent of the participants' compensation. The City's total payroll for the current year was $1,411,578 and the City's contributions were based on a payroll of $807,900. Both the City and the covered employees made the required contributions, amounting to $32,316 each.

NOTE D: GENERAL FIXED ASSETS ACCOUNT GROUP

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

	Building	Equipment	Total
Municipal Building	$1,321,202	$228,741	$1,549,943
Hilltop Fire Station	264,963	12,660	277,623
City Garage	415,680	96,766	512,446
Civic Center	697,624	30,707	728,331
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
	$3,039,896	$407,646	$3,447,542

A summary of changes in General Fixed Assets for the year ended December 31, 1998, is as follows:

	Balance January 1, 1998	Additions	Disposals	Balance December 31, 1998
Building	$2,992,431	$47,465	$ 0	$3,039,896
Equipment	388,444	19,202	0	407,646
	$3,380,875	$66,667	$ 0	$3,447,542

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

The general long-term debt as of December 31, 1998, consists of:

Description	Original Amount o tissue	Interest Rate	Balance Out-standing 01/0.1/28	Net Issued (Retired) During Year	Balance Out-standing 12/21/28
General Obligation Term Loans:					
Payable to Mellon Bank	$453,312	4.99%	$248,036	$(53,300)	$194,736
Payable to Mellon Bank	200,000	5.20%	175,471	(15,755)	159,716
	$653,312		$423,507	$(69,055)	$354,452

The total principal and interest paid during the current year is $69,055 and $21,612, respectively.

The annual requirements to retire the general long-term debt as of December 31, 1998, are as follows:

Year Ending December 31,	Principal	Interest	Total
1999	$ 72,529	$18,138	$ 90,667
2000	76,804	13,863	90,667
2001	80,076	10,591	90,667
2002	37,009	6,543	43,552
2003	20,349	4,642	24,991
Thereafter	67,685	7,271	74,956
Total	$354,452	$61,048	$41.5_.5QQ

NOTE F: ACCOUNTS RECEIVABLE, OTHER

Accounts receivable, other, at December 31, 1998, is represented by the following:

Sanitation Collection Fees Receivable - City of Monessen	$47,128
Redevelopment Authority of the City of Monessen, Interest Receivable	13,377
Total Accounts Receivable, Other	$60,505

NOTEG: PREPAID EXPENSES

Prepaid expenses at December 31, 1998, is represented by the following:

Prepaid Employee Benefits - Health Insurance	$30,102
Insurance - Worker Compensation	16,147
Insurance - Life	1,169
Police Professional	6,023
Policy Renewal	312
Equipment	18,238
Umbrella Policy	6,300
	$78,291

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, 1998, consists of the following:

General Fund:	
Real Estate Taxes	$181,651

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

EXHIBIT 1

CITY OF MONESSEN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31,1998

	Liquid Fuels	Off Street Parking	Capital Reserve Fund	Small Communities Program	Total
Revenue:					
Taxes	$175,970	$0	$126,215	$0	$302,185
Interest, Rents, and Royalties	7,561	851	11,929	9,437	29,778
Intergovernmental Revenue	0	0	0	380,825	380,825
Miscellaneous	0	35,968	0	14,727	50,695
Total Revenue	183,531	36,819	138,144	404,989	763,483
Expenditures:					
General Government	0	0	0	0	0
Payments to Other Governmental Entities	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Public Safety	0	0	0	0	0
Community Redevelopment	0	0	0	472,340	472,340
Lease Bond Payments	0	26,800	0	0	26,800
Capital Expenditures	0	0	180,902	0	180,902
Total Expenditures	0	26,800	180,902	472,340	680,042
Excess of Revenues Over (Under) Expenditures	183,531	10,019	(42,758)	(67,351)	83,441
Other Financing Uses:					
Operating Transfers Out	(157,567)	0	0	0	(157,567)
Total Other Financing Uses	(157,567)	0	0	0	(157,567)
Excess Revenue Over (Under) Expenditures and Other Financing Uses	25,964	10,019	(42,758)	(67,351)	(74,126)
Fund Balance, January 1, 1997	30,101	13,655	143,079	985,090	1,171,925
Fund Balance, December 31, 1998	$56,065	$23,674	$100,321	$917,739	$1,097,799

CITY OF MONESSEN
COMBINED BALANCE SHEET
ALL PROPRIETARY FUND TYPES
DECEMBER 31, 1998

EXHIBIT 2

	Monessen Civic Recreation Authority	Monessen Parking Authority	Mon Valley Refuse Disposal Authority	Redevelopment Authority of the City of Monessen	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	$11,777	$1,372	$70,662	$380,427	$464,238
Investments	0	57,665	96,472	0	154,137
Future Lease Rental Receivables	0	98,000	0	0	98,000
Interest Receivable	0	0	0	13,377	13,377
Total Current Assets	11,777	157,037	167,134	393,804	729,752
Noncurrent Assets:					
Loans Receivable	**0**	0	**0**	528,138	528,138
Total Noncurrent Assets	0	0	0	528,138	528,138
Fixed Assets	2,791	607,669	60,759	124,570	795,789
Less: Accumulated Depreciation	(752)	(466,175)	(60,759)	0	(527,686)
Net Fixed Assets	2,039	141,494	0	124,570	268,103
Total Assets	13,816	298,531	167,134	1,046,512	1,525,993
Liabilities and Retained Eamings/Fund Balance					
Liabilities:					
Accounts Payable	331	0	26,333	5,387	32,051
Accrued Liabilities	0	0	323	0	323
Parking Revenue Bonds, Series of 1965	0	98,000	0	0	98,000
Total Liabilities	331	98,000	26,656	5,387	130,374
Retained Eamings/Fund Balance					
Unreserved	13,485	0	140,478	1,041,125	1,195,088
Reserved by Parking Authority Trust Indenture	0	200,531	0	0	200,531
Total Retained Eamings/Fund Balance	13,485	200,531	140,478	1,041,125	1,395,619
Total Liabilities and Retained Eamings/Fund Balance	$13,816	$298,531	$167,134	$1,046,512	$1,525,993

EXHIBIT 3

CITY OF MONESSEN
COMBINED BALANCE SHEET
ALL FIDUCIARY FUND TYPES
DECEMBER 31,1998

	NON EXPENDABLE TRUST FUNDS			AGENCY FUND	
	Police Pension Fund	Fire Truck Drivers Pension Fund	Nonuniformed Pension Fund	Fire Escrow Fund	Total
Assets					
Cash	$0	$0	$0	$0	$0
Investments	1,796,306	700,471	931,201	0	3,427,978
Total Assets	1,796,306	700,471	931,201	0	3,427,978
Fund Balance					
Reserved for Employee Pension Benefits	1,796,306	700,471	931,201	0	3,427,978
Total Fund Balance	1,796,306	700,471	931,201	0	3,427,978
Total Liabilities and Fund Balance	$1,796,306	$700,471	$931,201	$0	$3,427,978

♦ Amounts recorded at fair value.

Program or Award Amount	Total Received For Year	Accrued or (Deferred) Revenue ≤® 12/31/97	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue @ 12/31/98
$417,385	$ 0	$ 0	$21,736	$21,736	$21,736
428,375	242,368	12,233	232,541	232,541	2,406
434,502	25,156	0	25,156	25,156	0
444,626	0	0	0	0	0
422,484	13,795	0	13,795	13,795	0
381,898	0	0	0	0	0
	.281,313	-.12.233	_ 293.228	_ 223.228	-24J42
195,500	0	0	0	0	0
163,250	0	0	15,576	15,576	15,576
109,050	74,821	8,800	72,021	72,021	6,000
86,250	0	0	0	0	0
	_74,821	 8,800	,,. ..87,527	__87,597	..21316
	_ 356.140	.21,0.33	. 38.0.82.5	380825	.45,7.18
$150,000	34,773	0	41,341	41,341	6,568
	$390.913	$21,033	$422,166	$422,166	$52,286

CITY OF MONESSEN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

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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Donald R. Sarp, Partner Emeritus
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, 1998, 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
June 14, 1999

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

CITY OF MONESSEN

- LIST OF REPORT DISTRIBUTION -

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

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

o 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.

o 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, 1998, and have issued our report thereon dated June 14, 1999.

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, 1998, 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 pennit 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.

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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

Sarp & Company
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
June 14, 1999 ’

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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, 1998, and have issued our report thereon dated June 14, 1999. 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

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control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level ±e 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
CERTIFIED PUBLIC ACCOUNTANTS

Greensburg, Pennsylvania
June 14, 1999

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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, 1998. 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, 1998.

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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
June 14, 1999

CITY OF MONESSEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998

1. Summary of Auditors' Results

Financial Statement Items:

o 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.

o No reportable conditions were disclosed.

o No instances of noncompliance that would be material to the financial statements were found.

Single Audit Items:

o No reportable conditions were disclosed on internal controls over major programs.

o The auditors' report on compliance for major programs is unqualified.

o There were no audit findings for the year ended December 31, 1998.

o The Community Development Block Grant Program (CFDA# 14.228) was tested as a major program.

o The dollar threshold between Type A programs and Type B programs is $300,000.

o City of Monessen was not determined to be a 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, 1998

N/A

CITY OF MONESSEN

SINGLE AUDIT RESPONSE AND CORRECTIVE ACTION, PLAN

FOR THE YEAR ENDED DECEMBER 3 L 1998

N/A

CITY OF MONESSEN
YEAR 2000 COMMENT

The Year 2000 issue results from a computer's (both mainframe and personal computers) inability to process year-date data accurately beyond the year 1999. Except in recently introduced Year 2000 compliant programs, computer programmers consistently have abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 19. Thus, January 1, 1965, became 01/01/65. Unless corrected, this shortcut is expected to create widespread problems when the clock strikes 12:00:01 a.m. on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and process data incorrectly or stop processing altogether.

The Year 2000 issue is likely to affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the Year 2000. The Year 2000 problem can also exist in equipment that has embedded computer chips, e.g. phone systems, fax machines, elevators, HVAC systems, security systems, fire detection systems, construction equipment, etc.

We recommend that the City of Monessen take the necessary actions to immediately begin to identify, modify, and test all systems and equipment that may be negatively affected by the Year 2000 issue, particularly mission-critical systems. This program should be monitored closely to ensure completion before mission-critical systems begin to fail. Such failures may be evident before January 1, 2000. If the City of Monessen fails to take timely and appropriate action, it may experience costly and significant application program and/or equipment failures that could prevent it from performing its normal processing and operating activities. Depending on the extent of system and/or equipment failures, noncompliance could have catastrophic consequences for the City of Monessen.

Also, the City of Monessen should implement additional verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party organizations with whom it exchanges date-dependent information, because these organizations also must become Year 2000 compliant. City of Monessen also should satisfy itself that vendors, service providers, bankers, customers, and other third-party organizations will not experience problems relating to the Year 2000 issue that could affect the City of Monessen's operations or cash flows.