CITY OF MONESSEN

WESTMORELAND COUNTY, PENNSYLVANIA

ANNUAL FINANCIAL REPORT
AS OF DECEMBER 31, 2017



Cypher & Cypher

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CITY OF MONESSEN

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Independent Auditor's Report

To the Mayor and Members of City Council
City of Monessen
Westmoreland County, Pennsylvania

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monessen, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to

design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Monessen as of December 31, 2017 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages i through vii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Monessen's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CYPHER & CYPHER

Cypher & Cypher

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
August 16, 2018

Management's Discussion & Analysis

CITY OF MONESSEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

As management of the City of Monessen (City), Pennsylvania, we offer readers of the City's financial statements this narrative overview and analysis of the financial performance of the City for the fiscal year ended December 31, 2017. Please read this Management's Discussion and Analysis in conjunction with the financial statements which follow in order to obtain a thorough understanding of the City's financial condition at December 31, 2017.

FINANCIAL HIGHLIGHTS

- The City's net position, as presented, was $1,209,438 at December 31, 2017, a decrease of $(1,281,884) from 2016.
- At the end of the current fiscal year, the City had total bonds, notes, and leases outstanding of $6,952,108.
- The real estate tax millage rate remained at 37.43 mills for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also contains other required supplementary information and supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements report on the City's net position and how they have changed.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources, and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements indicate that the functions of the City are principally supported by taxes and intergovernmental revenue (*governmental activities.)* The City also participates in a function that is intended to recover all or a significant portion of its costs through

user fees and charges (*business-type activities).* The governmental activities of the City encompass general government, public safety, public works, culture and recreation, and debt service activities. The business-type activities include the rental of the City's Eastgate building. As of May 1, 2017 the City's Eastgate building has been sold.

Fund Financial Statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The City reports governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintained ten governmental funds during 2017. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered a major fund. The other governmental funds are the Liquid Fuels Fund, Canine Fund, Library Fund, Parks Fund, Debt Service Fund, Small Communities Projects Fund, Line Usage Fee Fund, Recreation Board Fund and Capital Projects Fund. Data from these other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for some of its governmental funds. A budgetary comparison statement has been provided for the major fund to demonstrate compliance with this budget.

The governmental financial statements can be found on pages 1 through 7 of this report.

Proprietary Funds - The City maintains one proprietary fund. An Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its building rental operations.
Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 8 through 10 of this report.

Fiduciary Funds - *Fiduciary funds* are used to account for assets held in a trustee capacity. The City's fiduciary fund consists of its pension funds.

Fiduciary funds are reported on the accrual basis of accounting whereas revenues are recorded when earned and expenses are recorded when a liability is incurred.

The fiduciary funds financial statements can be found on pages 11 through 12 of this report.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 13 through 39 of this report.

FINANCIAL ANALYSIS OF THE CITY

As noted earlier, net position may serve over time as a useful indicator of a government agency's financial position. Net position increases when revenues exceed expenses. In the case of the City, assets exceeded liabilities by $1,209,438 at the close of the fiscal year.

A condensed summary of the City's net position at December 31, 2017 and 2016 is as follows.

	2017	2016	Variance
Assets and Deferred Outflows of Resources			
Assets:			
Current Assets	1,731,331	1,420,043	311,288
Capital non-current assets	11,444,141	11,546,683	(102,542)
Total Assets	13,175,472	12,966,726	208,746
Deferred Outflows of Resources	501,659	306,053	195,606
Total Assets and Deferred Outflows of Resources	13,677,131	13,272,779	404,352
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities:			
Current and other liabilities	621,539	591,186	30,353
Non-current liabilities	11,500,666	11,358,486	142,180
Total Liabilities	12,122,205	11,949,672	172,533
Deferred Inflows of Resources	345,488	15,907	329,581
Net Position:			
Net Investment in capital assets	4,397,581	4,389,239	8,342
Restricted	496,371	277,285	219,086
Unrestricted	(3,684,514)	(3,359,324)	(325,190)
Total Net Position	1,209,438	1,307,200	(97,762)
Total Liabilities, Deferred Inflows of Resources and Net Position	13,677,131	13,272,779	404,352

Assets remained relatively consistent with the prior year. The Deferred Outflows and Deferred Inflows are for the Police and Fire Truck Driver's Pension Plans that was added with the implementation of GASB Statement No. 68 in 2015.

The City has short-term obligations and they include accounts payable, unearned revenues, liabilities payable from restricted assets, other postemployment benefits and long-term liabilities that come due within one year. Increase in current and other liabilities was mainly due to increase in accounts payable and current portion of capital leases.
The increase in non-current liabilities is mainly due to an increase in the net pension liability and the new capital leases.
A condensed summary of the City's change in net position for the fiscal years ended December 31, 2017 and 2016 for all funds is as follows:

	Governmental Activities		Business-type Activities		Totals	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Program Revenues:						
Charges for Services	$ 1,804,050	$ 1,600,040	$ 37,881	$ 105,554	$ 1,841,931	$ 1,705,594
Grants and Contributions	824,236	1,039,083			824,236	1,039,083
					-	-
General revenues and transfers:					-	-
Real estate taxes	2,173,830	2,215,439			2,173,830	2,215,439
Earned income taxes and other ta	731,148	737,793			731,148	737,793
Investment earnings	13,966	432	3,269	527	17,235	959
Miscellaneous Income	(85,967)	181,292	(746,927)	3,521	(832,894)	184,813
Transfers	236,750	80,000	(236,750)	(80,000)	-	-
Total Revenues	5,698,013	5,854,079	(942,527)	29,602	4,755,486	5,883,681
Program Expenses:						
General Government	2,329,611	2,146,402			2,329,611	2,146,402
Public Safety	980,969	921,637			980,969	921,637
Health and Sanitation	963,440	987,570	54,286	231,881	1,017,726	1,219,451
Highways and Streets	488,532	403,671			488,532	403,671
Culture and Recreation	131,067	280,916			131,067	280,916
Capital	478,198	449,736			478,198	449,736
Conservation and Development	297,898	253,845			297,898	253,845
Interest on Long Term Debt	313,369	317,186			313,369	317,186
Total Program Expenses	5,983,084	5,760,963	54,286	231,881	6,037,370	5,992,844
Change in Net Position	(285,071)	93,116	(996,813)	(202,279)	(1,281,884)	(109,163)
Net Position - beginning	1,307,200	1,207,073	1,184,122	1,365,825	2,491,322	2,572,898
Prior Period Adjustment		7,011		20,576	-	27,587
Net Position - ending	$ 1,022,129	$ 1,307,200	$ 187,309	$ 1,184,122	$ 1,209,438	$ 2,491,322

Overall, the City had an increase in revenue, as there were more grants and more charges for service in 2017, though operating grants and contributions did increase. Expenses decreased in 2017 as a result of a decrease in highways and streets and a decrease in culture and recreation.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds - The focus of the City's *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government agency's net resources available for spending at the end of the fiscal year.

As of the end of 2017, the City's governmental funds reported combined ending fund balance of $151,070. ($402,919) of this amount constitutes *unassigned fund balance.*

BUDGETARY HIGHLIGHTS

During the year, actual General Fund revenues were 6.7%, or $(252,355), less than budgetary estimates; expenditures were less than budgetary estimates by $(235,337) or 6.1%. The net change in fund balance had a variance of $327,920 (actual versus budget) after calculating other financing sources (uses).

A detailed budgetary comparison statement for the General Fund can be found on page 7 of this report.

Revenue variances are the result of the city not receiving as much in licenses and permit fee revenues as expected. Expenditure variances are the result of increased liabilities of the City at the end of the year.

DEBT ADMINISTRATION

Long-Term Debt - At the end of the current fiscal year, the City had total bonds, loans, and leases outstanding of $6,952,108. More detailed information about the City's debt activity can be found in Note 4 to the financial statements.

CAPITAL ASSETS

Capital assets can be found in Note 3 to the financial statements.

ECONOMIC OUTLOOK

As is the case with most local governments, the City is struggling to continue to provide its citizens the same level of service that they have come to expect over the years. The City Council has taken great strides toward restoring the City to a better economic condition. The City is keeping a close eye on the state of the economy and its effect on the City's budget. The majority of the City's tax base is residential.

The City residents take pride in their community and maintain their neighborhoods. The City remains a very desirable place to live, work, and play.

The City Council and management continue to meet the ever increasing challenges of securing all monies due to the City and controlling expenditures in an effort to continue to provide outstanding service at a reasonable cost. The City offers many services, including the administration of police and fire protection, parks and recreation, public works, finance, and planning. The City community benefits from the coordination of these services and strong community leadership.

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

City Clerk
City of Monessen
1 Wendell Ramey Lane, Suite 400
Monessen, PA 15062

Basic Financial Statements

CITY OF MONESSEN
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 253,711	$ 7,710	$ 261,421
Investments	107,727		107,727
Delinquent Taxes Receivable	1,217,290		1,217,290
Other Taxes Receivable	6,943		6,943
Internal Balances	5,473	(5,473)	
Other Receivables (Net)	73,573	6,759	80,332
Prepaid Expenditures	57,618		57,618
Long Term Receivables		190,000	190,000
Capital Assets (net)	11,254,141		11,254,141
TOTAL ASSETS	12,976,476	198,996	13,175,472
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	501,659		501,659
Total Deferred Outflows of Resources	501,659		501,659
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 13,478,135	$ 198,996	$ 13,677,131
LIABILITIES			
Accounts Payable	$ 160,596	$ 5,204	$ 165,800
Intergovernmental Payables	13,152		13,152
Accrued Salaries and Benefits	38,345		38,345
Accrued Interest Payable	23,831		23,831
Current Portion of Long-Term Liabilities	232,049		232,049
Unearned Revenues	108,222		108,222
Other Current Liabilities	33,657	6,483	40,140
Long-Term Liabilities:			
Bonds and Notes Payable	6,620,000		6,620,000
Lease Purchase Obligations	100,059		100,059
Bond discount, net of amortization	(95,548)		(95,548)
Compensated Absences Payable	116,065		116,065
Net Pension Liability	1,825,567		1,825,567
Other Post Employment Benefit Liability	2,934,523		2,934,523
Total Liabilities	12,110,518	11,687	12,122,205
DEFERRED INFLOWS OF RESOURCES			
Pension Related	345,488		345,488
Total Deferred Inflows of Resources	345,488		345,488
NET POSITION			
Net Investment In Capital Assets	4,397,581		4,397,581
Restricted for:			
Other Reserves	496,371		496,371
Unrestricted	(3,871,823)	187,309	(3,684,514)
TOTAL NET POSITION	1,022,129	187,309	1,209,438
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 13,478,135	$ 198,996	$ 13,677,131

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Total
Governmental Activities						
Depreciation - unallocated	$ 478,198	$	$	$ (478,198)	$	$ (478,198)
General Government	550,092	159,967	46,219	(343,906)		(343,906)
Public Safety	980,969	93,773		(887,196)		(887,196)
Health and Sanitation	963,440	1,052,748		89,308		89,308
Highways and Streets	488,532	46,447	488,128	46,043		46,043
Public Works	7,338			(7,338)		(7,338)
Community Development	290,560			(290,560)		(290,560)
Culture and Recreation	131,067	5,600		(125,467)		(125,467)
Employee Benefits, Insurance, and Miscellaneous	1,779,519			(1,779,519)		(1,779,519)
Scholarship and Awards						
Debt Service	313,369			(313,369)		(313,369)
Total Governmental Activities	5,983,084	1,358,535	534,347	(4,090,202)		(4,090,202)
Business Type Activities						
Monessen Municipal Complex	54,286	37,881			(16,405)	(16,405)
Total Business Type Activities	54,286	37,881			(16,405)	(16,405)
Total Government	6,037,370	1,396,416	534,347	(4,090,202)	(16,405)	(4,106,607)
General Revenues						
Taxes				2,173,830		2,173,830
Property Taxes				731,148		731,148
Other Taxes				289,889		289,889
Grants, Subsidies and Contributions, Unrestricted				13,966	3,269	17,235
Investment Earnings				445,515		445,515
Fees and Charges for Services				(85,967)	(746,927)	(832,894)
Miscellaneous Income				236,750	(236,750)	
Transfers Between Governmental Funds and Business Type Activities						
Total General Revenues				3,805,131	(980,408)	2,824,723
Change in Net Position				(285,071)	(996,813)	(1,281,884)
Net Position - Beginning				1,307,200	1,184,122	2,491,322
Net Position - Ending				$ 1,022,129	$ 187,309	$ 1,209,438

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Governmental Funds		
	General Fund	Non-Major Funds	Totals
ASSETS			
Cash and Cash Equivalents	$ 144,530	$ 109,181	$ 253,711
Investments (At Fair Value)	12,577	95,150	107,727
Taxes Receivable (Net)	1,224,233		1,224,233
Garbage Receivable (Net of Allowances)			
Accounts Receivable (Net of Allowances)	34,381	39,192	73,573
Interfund Receivable	5,473	280,686	286,159
Prepaid Expenditures	57,618		57,618
TOTAL ASSETS	$ 1,478,812	$ 524,209	$ 2,003,021
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund Payable	$ 280,686	$	$ 280,686
Intergovernmental Payables	13,152		13,152
Accounts Payable	132,761	27,838	160,599
Accrued Salaries and Benefits	38,345		38,345
Unearned Revenues	1,325,512		1,325,512
Other Current Liabilities	33,657		33,657
Total Liabilities	1,824,113	27,838	1,851,951
Fund Balances:			
Nonspendable:			
Prepaid Expenditures	57,618		57,618
Assigned to:			
Streets and Highways		5,049	5,049
Canine		11,098	11,098
Monessen Public Library		55	55
Parks		11,239	11,239
Small Community Projects		1,876	1,876
Sewer Repair and Maintenance		410,146	410,146
Recreation Board		8,091	8,091
Debt Service		48,817	48,817
Unassigned	(402,919)		(402,919)
Total Fund Balances	(345,301)	496,371	151,070
TOTAL LIABILITIES AND FUND BALANCES	$ 1,478,812	$ 524,209	$ 2,003,021

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total Fund Balances - Governmental Funds	$ 151,070
Capital Assets used in Governmental Activities are not accounted for in the Governmental Fund financial statements. The costs of the assets are $16,228,433 and the accumulated depreciation is $4,974,292.	11,254,141
Long-term liabilities, including notes payable and lease purchase agreements, are not due and payable in the current period and are not reported as liabilities in the funds.	(6,856,557)
Long-term liabilities, including accumulated compensated absences, are not due and payable in the current period and are not reported as liabilities in the funds.	(116,065)
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.	(23,831)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	1,217,290
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(1,825,567)
Other Post-Employment Benefit Obligations are not due and payable in the current period and, therefore, are not reported in the fund.	(2,934,523)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions.	501,659
Deferred inflows of resources related to pensions.	(345,488)
Net Position - Governmental Activities	$ 1,022,129

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Governmental Funds		
	General	Non-Major Funds	Totals
Revenues			
Real Estate Taxes	$ 1,289,921	$ 753,530	$ 2,043,451
Local Enabling Taxes	731,149		731,149
Licenses and Permits	254,139	3,950	258,089
Fines and Forfeits	47,208		47,208
Interest and Rents	1,918	12,048	13,966
Intergovernmental Revenues	279,472	544,764	824,236
Departmental Earnings	857,095	446,047	1,303,142
Miscellaneous	66,088	32,518	98,606
Total Revenues	3,526,990	1,792,857	5,319,847
Expenditures			
General Government	578,618	56,262	634,880
Public Safety	975,563	1,234	976,797
Health and Sanitation	528,844	434,596	963,440
Highways and Streets	321,543	230,356	551,899
Public Works	7,338		7,338
Community Development	38,773	252,161	290,934
Culture and Recreation	44,885	86,182	131,067
Employee Benefits, Insurance, and Miscellaneous	1,305,331		1,305,331
Debt Service			
Principal and Interest	31,205	514,104	545,309
Refund of Prior Year Revenues	1,408		1,408
Total Expenditures	3,833,508	1,574,895	5,408,403
Excess (Deficiency) of Revenues Over Expenditures	(306,518)	217,962	(88,556)
Other Financing Sources (Uses)			
Sale of Fixed Assets	11,038		11,038
Interfund Transfers In	237,850	1,124	238,974
Interfund Transfers (Out)	(2,224)		(2,224)
Total Other Financing Sources (Uses)	246,664	1,124	247,788
Net Change in Fund Balances	(59,854)	219,086	159,232
Fund Balances - Beginning	(285,447)	277,285	(8,162)
Fund Balances - Ending	$ (345,301)	$ 496,371	$ 151,070

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Total Net Change in Fund Balances - Governmental Funds		$ 159,232
Depreciation Expense		(478,198)
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		185,656
Some delinquent property taxes will not be collected for several months after the City's fiscal year ends. They are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.		130,379
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as the interest accrues regardless of when it is due.		453
Notes issued during the current year are reported in the governmental funds as revenues and expenditures. These items are not reported in the statement of activities. They constitute long-term liabilities in the statement of net position.		(20,960)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.		(5,587)
Repayment of note and lease purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		226,297
Governmental funds report City pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
City pension contributions	308,154	
Cost of benefits earned	(790,497)	(482,343)
Change in Net Position - Governmental Activities		$ (285,071)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
BUDGETARY COMPARISON SCHEDULE
BUDGET VS ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under) Budget - Final
Revenues				
Real Estate Taxes	$ 1,399,800	$ 1,399,800	$ 1,289,921	$ (109,879)
Local Enabling Taxes	692,000	692,000	731,149	39,149
Licenses and Permits	211,200	211,200	254,139	42,939
Fines and Forfeits	53,500	53,500	47,208	(6,292)
Interest and Rents	100	100	1,918	1,818
Intergovernmental Revenues	248,850	248,850	279,472	30,622
Departmental Earnings	764,395	764,395	857,095	92,700
Miscellaneous	409,500	409,500	66,088	(343,412)
Total Revenues	3,779,345	3,779,345	3,526,990	(252,355)
Expenditures				
General Government	410,343	410,343	578,618	168,275
Public Safety	941,721	941,721	975,563	33,842
Health and Sanitation	535,378	535,378	528,844	(6,534)
Highways and Streets	732,845	732,845	321,543	(411,302)
Public Works	3,125	3,125	7,338	4,213
Community Development			38,773	38,773
Culture and Recreation	23,172	23,172	44,885	21,713
Employee Benefits, Insurance, and Miscellaneous	1,422,261	1,422,261	1,305,331	(116,930)
Debt Service				
Principal and Interest			31,205	31,205
Refund of Prior Year Expenditures			1,408	1,408
Total Expenditures	4,068,845	4,068,845	3,833,508	(235,337)
Excess (Deficiency) of Revenues Over Expenditures	(289,500)	(289,500)	(306,518)	(17,018)
Other Financing Sources (Uses)				
Proceeds of Tax Anticipation Note				
Repayment of Tax Anticipation Note	(5,000)	(5,000)		5,000
Disposal of Fixed Assets	2,500	2,500	11,038	8,538
Interfund Transfers In	292,000	292,000	237,850	(54,150)
Interfund Transfers (Out)			(2,224)	(2,224)
Total Other Financing Sources (Uses)	289,500	289,500	246,664	(42,836)
Net Change in Fund Balances			(59,854)	(59,854)
Fund Balances - Beginning	(285,447)	(285,447)	(285,447)	
Fund Balances - Ending	$ (285,447)	$ (285,447)	$ (345,301)	$ (59,854)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2017

	Monessen Municipal Complex
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 7,710
Accounts Receivable, net of allowance	6,759
Total Current Assets	14,469
Noncurrent Assets:	
Long Term Receivables	190,000
Machinery and Equipment (Net of Depreciation)	
Total Noncurrent Assets	190,000
TOTAL ASSETS	$ 204,469
LIABILITIES	
Current Liabilities:	
Due to Other Funds	$ 5,473
Accounts Payable	5,204
Other Current Liabilities	6,483
Total Current Liabilities	17,160
Total Liabilities	17,160
NET POSITION	
Net Investment in Capital Assets	
Unrestricted	187,309
Total Net Position	187,309
TOTAL LIABILITIES AND NET POSITION	$ 204,469

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Monessen Municipal Complex
Operating Revenues	
Rent Revenue	$ 37,131
Telephone Equipment Rental	750
Total Operating Revenue	37,881
Operating Expenses	
Personnel Services	
Occupancy	28,440
Communications and Copying	1,420
Supplies and Equipment	1,665
Depreciation	22,761
Total Operating Expenses	54,286
Operating Income (Loss)	(16,405)
Non-Operating Revenues (Expenses)	
Vending Machine Revenue	419
Interest Income	2,850
Miscellaneous Income	1,189
Judgements and Losses	(748,116)
Total Non-Operating Revenue and Expense	(743,658)
Income (Loss) Before Transfers	(760,063)
Contributions and Transfers	
Transfers from Other Funds	1,100
Transfers to General Fund	(237,850)
Change in Net Position	(996,813)
Net Position - Beginning	1,184,122
Net Position - Ending	$ 187,309

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Monessen Municipal Complex
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 39,741
Cash Paid to Suppliers for Goods and Services	(36,386)
Net Cash Provided (Used) by Operating Activities	3,355
Cash Flows from Noncapital Financing Activities:	
Net Cash Provided (Used) by Noncapital Financing Activities	
Cash Flows from Capital and Related Financing Activities:	
Net Cash Provided (Used) by Capital and Related Financing Activities	
Cash Flows from Investing Activities:	
Nonoperating Revenues	2,708
Nonoperating Expenses	(21,178)
Net Cash Provided (Used) by Investing Activities	(18,470)
Net Increase (Decrease) in Cash and Equivalents	(15,115)
Balances - Beginning of the Year	22,825
Balances - End of the Year	$ 7,710
Cash Flows From Operating Activities:	
Operating Income	$ (16,405)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	22,761
(Increase) Decrease in Accounts Receivable	1,860
Increase (Decrease) in Accounts Payable	(4,861)
Total Adjustments	19,760
Net Cash Provided (Used) by Operating Activities	$ 3,355

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2017

	Pension Trust Funds			
	Non-Uniform	Fire	Police	Total
ASSETS				
Cash and Cash Equivalents	$	$ 18,984	$ 213,724	$ 232,708
Investments	1,755,848	233,832	3,988,210	5,977,890
Other receivables	13,547		1,013	14,560
Prepaid Expenses		10,308	162,551	172,859
TOTAL ASSETS	$ 1,769,395	$263,124	$ 4,365,498	$6,398,017
LIABILITIES				
Other Current Liabilities				
Total Liabilities				
NET POSITION				
Unrestricted	1,769,395	263,124	4,365,498	6,398,017
Total Net Position	1,769,395	263,124	4,365,498	6,398,017
TOTAL LIABILITIES AND NET POSITION	$ 1,769,395	$263,124	$ 4,365,498	$6,398,017

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CITY OF MONESSEN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Pension Trust Funds			
	Non-Uniform	Fire	Police	Total
Additions				
Investment Earnings	$ 10,794	$ 8,329	$ 136,594	$ 155,717
Gain on Investment	153,938	29,434	456,064	639,436
Contributions	142,578	13,200	322,278	478,056
Other Additions	453			453
Total Additions	307,763	50,963	914,936	1,273,662
Deductions				
Distributions	193,393	44,070	379,317	616,780
Other Deductions	6,517	3,283	42,044	51,844
Total Deductions	199,910	47,353	421,360	668,623
Changes in Net Position	107,853	3,610	493,576	605,039
Net Position-Beginning of the Year	1,661,542	259,514	3,871,923	5,792,979
Net Position-End of the Year	$ 1,769,395	$ 263,124	$ 4,365,499	$ 6,398,018

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

City of Monessen
Notes to the Basic Financial Statements
Year Ended December 31, 2017

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of Monessen conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

The City is organized under laws of the Commonwealth of Pennsylvania. The City of Monessen was incorporated September 16, 1921, under the provisions of the Third Class City Code, as amended. And as such, the City is an independent entity.

A. Reporting Entity

The City is a primary government organized within the laws of the Commonwealth of Pennsylvania. The City is governed by an elected City Council. It has the power of taxation and the ability to incur long term debt.

In evaluating the City as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," management has addressed all potential component units. Consistent with this Statement, the criteria used by the City to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the City determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

B. Basis of Presentation

The financial statements of the City of Monessen have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the more significant of the City's accounting policies.

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

In the process of aggregating data for the statement of net position and the statement of activities, some amounts that are reported as interfund activity and balances are eliminated.

2. Fund Financial Statements

During the fiscal year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund and Line Usage Fee Fund are the City's major governmental funds.
General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Line Usage Fee Fund – The Line Usage Fee Fund accounts for fees levied for the purpose of maintaining and repairing sanitary sewer lines, as well as grants in order to make capital improvements to the sewer system.

The other governmental funds of the City are used to account for other resources. These include the Library Fund, the Small Community Projects Fund, the Canine Fund, the Debt Service Fund, the Liquid Fuels Fund, and the Park Fund whose uses are restricted to particular purposes.

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund:

Enterprise Fund

The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Municipal Complex

The Municipal Complex Fund accounts for rents received from the tenants in the City's Municipal Complex. The Fund accounts for all operational costs of the building, as well as any repairs and maintenance on the building. This fund is the City's only enterprise fund and it is reported as a major fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are sewer usage charges. Operating expenses for the City's enterprise fund include sewer facility repairs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City maintains three pension trust funds.

Trust Funds

Pension Trust Funds - Police Pension Fund, Fireman Pension Fund, and Non-Uniform Pension Fund - These are trust funds established to account for revenues and pension expenditures to the City's defined benefit plans and defined contribution plan. Pension trust funds are accounted for in essentially the same manner as governmental funds.

D. Fixed Assets and Long-Term Liabilities:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operation 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.

E. 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 Funds and Fiduciary 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. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary 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.

F. Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to December 31, the budget is legally enacted through passage of a resolution.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.

The City is not permitted to amend the budget during the year to change the original appropriation. The control level at which the budget must report is function and object. The General Fund is the only fund for which a budget is required to be adopted.

At December 31st of each year, appropriations lapse and may not be carried forward.

Encumbrances are utilized to the extent necessary for the City to maintain proper control over the budget. Open encumbrances at year-end lapse and are reappropriated in the next year's budget.

G. Cash and Investments:

For purposes of the statement of cash flows, the proprietary fund considers all liquid investments with a maturity of three months or less when purchased and pooled funds investments subject to daily withdrawal to be cash equivalents.

Custodial Credit Risk - The City is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

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

Concentration of Credit Risk – The City places no limit on the amount it may invest in any one issue.

Method to Estimate Fair Value - Investments are stated at fair market value.

Deposits

Below is a summary of the City's deposits which are insured by the Federal Depository Insurance Company, and those which are not insured or collateralized in the City's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	FDIC Insured	Pooled Collateral	Bank Balance	Carrying Amount
Cash and Deposits	$261,091	$251,588	$512,679	$261,421

Investments

The investments of the City have been categorized to indicate the level of risk assumed by the City. All investments are either investments, signifying that all are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name; or pooled investment funds which cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

Because the investment securities below are uninsured, unregistered, and in the possession of the counterparty or its safekeeping department, the investment securities are subject to custodial credit risk.

The City's investments at December 31, 2017 consist of:

	Carrying Amount	Fair Value/Contract Value
Pennsylvania Local Government Investment Trust	$ 107,727	$ 107,727
Voya Financial	5,765,987	5,765,987
Valic Investments	211,903	211,903
Total	$ 6,085,617	$ 6,085,617

The City Council has designated Voya Financial and Valic Investments as custodial and trustee of the Township retirement assets. The City Council also has designated the Pennsylvania Local Government Investment Trust to hold non-retirement assets for the City.

The Council has authorized investments in U.S. Government and agency securities, foreign government bonds denominated in U.S. dollars and rated "AA," corporate bonds rated "A" or better, equity securities, direct real estate, and real estate commingled funds allowing for equity participation. The Council specifically prohibits investments in commodities, mineral rights, and options. Additionally, short-selling and margin purchase transactions are prohibited.

Valic Investments

For the portion of city pension assets invested with Valic Investments, the valuation method of investments have been derived from the Valic Audit Guide which measures its investments at contract value. GASB Statement No. 72 explicitly states that investments measured at contract value are not to be measured at fair value. The contract value is the account value at the end of the year without any market value adjustments applied.

Voya Financial

For the portion of city pension assets invested with Voya Financial, the market valuation method is used. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.

- Level 2 inputs: The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.

• Level 3 inputs: Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Short-term investments are reported at amortized cost.

At December 31, 2017, the following table reflects the City's total investment portfolio as well as the valuation methods used:

MONESSEN INVESTMENT PORTFOLIO

As of December 31, 2017

FAIR VALUE MEASUREMENTS USING INVESTMENTS BY FAIR VALUE LEVEL	2017	Level 1	Level 2	Level 3
Mutual Funds (Voya Financial)	$ 5,765,987	$ 5,765,987		
Total investments by fair value level	5,765,987	5,765,987		
INVESTMENTS MEASURED AT CONTRACT VALUE				
Mutual Funds (Valic Financial)	211,903			
Total investments measured at Contract Value	**211,903**			
INVESTMENTS AT OTHER THAN FAIR VALUE				
Cash equivalents	-			
Total investments at other than fair value	-			
Total investments	**$ 5,977,890**			

Custodial Credit Risk

Custodial credit risk is the risk of loss resulting from the failure of the custodian such that the trustee would not be able to recover the value of its investments or collateral securities in the possession of the custodian.

The trustee is exposed to the risk of loss of investments due to errors and omissions on behalf of its advisors is covered by the contractual obligation for the advisors to maintain errors and omissions insurance. The investment managers also must provide proof of a fidelity bond covering the advisor, the office, and its employees.

Credit Risk Concentration

Credit risk concentration is the risk of loss attributed to investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the plan's net position. The City had no single issuer that exceeded 5 percent of total investments at December 31, 2017. Investment in mutual funds, external investment pools and other pooled investments were excluded in accordance with GASB.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The City had no actively managed long-term fixed income investments.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

H. Interfund Receivables/Payables
During the course of operations, transactions sometime occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as "Interfund Receivable" or "Interfund Payable" on the balance sheet.

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

J. Fund Balances
In accordance with Governmental Accounting Standards Board Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as non-spendable at December 31, 2017 by the City are non-spendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to formal action taken by the Board of Supervisors, the City's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Supervisors.
- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Administration and/or the Board of Supervisors.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Board of Supervisors has provided otherwise in its commitment or assignment actions.

Fund balances in the City's major funds are $(345,301) for the general fund, consisting of $57,618 that is nonspendable for prepaid expenditures, and $(402,919) that is unassigned for daily operational needs of the City.

Fund balances in the City's non-major funds consist of assigned amounts of $410,146 for sewer line repairs and maintenance, $55 for the Monessen Public Library, $1,876 for Small Community Projects, $11,098 for the Police Department Canine, $48,817 for debt service, $5,049 for highways, $11,239 for parks, and $8,091 for the recreation board.

Net position in the City's Municipal Complex Fund totals $187,309. Of this amount, $ - 0 - is the net investment in capital assets. This is a result of the sale of the Health Center Building. The unrestricted net position of the City's Municipal Complex Fund is $187,309.

Note 2 – Property Taxes

Property taxes attach as an enforceable lien on property as of January 15 of the following year. Taxes are levied on April 1 of the prior year and are payable in one installment. The City bills and collects its own property taxes through a locally elected tax collector. The tax levy for 2016 was based on assessed values on January 1, 2017 of $58,863,490. The City tax rate for the year ended December 31, 2017 of 37.43 mills as levied by the City, was allocated as follows: 23.65 mills for the General Fund, 9.20 mills for Debt Service, 0.96 mills for the Library, and 3.62 mills for the Parks Fund.

Taxes may be paid at a 2% discount until June 1, at face until August 1, and at a 10% penalty until January 15 of the following year, at that time, they will be liened with the County, who then are responsible for their collections.

The City, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is $1,217,290.

Note 3 – Changes in Capital Assets

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-Depreciable Assets:				
Construction in Progress	$ 10,496			$ 10,496
Depreciable Assets				
Land improvements	1,822,291	17,556		1,839,847
Buildings	5,648,445	59,511		5,707,956
Infrastructure	6,531,171	64,274		6,595,445
Equipment	798,663	8,600		807,263
Vehicles	1,231,711	35,715		1,267,426
Totals at historical cost	16,042,777	185,656	-	16,228,433
Less accumulated depreciation for:				
Accumulated Depreciation	(4,496,094)	(478,198)		(4,974,292)
Total accumulated depreciation	(4,496,094)	(478,198)	-	(4,974,292)
Governmental activities capital assets, net	$ 11,546,683	$ (292,542)	$ -	$ 11,254,141
Business-type Activities				
Non-Depreciable Assets:				
Land	$ 42,803		(42,803)	$ -
Depreciable Assets:				
Buildings	1,688,292		(1,688,292)	-
Equipment	104,423		(104,423)	-
Totals at historical cost	1,835,518	-	(1,835,518)	-
Less accumulated depreciation for:				
Accumulated Depreciation	(660,818)	(22,761)	683,579	-
Total accumulated depreciation	(660,818)	(22,761)	683,579	-
Business-type activities capital asset, net	$ 1,174,700	$ (22,761)	$ (1,151,939)	$ -

Depreciation expense was charged to governmental functions as follows:

General Government	
Public Safety	
Health and Sanitation	
Highways and Streets	
Unallocated-Governmental Funds	$ 478,198
Total depreciation expense	$ 478,198

In the 2017 year, building renovations, infrastructure upgrades, and equipment purchases added $185,656 to the historical cost of governmental activities and $0 to the historical cost of business-type activities. Depreciation expense for that same time period was $478,198 and $22,761 for governmental activities and business-type activities, respectively. Disposal of assets removed $ - 0 - from the net book value of governmental activities and $(1,151,939) from the net book value of business-type activities. This resulted in a total net book value decrease of $(292,542) and a decrease of $(1,174,700) for the governmental activities and business-type activities, respectively.

Note 4 – General Long-Term Debt

Changes in the City's long-term obligations during the year 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 6,975,000	$ -	$ (175,000)	$ 6,800,000	$ 180,000
Lease Purchase Agreement	182,445	35,715	(66,052)	152,108	52,049
Compensated Absences	110,478	5,587		116,065	-
Total Governmental Activities	7,267,923	41,302	(241,052)	7,068,173	232,049
Total Long-term liabilities	$ 7,267,923	$ 41,302	$ (241,052)	$ 7,068,173	$ 232,049

Lease Purchase Agreements

The City entered into a lease purchase agreement with Ford Credit on October 23, 2015 for the purchase of a 2015 Ford Police Interceptor in the amount of $33,373 with interest at the rate of 6.50%. The lease includes three equal principal and interest payments of $12,025 with the final payment due October 23, 2017. This lease was paid in full during 2017.

The City entered into a lease purchase agreement with Ford Credit on October 23, 2015 for the purchase of four (4) 2016 Ford F550 Trucks in the amount of $256,600 with interest at the rate of 4.50%. The lease includes six equal principal and interest payments of $47,708 with the final payment due October 23, 2020. This lease has a balance of $131,148 at December 31, 2017.

The City entered into a lease purchase agreement with KS State Bank on February 21, 2017 for the purchase of a 2017 Ford Explorer Police Interceptor in the amount of $37,715 with interest at the rate of 5.79%. The lease includes an initial payment of $15,000 paid March 2017 and two additional payments in the amount of $11,433.14 due January 2018 and 2019 of the two subsequent years. This lease has a balance of $20,960 at December 31, 2017.

The amounts necessary to amortize the outstanding lease purchase agreements to maturity are:

	Principal	Interest	Total
2018	52,049	7,092	59,141
2019	54,405	4,736	59,141
2020	45,654	2,055	47,709
Total	$ 152,108	$ 13,883	$ 165,991

General Obligation Bonds

The City issued general obligation bonds, Series of 2010, with 5.50% interest payable through 2035. Bond proceeds were used for the purpose of providing funds for improvements to the fire department, police department, public library, and various other improvements, funding a capitalized interest account with respect to the bonds, and paying costs of issuance. The outstanding balance as of December 31, 2017 is $4,325,000.

The City issued general obligation bonds, Series of 2012, with up to 4% interest payable through 2040. Bond proceeds were used for the purpose of providing funds for improvements to the fire department, public library, and various other improvements, funding a capitalized interest account with respect to the bonds, and paying costs of issuance. The outstanding balance as of December 31, 2017 is $2,475,000.

The amounts necessary to amortize these outstanding notes payable to maturity are:

	Principal	Interest	Total
2018	$ 180,000	$ 285,965	$ 465,965
2019	190,000	280,180	470,180
2020	195,000	273,435	468,435
2021	200,000	266,235	466,235
2022	210,000	258,660	468,660
2023-2027	1,185,000	1,154,093	2,339,093
2028-2032	1,470,000	871,728	2,341,728
2033-2037	1,845,000	506,075	2,351,075
2038-2040	1,325,000	107,800	1,432,800
Total	$ 6,800,000	$ 4,004,171	$ 10,804,171

Note 5 – Compensated Absences & Other Post-Employment Benefits

The City has made retirement benefits available to certain employees. The benefit is 1) payment for unused sick days at retirement. With respect to other employees that do not meet the criteria established by the City for retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to accumulate funds to provide for the payment of these liabilities. The dollar amounts of the benefits are as follows:

	Sick Day Liability	Total
December 31, 2016 Balance	$ 110,478	$ 110,478
Increase/(Decrease) in value	5,587	5,587
December 31, 2017 Balance	$ 116,065	$ 116,065

Note 6 – Loans and Fees Receivable

Loans and fees receivable at December 31, 2017 consist of the following:

	Community Projects	General Fund	Municipal Complex Fund
Rehabilitation Loans Outstanding - Small Communities Projects	$ 466,025		
Garbage Fees Receivable		621,026	
Installment Sales			190,000
Allowance	(466,025)	(621,026)	-
Net Loan Receivable	$ -	$ -	$ 190,000

Loans granted through the Small Communities Projects Fund are for the rehabilitation of owner occupied properties in need of repair. Interest rates vary from interest free to four percent based on the recipient's income and family size. The loans have a twenty-year term and are collateralized by the recipient's property.

Garbage fees receivable represent delinquent garbage fees owed to the City by its residents. Allowance was increased in 2017 to be conservative based on past collection history.

The installment sale in the Municipal Complex Fund is the amount owed to the City for the sale of the Eastgate 8 building on May 1, 2017.The sale price of the building is $425,000, with $5,000 of earnest money paid upon signing the agreement, $230,000 to be received at closing and the remaining $190,000 to be paid over a five (5) year period at 2% interest. The balance of this receivable as of December 31, 2017 is $190,000.

Note 7 – Unearned Revenue

Unearned revenue at December 31, 2017 consists of $108,222 of 2018 garbage fees collected in 2017.

Note 8 – Pension – Defined Benefit Plan

Summary of Significant Accounting Policies

Financial information of the City's retirement plans is presented on the accrual basis of accounting. Employer contributions to the plans are recognized when due as required by Act 205 and Act 600. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Investments of the plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. The plans did not have any investment transactions with related parties during the year.

Plan Description

The City sponsors and administers two single-employer, contributory defined benefit pension plans. These two plans are known as the Police Pension Plan (covers all of the City's police officers) and the Fire Truck Drivers' Pension Plan (covers retired fire truck drivers – this plan is closed to new entrants). The financial statements of these plans are included as fiduciary funds in the City's financial statements. No separate financial statements are issued for the plans.

Plan provisions are established by ordinance of the City's Council with the authority for contributions required by Act 205 of 1984 of the Commonwealth of Pennsylvania. Under the Act, the City is eligible to receive state aid to fund the amortization of its unfunded accrued actuarial liability over a 40-year period. The City Council acts as the Pension Board, and the plan provisions and contribution requirements are established and may be amended by the City Council. For both plans, the City has delegated authority to manage certain assets to VOYA Financial Advisors.

Participation -Any police officer employed by the City on a regular, full-time basis is covered by the Police Plan from the participant's date of hire. At December 31, 2017, the date of the most recent valuation, participants in the Police Plan and Fire Truck Drivers' Plan *Retirement Benefit* -A participant is entitled to begin receiving retirement benefits after completing 20 years of service and attaining age 50. The scheduled monthly retirement benefit is 50% of the participant's average compensation at retirement, plus a Service Increment of 1/40 of Normal Retirement Benefit for each year of completed service in excess of 20 years, up to a maximum increment of $100 per month.

	Police	Fire Truck Drivers'
Active plan members	10	0
Inactive plan members (or their beneficiaries) currently receiving benefits	19	2
Inactive plan members entitled to but not yet receiving benefits	1	0
Total plan members	30	2

Benefits Provided – Police Plan

Vesting – Participants are 100% vested after twelve years of service.

Retirement Benefit - A participant is entitled to begin receiving retirement benefits after completing 20 years of service and attaining age 50. The scheduled monthly retirement benefit is 50% of the participant's average compensation at retirement, plus a Service Increment of 1/40 of Normal Retirement Benefit for each year of completed service in excess of 20 years, up to a maximum increment of $100 per month.

Disability Benefit -If a participant becomes totally and permanently disabled occurring in the line of duty, the participant will receive a monthly benefit equal to 50% of average compensation. If participant becomes disabled by something not occurring in the line of duty and after 10 years of service, the participant will receive a monthly benefit equal to 50% of compensation payable. Prior to 10 years of service, 25% of compensation is the monthly benefit received.

Death Benefit -If a participant's death occurs in the line of duty, a monthly benefit equal to 50% of average compensation is payable to the participant's spouse until death. Upon death of spouse (or no spouse is alive when participant dies), each of the participant's dependent children will receive an equal share of the benefit until age 18. If a participant's death is non-service related and occurs before completion of 10 years of service, a monthly benefit equal to 25% of average compensation is payable to the spouse until the youngest child attains age 18, then the benefit drops to one-half of that amount, and is payable until the spouse's death. If the spouse dies prior to the youngest child attaining age 18, the children will share the 25% of average compensation benefit until the youngest attains age 18, at which time no further benefits will be payable. If a participant's death is non-service related and occurs before retirement eligibility but after 10 years of service, it is the same policy as a death before 10 years of service except the benefit is 50% of average compensation instead of 25%. If the participant's death is non-service related and occurs after retirement eligibility, a monthly benefit equal to 50% 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 for life. Upon death of the spouse, each of the participant's dependent children will receive an equal share of the benefit until age 18. If there is no spouse or children under age 18 at the time of death, then a refund of contributions is payable to the beneficiary (less any benefits already paid, if the participant is retired).

Cost-of-Living Adjustments – Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The adjustments are determined by Council.

Benefits Provided -Fire Truck Drivers' Plan

Vesting – Participants are 100% vested after twelve years of service.

Retirement Benefit -A participant is entitled to begin receiving retirement benefits after completing 20 years of service and attaining age 55. The scheduled monthly retirement benefit is 50% of the participant's final monthly compensation (or average compensation over the highest continuous five years, if greater), plus a Service Increment of 1/40 of pension benefit for each Year of Service in excess of 20 years, but excluding service after age 65. Maximum increment is $100.

Disability Benefit -If a participant becomes totally and permanently disabled in the line of duty, the participant will receive a monthly benefit equal to 50% of final monthly compensation (or average compensation, if greater) will be payable, reduced by any disability benefits received. For disability occurring outside the line of duty, the participant is not entitled to any benefits.

Death Benefit -If a participant's death occurs before retirement eligibility, the participant's estate receives a refund of contributions made by the participant without interest. If a participant's death occurs in the line of duty or after retirement eligibility, the spouse will receive the amount the participant was receiving or entitled to receive for life. In the event of the spouse's death, the participant's children under 18 will share the benefit.

Cost-of-Living Adjustments – Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The adjustments are determined by Council.

Contributions

PA Act 205 and City Council ordinances assign the authority to establish and amend the benefit provisions of the plans. The plans are funded by the City, whose annual pension cost for the current year and related information for each plan is as follows:

Police Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2007	$ 287,370	$ 287,370	$ 0		
2008	$ 258,683	$ 258,683	$ 0	$ 631,214	41.0%
2009	$ 248,740	$ 248,740	$ 0		
2010	$ 238,973	$ 238,973	$ 0	$ 668,759	35.7%
2011	$ 281,340	$ 236,266	$ 45,074		
2012	$ 291,417	$ 245,854	$ 45,563	$ 724,727	33.9%
2013	$ 292,522	$ 292,522	$ 0		
2014	$ 276,090	$ 276,090	$ 0	$ 656,595	42.0%
2015	$ 276,263	$ 276,263	$ 0	$ 663,990	41.6%
2016	$ 232,385	$ 232,385	$ 0	$ 646,191	36.0%
2017	$ 294,954	$ 294,954	$ 0	$ 673,839	43.8%

Fire Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2007	$ 0	$ 0	$ 0		
2008	$ 0	$ 0	$ 0	$ 0	N/A
2009	$ 0	$ 0	$ 0		
2010	$ 0	$ 0	$ 0	$ 0	N/A
2011	$ 14,258	$ 14,258	$ 0		
2012	$ 16,425	$ 16,425	$ 0	$ 0	N/A
2013	$ 16,425	$ 16,425	$ 0		
2014	$ 23,928	$ 23,928	$ 0	$ 0	N/A
2015	$ 23,928	$ 23,928	$ 0	$ 0	N/A
2016	$ 13,200	$ 13,200	$ 0	$ 0	N/A
2017	$ 13,200	$ 13,200	$ 0	$ 0	N/A

Changes in the Net Pension Liability The changes in the net pension liability of the City for the Police Plan for the year ended December 31, 2017 were as follows:

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2016	$ 5,640,024	$ 3,871,924	$ 1,768,100
Changes for the year:			
Service Cost	130,979	-	130,979
Interest	428,108	-	428,108
Differences between expected and actual experience	(76,219)	-	(76,219)
Changes of assumptions	396,042		396,042
Contributions - employer	-	294,954	(294,954)
Contributions - member	-	27,324	(27,324)
Net investment income	-	592,952	(592,952)
Benefit Payments	(378,408)	(378,408)	-
Administrative Expense	-	(43,248)	43,248
Net changes	500,502	493,574	6,928
Balances at 12/31/2017	$ 6,140,526	$ 4,365,498	$ 1,775,028

The changes in the net pension liability of the City for the Fire Truck Drivers' Plan for the year ended December 31, 2017 were as follows:

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2016	$ 308,786	$ 259,513	$ 49,273
Changes for the year:			
Service Cost	-	-	-
Interest	22,621	-	22,621
Changes of assumptions	5,500		5,500
Differences between expected and actual experience	17,985	-	17,985
Contributions - employer		13,200	(13,200)
Contributions - member		-	-
Net investment income		37,033	(37,033)
Benefit Payments	(41,230)	(41,230)	-
Administrative expense		(5,393)	5,393
Net changes	4,876	3,610	1,266
Balances at 12/31/2017	$ 313,662	$ 263,123	$ 50,539

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed on January 1, 2015, and rolled forward to December 31, 2017, using the following actuarial assumptions, applied to all periods in the measurement:

	Police	Fire Truck Drivers'
Actuarial Assumptions:		
Investment Rate of Return	7.5%	7.5%
Projected Salary Increases	5.0%	5.0%
Includes inflation - at	3.0%	3.0%

Actuarial assumptions based on actuarial experience study for the period January 1, 2015 to December 31, 2017

Police Plan
RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Rates are projected to improve with 75% of scale AA.

Fire Truck Drivers' Plan
1994 Uninsured Pensioner Mortality Table, with rates set forward 5 years for disabled members

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

Investment Policy – The Plan's policies in regard to the allocation of invested assets is established and may be amended by the Council by a majority vote of its members. It is the policy of the Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Long-Term Expected Rate of Return – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2017:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	Fire Truck Drivers'	Police	Fire Truck Drivers'	Police
Cash	2.0%	2.0%	0.0%	0.0%
Corporate Bonds	28.0%	28.0%	2.0%	2.0%
U.S. Gov Bonds	5.0%	5.0%	2.0%	2.0%
Foreign Bonds	5.0%	5.0%	2.0%	2.0%
Large Stocks	11.0%	11.0%	6.3%	6.3%
Mid Stocks	14.0%	14.0%	6.3%	6.3%
Small Stocks	9.0%	9.0%	6.3%	6.3%
Foreign Stocks	6.0%	6.0%	6.3%	6.3%
Real Estate	10.0%	10.0%	6.3%	6.3%
Preferred Stock	10.0%	10.0%	6.3%	6.3%
	100.0%	100.0%		

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2017, the annual money-weighted rate of return on the Fire Truck Drivers' and Police Plan investments, net of investment expense not funded through the MMO, was 16.04% and 16.49%, respectively.

Concentrations – Neither the Fire Truck Drivers' Plan nor the Police Plan had any individual investments that composed greater than 5% of the Plans' fiduciary net position at December 31, 2017.

Discount Rate – The discount rate used to measure the total pension liability for the Fire Truck Drivers' Plan and Police Plan was 7.25% and 7.25%, respectively. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the City's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Fire Truck Drivers' Plan and Police Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members for each plan. Therefore, the long-term expected rate of return on both pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plans calculated using the discount rates described above, as well as what the Plans' net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Fire Truck Drivers'	$ 72,788	$ 50,539	$ 30,937
Police	$ 2,435,632	$ 1,775,028	$ 1,219,352

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the City recognized pension expense for the Fire Truck Drivers' Plan and Police Plan of $35,695 and $414,628 respectively. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fire Truck Driver's Plan		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ -	$ -
Changes in assumptions		-	-
Net difference between projected and actual earnings on pension plan investments		10,796	16,123
	Total	$ 10,796	$ 16,123

Police Plan		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ 37,835	$ 58,896
Changes in assumptions		306,032	-
Net difference between projected and actual earnings on pension plan investments		146,996	270,469
	Total	$ 490,863	$ 329,365

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2018	$ 110,472
2019	85,247
2020	43
2021	(39,591)
2022	-
Total	$ 156,171

Schedule of Changes in Net Pension Liability and Related Ratios – Fire Truck Drivers'

	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ -	$ -	$ -	$ -
Interest	22,621	23,007	24,279	28,562
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	17,985	-	-	-
Changes of assumptions	5,500	-	-	-
Benefit Payments, including refunds of employee contributions	(41,230)	(41,230)	(41,230)	(37,795)
Net change in total pension liability	4,876	(18,223)	(16,951)	(9,233)
Total pension liability - beginning	308,786	327,009	343,960	353,193
Total pension liability - ending (a)	$ 313,662	$ 308,786	$ 327,009	$ 343,960
Plan fiduciary net position				
Contributions - employer	$ 13,200	$ 13,200	$ 23,928	$ 23,928
Contributions - employee	-	-	-	-
Net investment income	37,033	19,160	(5,956)	10,889
Benefit payments, including refunds of employee contributions	(41,230)	(41,230)	(41,230)	(37,795)
Administrative expense	(5,393)	(4,799)	(8,438)	(6,007)
Other	-	-	-	-
Net change in fiduciary net postion	3,610	(13,669)	(31,696)	(8,985)
Plan fiduciary net position - beginning	259,513	273,182	304,878	313,863
Plan fiduciary net position - ending (b)	$ 263,123	$ 259,513	$ 273,182	$ 304,878
Net pension liability - ending (a) - (b)	$ 50,539	$ 49,273	$ 53,827	$ 39,082
Plan fiduciary net position as a percentage of the total pension liability	83.9%	84.0%	83.5%	88.6%
Covered employee payroll	$ -	$ -	$ -	$ -
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Schedule of Changes in Net Pension Liability and Related Ratios – Police

	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 130,979	$ 123,904	$ 118,004	$ 96,419
Interest	428,108	407,894	398,953	379,262
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(76,219)	-	132,422	-
Changes of assumptions	396,042	-	-	-
Benefit Payments, including refunds of employee contributions	(378,408)	(405,580)	(401,777)	(333,757)
Net change in total pension liability	500,502	126,218	247,602	141,924
Total pension liability - beginning	5,640,024	5,513,806	5,266,204	5,124,280
Total pension liability - ending (a)	$ 6,140,526	$ 5,640,024	$ 5,513,806	$ 5,266,204
Plan fiduciary net position				
Contributions - employer	$ 294,954	$ 232,385	$ 276,263	$ 276,090
Contributions - employee	27,324	26,835	28,539	27,768
Net investment income	592,952	289,358	(80,748)	140,298
Benefit payments, including refunds of employee contributions	(378,408)	(405,580)	(401,777)	(333,757)
Administrative expense	(43,248)	(44,589)	(41,061)	(57,557)
Other	-	-	-	-
Net change in fiduciary net postion	493,574	98,409	(218,784)	52,842
Plan fiduciary net position - beginning	3,871,924	3,773,515	3,992,299	3,939,457
Plan fiduciary net position - ending (b)	$ 4,365,498	$ 3,871,924	$ 3,773,515	$ 3,992,299
Net pension liability - ending (a) - (b)	$ 1,775,028	$ 1,768,100	$ 1,740,291	$ 1,273,905
Plan fiduciary net position as a percentage of the total pension liability	71.1%	68.7%	68.4%	75.8%
Covered employee payroll	$ 673,839	$ 646,191	$ 663,990	$ 656,595
Net pension liability as a percentage of covered employee payroll	263.4%	273.6%	262.1%	194.0%

Note 9 – Pension – Defined Contribution Plan

Summary of Significant Accounting Policies

Financial information of the City's defined contribution retirement plan is presented on the accrual basis of accounting. Employer contributions to the plans are recognized when due as required by Act 205 and Act 600. Refunds are recognized when due and payable in accordance with the terms of the plan. Investments of the plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. The plan did not have any investment transactions with related parties during the year.

Plan Description

The City sponsors and administers one single-employer, defined contribution pension plan covering substantially all the City's employees except for those covered under the Police Pension Plan and the Fire Truck Driver's Pension Plan. This plan is known as the Non-uniformed Pension Plan. The financial statements of this plan are included as a fiduciary fund in the City's financial statements. No separate financial statements are issued for the plan.

Plan provisions are established by ordinance of the City's Council with the authority for contributions required by Act 205 of 1984 of the Commonwealth of Pennsylvania. The City Council acts as the Pension Board, and the plan provisions and contribution requirements are established and may be amended by the City Council. For the plan, the City has delegated authority to manage certain assets to VOYA Financial Advisors.

Participation -Any individual employed by the City on a regular, full-time basis (not covered under the Police Plan or the Fire Truck Driver's Plan) is covered by the Plan from the participant's date of hire.

Contributions

PA Act 205 and City Council ordinances assign the authority to establish and amend the benefit provisions of the plan. The plan is funded by the City, whose contribution rate is 8% of participating employees' compensation. Employees are required to contribution 5% of compensation. The City recognized pension expense of $142,578 for the year ended December 31, 2017.

Note 10 – Other Postemployment Benefits

Plan Description

The City provides certain healthcare benefits for employees who retire. Police employees who retire from the police pension plan with full normal retirement benefits (age 50 with 20 years of service) or with a Disability Retirement Benefit and Fire employees who retire from the fire pension plan with full normal retirement benefit (age 55 with 20 years of service), receive coverage for themselves, spouse, and eligible dependents of medical, dental, and vision coverage until the earlier of eligibility for equal or better medical coverage with another employer or until the retiree's death. At Medicare eligibility, coverage will be provided in the form of a Medicare

supplement plan. For police employees, upon the death of the retiree, the City will continue to provide medical, dental, and vision coverage to the surviving spouse and dependent children for three years. For police and fire employees, a life insurance policy will remain in effect until death, with a benefit of $8,000 for police and $5,000 for fire. One police retiree who resides outside of Pennsylvania receives reimbursement for medical, dental, and/or vision expenses on a monthly basis as incurred up to a maximum of $367.56 per month. Non-uniformed employees who retire from the non-uniformed employees' pension plan will receive medical and dental coverage for the retiree, spouse, and eligible dependents, until the retiree's death. At Medicare eligibility, coverage will be in the form of a Medicare supplement plan. A life insurance policy will remain in full effect until death, with a benefit of $5,000. Benefit provisions are established through negotiation with the City and the unions representing the City's employees.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC); an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	$ 611,852
Interest on net OPEB obligation	117,176
Adjustment to the ARC	(159,858)
Annual OPEB cost	569,170
Contribution Made	(238,559)
Change in OPEB obligation	330,611
Net OPEB obligation, December 31, 2016	2,603,913
Net OPEB obligation, December 31, 2017	$ 2,934,524

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

Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation (Asset)
12/31/2017	$ 569,170	41.9%	$ 2,934,523
12/31/2016	574,651	41.8%	2,603,912
12/31/2015	580,186	41.8%	2,269,521
12/31/2014	500,285	43.1%	1,931,831
12/31/2013	505,105	41.8%	1,646,946

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $6,487,329 for the City and the actuarial value of assets was $0 for each plan, resulting in an unfunded actuarial accrued liability (UAAL) of $6,487,329 for the City.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return and an annual healthcare cost trend rate of 5.0 percent. The unfunded actuarial accrued liability is being amortized based on level dollar, 30-year period.

Note 11 – Deferred Compensation Plan

The City offers its employees a deferred compensation plan (plan) created in accordance with Internal Revenue Code Section 457. (Deferred compensation plans with respect to service for State and Local Governments), which is considered a defined contribution pension plan. As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator.

The plan, available to all employees, permits them to defer a portion of their salary until future years. The City does not contribute to the plan or match employees' contributions. Participation in the plan is optional. The funds are not available to employees until termination, retirement, death, or unforeseeable emergency. At December 31, 2017, all amounts of compensation deferred under the plan were held in trust solely for the benefit of the participants. Investments are managed by the plan's trustee under several investment options selected by the participant. Deferred compensation assets at December 31, 2017 totaled $35,703. Under the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for *Internal Revenue Code Section 457 Deferred Compensation Plans,*" the plan is not required to be included in the City's financial statements.

Note 12 – Contingent Liabilities

The City of Monessen participates in grant programs sponsored by other governments. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended December 31, 2017 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts to be immaterial.

Note 13 – Interfund Balances

Individual fund interfund receivable and payable balances at December 31, 2017 were:

Interfund Receivable	Amount	Interfund Payable	Amount
General Fund	$ 5,473	General Fund	$ 280,686
Library Fund	1,636	Municipal Complex Fund	5,473
Park Fund	8,766		
Debt Service Fund	22,299		
Small Community Projects Fund	8,047		
Line Usage Fund	239,938		
	$ 286,159		$ 286,159

During the year ended December 31, 2017, the following fund level transfers were made:

Expending Fund	Amount	Receiving Fund	Amount
General Fund	$ 2,224	General Fund	$ 237,850
Municipal Complex Fund	237,850	Municipal Complex Fund	1,100
		Recreation Board Fund	1,124
	$ 240,074		$ 240,074

Transfers between these funds were necessary to reimburse the General Fund and other governmental funds for expenses paid for them by other funds. The transfer in the amount of $237,850 from the Municipal Complex Fund to the General Fund was to transfer cash received for the down payment on the sale of the Municipal Complex.

Note 14 – Conduit Debt

During 2007, the City, through its Small Communities Projects Fund, was party to a conduit debt transaction in the amount of $2 million between the U.S. Department of Housing and Urban Development (HUD) and a local business. In the transaction, HUD loaned $2 million to the City, which the City in turn loaned to the local business for use in its Riverfront Industrial Park project. Principal payments are due in the amount of $100,000 each August 1, beginning in 2009, through August 1, 2027 and the loan bears interest at LIBOR plus 20 basis points. Interest is due semiannually each February 1 and August 1. The loan payments are due from the local developer, and the City has no obligation. The balance at December 31, 2017 is $1,050,000.

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

In 2011, the City, through its Small Communities Projects Fund, was party to a conduit debt transaction in the amount of $3.49 million between HUD and a local business. In the transaction, HUD loaned $3.49 million to the City, which the City in turn loaned to the local business for use in rehabilitating a rail mill to be used as an aluminum recycling facility and purchasing new equipment. Principal payments are due in the amount of $174,000 each August 1, beginning in 2012 through 2029, and in the amount of $179,000 for August 1, 2030 and 2031. The loan bears interest at LIBOR plus 20 basis points. Interest is due quarterly each February 1, May 1, August 1, and November 1. The loan payments are due from the local business, and the City has no obligation. The balance at December 31, 2017 is $2,446,000.

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

Note 15 – Risk Management and Litigation

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets: errors and omissions; injuries to employees; and natural disasters. The City manages most risk through the general fund with the purchase of commercial insurance coverage. There has been no reduction in insurance coverage from the previous year, nor have amounts of settlements exceeded coverage levels in the past three years.

The City estimates that the amount of actual or potential claims against the City as of December 31, 2017, will not materially affect the financial condition of the City and will be covered under the present insurance coverage.

Note 16 – Subsequent Events

Effective March 1, 2018, the City refinanced both the General Obligation Bond Series of 2010 and General Obligation Bond Series of 2012 into two General Obligation Notes; Series A of 2018 and Series B of 2018. The General Obligation Note Series A of 2018 has a principal amount of $4,782,200 and an interest rate of 2.900%. The General Obligation Note Series B of 2018 has a principal amount of $2,640,000 and an interest rate of $4.250%.

Note 17 – General Fund Liquidity

The General Fund ended December 31, 2017 with a negative balance of $(345,301). The City is working with Grass Root Solutions and is developing a plan to address this deficit.

Supplementary Information

CITY OF MONESSEN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue Funds									
	Liquid Fuels Fund	Canine Fund	Library Fund	Parks Fund	Small Communities Projects Fund	Line Usage Fee Fund	Recreation Board Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS										
Cash	$	$11,098	$ 55	$ 3,587	$ 11,022	$ 49,261	$ 7,640	$26,518	$	$ 109,181
Investments	5,049					90,101				95,150
Due From Other Funds			1,636	8,766	8,047	239,938		22,299		280,686
Other Receivables						38,741	451			39,192
TOTAL ASSETS	$5,049	$11,098	$1,691	$12,353	$ 19,069	$418,041	$ 8,091	$48,817	$	$524,209
LIABILITIES AND FUND BALANCES										
Liabilities										
Interfund Payable	$	$	$	$	$	$	$	$	$	$
Accounts Payable			1,636	1,114	17,193	7,895				27,838
Total Liabilities			1,636	1,114	17,193	7,895				27,838
Fund Balances										
Fund Balances										
Assigned to Streets and Highways	5,049									5,049
Assigned to Canine		11,098								11,098
Assigned to the Monessen Public Library			55							55
Assigned to Parks				11,239						11,239
Assigned to Small Community Projects					1,876					1,876
Assigned to Sewer Repair and Maintenance						410,146				410,146
Assigned to Recreation Board							8,091			8,091
Assigned to Debt Service								48,817		48,817
Assigned to Capital Projects										
Total Fund Balances	5,049	11,098	55	11,239	1,876	410,146	8,091	48,817		496,371
TOTAL LIABILITIES AND FUND BALANCES	$5,049	$11,098	$1,691	$12,353	$ 19,069	$418,041	$ 8,091	$48,817	$	$524,209

CITY OF MONESSEN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Liquid Fuels Fund	Canine Fund	Library Fund	Parks Fund	Small Communities Projects Fund	Line Usage Fee Fund	Recreation Board Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues										
Real Estate Taxes	$	$	$52,584	$197,719	$	$	$	$503,227	$	$ 753,530
Licenses and Permits				3,950						3,950
Interest and Rents	669	12	32		2	281	11,052			12,048
Intergovernmental Revenues	282,403				262,361					544,764
Departmental Earnings						446,047				446,047
Miscellaneous		250			32,268					32,518
Total Revenues	283,072	262	52,616	201,669	294,631	446,328	11,052	503,227		1,792,857
Expenditures										
General Government					56,262					56,262
Public Safety		1,234								1,234
Health and Sanitation					130,571	304,025				434,596
Highways and Streets	230,356									230,356
Culture and Recreation			52,583	195,493			4,085			252,161
Community Development					86,182					86,182
Debt Service										
Principal and Interest	47,708							466,396		514,104
Total Expenditures	278,064	1,234	52,583	195,493	273,015	304,025	4,085	466,396		1,574,895
Excess (Deficiency) of Revenues Over Expenditures	5,008	(972)	33	6,176	21,616	142,303	6,967	36,831		217,962
Other Financing Sources (Uses)										
Sale of Fixed Assets										
Interfund Transfers In							1,124			1,124
Interfund Transfers (Out)										
Total Other Financing Sources (Uses)							1,124			1,124
Net Change in Fund Balances	5,008	(972)	33	6,176	21,616	142,303	8,091	36,831		219,086
Fund Balances - Beginning	41	12,070	22	5,063	(19,740)	267,843		11,986		277,285
Fund Balances - Ending	$ 5,049	$11,098	$ 55	$ 11,239	$ 1,876	$410,146	$ 8,091	$ 48,817	$	$ 496,371