

TOWNSHIP OF MOON

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## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**TOWNSHIP OF MOON**  
ALLEGHENY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

**TOWNSHIP OF MOON**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**TABLE OF CONTENTS**

|                                                                                                                                 | <b><u>PAGE</u></b> |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------|
| INDEPENDENT AUDITOR'S REPORT .....                                                                                              | i-iii              |
| EXHIBIT A – STATEMENT OF NET POSITION .....                                                                                     | 1                  |
| EXHIBIT B – STATEMENT OF ACTIVITIES .....                                                                                       | 2                  |
| EXHIBIT C – BALANCE SHEET – Governmental Funds .....                                                                            | 3                  |
| EXHIBIT D - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN<br>IN FUND BALANCES - Governmental Funds .....                   | 4                  |
| EXHIBIT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN<br>IN FUND BALANCES, BUDGET AND ACTUAL - General Fund.....       | 5                  |
| EXHIBIT F– STATEMENT OF NET POSITION – Fiduciary Funds.....                                                                     | 6                  |
| EXHIBIT G– STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – Fiduciary Funds .....                                               | 7                  |
| NOTES TO THE FINANCIAL STATEMENTS .....                                                                                         | 8-27               |
| SCHEDULE 1 – COMBINING BALANCE SHEET – Non-Major Governmental Funds.....                                                        | 28                 |
| SCHEDULE 2 – COMBINING STATEMENT OF REVENUES, EXPENDITURES AND<br>CHANGES IN FUND BALANCES – Non-Major Governmental Funds ..... | 29                 |
| SCHEDULE 3 – COMBINING BALANCE SHEET – Capital Project Funds .....                                                              | 30                 |
| SCHEDULE 4 – COMBINING STATEMENT OF REVENUES, EXPENDITURES AND<br>CHANGES IN FUND BALANCES – Capital Project Funds.....         | 31                 |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>                                                                                       |                    |
| REQUIRED SUPPLEMENTARY INFORMATION – Defined Benefit Pension Plans.....                                                         | 32                 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION .....                                                                               | 33                 |

**Board of Supervisors  
Township of Moon**

**Independent Auditor's Report**

**Report on Financial Statements**

I have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Moon as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township'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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

### ***Basis for Adverse Opinion on Governmental Activities***

As described in Note 1, the Township of Moon prepares its statement of net position (Exhibit A) and statement of activities (Exhibit B) for governmental activities using the modified accrual basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Generally accepted accounting principles requires the preparation of these government-wide financial statements using the full accrual basis of accounting, including capitalizing and depreciating fixed assets and recognizing long-term debt obligations. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the governmental activities is not reasonably determinable.

### ***Adverse Opinion***

In my opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the statement of net position (Exhibit A) and statement of activities (Exhibit B) referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Township of Moon as of December 31, 2016, and the changes in financial position thereof for the year then ended.

### ***Unmodified Opinion***

In my opinion, the basic financial statements referred to above, excluding the statement of net position (Exhibit A) and statement of activities (Exhibit B), present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of the Township of Moon as of December 31, 2016, and the respective changes in financial position, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

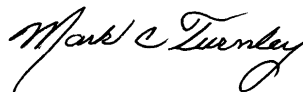
### ***Supplementary and Other Information***

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Moon's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use 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 my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Defined benefit trust funds' historical pension information on pages 32-33 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on such information.

A handwritten signature in cursive script that reads "Mark C. Turnley".

Mark C. Turnley, CPA

April 26, 2017  
New Brighton, Pennsylvania

**MOON TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

**EXHIBIT A**

|                                                                             | <u>Governmental<br/>Activities</u> |
|-----------------------------------------------------------------------------|------------------------------------|
| <b>ASSETS</b>                                                               |                                    |
| <b>Current Assets:</b>                                                      |                                    |
| Cash and Cash Equivalents                                                   | \$ 12,696,117                      |
| Investments                                                                 | 2,314,571                          |
| Taxes Receivable (net)                                                      | 685,663                            |
| Due From Other Governments                                                  | 68,943                             |
| Other Receivables                                                           | 171,158                            |
| Prepaid Expenses                                                            | 175,921                            |
| <b>Total Current Assets</b>                                                 | <b>\$ 16,112,373</b>               |
| <b>TOTAL ASSETS</b>                                                         | <b>\$ 16,112,373</b>               |
| <br><b>LIABILITIES</b>                                                      |                                    |
| <b>Current Liabilities:</b>                                                 |                                    |
| Accounts Payable                                                            | \$ 1,282,915                       |
| Accrued Payroll                                                             | 115,093                            |
| Payroll Deductions and Withholdings                                         | 90,307                             |
| Unearned Revenue                                                            | 12,080                             |
| Other Current Liabilities                                                   | 1,163,501                          |
| <b>Total Current Liabilities</b>                                            | <b>\$ 2,663,896</b>                |
| <b>TOTAL LIABILITIES</b>                                                    | <b>\$ 2,663,896</b>                |
| <br><b>DEFERRED INFLOW OF RESOURCES:</b>                                    |                                    |
| Real Estate Taxes - Delinquent                                              | \$ 451,228                         |
| Shelter Advertising                                                         | 43,000                             |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                                   | <b>\$ 494,228</b>                  |
| <br><b>NET POSITION</b>                                                     |                                    |
| Restricted:                                                                 |                                    |
| Highway Aid - Act 655                                                       | \$ 334,912                         |
| Capital Project Funds                                                       | 127,041                            |
| Road Infrastructure                                                         | 16,900                             |
| Unrestricted                                                                | 12,475,396                         |
| <b>TOTAL NET POSITION</b>                                                   | <b>\$ 12,954,249</b>               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF<br/>RESOURCES AND NET POSITION</b> | <b>\$ 16,112,373</b>               |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF MOON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

| Functions/Programs                                               | Expenses             | Program Revenues     |                                    |                                  | Net (Expense)                       |
|------------------------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
|                                                                  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
|                                                                  |                      |                      |                                    |                                  | Total Governmental Activities       |
| <b>Primary Government</b>                                        |                      |                      |                                    |                                  |                                     |
| <b>Governmental Activities:</b>                                  |                      |                      |                                    |                                  |                                     |
| General Government                                               | \$ 1,316,948         | \$ 274,744           | \$ 24,481                          | \$ -                             | \$ (1,017,723)                      |
| Public Safety - Police                                           | 5,931,379            | 206,802              | 342,256                            | -                                | (5,382,321)                         |
| Public Safety - Fire                                             | 372,907              | -                    | -                                  | -                                | (372,907)                           |
| Public Safety - Other                                            | 703,573              | 182,318              | 25,938                             | -                                | (495,317)                           |
| Public Works                                                     | 4,238,175            | 74,600               | 706,194                            | -                                | (3,457,381)                         |
| Culture and Recreation - Parks                                   | 1,564,370            | 165,570              | 81,910                             | -                                | (1,316,890)                         |
| Culture and Recreation - Library                                 | 250,707              | -                    | -                                  | -                                | (250,707)                           |
| Culture and Recreation - Cable                                   | 434,956              | 631,788              | 4,713                              | -                                | 201,545                             |
| Debt Service                                                     | 839,134              | -                    | -                                  | -                                | (839,134)                           |
| Miscellaneous                                                    | 12,570               | -                    | -                                  | -                                | (12,570)                            |
| <b>Total Governmental Activities</b>                             | <b>\$ 15,664,719</b> | <b>\$ 1,535,822</b>  | <b>\$ 1,185,492</b>                | <b>\$ -</b>                      | <b>\$ (12,943,405)</b>              |
| <b>General Revenues:</b>                                         |                      |                      |                                    |                                  |                                     |
| Taxes:                                                           |                      |                      |                                    |                                  |                                     |
| Property and Per Capita Taxes, Levied for General Purposes (net) |                      |                      |                                    | \$                               | 5,833,358                           |
| Act 511 Taxes/PURTA                                              |                      |                      |                                    |                                  | 7,143,261                           |
| Investment Earnings                                              |                      |                      |                                    |                                  | 13,770                              |
| Sale of Assets                                                   |                      |                      |                                    |                                  | 12,099                              |
| Miscellaneous                                                    |                      |                      |                                    |                                  | 118,182                             |
| <b>Total General Revenues</b>                                    |                      |                      |                                    | <b>\$</b>                        | <b>13,120,670</b>                   |
| <b>Change in Net Position</b>                                    |                      |                      |                                    | <b>\$</b>                        | <b>177,265</b>                      |
| Net Position — January 1, 2016                                   |                      |                      |                                    |                                  | 12,776,984                          |
| <b>Net Position — December 31, 2016</b>                          |                      |                      |                                    | <b>\$</b>                        | <b>12,954,249</b>                   |

The accompanying notes are an integral part of these financial statements



**MOON TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

**EXHIBIT C**

|                                                                               | <b>GENERAL<br/>FUND</b> | <b>EMS TAX<br/>FUND</b> | <b>CAPITAL<br/>PROJECT<br/>FUNDS</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|-------------------------------------------------------------------------------|-------------------------|-------------------------|--------------------------------------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                |                         |                         |                                      |                                             |                                         |
| Cash and Cash Equivalents                                                     | \$ 4,563,658            | \$ 1,795,040            | \$ 5,934,405                         | \$ 403,014                                  | \$ 12,696,117                           |
| Investments                                                                   | 2,305,387               | -                       | 9,184                                | -                                           | 2,314,571                               |
| Taxes Receivable, net                                                         | 681,673                 | 3,990                   | -                                    | -                                           | 685,663                                 |
| Due From Other Funds                                                          | 487,174                 | -                       | 509,443                              | 38,237                                      | 1,034,854                               |
| Due From Other Governments                                                    | 68,943                  | -                       | -                                    | -                                           | 68,943                                  |
| Other Receivables                                                             | 170,229                 | -                       | 929                                  | -                                           | 171,158                                 |
| Prepaid Expenses                                                              | 146,959                 | -                       | 28,962                               | -                                           | 175,921                                 |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 8,424,023</b>     | <b>\$ 1,799,030</b>     | <b>\$ 6,482,923</b>                  | <b>\$ 441,251</b>                           | <b>\$ 17,147,227</b>                    |
| <br><b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>       |                         |                         |                                      |                                             |                                         |
| <b>LIABILITIES:</b>                                                           |                         |                         |                                      |                                             |                                         |
| Due to Other Funds                                                            | \$ 244,372              | \$ 572,775              | \$ 182,490                           | \$ 35,217                                   | \$ 1,034,854                            |
| Accounts Payable                                                              | 259,558                 | 105,583                 | 868,571                              | 49,203                                      | 1,282,915                               |
| Accrued Payroll                                                               | 115,093                 | -                       | -                                    | -                                           | 115,093                                 |
| Payroll Deductions and Withholdings                                           | 90,307                  | -                       | -                                    | -                                           | 90,307                                  |
| Unearned Revenue                                                              | 12,080                  | -                       | -                                    | -                                           | 12,080                                  |
| Other Current Liabilities                                                     | 1,163,501               | -                       | -                                    | -                                           | 1,163,501                               |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 1,884,911</b>     | <b>\$ 678,358</b>       | <b>\$ 1,051,061</b>                  | <b>\$ 84,420</b>                            | <b>\$ 3,698,750</b>                     |
| <br><b>DEFERRED INFLOW OF RESOURCES:</b>                                      |                         |                         |                                      |                                             |                                         |
| Real Estate Taxes - Delinquent                                                | \$ 451,228              | \$ -                    | \$ -                                 | \$ -                                        | \$ 451,228                              |
| Shelter Advertising                                                           | 43,000                  | -                       | -                                    | -                                           | 43,000                                  |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                                     | <b>\$ 494,228</b>       | <b>\$ -</b>             | <b>\$ -</b>                          | <b>\$ -</b>                                 | <b>\$ 494,228</b>                       |
| <br><b>FUND BALANCES:</b>                                                     |                         |                         |                                      |                                             |                                         |
| Nonspendable                                                                  | \$ 146,959              | \$ -                    | \$ 28,962                            | \$ -                                        | \$ 175,921                              |
| Restricted                                                                    | -                       | -                       | 127,041                              | 351,812                                     | 478,853                                 |
| Assigned                                                                      | -                       | 1,120,672               | 5,275,859                            | 5,019                                       | 6,401,550                               |
| Unassigned                                                                    | 5,897,925               | -                       | -                                    | -                                           | 5,897,925                               |
| <b>TOTAL FUND BALANCES</b>                                                    | <b>\$ 6,044,884</b>     | <b>\$ 1,120,672</b>     | <b>\$ 5,431,862</b>                  | <b>\$ 356,831</b>                           | <b>\$ 12,954,249</b>                    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 8,424,023</b>     | <b>\$ 1,799,030</b>     | <b>\$ 6,482,923</b>                  | <b>\$ 441,251</b>                           | <b>\$ 17,147,227</b>                    |

The accompanying notes are an integral part of these financial statements

**MOON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                              | GENERAL FUND          | EMS TAX<br>FUND     | CAPITAL<br>PROJECT<br>FUNDS | NON-MAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------|-----------------------|---------------------|-----------------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>                                              |                       |                     |                             |                                    |                                |
| Taxes                                                        | \$ 11,494,383         | \$ 857,601          | \$ 195,248                  | \$ -                               | \$ 12,547,232                  |
| Licenses and Permits                                         | 637,029               | -                   | -                           | -                                  | 637,029                        |
| Fines and Forfeitures                                        | 89,466                | -                   | -                           | -                                  | 89,466                         |
| Interest and Rents                                           | 235,013               | 829                 | 14,285                      | 335                                | 250,462                        |
| Intergovernmental                                            | 977,186               | -                   | -                           | 653,507                            | 1,630,693                      |
| Charges for Services                                         | 502,988               | -                   | 7,257                       | -                                  | 510,245                        |
| Miscellaneous                                                | 10,980                | -                   | 61,379                      | -                                  | 72,359                         |
| <b>Total Revenue</b>                                         | <b>\$ 13,947,045</b>  | <b>\$ 858,430</b>   | <b>\$ 278,169</b>           | <b>\$ 653,842</b>                  | <b>\$ 15,737,486</b>           |
| <b>EXPENDITURES</b>                                          |                       |                     |                             |                                    |                                |
| General Government                                           | \$ 1,284,216          | \$ 16,667           | \$ 15,995                   | \$ 70                              | \$ 1,316,948                   |
| Public Safety - Police                                       | 5,798,576             | -                   | 132,803                     | -                                  | 5,931,379                      |
| Public Safety - Fire                                         | 289,996               | 2,500               | 80,411                      | -                                  | 372,907                        |
| Public Safety - Other                                        | 620,411               | -                   | 83,162                      | -                                  | 703,573                        |
| Public Works                                                 | 2,043,139             | 315,571             | 1,448,168                   | 431,297                            | 4,238,175                      |
| Culture and Recreation - Parks                               | 1,148,851             | -                   | 415,519                     | -                                  | 1,564,370                      |
| Culture and Recreation - Library                             | 230,707               | -                   | 20,000                      | -                                  | 250,707                        |
| Culture and Recreation - Cable                               | 353,681               | -                   | 81,275                      | -                                  | 434,956                        |
| Debt Service                                                 | -                     | -                   | 86,947                      | 752,187                            | 839,134                        |
| Miscellaneous                                                | 10,665                | -                   | -                           | -                                  | 10,665                         |
| <b>Total Expenditures</b>                                    | <b>\$ 11,780,242</b>  | <b>\$ 334,738</b>   | <b>\$ 2,364,280</b>         | <b>\$ 1,183,554</b>                | <b>\$ 15,662,814</b>           |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 2,166,803</b>   | <b>\$ 523,692</b>   | <b>\$ (2,086,111)</b>       | <b>\$ (529,712)</b>                | <b>\$ 74,672</b>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                     |                             |                                    |                                |
| Sale of Assets                                               | \$ 723                | \$ -                | \$ 2,976                    | \$ -                               | \$ 3,699                       |
| Refund Prior Year Receipts                                   | (1,905)               | -                   | -                           | -                                  | (1,905)                        |
| Refund Prior Year Expenses                                   | 6,583                 | -                   | 94,216                      | -                                  | 100,799                        |
| Operating Transfers In                                       | 352,782               | 145,000             | 2,414,400                   | 752,187                            | 3,664,369                      |
| Operating Transfers Out                                      | (2,952,187)           | (567,149)           | -                           | (145,033)                          | (3,664,369)                    |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (2,594,004)</b> | <b>\$ (422,149)</b> | <b>\$ 2,511,592</b>         | <b>\$ 607,154</b>                  | <b>\$ 102,593</b>              |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ (427,201)</b>   | <b>\$ 101,543</b>   | <b>\$ 425,481</b>           | <b>\$ 77,442</b>                   | <b>\$ 177,265</b>              |
| FUND BALANCE - JANUARY 1, 2016                               | 6,472,085             | 1,019,129           | 5,006,381                   | 279,389                            | 12,776,984                     |
| <b>FUND BALANCE - DECEMBER 31, 2016</b>                      | <b>\$ 6,044,884</b>   | <b>\$ 1,120,672</b> | <b>\$ 5,431,862</b>         | <b>\$ 356,831</b>                  | <b>\$ 12,954,249</b>           |

The accompanying notes are an integral part of these financial statements

**MOON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUND - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                               | Budgeted Amounts     |                      | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|----------------------|----------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original             | Final                |                             |                                                         |
| <b>REVENUES</b>                                               |                      |                      |                             |                                                         |
| Taxes                                                         | \$ 10,761,500        | \$ 10,761,500        | \$ 11,494,383               | \$ 732,883                                              |
| Licenses and Permits                                          | 605,300              | 605,300              | 637,029                     | 31,729                                                  |
| Fines and Forfeitures                                         | 95,000               | 95,000               | 89,466                      | (5,534)                                                 |
| Interest and Rents                                            | 221,642              | 221,642              | 235,013                     | 13,371                                                  |
| Intergovernmental                                             | 841,669              | 841,669              | 977,186                     | 135,517                                                 |
| Charges for Services                                          | 538,000              | 538,000              | 502,988                     | (35,012)                                                |
| Miscellaneous                                                 | 9,000                | 9,000                | 10,980                      | 1,980                                                   |
| <b>Total Revenues</b>                                         | <b>\$ 13,072,111</b> | <b>\$ 13,072,111</b> | <b>\$ 13,947,045</b>        | <b>\$ 874,934</b>                                       |
| <b>EXPENDITURES</b>                                           |                      |                      |                             |                                                         |
| General Government                                            | \$ 1,345,078         | \$ 1,345,078         | \$ 1,284,216                | \$ 60,862                                               |
| Public Safety - Police                                        | 6,002,075            | 6,002,075            | 5,798,576                   | 203,499                                                 |
| Public Safety - Fire                                          | 324,450              | 324,450              | 289,996                     | 34,454                                                  |
| Public Safety - Other                                         | 718,289              | 718,289              | 620,411                     | 97,878                                                  |
| Public Works                                                  | 2,345,969            | 2,345,969            | 2,043,139                   | 302,830                                                 |
| Culture and Recreation - Parks                                | 1,223,752            | 1,223,752            | 1,148,851                   | 74,901                                                  |
| Culture and Recreation - Library                              | 226,600              | 226,600              | 230,707                     | (4,107)                                                 |
| Culture and Recreation - Cable                                | 390,976              | 390,976              | 353,681                     | 37,295                                                  |
| Miscellaneous                                                 | 45,500               | 45,500               | 10,665                      | 34,835                                                  |
| <b>Total Expenditures</b>                                     | <b>\$ 12,622,689</b> | <b>\$ 12,622,689</b> | <b>\$ 11,780,242</b>        | <b>\$ 842,447</b>                                       |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 449,422</b>    | <b>\$ 449,422</b>    | <b>\$ 2,166,803</b>         | <b>\$ 1,717,381</b>                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                      |                      |                             |                                                         |
| Sale of Assets                                                | \$ 3,000             | \$ 3,000             | \$ 723                      | \$ (2,277)                                              |
| Refund Prior Year Receipts                                    | -                    | -                    | (1,905)                     | (1,905)                                                 |
| Refund Prior Year Expenses                                    | -                    | -                    | 6,583                       | 6,583                                                   |
| Operating Transfers In                                        | 346,100              | 346,100              | 352,782                     | 6,682                                                   |
| Operating Transfers Out                                       | (752,188)            | (752,188)            | (2,952,187)                 | (2,199,999)                                             |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (403,088)</b>  | <b>\$ (403,088)</b>  | <b>\$ (2,594,004)</b>       | <b>\$ (2,190,916)</b>                                   |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ 46,334</b>     | <b>\$ 46,334</b>     | <b>\$ (427,201)</b>         | <b>\$ (473,535)</b>                                     |
| FUND BALANCE - JANUARY 1, 2016                                | 4,247,065            | 4,247,065            | 6,472,085                   | 2,225,020                                               |
| <b>FUND BALANCE - DECEMBER 31, 2016</b>                       | <b>\$ 4,293,399</b>  | <b>\$ 4,293,399</b>  | <b>\$ 6,044,884</b>         | <b>\$ 1,751,485</b>                                     |

The accompanying notes are an integral part of these financial statements

**MOON TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

|                                           | <b><u>POLICE<br/>PENSION<br/>FUND</u></b> | <b><u>NON-UNIFORM<br/>PENSION FUND</u></b> |
|-------------------------------------------|-------------------------------------------|--------------------------------------------|
| <b>ASSETS</b>                             |                                           |                                            |
| Investments, at Fair Value:               |                                           |                                            |
| Money Market Funds                        | \$ 396,804                                | \$ -                                       |
| Mutual Funds                              | 18,664,547                                | 8,948,111                                  |
| Accrued Interest                          | 7,436                                     | -                                          |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 19,068,787</u></b>               | <b><u>\$ 8,948,111</u></b>                 |
| <b>LIABILITIES</b>                        |                                           |                                            |
| Accounts Payable                          | \$ -                                      | \$ -                                       |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ -</u></b>                        | <b><u>\$ -</u></b>                         |
| <b>NET POSITION</b>                       |                                           |                                            |
| Held in Trust for Pension Benefits        | \$ 19,068,787                             | \$ 8,948,111                               |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 19,068,787</u></b>               | <b><u>\$ 8,948,111</u></b>                 |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 19,068,787</u></b>               | <b><u>\$ 8,948,111</u></b>                 |

The accompanying notes are an integral part of these financial statements

**MOON TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                           | <u>POLICE<br/>PENSION FUND</u> | <u>NON-UNIFORM<br/>PENSION PLAN</u> |
|-------------------------------------------|--------------------------------|-------------------------------------|
| <b>ADDITIONS</b>                          |                                |                                     |
| Contributions                             |                                |                                     |
| Employer                                  | \$ 504,384                     | \$ 316,256                          |
| Plan Members                              | 227,009                        | 146,874                             |
| Total Contributions                       | <u>\$ 731,393</u>              | <u>\$ 463,130</u>                   |
| Investment Earnings                       |                                |                                     |
| Net Increase in Fair Value of Investments | \$ (553,596)                   | \$ 555,155                          |
| Interest and Dividends                    | 1,503,403                      | -                                   |
| Total Investment Earnings                 | <u>\$ 949,807</u>              | <u>\$ 555,155</u>                   |
| Less Investment Expense                   | -                              | -                                   |
| Net Investment Earnings                   | <u>\$ 949,807</u>              | <u>\$ 555,155</u>                   |
| Total Additions                           | <u>\$ 1,681,200</u>            | <u>\$ 1,018,285</u>                 |
| <b>DEDUCTIONS</b>                         |                                |                                     |
| Benefits                                  | \$ 1,147,766                   | \$ 431,944                          |
| Administrative Expenses                   | 99,553                         | 126                                 |
| Total Deductions                          | <u>\$ 1,247,319</u>            | <u>\$ 432,070</u>                   |
| <b>CHANGE IN NET POSITION</b>             | <u>\$ 433,881</u>              | <u>\$ 586,215</u>                   |
| <b>NET POSITION - JANUARY 1, 2016</b>     | <u>18,634,906</u>              | <u>8,361,896</u>                    |
| <b>NET POSITION - DECEMBER 31, 2016</b>   | <u><u>\$ 19,068,787</u></u>    | <u><u>\$ 8,948,111</u></u>          |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Moon was incorporated under the provisions governing the creation of municipal corporations in the Commonwealth of Pennsylvania. The administration of the Township consists of a five member Board of Supervisors, a Township Manager and Assistant Township Manager. Members of the Board of Supervisors are elected by the voting public. The Supervisors appoint a Township Manager to administer the day-to-day operations of the Township. The major functions of the Township include public safety, maintenance of Township infrastructure (roads), maintenance of parks and other recreational facilities for use by Township residents, and general administrative functions necessary to facilitate Township responsibilities and resident needs.

The financial statements of the Township of Moon have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units, except for the Statement of Net Position and Statement of Activities for its Governmental Activities (See GASB Statement Implementation below). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). During the 2016 calendar year, the Township adopted the provisions of GASB Statement No. 72 '*Fair Value Measurement and Application*', GASB Statement No. 76, '*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*', GASB Statement No. 77, '*Tax Abatement Disclosures*, and GASB Statement No. 79 '*Certain External Investments Pools and Pool Participates*'. The more significant of the Township's accounting policies are as follows:

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township of Moon consists of all funds, departments, boards and agencies that are not legally separate from the Township. As defined by GASB Statement No. 14 "Financial Reporting Entity", component units are legally separate entities that are included in the Township's reporting entity because of the significance of their operating or financial relationships with the Township. In accordance with GASB Statement No. 14, and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", management has evaluated all potential component units. In accordance with this guidance, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Based on the application of the above criteria, the Moon Township Public Library meets the criteria as a component unit of the Township of Moon. Separate financial statements of the Library can be obtained through the Library located at 1700 Beaver Grade Road, Suite 100, Moon Township, PA 15108.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GASB STATEMENT IMPLEMENTATIONS**

In June of 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, 'Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments'. The provisions of GASB Statement No. 34 were effective January 1, 2004 for the Township of Moon. The Township adopted certain provisions of GASB Statement No. 34 including, but not limited to, 1) changing its fund financial statements to focus on the major funds and 2) presentation of government-wide financial statements – Statement of Net Position and Statement of Activities (see Basis of Presentation). However, the governmental activities of the Township of Moon were prepared using the modified accrual basis of accounting (Pre-GASB Statement No. 34), as opposed to the full accrual basis of accounting as required by GASB Statement No. 34. Accordingly, the accompanying government-wide statement of net position and statement of activities are not presented in conformity with generally accepted accounting principles.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the Township as a whole. These statements include the aggregate financial activities of the Township's governmental funds, except for fiduciary funds, as these funds cannot be used to fund the general operations of the Township. The Township does not administer any business-type activities.

GASB Statement No. 34 requires that the government-wide statements be prepared using the economic resources measurement focus (full accrual). This approach differs from the manner in which governmental fund financial statements are prepared (modified accrual). GASB Statement No. 34 also requires reconciliation statements with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The Township however, does not use the economic resources measurement focus in the preparation of its statement of net position and statement of activities for its governmental activities. The Township uses the modified accrual basis of accounting in both the preparation of its fund financial statements and government-wide financial statements. Accordingly, the accompanying financial statements do not include the required reconciliation statements.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for each function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore 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, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Township has the following program revenues in each activity:

- General Government – Rental fees, lien letters, sales of ordinances and other copies.
- Public Safety (Police) – State and local fines, contracted police services, accident reports, alarm fees and police reports.
- Protective Inspection – Zoning hearing and electric inspection fees, and building permits.
- Planning and Zoning – Sale of maps and engineering fees.
- Public Works – Road encroachment fees and snow removal fees.
- Culture and Recreation – Programming fees, recreational facilities fees, permits, and park rentals.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

Revenues which are not classified as program revenues are presented as general revenues of the Township. The comparison of direct expenses with program revenues identifies the extent to which the government function is self-financing or draws from the general revenues of the Township.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Major funds represent the Township's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. Each major fund is presented in a separate column. Non-major funds are segregated and are presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The Township uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus 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 following are the Township's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - Established under 'The Second Class Township Code' of the Commonwealth of Pennsylvania and is used for the general operations of the Township. Income in this fund is derived mainly from assessed revenue such as real estate taxes, local taxes established under Act 511 and other miscellaneous revenues not designated for other restricted fund purposes. These revenues are used for general ongoing government services such as public safety, public works, general administration of the Township and other miscellaneous operating expenses.

**EMS TAX FUND (SPECIAL REVENUE)** - Established with the proceeds of the Township's Local Service Tax (LST) Tax earmarked for public safety, public works, and other miscellaneous operating costs.



**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**MAJOR GOVERNMENTAL FUNDS: (Continued)**

**CAPITAL RESERVE FUND** (CAPITAL PROJECT FUND) - Established to accumulate monies appropriated from the General Fund for the renovation of Township property and the acquisition of certain items of capital equipment.

**2005 CONSTRUCTION FUND** (CAPITAL PROJECT) - Established from the proceeds of the 2005 general obligation bond issue for the purpose of acquiring the Bon Air Golf Course and providing for certain other construction and renovation projects within the Township.

**2006 CONSTRUCTION FUND** (CAPITAL PROJECT) - Established from the proceeds of the 2006 general obligation bond issue for the purpose of refunding the outstanding principal portion due on the Series of 2001 general obligation bond issue and to provide additional funding for renovation projects within the Township.

**2012 CONSTRUCTION FUND** (CAPITAL PROJECT) - Established from the proceeds of the 2012 general obligation bond issue for the purpose of refunding the outstanding principal portion due on the Series of 2005 and 2006 general obligation bond issues and to provide additional funding for renovation projects within the Township.

**NON-MAJOR GOVERNMENTAL FUNDS:**

**HIGHWAY AID FUND** (SPECIAL REVENUE) - Established and restricted under Act 655 of the Commonwealth of Pennsylvania. Funding is received from the Commonwealth and is restricted in use for the maintenance, repair and construction of roads, streets and bridges for which the Township is responsible.

**MOONCREST FUND** (SPECIAL REVENUE) - Established to account for grant funds received from the Department of Community and Economic Development to benefit the Mooncrest Neighborhood Association. The Township acts in the capacity as a pass-through entity for this grant.

**EWING ROAD FUND** (SPECIAL REVENUE) - Established to account for Highway Transfer (Turnback) Program rehabilitation funds received from the Commonwealth of Pennsylvania Department of Transportation for the purpose of performing work items identified within Highway Transfer Agreement Number 117785 as necessary to bring State Route 3070, Ewing Mill Road, to a satisfactory condition for the transfer of ownership to Moon Township. This Fund was closed during calendar year 2016.

**SINKING FUND #2** (DEBT SERVICE) - Established to provide for the payment of principal and interest on the Township's General Obligation Bonds - Series of 2012.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**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 Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The Township has two pension trust funds (police pension and non-uniform employee pension).

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Governmental activities in the government-wide financial statements and government funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the calendar year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the Township receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Township of Moon has determined that the revenues most susceptible to accrual at December 31, 2016 are 1) December of 2016 real estate taxes deposited in January of 2017, 2) real estate transfer taxes and delinquent real estate taxes for the month of December, 3) certain Act 511 taxes collected in the month of January of 2017, 4) cable franchise fees for the fourth quarter of 2016 and 5) other miscellaneous items of income pertaining to the 2016 calendar year received subsequent to December 31, 2016. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflow of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at December 31, 2016 are those for which the Board of Supervisor's intention was to expense these items as budgeted for in the 2016 official budget, and for which the Township has incurred an obligation during 2016, but has not paid as of December 31, 2016.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETS**

In December of 2015, the Township of Moon adopted its 2016 annual budget for its General Fund totaling \$13,374,877 in accordance with the provisions of the Commonwealth of Pennsylvania Township Code. The budget is prepared utilizing the modified accrual method of accounting in accordance with generally accepted accounting principles. Budgetary transfers among various expenditure line items are performed as approved by the Board of Supervisors. The adjusted budgetary amounts, if any, are reflected in these financial statements (Exhibit E). The Township's General Fund actual expenditures exceeded budgeted expenditures for calendar year 2016. All appropriations of the General Fund lapse at the end of each calendar year.

**CASH AND CASH EQUIVALENTS**

For purposes of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts and all highly liquid short-term investments with original maturity terms of less than three months. Cash and cash equivalents contains 1) \$72,619 in monies restricted for use in accordance with the Robin Hill Trust, 2) \$381,095 in monies restricted under Act 655 for use in highway and road related costs, and monies restricted for road infrastructure (Mooncrest) totaling \$16,900.

**INVESTMENTS**

**Governmental Funds:**

Provisions of Section 3204 of the Second Class Township Code authorize the following investments:

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government or its agencies or instrumentalities.
- III. Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- IV. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of these governmental units.
- V. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

Governmental fund type investments include funds pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT funds are stated at amortized cost, which approximates market value. The Township's portfolio is in compliance with these statutes at December 31, 2016. Investments contain \$9,184 in capital project funds restricted under the terms of the Township's bond issue regulations.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVESTMENTS:**

**Fiduciary Funds:**

The pension trust funds, whose deposits and investments are held separately from the Township, are assigned to professional money managers that specialize in certain types of investments. The investment alternatives of these money managers are generally restricted to those in which they specialize. Investments include monies invested by the Township with PNC Retirement and Investment Services for its' police pension plan and ICMA Retirement Corporation for its' non-uniform pension plan.

**RECEIVABLES**

Receivables are reflected at net realizable value as of December 31, 2016.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the balance sheet. For the purposes of the government-wide statement of net position, governmental inter-fund receivables and payables have been eliminated. A summary as of December 31, 2016 is as follows:

| <b><u>FUND</u></b>     | <b><u>DUE TO</u></b>       | <b><u>DUE FROM</u></b>     |
|------------------------|----------------------------|----------------------------|
| General Fund           | \$ 487,174                 | \$ 244,372                 |
| Highway Aid Fund       | 38,237                     | 35,217                     |
| Capital Projects Funds | 509,433                    | 182,490                    |
| EMS Tax Fund           | -                          | 572,775                    |
| <b>TOTAL</b>           | <b><u>\$ 1,034,844</u></b> | <b><u>\$ 1,034,854</u></b> |

During calendar year 2016, the General Fund made transfers 1) to the Debt Service Fund totaling \$752,187 for the payment of principal and interest on the Series of 2012 General Obligation Bond issue and 2) to the Capital Reserve Fund totaling \$2,200,000 for capital acquisitions and renovations. The EMS Tax Fund transferred \$352,782 and \$214,367 to the General Fund and Capital Reserve Fund respectively to defray the Township's public safety costs. The Liquid Fuels Fund transferred \$145,000 to the EMS Fund to reimburse prior year winter maintenance costs, and the Ewing Road Fund transferred \$33 to the General Fund for expense reimbursements.

**CAPITAL ASSETS AND DEPRECIATION**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit D).

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. The non-current portion of long-term obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, liabilities that mature or come due for payment within 60 days of the end of the calendar year, are considered to be paid with current available financial resources. Notes and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The Township's General Fund is typically used to liquidate long-term liability obligations.

The Township of Moon has not adopted the provisions of GASB Statement No. 34 with regard to capitalizing and depreciating general capital assets and recording long-term obligations in the statement of net position for its governmental activities. Accordingly, the accompanying government-wide statements of net position and activities of the Township of Moon do not present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The Township did not incur any bond issue costs during the 2016 calendar year.

**UNEARNED REVENUE**

Unearned revenue arises when the Township receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy Township obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION (Continued)**

- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND BALANCE**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity’s fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory and prepaid expenses) or are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance – amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Township intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned fund balance – amounts that are available for any purpose

The Township of Moon establishes (and modifies and rescinds) fund equity commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget.

A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Supervisors has given authority to the Township Manager to assign fund balance.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND BALANCE (Continued)**

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it the Township's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**COMPENSATED ABSENCES**

Unused sick days are accumulated and paid in accordance with the terms of the Township's various collective bargaining agreements. The terms of the collective bargaining agreement between the Township and the Moon Township Police Officers provide for the payment of \$75 per day for accumulated unused sick leave up to a maximum of 120 days. The terms of the collective bargaining agreement between the Township and the Parks and Road employees provide for the payment of ½ the employees hourly rate of pay for accumulated unused sick leave up to a maximum of 60 days. Administrative personnel are entitled to \$50 per day for accumulated unused sick leave up to a maximum of 60 days. For governmental fund financial statements, compensated absences are recorded as an expenditure when paid rather than accrued when earned as the likelihood of payment in the 2017 calendar year with available expendable resources is not assured.

**ESTIMATES**

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

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

At December 31, 2016, the Township of Moon had the following carrying values on their cash and cash equivalent accounts:

|                       | <b><u>Bank Balance</u></b>  | <b><u>Book Balance</u></b>  |
|-----------------------|-----------------------------|-----------------------------|
| General Fund          | \$ 4,662,781                | \$ 4,563,658                |
| EMS Tax Fund          | 1,795,040                   | 1,795,040                   |
| Capital Project Funds | 5,934,690                   | 5,934,405                   |
| Non-Major Funds       | 403,014                     | 403,014                     |
| <b>Total</b>          | <b><u>\$ 12,795,525</u></b> | <b><u>\$ 12,696,117</u></b> |

The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government account \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS: (Continued)**

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a separate policy for custodial credit risk in addition to the requirements of the Township Code. As of December 31, 2016 \$12,534,287 of the Township's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Township's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS:**

The fair value and maturity term of the Township's investments as of December 31, 2016 is as follows:

|                      | <u>Fair Value</u>    | <u>No Stated<br/>Maturity</u> | <u>0-5 Years</u> |
|----------------------|----------------------|-------------------------------|------------------|
| <b>Governmental:</b> |                      |                               |                  |
| PLGIT                | \$ 2,314,571         | \$ 2,314,571                  | \$ -             |
| <b>Fiduciary:</b>    |                      |                               |                  |
| Money Market Funds   | \$ 396,804           | \$ 396,804                    | \$ -             |
| Mutual Funds         | 27,612,658           | 27,612,658                    | -                |
|                      | <u>\$ 28,009,462</u> | <u>\$28,009,462</u>           | <u>\$ -</u>      |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The fund operates in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The fund uses amortized cost to report net assets to compute share prices. The fund maintains net asset values of \$1 per share. Accordingly, the fair value of the position in this fund is the same as the value of these shares. PLGIT funds are rated by a nationally recognized statistical rating organization. A copy of the PLGIT annual report can be obtained by contacting PLGIT representatives at PO Box 1027, Harrisburg, Pa. 17108.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. PLGIT, PNC Retirement and ICMA Retirement Funds, excluding the certificate of deposit investments, have the characteristics of open-end mutual funds and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Township does not have a policy that would limit its investment choices to those with certain credit ratings.



**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS: (Continued)**

**Interest Rate Risk:**

The Township 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.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations.

**Concentration of Credit Risk:**

The Township places no limit on the amount it may invest in any one issuer.

**Fair Value Measurements:**

The Township of Moon's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes

**Level 2** – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data

**Level 3** – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued)**

The following schedule presents the Investments of the Township by level within the fair value hierarchy:

|              | <b>Value<br/>at 12/31/16</b> | <b>Fair Value Measurements</b> |                |                |
|--------------|------------------------------|--------------------------------|----------------|----------------|
|              |                              | <b>Level 1</b>                 | <b>Level 2</b> | <b>Level 3</b> |
| Mutual Funds | \$ 27,612,658                | \$ 27,612,658                  | \$ -           | \$ -           |

Investments held in external investment pools such as PLGIT are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

**NOTE 3 - PROPERTY TAXES**

The Township of Moon levies property taxes during the first week of April each calendar year. The calendar dates for payment of these taxes is as follows:

**PAYMENT PERIOD**

|                        |                   |
|------------------------|-------------------|
| April 1 - May 31, 2016 | (Discount period) |
| June 1 - July 31, 2016 | (Face period)     |
| August 1 and after     | (Penalty period)  |

Taxpayers are entitled to a 2% discount if taxes are paid prior to June 1st. Collections after July 31st are assessed a 10% penalty. Unpaid taxes are sent to the Townships Delinquent Real Estate Tax Collector for collection or subsequent lien with Allegheny County. Unpaid taxes as of December 31, 2016 totaling \$88,551 represent 1.5% of the assessment for 2016 of \$5,923,458. The tax millage assessment for the 2015 calendar year is 2.74 mills on the assessed value of land and buildings, which represents \$2.74 of revenue for every \$1,000 of assessed value. The millage rate is comprised of 2.54 mills for general purposes and .20 mills to purchase and maintain fire apparatus, fire houses and to provide fire training.

Taxes receivable as shown in the government-wide statement of net position includes prior year property taxes of \$724,140 net of an estimated allowance for doubtful accounts of \$272,912. For purposes of the governmental fund financial statements, a portion of the above property taxes receivable, although measurable, does not meet the available criteria to finance current calendar year operations. Accordingly, this amount (\$451,228) is equally off-set as a credit to deferred inflow of resources in the government-wide and fund financial statements.

Taxes receivable are comprised of the following at December 31, 2016:

|                                    |                   |
|------------------------------------|-------------------|
| Property and Per Capita Taxes, Net | \$ 454,415        |
| Act 511 Taxes                      | 197,027           |
| Act 77 Sales Tax                   | 34,221            |
|                                    | <b>\$ 685,663</b> |

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The 'due from other governmental units' total of \$68,943 represents amounts earned by and due the Township for 2015 from other governmental agencies as follows:

|                               |                  |
|-------------------------------|------------------|
| Fines and Fofeitures          | \$ 7,285         |
| Police Services               | 16,971           |
| Municipal Services            | 216              |
| PENNDOT                       | 25,122           |
| MASD (Tax Collector Expenses) | 5,523            |
| Allegheny County              | 9,791            |
| Reimbursements                | 4,035            |
|                               | <u>\$ 68,943</u> |

**NOTE 5 – OTHER RECEIVABLES**

The 'other receivables' total of \$171,158 represents the following funds earned in 2016 and due the Township at December 31, 2016 as follows:

|                                             |                   |
|---------------------------------------------|-------------------|
| Cable Franchise Fees                        | \$ 158,743        |
| Moon Township Recreation Authority (Note 6) | 1,000             |
| Miscellaneous                               | 11,415            |
|                                             | <u>\$ 171,158</u> |

**NOTE 6 – LOAN RECEIVABLE**

On September 30, 2005, the Township of Moon entered into a loan agreement with the Moon Township Recreation Authority (MTRA), whereby the Township agreed to lend the Authority \$465,000 for the operation of the Bon Air Golf Facility. The loan is scheduled to be repaid concurrently with rental payments due the Township under the Golf Course lease agreement dated October 1, 2005 with MTRA for the operation of the same facility (see Note 9). Due to the long-term nature of this agreement, the accompanying financial statements using the modified accrual basis of accounting do not reflect the outstanding balance due on this loan. In 2011, the Township recorded revenue of \$120,000 due from the Authority. With the restructuring of the lease agreement in January of 2012 as a result of the Township's General Obligation Bond issue – Series of 2012, the \$120,000 was rolled into the overall debt of the Authority to the Township and was no longer a current receivable of the Township due from the Authority.

In July of 2007, the Township and Authority entered into a First Addendum to the aforementioned loan agreement whereby the Township loaned the Authority an additional \$10,000 for the cost of maintenance and repair to the Golf Course and facilities. The loan is in the form of a line of credit established through the Township's Capital Reserve Fund. The terms of the interest-free loan call for ten (10) annual payments of \$1,000 scheduled to mature in 2017. The balance on this loan as of December 31, 2016 is \$1,000.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 7 - DEFERRED INFLOW OF RESOURCES**

Deferred inflow of resources is comprised of the following at December 31, 2016:

|                                    |    |         |  |
|------------------------------------|----|---------|--|
| Property and Per Capita Taxes, Net | \$ | 451,228 |  |
| Lamar Shelter Advertising          |    | 43,000  |  |
|                                    |    | 494,228 |  |
|                                    | \$ | 494,228 |  |

**NOTE 8 – OTHER CURRENT LIABILITIES**

Other current liabilities of \$1,163,501 as reflected in Exhibits A and C, represents 1) Township recreational facility deposits of \$7,025, 2) police uniform allowances of \$18,932, 3) developer performance bonds and planning escrow deposits of \$916,947, 4) electrical inspection deposits of \$18,362, 5) real estate tax escrow deposits of \$9,000, 6) a \$85,025 Board of Property Assessment Appeal escrow from the Elmhurst Group, 7) \$107,954 due do the Department of Justice, and 8) \$256 earned income tax escrow due to the City of New Castle.

**NOTE 9 - GENERAL LONG-TERM DEBT**

**BONDS PAYABLE**

In January of 2012, the Township of Moon issued \$10,505,000 in General Obligation Bonds - Series of 2012 to provide funds for 1) the current refunding of the outstanding portion of the Township's Series of 2005 and 2006 General Obligation Bond Issues, 2) to provide additional funds for various capital related projects within the Township and 3) to pay the costs relative to the issuance of the bonds. The bonds were issued in denominations of \$5,000, with interest payable semi-annually on May 15 and November 15 at rates ranging between .6% and 5.0%. The bonds provide for early redemption options as detailed in the Official Statement of Issue. The bonds are scheduled to mature on November 15, 2031. A summary of the debt service obligations on the Township's general obligation bonds payable as of December 31, 2016 is as follows:

| <b>Year End<br/>Dec 31</b> | <b>2005<br/>PRINCIPAL</b> | <b>INTEREST</b>     | <b>TOTAL</b>         |
|----------------------------|---------------------------|---------------------|----------------------|
| 2017                       | \$ 430,000                | \$ 320,588          | \$ 750,588           |
| 2018                       | 440,000                   | 307,688             | 747,688              |
| 2019                       | 460,000                   | 287,888             | 747,888              |
| 2020                       | 485,000                   | 264,888             | 749,888              |
| 2021                       | 500,000                   | 250,338             | 750,338              |
| 2022-2026                  | 2,815,000                 | 932,051             | 3,747,051            |
| 2027-2031                  | 3,355,000                 | 399,212             | 3,754,212            |
|                            | <b>\$ 8,485,000</b>       | <b>\$ 2,762,653</b> | <b>\$ 11,247,653</b> |

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 - GENERAL LONG-TERM DEBT (Continued)**

In connection with the Township's former General Obligation Bond Issue – Series of 2005, the Township entered into a lease agreement with the Moon Township Recreation Authority (MTRA) whereby MTRA will operate the Bon Air Golf Course and Clubhouse Facility owned by the Township. The terms of the lease, scheduled to expire on September 29, 2054, call for the Authority to pay the Township in three installments annually (June, July, and September) at a base rate which is commensurate to the Township's general obligation debt service payment on the portion of the Series of 2005 bond issue related to the acquisition of the golf course facilities. Subsequently, on September 30, 2005, the Township of Moon entered into a loan agreement with the Recreation Authority, whereby the Township agreed to lend the Authority \$465,000 for the operation of the Bon Air Golf Facility. The loan was factored into the calculation of the rental payments due the Township under the Golf Course lease agreement dated October 1, 2005

In connection with the Township's former General Obligation Bonds - Series of 2006, the Township used a portion of these funds to purchase property adjacent to the Bon Air Golf Course, referred to as the Heinlein Property. This purchase was added to the long-term lease with the Recreation Authority. As a result of the Township's issuance of the Series of 2012 General obligation Bonds, the lease agreement with the MTRA was restructured.

A summary of the lease payments due the Township from the Authority under restructured lease agreement is as follows:

| <b>Year End<br/>Dec 31</b> | <b>AMOUNT</b>              |
|----------------------------|----------------------------|
| 2017                       | \$ 167,142                 |
| 2018                       | 167,142                    |
| 2019                       | 167,142                    |
| 2020                       | 167,142                    |
| 2021                       | 167,142                    |
| 2022-2026                  | 835,712                    |
| 2027-2031                  | 835,712                    |
| 2032-2035                  | 668,570                    |
|                            | <b><u>\$ 3,175,704</u></b> |

**LEASE PURCHASE OBLIGATIONS – EQUIPMENT**

In June of 2016, the Township of Moon entered into a lease agreement with Laurel Capital Corporation for the purchase of equipment (Horizontal Grinder) totaling \$399,561. The lease calls for forty (40) quarterly payments of \$11,774 at an interest rate of approximately 3.481%, scheduled to expire in January of 2026. The remaining principal balance due on the lease as of December 31, 2016 is \$370,934.

In October of 2016, the Township of Moon entered into a lease agreement with Laurel Capital Corporation for the purchase of two Ford dump trucks totaling \$174,346. The lease calls for eight (8) quarterly payments of \$22,362, scheduled to expire in June of 2018. The lease provides a \$1 bargain purchase option at conclusion of the payment schedule. The remaining principal balance due on the lease as of December 31, 2016 is \$130,751.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 - GENERAL LONG-TERM DEBT (Continued)**

**LEASE PURCHASE OBLIGATIONS – EQUIPMENT (Continued)**

The future minimum lease payments due as of December 31, 2016 are as follows:

| <u>31-Dec</u> | <u>Principal</u>  | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------|-------------------|-------------------|------------------|-------------------|
| 2017          | \$ 34,598         | \$ 86,520         | \$ 15,426        | \$ 136,544        |
| 2018          | 35,821            | 44,231            | 11,769           | 91,821            |
| 2019          | 37,088            | -                 | 10,008           | 47,096            |
| 2020          | 38,400            | -                 | 8,696            | 47,096            |
| 2021          | 39,758            | -                 | 7,338            | 47,096            |
| 2022-2026     | 185,269           | -                 | 14,888           | 200,157           |
|               | <u>\$ 370,934</u> | <u>\$ 130,751</u> | <u>\$ 68,125</u> | <u>\$ 569,810</u> |

The following represents the changes in the Township's long-term liabilities during the 2016 calendar year:

|                          | <u>Balance</u><br><u>1/1/2016</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Balance</u><br><u>12/31/2016</u> | <u>Due Within</u><br><u>One Year</u> |
|--------------------------|-----------------------------------|-------------------|-------------------|-------------------------------------|--------------------------------------|
| General Obligation Bonds | \$ 8,900,000                      | \$ -              | \$ 415,000        | \$ 8,485,000                        | \$ 430,000                           |
| Lease Obligations        | 6,844                             | 573,907           | 79,066            | 501,685                             | 121,118                              |
|                          | <u>\$ 8,906,844</u>               | <u>\$ 573,907</u> | <u>\$ 494,066</u> | <u>\$ 8,986,685</u>                 | <u>\$ 551,118</u>                    |

**NOTE 10 – LEASE RENTAL DEBT (GUARANTY AGREEMENT)**

In March of 2007, the Moon Transportation Authority issued PNC Bank a Guaranteed Revenue Obligation Note - Series of 2007 for \$3,200,000 to provide funds for the development and construction of certain road improvements to Cherrington Parkway Extension and Ewing Road. The terms of the note call for semi-annual principal and interest payments on March 20 and September 20 of approximately \$131,342.81 at an interest rate of 4.33%. In November of 2011, the Authority issued a Series of 2011 Note in the amount of \$187,132 with an interest rate of 3.33% and refinanced a portion of the outstanding principal on the Series of 2007 Note, reducing the interest rate from 4.33% to 3.33%. The note is scheduled to expire on March 20, 2027. The note is secured by a pledge of all of the Authority's revenues, and is further secured by the full faith and taxing power of the Township of Moon through a Guaranty Agreement (lease rental debt) with PNC Bank dated March 20, 2007. The balance on the note as of December 31, 2016 is \$2,197,600.

**NOTE 11 – OPERATING LEASE**

In December of 1999, the Township of Moon entered into an agreement with the Allegheny County Airport Authority to lease certain premises located on Authority property for use as a garage for the Township's Public Works Department. The terms of the agreement currently call for an annual lease payment of \$26,467 for a period of twenty-five (25) years.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - TOWNSHIP PENSION PLANS**

The Township does not present its government-wide statement of net position and statement of activities in conformity with generally accepted accounting principles. Accordingly, it has not adopted as yet the accounting and reporting requirements as required by Governmental Accounting Standards Board (GASB) Statement No. 68 – “Accounting and Financial Reporting for Pensions”. The following is a summary of the Township’s police and non-uniform pension plans:

**POLICE PENSION PLAN** - The Township of Moon Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance Number 92, as restated by Ordinance Number 403, adopted pursuant to Act 600. The plan is governed by the Moon Township Board of Supervisors who are responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to PNC Bank.

Plan membership as of January 1, 2015 was comprised of:

|                                                                         |    |
|-------------------------------------------------------------------------|----|
| Active employees                                                        | 22 |
| Retirees and beneficiaries currently receiving benefits                 | 26 |
| Terminated employees entitled to benefits<br>but not yet receiving them | 1  |
| Total                                                                   | 49 |

The summary of the plans provisions are as follows:

- PARTICIPANTS** - All full-time policemen of the Township of Moon police department.
- ELIGIBILITY** - All participants are eligible for retirement benefits provided that they have completed twenty-five years of aggregate service as a Township employee and have attained the age of fifty.
- BENEFITS** - Based on 50 percent of the participant's average monthly average salary earned during the final 36 months of employment plus a service increment of \$5 for each completed year of aggregate service in excess of 25 years up to a maximum of \$100.
- TERMINATION OR DEATH** - The plan provides the surviving spouse fifty percent of a deceased members pension benefit.
- FUNDING** - Employee contributions and Township contributions are to be determined by the actuary. Township and plan member contributions for 2015 were \$504,384 and \$227,009 respectively.
- VESTING** - Participant are 100% vested after twelve years of service.

**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 - TOWNSHIP PENSION PLANS (Continued)**

**NON-UNIFORM PENSION PLAN** - The Township of Moon Non-uniform Pension Plan is a single-employer defined contribution pension plan controlled by the provisions of Ordinance Number 359 which adopts a prototype money purchase plan and trust adoption agreement. The plan is governed by the Moon Township Board of Supervisors who are responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to ICMA Retirement Corporation effective January 1, 1991. As of December 31, 2016, the plan had 45 participants. Contributions as a percentage of payroll for employers and employees were 10% and 5% respectively. Total estimated payroll for active members for the year 2015 was \$2,609,141. During the year 2016, employer and employee contributions totaled \$316,256 and \$146,874 respectively.

The non-uniform pension plan investment in mutual funds through ICMA Retirement Corporation represents 100% of the plans total investments as of December 31, 2016.

**NOTE 13 - DEFERRED COMPENSATION PLAN**

The Township of Moon established a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. All amounts of compensation deferred under the plan, all property and rights purchased with such amounts and all income attributable to such amounts remains the property of the Township until distribution, subject only to the claims of the Township's general creditors.

**NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION**

The Township of Moon established a Post-Employment Health Benefit Plan (PEHP) for its non-bargaining unit and bargaining unit employees in accordance with Section 501('C)(9) of the Internal Revenue Code. The Township is responsible for paying 1% of annual salary or \$300, whichever is greater, to the plan for non-bargaining unit employees. Bargaining unit employees shall receive PEHP benefits consistent with their current contract. During the year 2016, the Township contributed \$51,174 to the plan.

In addition to the pension benefits as described in Note 12, and the aforementioned Post-Employment Health Benefit Plan (PEHP), the Township provides health insurance benefits to employees subsequent to their retirement in accordance with the terms of the collective bargaining agreement with the police officers.

**NOTE 15 - RISK MANAGEMENT**

The Township of Moon is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.



**TOWNSHIP OF MOON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES**

The Township of Moon, on occasion, is a party to various legal actions normally associated with municipalities, the aggregate effect of which, in management's opinion, would not be material to the financial position of the Township of Moon.

The Township of Moon's state and federally funded programs are subject to audit by various governmental agencies. The Township is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**NOTE 17 – PENDING GASB PRONOUNCEMENTS**

In March of 2016, the GASB issued Statement No. 82, 'Pension Issues'. The primary objective of this Statement is to address for certain issues that have been raised with respect to GASB Statements No. 67, 68 and 73. The provisions of this Statement are effective for the Township's December 31, 2017 financial statements.

In November of 2016, the GASB issued Statement No. 83, 'Certain Asset Retirement Obligations'. The primary objective of this Statement is to provide financial statement users with information about 'asset retirement obligations (ARO) that were not addresses in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the Township's December 31, 2019 financial statements.

The effects of the implementation of these standards on the Township's financial statements have not yet been determined.

**NOTE 18 – SUBSEQUENT EVENTS**

Management has determined that there are no additional events subsequent to December 31, 2016 through the date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

***SUPPLEMENTARY  
INFORMATION***

**MOON TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

**SCHEDULE 1**

|                                                    | <b>HIGHWAY<br/>AID<br/>FUND</b> | <b>MOONCREST<br/>FUND</b> | <b>EWING<br/>ROAD<br/>FUND</b> | <b>DEBT<br/>SERVICE<br/>FUND</b> | <b>TOTAL<br/>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> |
|----------------------------------------------------|---------------------------------|---------------------------|--------------------------------|----------------------------------|-------------------------------------------------------|
| <b>ASSETS:</b>                                     |                                 |                           |                                |                                  |                                                       |
| Cash and Cash Equivalents                          | \$ 381,095                      | \$ 16,900                 | \$ -                           | \$ 5,019                         | \$ 403,014                                            |
| Due from Other Funds                               | 38,237                          | -                         | -                              | -                                | 38,237                                                |
| <b>TOTAL ASSETS</b>                                | <b>\$ 419,332</b>               | <b>\$ 16,900</b>          | <b>\$ -</b>                    | <b>\$ 5,019</b>                  | <b>\$ 441,251</b>                                     |
| <br><b>LIABILITIES AND FUND BALANCES</b>           |                                 |                           |                                |                                  |                                                       |
| <b>LIABILITIES:</b>                                |                                 |                           |                                |                                  |                                                       |
| Accounts Payable                                   | \$ 49,203                       | \$ -                      | \$ -                           | \$ -                             | \$ 49,203                                             |
| Due to Other Funds                                 | 35,217                          | -                         | -                              | -                                | 35,217                                                |
| <b>TOTAL LIABILITIES</b>                           | <b>\$ 84,420</b>                | <b>\$ -</b>               | <b>\$ -</b>                    | <b>\$ -</b>                      | <b>\$ 84,420</b>                                      |
| <br><b>FUND BALANCES:</b>                          |                                 |                           |                                |                                  |                                                       |
| Restricted                                         | \$ 334,912                      | \$ 16,900                 | \$ -                           | \$ -                             | \$ 351,812                                            |
| Assigned                                           | -                               | -                         | -                              | 5,019                            | 5,019                                                 |
| <b>TOTAL FUND BALANCES</b>                         | <b>\$ 334,912</b>               | <b>\$ 16,900</b>          | <b>\$ -</b>                    | <b>\$ 5,019</b>                  | <b>\$ 356,831</b>                                     |
| <br><b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <br><b>\$ 419,332</b>           | <br><b>\$ 16,900</b>      | <br><b>\$ -</b>                | <br><b>\$ 5,019</b>              | <br><b>\$ 441,251</b>                                 |

The accompanying notes are an integral part of these financial statements

**MOON TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                              | HIGHWAY<br>AID<br>FUND | MOONCREST<br>FUND | EWING<br>ROAD<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL<br>NON-MAJOR<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------|------------------------|-------------------|-----------------------|-------------------------|---------------------------------------------|
| <b>REVENUES</b>                                              |                        |                   |                       |                         |                                             |
| Interest and Rents                                           | \$ 335                 | \$ -              | \$ -                  | \$ -                    | \$ 335                                      |
| Intergovernmental                                            | 653,507                | -                 | -                     | -                       | 653,507                                     |
| <b>Total Revenue</b>                                         | <b>\$ 653,842</b>      | <b>\$ -</b>       | <b>\$ -</b>           | <b>\$ -</b>             | <b>\$ 653,842</b>                           |
| <b>EXPENDITURES</b>                                          |                        |                   |                       |                         |                                             |
| General Government                                           | \$ 70                  | \$ -              | \$ -                  | \$ -                    | \$ 70                                       |
| Public Works                                                 | 431,297                | -                 | -                     | -                       | 431,297                                     |
| Debt Service                                                 | -                      | -                 | -                     | 752,187                 | 752,187                                     |
| <b>Total Expenditures</b>                                    | <b>\$ 431,367</b>      | <b>\$ -</b>       | <b>\$ -</b>           | <b>\$ 752,187</b>       | <b>\$ 1,183,554</b>                         |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 222,475</b>      | <b>\$ -</b>       | <b>\$ -</b>           | <b>\$ (752,187)</b>     | <b>\$ (529,712)</b>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                        |                   |                       |                         |                                             |
| Operating Transfers In                                       | \$ -                   | \$ -              | \$ -                  | \$ 752,187              | \$ 752,187                                  |
| Operating Transfers Out                                      | (145,000)              | -                 | (33)                  | -                       | (145,033)                                   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (145,000)</b>    | <b>\$ -</b>       | <b>\$ (33)</b>        | <b>\$ 752,187</b>       | <b>\$ 607,154</b>                           |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 77,475</b>       | <b>\$ -</b>       | <b>\$ (33)</b>        | <b>\$ -</b>             | <b>\$ 77,442</b>                            |
| FUND BALANCE - JANUARY 1, 2016                               | 257,437                | 16,900            | 33                    | 5,019                   | 279,389                                     |
| <b>FUND BALANCE - DECEMBER 31, 2016</b>                      | <b>\$ 334,912</b>      | <b>\$ 16,900</b>  | <b>\$ -</b>           | <b>\$ 5,019</b>         | <b>\$ 356,831</b>                           |

The accompanying notes are an integral part of these financial statements

**MOON TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECT FUNDS**  
**DECEMBER 31, 2016**

**SCHEDULE 3**

|                                                | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>2005<br/>CONSTRUCTION<br/>FUND</b> | <b>2006<br/>CONSTRUCTION<br/>FUND</b> | <b>2012<br/>CONSTRUCTION<br/>FUND</b> | <b>TOTAL</b>        |
|------------------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------|
| <b>ASSETS:</b>                                 |                                     |                                       |                                       |                                       |                     |
| Cash and Cash Equivalents                      | \$ 5,934,405                        | \$ -                                  | \$ -                                  | \$ -                                  | \$ 5,934,405        |
| Investments                                    | -                                   | 8,898                                 | -                                     | 286                                   | 9,184               |
| Accounts Receivable                            | 929                                 | -                                     | -                                     | -                                     | 929                 |
| Due from Other Funds                           | 412,648                             | -                                     | 34,381                                | 62,414                                | 509,443             |
| Prepaid Expenses                               | 28,962                              | -                                     | -                                     | -                                     | 28,962              |
| <b>TOTAL ASSETS</b>                            | <b>\$ 6,376,944</b>                 | <b>\$ 8,898</b>                       | <b>\$ 34,381</b>                      | <b>\$ 62,700</b>                      | <b>\$ 6,482,923</b> |
| <b>LIABILITIES AND FUND BALANCES:</b>          |                                     |                                       |                                       |                                       |                     |
| <b>LIABILITIES:</b>                            |                                     |                                       |                                       |                                       |                     |
| Due to Other Funds                             | \$ 130,933                          | \$ -                                  | \$ 19,147                             | \$ 32,410                             | \$ 182,490          |
| Accounts Payable                               | 868,571                             | -                                     | -                                     | -                                     | 868,571             |
| <b>TOTAL LIABILITIES</b>                       | <b>\$ 999,504</b>                   | <b>\$ -</b>                           | <b>\$ 19,147</b>                      | <b>\$ 32,410</b>                      | <b>\$ 1,051,061</b> |
| <b>FUND BALANCES:</b>                          |                                     |                                       |                                       |                                       |                     |
| Nonspendable                                   | \$ 28,962                           | \$ -                                  | \$ -                                  | \$ -                                  | \$ 28,962           |
| Restricted                                     | 72,619                              | 8,898                                 | 15,234                                | 30,290                                | 127,041             |
| Assigned                                       | 5,275,859                           | -                                     | -                                     | -                                     | 5,275,859           |
| <b>TOTAL FUND BALANCES</b>                     | <b>\$ 5,377,440</b>                 | <b>\$ 8,898</b>                       | <b>\$ 15,234</b>                      | <b>\$ 30,290</b>                      | <b>\$ 5,431,862</b> |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 6,376,944</b>                 | <b>\$ 8,898</b>                       | <b>\$ 34,381</b>                      | <b>\$ 62,700</b>                      | <b>\$ 6,482,923</b> |

The accompanying notes are an integral part of these financial statements

**MOON TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                                              | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>2005<br/>CONSTRUCTION<br/>FUND</b> | <b>2006<br/>CONSTRUCTION<br/>FUND</b> | <b>2012<br/>CONSTRUCTION<br/>FUND</b> | <b>TOTAL</b>          |
|--------------------------------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-----------------------|
| <b>REVENUES</b>                                              |                                     |                                       |                                       |                                       |                       |
| Taxes                                                        | \$ 195,248                          | \$ -                                  | \$ -                                  | \$ -                                  | \$ 195,248            |
| Interest and Rents                                           | 13,955                              | 33                                    | -                                     | 297                                   | 14,285                |
| Charges for Services                                         | 7,257                               | -                                     | -                                     | -                                     | 7,257                 |
| Miscellaneous                                                | 61,379                              | -                                     | -                                     | -                                     | 61,379                |
| <b>Total Revenue</b>                                         | <b>\$ 277,839</b>                   | <b>\$ 33</b>                          | <b>\$ -</b>                           | <b>\$ 297</b>                         | <b>\$ 278,169</b>     |
| <b>EXPENDITURES</b>                                          |                                     |                                       |                                       |                                       |                       |
| General Government                                           | \$ 15,995                           | \$ -                                  | \$ -                                  | \$ -                                  | \$ 15,995             |
| Public Safety - Police                                       | 132,803                             | -                                     | -                                     | -                                     | 132,803               |
| Public Safety - Fire                                         | 80,411                              | -                                     | -                                     | -                                     | 80,411                |
| Public Safety - Planning and Zoning                          | 15,766                              | -                                     | -                                     | -                                     | 15,766                |
| Public Safety - Other                                        | 67,396                              | -                                     | -                                     | -                                     | 67,396                |
| Public Works                                                 | 1,448,168                           | -                                     | -                                     | -                                     | 1,448,168             |
| Culture and Recreation - Parks                               | 292,711                             | -                                     | -                                     | 122,808                               | 415,519               |
| Culture and Recreation - Library                             | 20,000                              | -                                     | -                                     | -                                     | 20,000                |
| Culture and Recreation - Cable                               | 81,275                              | -                                     | -                                     | -                                     | 81,275                |
| Debt Service                                                 | 86,947                              | -                                     | -                                     | -                                     | 86,947                |
| <b>Total Expenditures</b>                                    | <b>\$ 2,241,472</b>                 | <b>\$ -</b>                           | <b>\$ -</b>                           | <b>\$ 122,808</b>                     | <b>\$ 2,364,280</b>   |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ (1,963,633)</b>               | <b>\$ 33</b>                          | <b>\$ -</b>                           | <b>\$ (122,511)</b>                   | <b>\$ (2,086,111)</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                     |                                       |                                       |                                       |                       |
| Sale of Assets                                               | \$ 2,976                            | \$ -                                  | \$ -                                  | \$ -                                  | \$ 2,976              |
| Refund Prior Year Expenses                                   | 94,216                              | -                                     | -                                     | -                                     | 94,216                |
| Operating Transfers In                                       | 2,414,400                           | -                                     | -                                     | -                                     | 2,414,400             |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 2,511,592</b>                 | <b>\$ -</b>                           | <b>\$ -</b>                           | <b>\$ -</b>                           | <b>\$ 2,511,592</b>   |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 547,959</b>                   | <b>\$ 33</b>                          | <b>\$ -</b>                           | <b>\$ (122,511)</b>                   | <b>\$ 425,481</b>     |
| FUND BALANCE - JANUARY 1, 2016                               | 4,829,481                           | 8,865                                 | 15,234                                | 152,801                               | 5,006,381             |
| <b>FUND BALANCE - DECEMBER 31, 2016</b>                      | <b>\$ 5,377,440</b>                 | <b>\$ 8,898</b>                       | <b>\$ 15,234</b>                      | <b>\$ 30,290</b>                      | <b>\$ 5,431,862</b>   |

The accompanying notes are an integral part of these financial statements

***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

**TOWNSHIP OF MOON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLANS**  
**DECEMBER 31, 2016**

**SCHEDULE OF FUNDING PROGRESS:**

| <u>ACTUARIAL<br/>VALUATION<br/>DATE</u> | <u>(A)<br/>ACTUARIAL<br/>VALUE OF<br/>ASSETS</u> | <u>(B)<br/>ACTUARIAL<br/>ACCRUED<br/>LIABILITY</u> | <u>(B-A)<br/>(UAAL)<br/>UNFUNDED<br/>ACTUARIAL<br/>ACCRUED<br/>LIABILITY</u> | <u>(A/B)<br/>FUNDED<br/>RATIO</u> | <u>(C)<br/>COVERED<br/>PAYROLL</u> | <u>(B-A)/C<br/>UAAL AS A<br/>% OF<br/>COVERED<br/>PAYROLL</u> |
|-----------------------------------------|--------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------|------------------------------------|---------------------------------------------------------------|
| 1/1/97                                  | \$ 6,915,101                                     | \$ 4,719,571                                       | \$ 2,195,530                                                                 | 147%                              | \$ 1,567,353                       | 140%                                                          |
| 1/1/99                                  | 9,586,626                                        | 5,704,990                                          | 3,881,636                                                                    | 168%                              | 1,737,775                          | 223%                                                          |
| 1/1/01                                  | 10,386,607                                       | 6,902,859                                          | 3,483,748                                                                    | 150%                              | 1,904,731                          | 183%                                                          |
| 1/1/03                                  | 9,735,475                                        | 8,460,796                                          | 1,274,679                                                                    | 115%                              | 2,235,956                          | 57%                                                           |
| 1/1/05                                  | 10,134,862                                       | 9,508,564                                          | 626,298                                                                      | 107%                              | 2,598,151                          | 24%                                                           |
| 1/1/07                                  | 11,161,878                                       | 11,585,600                                         | (423,722)                                                                    | 96%                               | 2,510,874                          | -16.9%                                                        |
| 1/1/09                                  | 11,054,187                                       | 13,332,872                                         | (2,278,685)                                                                  | 83%                               | 2,832,643                          | -80.4%                                                        |
| 1/1/11                                  | 12,283,391                                       | 14,834,174                                         | (2,550,783)                                                                  | 83%                               | 2,865,529                          | -89.0%                                                        |
| 1/1/13                                  | 13,824,712                                       | 15,697,170                                         | (1,872,458)                                                                  | 88%                               | 2,674,490                          | -70.0%                                                        |
| 1/1/15                                  | 17,343,949                                       | 17,482,204                                         | (138,255)                                                                    | 99%                               | 2,331,461                          | -5.9%                                                         |



**TOWNSHIP OF MOON**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

**NOTE 1 - TREND INFORMATION**

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

**NOTE 2 - ACTUARIAL ASSUMPTIONS AND METHODS**

The information presented in the preceding required supplementary information section was determined as part of the actuarial valuation dated January 1, 2015. Additional information included as part of this valuation is as follows:

Actuarial Cost Method - Entry Age Normal

Mortality Table – RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment with Rates  
Set forward 5 years for disabled members. Rates projected with 75% of scale AA

Amortization Method - Level Dollar Amount, Closed

Remaining Amortization Period – 3-11 Years

Asset Valuation Method – 4 Year Smoothing

Investment Rate of Return - 7.5%

Salary Increase - 5.0%

Inflation Rate – 3.0%