

# **MOON TRANSPORTATION AUTHORITY**

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AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**MOON TRANSPORTATION AUTHORITY**  
ALLEGHENY COUNTY, PENNSYLVANIA

AUDIT OF FINANCIAL STATEMENTS

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEARS ENDED DECEMBER 31, 2020  
AND 2019**

**MOON TRANSPORTATION AUTHORITY**  
**ALLEGHENY COUNTY, PENNSYLVANIA**

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# **Mark C. Turnley**

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**Board of Directors  
Moon Transportation Authority**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying basic financial statements of the Moon Transportation Authority as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion 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 Authority'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 Authority'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 opinion.

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### **Opinion**

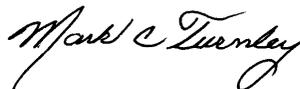
*American Institute of Certified Public Accountants  
Pennsylvania Institute of Certified Public Accountants*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Moon Transportation Authority, Allegheny County, Pennsylvania as of December 31, 2020 and 2019 and the respective changes in financial position and cash flows thereof in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### ***Required Supplementary Information***

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



Mark C. Turnley, CPA

June 8, 2021  
New Brighton, Pennsylvania

**MOON TRANSPORTATION AUTHORITY  
ALLEGHENY COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
For the Year Ended December 31, 2020**

The discussion and analysis of the Moon Transportation Authority's (MTA) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2020 are as follows:

- Total net position decreased by \$4,279,955 from \$2,822,894 to \$(1,457,061).
- Operating revenues increased by \$222,426 to \$901,982.
- Total expenditures increased by \$3,429,686 to \$5,193,779.

**USING THE ANNUAL FINANCIAL REPORT (GASB 34)**

The Annual Financial Report consists of the Management Discussion and Analysis (this section), basic financial statements and notes to those statements. These statements present the financial position, results of operations and cash flows of MTA for the year 2020. The primary purposes of Moon Transportation Authority's basic financial statements are as follows:

- Exhibit A – Statement of Net Position – Provides a view of the financial condition of the Authority including its liquidity, long-term debt obligations and net position. It reports the availability of assets for future use and is an important management tool in financial planning.
- Exhibit B – Statement of Revenues, Expenses and Changes in Net Position – Provides information with regard to revenues earned and expenses incurred by the Authority on an annual basis.
- Exhibit C – Statement of Cash Flows – Provides relevant information about the cash receipts and cash payments of MTA during the year, specifically, how much cash was generated for operating needs, and the amount of cash required for debt service obligations.

**MOON TRANSPORTATION AUTHORITY  
ALLEGHENY COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
For the Year Ended December 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

A breakdown of the assets, liabilities and net position of the Authority for the years 2020 and 2019 is as follows:

|                           | <u>2020</u>           | <u>2019</u>         | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|---------------------------|-----------------------|---------------------|--------------------------------------|
| Current Assets            | \$ 5,044,070          | \$ 6,028,848        | \$ (984,778)                         |
| <b>TOTAL ASSETS</b>       | <b>\$ 5,044,070</b>   | <b>\$ 6,028,848</b> | <b>\$ (984,778)</b>                  |
| Current Liabilities       | \$ 504,695            | \$ 737,754          | \$ (233,059)                         |
| Long-term Liabilities     | 5,996,436             | 2,468,200           | 3,528,236                            |
| <b>TOTAL LIABILITIES</b>  | <b>\$ 6,501,131</b>   | <b>\$ 3,205,954</b> | <b>\$ 3,295,177</b>                  |
| Unrestricted              | \$ (1,457,061)        | \$ 2,822,894        | \$ (4,279,955)                       |
| <b>TOTAL NET POSITION</b> | <b>\$ (1,457,061)</b> | <b>\$ 2,822,894</b> | <b>\$ (4,279,955)</b>                |

**Assets:**

There was a decrease in current assets of \$984,778 which is primarily due to the decrease in cash and cash equivalents. The expenditures for various projects and loan payments exceeded the loan proceeds from the new Pennsylvania Infrastructure Bank ("PIB") note. Operating revenue increased due to higher tax diversion revenues.

**Current and Long-term Liabilities:**

There was a decrease in current liabilities from \$737,754 in 2019 to \$504,695 in 2020. This was primarily due to the decrease in accounts payable, specifically the consulting fees payable for the Thorn Road Interchange project. Long-term liabilities increased from \$2,468,200 in 2019 to \$5,996,436 in 2020 due to the new PIB Loan for \$3.8 Million.

A comparison of the Authority's revenues, expenses and changes in net position for the years 2020 and 2019 is as follows:

|                                  | <u>2020</u>           | <u>2019</u>           | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|----------------------------------|-----------------------|-----------------------|--------------------------------------|
| Operating Revenues               | \$ 901,982            | \$ 679,556            | \$ 222,426                           |
| Operating Expenses               | 5,018,259             | 1,668,467             | 3,349,792                            |
| <b>NET OPERATING INCOME</b>      | <b>\$ (4,116,277)</b> | <b>\$ (988,911)</b>   | <b>\$ (3,127,366)</b>                |
| Non-Operating Revenues           | \$ 11,842             | \$ 68,856             | \$ (57,014)                          |
| Non-Operating Expenses           | (175,520)             | (95,626)              | (79,894)                             |
| <b>NET NON-OPERATING REVENUE</b> | <b>\$ (163,678)</b>   | <b>\$ (26,770)</b>    | <b>\$ (136,908)</b>                  |
| <b>CHANGE IN NET POSITION</b>    | <b>\$ (4,279,955)</b> | <b>\$ (1,015,681)</b> | <b>\$ (3,264,274)</b>                |

**MOON TRANSPORTATION AUTHORITY  
ALLEGHENY COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
For the Year Ended December 31, 2020**

**FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)**

**Operating Revenues:**

Total Operating Revenues increased from \$679,556 in 2019 to \$901,982 in 2020 due to the increase in tax diversion revenues.

**Operating Expenses:**

Operating expenses increased by \$3,349,792 from \$1,668,467 in 2019 to \$5,018,259 in 2020. The primary driver of the significant increase were the expenses for the Thorn Run Project. In 2020, the expenses for this project were approximately \$3.8 Million.

**Non-Operating Revenues and Expenses:**

Non-Operating revenues (interest income) decreased from \$68,856 in 2019 to \$11,842 in 2020. Non-Operating expenses increased from \$95,626 in 2019 to \$175,520 in 2020. This increase was due to loan interest expense increasing by \$79,894 given the new PIB loan.

**DEBT ADMINISTRATION**

As of December 31, 2020, the Authority had two revenue obligation notes with PNC Bank, a general obligation note with the Commonwealth Financing Authority, and a Pennsylvania Infrastructure Bank note with outstanding balances totaling \$6,357,294. The Authority's debt obligations are comprised of the following notes:

**PNC BANK - 2007**

In March of 2007, the Moon Transportation Authority entered into a guaranteed revenue obligation loan agreement with PNC Bank in the amount of \$3,200,000. Interest on the note was charged at 4.33% through October of 2011. On November 1, 2011, the Authority refinanced the note and interest was reduced to 3.33% through the maturity date of March 20, 2027. The Authority is scheduled to make payments semi-annually in March and September at approximately \$125,000 to \$131,000. The Township of Moon is a guarantor on the note.

**COMMONWEALTH FINANCING AUTHORITY**

In March of 2007, the Moon Transportation Authority entered into a Business in Our Sites (BIOS) loan agreement with the Commonwealth Financing Authority in the amount of \$2,000,000. Interest on the note will be charged at 3% through the maturity date of March 1, 2027. Interest payments only were paid between March of 2012 and February of 2013. Monthly principal and interest payments of \$14,524.41 began in March of 2013 and will be paid until maturity.

**MOON TRANSPORTATION AUTHORITY  
ALLEGHENY COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
For the Year Ended December 31, 2020**

**DEBT ADMINISTRATION (Continued)**

**PNC BANK - 2011**

In April of 2011, the Moon Transportation Authority entered into a guaranteed revenue obligation loan agreement with the PNC Bank in the amount of \$187,132. Interest on the note will be charged at 3.33% through the maturity date of September 20, 2021. The Authority will make semi-annual principal and interest payments at approximately \$10,400 and \$9,700 in March and September. The Township of Moon is a guarantor on the note.

**PENNSYLVANIA INFRASTRUCTURE BANK NOTE**

In January of 2020, the Moon Transportation Authority entered into a Pennsylvania Infrastructure loan agreement with the Commonwealth of Pennsylvania Department of Transportation in the amount of \$3,889,452. Interest on the note will be charged at 2.75% through the maturity date of March 1, 2030. The loan had no principal or interest payments in 2020. Interest only payments of \$106,663 and \$106,960 are due in 2021 and 2022, respectively. Yearly principal and interest payments of \$548,249 start in March of 2023 and will be paid until maturity. The Township of Moon is a guarantor on the note.

**CONTACT THE AUTHORITY:**

The financial report is designed to provide our citizens, rate payers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Moon Transportation Authority, 1000 Beaver Grade Road, Moon Township, PA 15108.

**MOON TRANSPORTATION AUTHORITY**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**DECEMBER 31,**

|                                           | 2020                  | 2019                |
|-------------------------------------------|-----------------------|---------------------|
| <b>ASSETS</b>                             |                       |                     |
| <b>CURRENT ASSETS</b>                     |                       |                     |
| Cash and Cash Equivalents                 | \$ 5,039,327          | \$ 6,024,363        |
| Prepaid Insurance                         | 4,743                 | 4,485               |
| <b>TOTAL CURRENT ASSETS</b>               | <b>\$ 5,044,070</b>   | <b>\$ 6,028,848</b> |
| <b>LIABILITIES AND NET POSITION</b>       |                       |                     |
| <b>CURRENT LIABILITIES</b>                |                       |                     |
| Accounts Payable                          | \$ 41,172             | \$ 323,318          |
| Accrued Interest                          | 102,665               | 14,116              |
| Due to Other Governments                  | -                     | 50,198              |
| Notes Payable - Current Portion           | 360,858               | 350,122             |
| <b>TOTAL CURRENT LIABILITIES</b>          | <b>\$ 504,695</b>     | <b>\$ 737,754</b>   |
| <b>NON-CURRENT LIABILITIES</b>            |                       |                     |
| CFA BIOS Loan Payable                     | \$ 833,597            | \$ 980,485          |
| PIB Loan Payable                          | 3,889,452             | -                   |
| PNC Loan Payable (4232)                   | -                     | 13,332              |
| PNC Loan Payable (6625)                   | 1,273,387             | 1,474,383           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>      | <b>\$ 5,996,436</b>   | <b>\$ 2,468,200</b> |
| <b>TOTAL LIABILITIES</b>                  | <b>\$ 6,501,131</b>   | <b>\$ 3,205,954</b> |
| <b>NET POSITION</b>                       |                       |                     |
| Unrestricted                              | \$ (1,457,061)        | \$ 2,822,894        |
| <b>TOTAL NET POSITION</b>                 | <b>\$ (1,457,061)</b> | <b>\$ 2,822,894</b> |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ 5,044,070</b>   | <b>\$ 6,028,848</b> |

The accompanying notes are an integral part of these financial statements

**MOON TRANSPORTATION AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**DECEMBER 31,**

|                                                     | 2020                  | 2019                  |
|-----------------------------------------------------|-----------------------|-----------------------|
| <b><u>OPERATING REVENUES</u></b>                    |                       |                       |
| Real estate tax diversions                          | \$ 901,982            | \$ 679,556            |
| <b>TOTAL OPERATING REVENUES</b>                     | <b>\$ 901,982</b>     | <b>\$ 679,556</b>     |
| <br><b><u>OPERATING EXPENSES</u></b>                |                       |                       |
| Administrative                                      | \$ 162,360            | \$ 144,000            |
| Engineering                                         | 889,965               | 1,159,135             |
| Thorn Run Project expenses                          | 3,869,452             | -                     |
| Legal and other professional services               | 85,867                | 357,358               |
| Insurance                                           | 10,615                | 7,974                 |
| <b>TOTAL OPERATING EXPENDITURES</b>                 | <b>\$ 5,018,259</b>   | <b>\$ 1,668,467</b>   |
| <br><b>NET OPERATING INCOME</b>                     | <b>\$ (4,116,277)</b> | <b>\$ (988,911)</b>   |
| <br><b><u>NON-OPERATING REVENUES (EXPENSES)</u></b> |                       |                       |
| Interest income                                     | \$ 11,842             | \$ 68,856             |
| Interest expense                                    | (175,520)             | (95,626)              |
| <br><b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>   | <b>\$ (163,678)</b>   | <b>\$ (26,770)</b>    |
| <br><b>CHANGE IN NET POSITION</b>                   | <b>\$ (4,279,955)</b> | <b>\$ (1,015,681)</b> |
| <br><b>NET POSITION - January 1,</b>                | <b>2,822,894</b>      | <b>3,838,575</b>      |
| <br><b>NET POSITION - December 31,</b>              | <b>\$ (1,457,061)</b> | <b>\$ 2,822,894</b>   |

The accompanying notes are an integral part of these financial statements

**MOON TRANSPORTATION AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31,**

|                                                                                                | <u>2020</u>                  | <u>2019</u>                |
|------------------------------------------------------------------------------------------------|------------------------------|----------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                             |                              |                            |
| Cash Received from Tax Diversions, Net of refunds                                              | \$ 901,982                   | \$ 679,556                 |
| Cash Paid to Suppliers for Goods and Services                                                  | <u>(5,350,863)</u>           | <u>(1,510,609)</u>         |
| <b>Net Cash Provided by (Used In) Operating Activities</b>                                     | <b><u>\$ (4,448,881)</u></b> | <b><u>\$ (831,053)</u></b> |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                         |                              |                            |
| Loan Proceeds                                                                                  | \$ 3,889,452                 | \$ -                       |
| Repayment of Debt Principal                                                                    | (350,478)                    | (339,816)                  |
| Debt Interest Payments                                                                         | (86,971)                     | (97,303)                   |
| Grant Revenue                                                                                  | -                            | 100,000                    |
| <b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>                 | <b><u>\$ 3,452,003</u></b>   | <b><u>\$ (337,119)</u></b> |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                             |                              |                            |
| Interest Income                                                                                | \$ 11,842                    | \$ 68,857                  |
| <b>Net Cash Provided By (Used In) Investing Activities</b>                                     | <b><u>\$ 11,842</u></b>      | <b><u>\$ 68,857</u></b>    |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                                    | <b>\$ (985,036)</b>          | <b>\$ (1,099,315)</b>      |
| CASH AND CASH EQUIVALENTS - JANUARY 1,                                                         | <u>6,024,363</u>             | <u>7,123,678</u>           |
| <b>CASH AND CASH EQUIVALENTS - DECEMBER 31,</b>                                                | <b><u>\$ 5,039,327</u></b>   | <b><u>\$ 6,024,363</u></b> |
| <b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b> |                              |                            |
| Net Operating Income (Loss)                                                                    | \$ (4,116,277)               | \$ (988,911)               |
| <b>Change in Current Assets and Liabilities:</b>                                               |                              |                            |
| (Increase) Decrease in Prepaid Expenses                                                        | (258)                        | (1,211)                    |
| Increase (Decrease) in Accounts Payable                                                        | (282,148)                    | 159,069                    |
| Increase (Decrease) in Due to Other Governments                                                | <u>(50,198)</u>              | <u>-</u>                   |
| <b>Net Cash Provided by (Used In) Operating Activities</b>                                     | <b><u>\$ (4,448,881)</u></b> | <b><u>\$ (831,053)</u></b> |

**MOON TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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

**REPORTING ENTITY**

Moon Transportation Authority (the “Authority”) is a body corporate and politic existing under the laws of the Commonwealth of Pennsylvania pursuant to the Municipal Authorities Act of 1945, approved May 2, 1945, P.L. 382 and subsequently amended by the Municipal Authority Act, Act 22 of 2001. The Authority was incorporated by the Township of Moon (the “Township”) on September 11, 1986 with a 50-year duration. The purpose of the Authority is to develop transportation infrastructure improvements that promote commercial development, stimulate the development of deteriorated areas, enhance property values and spur economic development. The Authority’s by-laws prohibit the Authority from pursuing projects beyond the designated transportation district.

The Authority was created through a partnership of the Township, Moon Area School District (the “School District”) and Allegheny County (the “County”). The Board of Supervisors of Moon Township select the five members of the Board, consisting of two members from the Moon Township citizenry, two members nominated by the Board of Public Education of the Moon Area School District and one member from an organization of Moon Township businesspersons.

The Township of Moon created a revenue allocation program (the “LERTA RAP”) for the benefit of Moon Transportation Authority on April 29, 1986 pursuant to the requirements of the Local Economic Revitalization Tax Assistance Act, 72 P.S. §4722, *et. seq.* (“LERTA RAP”) and the Transportation Partnership Act, 53 P.S. §1621. The LERTA RAP serves as a mechanism to finance certain transportation infrastructure improvements in the designated transportation district. By Township ordinance and corresponding resolutions of the Authority, the School District and the County, these entities agreed to participate in the LERTA RAP whereby participating properties within the eligible district are exempted from local taxes on the values of new buildings or improvements made to such properties for ten years, and whereby the participating property owners contribute funds to the Authority in a like amount of said exempted taxes in order to advance specific transportation infrastructure projects. The LERTA RAP has been extended by the entities through the 2036 tax year to apply to any eligible construction, reconstruction or improvement for which a building permit is issued on or before April 29, 2036 in the designated district.

In June of 2019, the geographic boundaries of the designated transportation district were expanded again, and the duration of the program was extended through the 2036 tax year for the purpose of completing additional priority transportation projects.

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 Moon Transportation Authority consists of all funds, departments, boards and agencies that are not legally separate from the Authority. Generally accepted accounting principles defines component units as legally separate entities that are included in the Authority’s reporting entity because of the significance of their operating or financial relationships with the Authority. Based on the application of the above criteria, the Moon Transportation Authority has no component units.

**FINANCIAL STATEMENT PRESENTATION**

The financial statements of the Moon Transportation Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the Authority’s accounting policies are as follows

**MOON TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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

**BASIS OF ACCOUNTING**

The Authority is considered a proprietary (enterprise) fund type. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges. Accordingly, the Authority utilizes the accrual method of accounting. Under this method, revenues are recognized when earned rather than when cash is received, and expenses are recognized when an obligation is incurred rather than when cash is actually paid.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposit accounts, and any other short-term investments with original maturity terms of less than three months, held with PNC Bank.

**RECEIVABLES**

The Authority maintains its receivables at net realizable value. A provision for doubtful accounts is not maintained.

**NET POSITION**

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

- 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.
- 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 Authority’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**MOON TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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

**OPERATING AND NONOPERATING REVENUES AND EXPENSES**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority's revenues consist of contributions made by participating property owners in lieu of local taxes paid to the Township, the School District and the County. The amounts are remitted to the Authority by the respective taxing bodies and are recognized as revenues in the year of the tax assessment; amounts that are unremitted as of the end of the year are recorded as due from other governments on the statements of net position. The Authority also considers the impact of property reassessments and includes the estimated refundable amounts as due to other governments on the statement of net position. The actual amount refunded may differ from these estimates upon settlement.

In addition, the Authority receives grants for specific projects. These are recognized in the period in which the grant agreements are fully executed by the grantor. In 2020 and 2019, the Authority had no grant revenue.

**ESTIMATES**

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

**UNEARNED REVENUE**

Unearned revenue arises when the Authority 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 Authority has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the Authority's 2020 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on the Authority's financial statements.

**GASB Statement No. 84, 'Fiduciary Activities'.** The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

**GASB Statement No. 90, 'Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)'.** The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units.

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

**MOON TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**PENDING GASB PRONOUNCEMENTS**

**GASB Statement No. 87, 'Leases'.** The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements.

**GASB Statement No. 89, 'Accounting for Interest Cost Incurred before the end of a Construction Period'.** The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the Authority's December 31, 2021 financial statements.

**GASB Statement No. 91, 'Conduit Debt Obligations'.** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements.

**GASB Statement No. 92, 'Omnibus 2020'.** The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of GASB Statement Nos. 73, 74, 84, and 87. In addition the Statement addresses various topics and includes specific provisions concerning the following:

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (ARO) in a government acquisition
- Reporting by entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements.

**GASB Statement No. 93, 'Replacement of Interbank Offered Rates'.** The primary objectives of this Statement are to address the accounting and financial reporting implications that result from the replacement of an interbank offering rate (IBOR). The provisions of this Statement are effective for the Authority's December 31, 2021 financial statements.

**GASB Statement No. 94, 'Public-Private and Public-Public Partnerships and Availability Payment Arrangements'.** The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The provisions of this Statement are effective for the Authority's December 31, 2023 financial statements.

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

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**PENDING GASB PRONOUNCEMENTS (Continued)**

**GASB Statement No. 96**, '*Subscription-Based Information Technology Arrangements (SBITA)*'. The primary objectives of this Statement are as follows:

- Defines a SBITA
- Establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability
- Provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA
- Requires note disclosures regarding a SBITA

The provisions of this Statement are effective for the Authority's December 31, 2023 financial statements.

**GASB Statement No. 97**, '*Certain Component Unit Criteria and Accounting and Financial Report for Internal Revenue Code Section 457 Deferred Compensation Plans*'. The primary objectives of this Statement are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements.

The implementation dates of the aforementioned pending GASB Statements have been updated to include the delayed implementation dates as set forth in recently issued (May 2020) GASB Statement No. 95. The effects of implementing these Statements on the Authority's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

The Authority had the following bank balances and carrying values on its cash and cash equivalent accounts at December 31, 2020:

|                 | <b><u>Bank<br/>Balance</u></b> | <b><u>Carrying<br/>Value</u></b> |
|-----------------|--------------------------------|----------------------------------|
| <b>PNC BANK</b> | <b><u>\$ 5,039,327</u></b>     | <b><u>\$ 5,039,327</u></b>       |

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

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**CASH DEPOSITS (Continued)**

The Authority had the following bank balances and carrying values on its cash and cash equivalent accounts at December 31, 2019:

|                 | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
|-----------------|-------------------------|---------------------------|
| <b>PNC BANK</b> | <b>\$ 6,038,244</b>     | <b>\$ 6,024,363</b>       |

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

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a separate policy for custodial credit risk in addition to the requirements of State Law. As of December 31, 2020, and 2019 respectively, \$4,789,327 and \$5,788,244 of the Authority'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 Authority'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.

**NOTE 3 – GRANTS RECEIVABLE**

The Authority did not have grants receivable at December 31, 2020 and December 31, 2019.

**NOTE 4 - LONG-TERM DEBT OBLIGATIONS**

**DIRECT BORROWINGS**

**PNC – SERIES OF 2007**

In March of 2007, the Moon Transportation Authority entered into a guaranteed revenue obligation loan agreement with PNC Bank in the amount of \$3,200,000. Interest on the note was charged at 4.33% through October of 2011. On November 1, 2011, the Authority refinanced the note and interest was reduced to 3.33% through the maturity date of March 20, 2027. The Authority is scheduled to make payments semi-annually in March and September at approximately \$125,000 to \$131,000. The Township of Moon is a guarantor on the note.

**NOTE 4 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**MOON TRANSPORTATION AUTHORITY**  
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**DIRECT BORROWINGS (Continued)**

**CFA – SERIES OF 2007**

In March of 2007, the Moon Transportation Authority entered into a Business in Our Sites (BIOS) loan agreement with the Commonwealth Financing Authority in the amount of \$2,000,000. Interest on the note will be charged at 3% through the maturity date of March 1, 2027. Interest payments only were paid between March of 2012 and February of 2013. Monthly principal and interest payments of \$14,524.41 began in March of 2013 and will be paid until maturity.

**PNC – SERIES OF 2011**

In April of 2011, the Moon Transportation Authority entered into a guaranteed revenue obligation loan agreement with the PNC Bank in the amount of \$187,132. Interest on the note will be charged at 3.33% through the maturity date of September 20, 2021. The Authority will make semi-annual principal and interest payments in March and September. The Township of Moon is a guarantor on the note.

**PENNSYLVANIA INFRASTRUCTURE BANK NOTE**

In January of 2020, the Moon Transportation Authority entered into a Pennsylvania Infrastructure loan agreement with the Commonwealth of Pennsylvania Department of Transportation in the amount of \$3,889,452. Interest on the note will be charged at 2.75% through the maturity date of March 1, 2030. The loan had no principal or interest payments in 2020. A yearly interest payment of \$106,663 is due in 2021. Yearly principal and interest payments of \$548,249 start in March of 2023 and will be paid until maturity. The Township of Moon is a guarantor on the note.

**DEFAULT PROVISIONS – PNC DIRECT BORROWINGS**

The Authority's direct borrowings from PNC contain a provision that in an event of default, all outstanding amounts may become immediately due and payable. The Authority will pay the owner's reasonable costs and expenses incurred in the collection of the amounts due. The notes are secured by the pledge of and security interest in all revenues of the authority until the loans are paid in full. The Authority is required to keep monies in a debt service reserve account per the loan agreements with PNC Bank. At December 31, 2020 and 2019 respectively, the debt service reserve balance was \$350,200 and \$329,038. .

**DEFAULT PROVISIONS – CFA – SERIES OF 2017**

The Authority's loan agreement with the Commonwealth Finance Authority contains a provision that in an event of default, the lender may exercise the following remedies:1.) Take control and possession of all completed and ongoing construction improvements and related personal property, 2.) Outstanding payments on the loan become immediately due and payable, 3.) Raise the interest rate on the Loan as provided in the loan agreement, and 4.) Foreclose on the security agreement including a security interest in the Thorn Run LERTA deposits and future revenues. The Authority also has a separate assignment agreement with the Commonwealth Finance Authority whereby the Commonwealth Finance Authority has the right to seize additional collateral including rights and interests in innumerable facets of the Thorn Run Improvement project as specified in the assignment agreement.

**NOTE 4 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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**DIRECT BORROWINGS (Continued)**

**DEFAULT PROVISIONS – PENNSYLVANIA INFRASTRUCTURE BANK NOTE**

Upon the occurrence of any default which default is not cured within thirty days after receipt of written notice from the Department of Transportation, the unpaid principal balance plus any accrued interest plus any other sums payable under the agreement shall become due and payable immediately and without further notice to the Authority. Upon default, the Department of Transportation may withhold all or part of Moon Township's Liquid Fuels Tax allocation under the Liquid Fuels Municipal Allocation Law, Act of June 1, 1956, or under 75 Pa.C.S. Chapter 95 or any other statute or regulation or impose such other penalties as the Department of Transportation may prescribe.

A summary of the Moon Transportation Authority principal outstanding for the note obligations at December 31, 2020 is as follows:

| <b>Year End<br/>Dec 31</b> | <b>PNC<br/>2007<br/>Principal</b> | <b>CFA<br/>2007<br/>Principal</b> | <b>PNC<br/>2011<br/>Principal</b> | <b>PIB<br/>2020<br/>Principal</b> | <b>Interest</b>   | <b>Total</b>        |
|----------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|---------------------|
| 2021                       | \$ 200,995                        | \$ 146,532                        | \$ 13,331                         | \$ -                              | \$ 182,099        | \$ 542,957          |
| 2022                       | 209,792                           | 150,989                           | -                                 | -                                 | 170,942           | 531,723             |
| 2023                       | 218,975                           | 155,581                           | -                                 | 441,289                           | 158,899           | 974,744             |
| 2024                       | 228,558                           | 160,313                           | -                                 | 453,425                           | 128,951           | 971,247             |
| 2025                       | 238,562                           | 165,189                           | -                                 | 465,894                           | 115,582           | 985,227             |
| 2026-2030                  | 377,500                           | 201,525                           | -                                 | 2,528,844                         | 233,080           | 3,340,949           |
|                            | <b>\$ 1,474,382</b>               | <b>\$ 980,129</b>                 | <b>\$ 13,331</b>                  | <b>\$ 3,889,452</b>               | <b>\$ 989,553</b> | <b>\$ 7,346,847</b> |

Debt activity for the year ended December 31, 2020 is as follows:

|                          | <b>Balance 1/1/20</b> | <b>Additions</b>    | <b>Deletions</b>  | <b>Balance 12/31/20</b> | <b>Current Portion</b> |
|--------------------------|-----------------------|---------------------|-------------------|-------------------------|------------------------|
| Revenue Obligation Notes | \$ 1,695,629          | \$ -                | \$ 207,917        | \$ 1,487,712            | \$ 214,326             |
| General Obligation Notes | 1,122,693             | 3,889,452           | 142,563           | 4,869,582               | 146,532                |
|                          | <b>\$ 2,818,322</b>   | <b>\$ 3,889,452</b> | <b>\$ 350,480</b> | <b>\$ 6,357,294</b>     | <b>\$ 360,858</b>      |

Debt activity for the year ended December 31, 2019 is as follows:

|                          | <b>Balance 1/1/19</b> | <b>Additions</b> | <b>Deletions</b>  | <b>Balance 12/31/19</b> | <b>Current Portion</b> |
|--------------------------|-----------------------|------------------|-------------------|-------------------------|------------------------|
| Revenue Obligation Notes | \$ 1,897,091          | \$ -             | \$ 201,462        | \$ 1,695,629            | \$ 207,916             |
| General Obligation Notes | 1,261,045             | -                | 138,352           | 1,122,693               | 142,206                |
|                          | <b>\$ 3,158,136</b>   | <b>\$ -</b>      | <b>\$ 339,814</b> | <b>\$ 2,818,322</b>     | <b>\$ 350,122</b>      |

**NOTE 5 – CONSTRUCTION AND OTHER COMMITMENTS**

In October 2017, the Authority entered into a contribution agreement with the Commonwealth of Pennsylvania Department of Transportation ("PennDOT"). Under the terms of the agreement, which has an initial contract amount of \$8,959,575, PennDOT will perform road improvements related to an interchange located within the

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LERTA district (the “Thorn Run Project”) and will provide state and federal funding totaling \$4,101,180 towards the project. The Authority is responsible for construction costs in excess of the funding provided by PennDOT and has been required to secure its financial obligation through a performance bond, cashier’s or certified check, irrevocable letter of credit or other form of security acceptable to PennDOT in the amount of \$5,342,035. As of December 31, 2020, the Authority’s remaining financial obligation under the contribution agreement is \$1,875,000, which is secured through a letter of credit. The construction on the project was completed as of August 2020.

**NOTE 6 – RISK MANAGEMENT**

The Moon Transportation Authority is exposed to risks of loss related to errors and omissions. 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.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

**LEGAL MATTERS**

The Authority, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2020, the Authority is unaware of any current claims, litigation or assessments against the Authority that would adversely impact the financial position of the Authority as of the date of this report.

**COVID-19**

Early in 2020, a new strain of the coronavirus (COVID-19) began its global pandemic spread, including the United States, negatively affecting many aspects of society and the economy. The impact of the virus is on-going and varies from region to region and from day to day, and any significant additional spreading of the virus could adversely affect the Moon Transportation Authority operations and finances. The outbreak of the COVID-19 virus is likely to have a negative impact in 2021 on the global and local economy and, might impact the Moon Transportation Authority’s financial results in 2021 and beyond. Given the dynamic nature of this pandemic, however, the extent to which the COVID-19 virus impacts the Moon Transportation Authority’s results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has determined that there are no other events, subsequent to December 31, 2020 through the June 8, 2021 date of the ‘Independent Auditor’s Report’, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.