MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2011
Introductory Section
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FINANCIAL SECTION
Independent Auditors' Report

To the Board of Directors
Montgomery County Transportation Authority
Norristown, Pennsylvania

We have audited the accompanying basic financial statements of the Montgomery County Transportation Authority (a component unit of the County of Montgomery) as of December 31, 2011, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Montgomery County Transportation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montgomery County Transportation Authority as of December 31, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated August 16, 2012, on our consideration of the Montgomery County Transportation Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
To the Board of Directors
Montgomery County Transportation Authority
Norristown, Pennsylvania

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Maull & Pal terminated Company

Oaks, Pennsylvania
August 16, 2012
USING THIS ANNUAL REPORT

As management of Montgomery County Transportation Authority (the “Authority”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2011.

This annual report consists of three parts—Management’s Discussion and Analysis, the Basic Financial Statements and Required Supplementary Information. The basic financial statements include information that presents two different views of the Authority.

- The first column of the financial statements includes information on the Authority under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Authority’s sources and uses of funds.

- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.

- The government-wide financial statements column provides both long-term and short-term information about the Authority’s overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a long-term view of the Authority’s finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

OVERVIEW

The Authority was created on October 27, 2010, by ordinance 10-6 passed by the County Commissioners. The first year of financial activity for the Authority was 2011. The Authority receives 80% of its funding from the Commonwealth of Pennsylvania on a reimbursement basis. The County funds the other 20% of the expenses of the Authority.
FINANCIAL ANALYSIS OF THE AUTHORITY

The following condensed financial data serves as an indicator of the Authority’s financial health or financial position. The Authority’s net assets, as shown below, were $200,938 in 2011. Table 1 shows the Authority’s net assets. The component change in net assets is shown in Table 2 as a condensed Statement of Activities.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Condensed Statement of Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,338,907</td>
</tr>
<tr>
<td>Intergovernmental receivable</td>
<td>2,368,645</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>3,707,552</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>528,967</td>
</tr>
<tr>
<td>Intergovernmental payable</td>
<td>2,977,647</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>3,506,614</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>$200,938</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Condensed Statement of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
</tr>
<tr>
<td>County contributions</td>
<td>$758,662</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>3,034,648</td>
</tr>
<tr>
<td>County advance</td>
<td>200,000</td>
</tr>
<tr>
<td>Investment income</td>
<td>937</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>3,994,247</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>3,790,138</td>
</tr>
<tr>
<td>Other program expenses</td>
<td>3,171</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>3,793,309</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>$200,938</td>
</tr>
</tbody>
</table>
REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or additional requests for financial information should be addressed to Leo Bagley, Executive Director, Montgomery County Transportation Authority, PO Box 311, Norristown, PA 19404-0311.
### General Fund Adjustments Net Assets

#### ASSETS

- **Cash and cash equivalents**: $1,338,907
- **Intergovernmental receivable**: $2,368,645

  **TOTAL ASSETS**: $3,707,552

#### LIABILITIES AND FUND BALANCE/NET ASSETS

#### LIABILITIES

- **Accrued expenses**: $528,967
- **Intergovernmental payable**: $2,977,647

  **TOTAL LIABILITIES**: $3,506,614

#### FUND BALANCE/NET ASSETS

- **Fund balance**
  - Restricted: $200,938

  **TOTAL LIABILITIES AND FUND BALANCE**: $3,707,552

Net assets

- **Restricted**: $200,938

  **TOTAL LIABILITIES AND NET ASSETS**: $3,707,552

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See accompanying notes to the basic financial statements.
MONTGOMERY COUNTY TRANSPORTATION AUTHORITY  
(A Component Unit of the County of Montgomery)  
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
Year Ended December 31, 2011

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Adjustments</th>
<th>Statement of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authority operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>$3,790,138</td>
<td>$ -</td>
</tr>
<tr>
<td>Other program expenses</td>
<td>3,171</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$3,793,309</td>
<td>-</td>
</tr>
<tr>
<td><strong>GENERAL REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County contributions</td>
<td>758,662</td>
<td>-</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>3,034,648</td>
<td>-</td>
</tr>
<tr>
<td>County advance</td>
<td>200,000</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>937</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL GENERAL REVENUES</strong></td>
<td>$3,994,247</td>
<td>-</td>
</tr>
<tr>
<td><strong>CHANGE IN FUND BALANCE/NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200,938</td>
<td>-</td>
<td>200,938</td>
</tr>
</tbody>
</table>

FUND BALANCE/NET ASSETS AT BEGINNING OF YEAR  

FUND BALANCE/NET ASSETS AT END OF YEAR  

$200,938 $ - $200,938

See accompanying notes to the basic financial statements.
NOTE A  NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Montgomery County Transportation Authority (the "Authority") is organized for the purpose of addressing transportation improvement issues throughout Montgomery County, Pennsylvania.

The Authority is considered a component unit of the County of Montgomery.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments that have implemented GASB Statement No. 34, Basic Financial Statements—And Management’s Discussion and Analysis—for State and Local Governments, issued in June 1999.

Basis of Accounting

The Authority’s basic financial statements include both government-wide and fund financial statements.

Government-Wide Financial Statements - The government-wide financial statements (the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as all obligations, including accounts payable. The Authority’s net assets are reported in three parts: invested in capital assets, temporarily restricted net assets and unrestricted net assets.

Fund Financial Statements - The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.
Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits and certificates of deposit with an original maturity of three months or less.

Fund Balance

Beginning with the year ended December 31, 2011, the Authority has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Authority's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Restricted Fund Balance** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.

- **Committed Fund Balance** - Amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint.

- **Assigned Fund Balance** - Amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

- **Unassigned Fund Balance** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a 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 commitment of the fund. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Authority will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
NOTE B  DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at December 31, 2011:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in checking and money market accounts</td>
<td>$2,926,012</td>
</tr>
<tr>
<td>BALANCE PER BANK AND FINANCIAL INSTITUTIONS</td>
<td>2,926,012</td>
</tr>
<tr>
<td>Outstanding checks and reconciling items</td>
<td>(1,587,105)</td>
</tr>
<tr>
<td></td>
<td>1,338,907</td>
</tr>
<tr>
<td>Cash on hand</td>
<td></td>
</tr>
<tr>
<td>CARRYING AMOUNT ON STATEMENT OF NET ASSETS</td>
<td>$1,338,907</td>
</tr>
</tbody>
</table>

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. As of December 31, 2011, $2,676,012 of the Authority’s bank balance of $2,926,012 was exposed to custodial credit risk as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits in excess of FDIC but collateral is held</td>
<td></td>
</tr>
<tr>
<td>by the pledging bank’s trust department not in the Authority’s name</td>
<td>$2,676,012</td>
</tr>
</tbody>
</table>

Pennsylvania statutes provide for investment of local government funds and their component unit funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not describe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

NOTE C  INTERGOVERNMENTAL RECEIVABLE/PAYABLE

Intergovernmental receivables are grant funds due from the Commonwealth of Pennsylvania at December 31, 2011. Intergovernmental payables are funds due to the County of Montgomery to reimburse the County for advances made to the Authority. Upon receipt from the Commonwealth, the Authority intends to fully reimburse the County.
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Montgomery County Transportation Authority
Norristown, Pennsylvania

We have audited the basic financial statements of the Montgomery County Transportation Authority as of and for the year ended December 31, 2011, and have issued our report thereon dated August 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Montgomery County Transportation Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Montgomery County Transportation Authority’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Montgomery County Transportation Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Montgomery County Transportation Authority’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
COMPLIANCE AND OTHER MATTERS

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

This report is intended solely for the information and use of management, the Board of Directors and others within the Montgomery County Transportation Authority and the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

Maclllie Falconer Company, L.P.

Oaks, Pennsylvania
August 16, 2012