

**Montgomery County
Transportation Authority
(A Component Unit of the
County of Montgomery,
Pennsylvania)**

Financial Statements
Year Ended December 31, 2020 and 2019



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

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INDEPENDENT AUDITOR'S REPORT

**Members of the Board
Montgomery County Transportation Authority
Norristown, Pennsylvania**

We have audited the accompanying financial statements of the Montgomery County Transportation Authority, a component unit of the County of Montgomery, Pennsylvania, as of and for the year ended December 31, 2020 and the related notes to the 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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Montgomery County Transportation Authority as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated February 4, 2020, expressed an unmodified audit opinion on those audited financial statements.

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 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2021, on our consideration of the Montgomery County Transportation Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Montgomery County Transportation Authority's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
June 1, 2021**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

Management's discussion and analysis ("**MD&A**") of the Montgomery County Transportation Authority (the "**MCTA**") provides an overview of the MCTA's financial performance for 2020. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the MCTA's financial performance.

The MCTA was established through ordinance 10-6 passed by the County of Montgomery, Pennsylvania (the "**County**") on October 27, 2010. The MCTA is presented as a discretely presented component unit in the County's financial statements because of the significance of its operational and financial relationship with the County. The MCTA was created to own, operate, maintain and improve transportation (other than mass transit), bridges, tunnels, highways, parkways, traffic distribution centers, parking spaces and all facilities necessary.

FINANCIAL HIGHLIGHTS

- At December 31, 2020, total assets of the MCTA exceeded total liabilities and deferred of the MCTA by \$1,310,638 and the MCTA's net position increased by \$7,242 for the year ended December 31, 2020.
- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Montgomery County, Pennsylvania for what was an extended period of time resulting in a disruption of MCTA services and programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the MCTA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the MCTA's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the MCTA is improving or deteriorating.

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

Governmental Fund

The MCTA has one governmental fund – the General Fund. The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on short-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the MCTA's near-term financing requirements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Fund* and *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. There were no reconciling items between the governmental funds and governmental activities in 2020 and 2019.

The financial statements can be found on pages 6 and 7 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The notes to the financial statements can be found on Pages 8 through 12 of this report.

FINANCIAL ANALYSIS

The MCTA's net position / fund balance serves as a useful indicator of an entity's financial condition. In the case of the MCTA, the assets exceeded the liabilities and deferred inflows of resources by \$1,310,638 at December 31, 2020. A summary of the Statement of Net Position / Balance Sheet – Governmental Fund as of December 31, 2020 and 2019 is presented below.

Statement of Net Position / Balance Sheet – Governmental Fund

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 360,910	\$ 152,601
Intergovernmental receivable	1,017,093	2,720,203
Note receivable	<u>746,584</u>	<u>775,092</u>
Total assets	<u>2,124,587</u>	<u>3,647,896</u>
Liabilities		
Intergovernmental payable	<u>813,949</u>	<u>2,344,500</u>
Net position / fund balance	<u>\$1,310,638</u>	<u>\$1,303,396</u>

Intergovernmental receivables represent amounts due from the Commonwealth of Pennsylvania through grant reimbursement agreements for eligible projects through the Pennsylvania Department of Transportation which totaled \$1,017,093 at December 31, 2020. In conjunction with the grant reimbursement projects the County provides advances to the MCTA which are reimbursed to the County upon receipt of grant reimbursement receivables which totaled \$813,949 at December 31, 2020.

At December 31, 2020, the remaining assets of the MCTA consist of cash totaling \$360,910 or 16.99% of total assets and a note receivable issued to finance the relocation of a business related to the Lafayette Street Extension Project totaling \$746,584 or 35.14%.

The MCTA's total net position/fund balance of \$1,310,638 at December 31, 2020 is considered unrestricted and may be used for ongoing Authority operations and obligations.

During 2020, the MCTA's net position increased by \$7,242. A summary of the Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities for the years ending December 31, 2020 and 2019 is presented below.

**MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2020

Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities

	<u>2020</u>	<u>2019</u>
Revenues		
County contributions	\$850,180	\$ 913,760
Grant revenue	127,233	680,536
Miscellaneous revenue	800	58,713
Investment income	<u>6,441</u>	<u>8,704</u>
Total revenues	984,654	1,661,713
Expenses / Expenditures		
Property acquisition costs	965,510	1,574,578
Other	<u>11,902</u>	<u>19,719</u>
Total expenses / expenditures	<u>977,412</u>	<u>1,594,297</u>
Change in net position / fund balance	<u>\$ 7,242</u>	<u>\$ 67,416</u>

Property acquisition costs decreased by \$609,068 or 38.68% and the related revenues for county contributions and state grant revenue decreased by \$616,883 or 38.69% due to delays and disruptions of MCTA projects exacerbated by the COVID-19 pandemic at both the state and local levels.

STATUS OF SIGNIFICANT MCTA PROJECTS

As of the audit report date, management was aware of the following regarding the status of significant MCTA projects that could significantly affect the future financial position and results of the operations of the MCTA:

Lafayette Street Extension Project

The Lafayette Street Extension Project will improve access to Norristown and its Main Street and riverfront as well as Plymouth Township's Ridge Pike and Conshohocken corridors. The MCTA was responsible for acquiring the necessary right-of-way along existing Lafayette Street in Norristown and along Conshohocken Road and Ridge Pike. The project was financed with a combination of federal grant funds passed through the Pennsylvania Department of Transportation and county contributions and was completed in 2020.

Chester Valley Trail Extension Project

The Chester Valley Extension Project is a planned 3.8 mile extension of the Chester Valley Trail. The project will link the existing 14.5-mile portion of the Chester Valley Trail, which currently runs from Exton to King of Prussia, to the Schuylkill River Trail in Norristown. The MCTA is in the process of acquiring the necessary right-of-way for the construction of the Chester Valley Trail Extension in Upper Merion Township, Bridgeport Borough and the Municipality of Norristown. The MCTA will finance the project with a combination of federal grant funds passed through the Pennsylvania Department of Transportation and county contributions.

Ridge Pike Improvement Project

The Ridge Pike Improvement Project involves the full reconstruction of Ridge Pike between Norristown and Philadelphia in four phases, with additional widening and safety improvements at specific locations. The MCTA is in the process of acquiring the necessary right-of-way along Ridge Pike and along adjacent roads and bridges. The MCTA will finance the project with a combination of federal grant funds passed through the Pennsylvania Department of Transportation and county contributions.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Montgomery County Transportation Authority, PO Box 311, Norristown, PA 19404-0311.

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
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BALANCE SHEETS - GOVERNMENTAL FUND/STATEMENTS OF NET POSITION

December 31, 2020 and 2019

	2020			2019		
	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and cash equivalents	\$ 360,910	\$ -	\$ 360,910	\$ 152,601	\$ -	\$ 152,601
Intergovernmental receivable	1,017,093	-	1,017,093	2,720,203	-	2,720,203
Note receivable	746,584	-	746,584	775,092	-	775,092
Total assets	<u>\$ 2,124,587</u>	<u>\$ -</u>	<u>\$ 2,124,587</u>	<u>\$ 3,647,896</u>	<u>\$ -</u>	<u>\$ 3,647,896</u>
LIABILITIES AND FUND BALANCE/NET POSITION						
LIABILITIES						
φ Intergovernmental payable	\$ 813,949	\$ -	\$ 813,949	\$ 2,344,500	\$ -	\$ 2,344,500
FUND BALANCE/NET POSITION						
Fund balance						
Unassigned	<u>1,310,638</u>	(1,310,638)	-	<u>1,303,396</u>	(1,303,396)	-
Total liabilities and fund balance	<u>\$ 2,124,587</u>			<u>\$ 3,647,896</u>		
Net position						
Unrestricted		<u>1,310,638</u>	<u>1,310,638</u>		<u>1,303,396</u>	<u>1,303,396</u>
Total liabilities and net position		<u>\$ -</u>	<u>\$ 2,124,587</u>		<u>\$ -</u>	<u>\$ 3,647,896</u>

See accompanying notes

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
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GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE/STATEMENTS OF ACTIVITIES

Years ended December 31, 2020 and 2019

	2020			2019		
	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
GENERAL REVENUES						
County contributions	\$ 850,180	\$ -	\$ 850,180	\$ 913,760	\$ -	\$ 913,760
Grant revenue	127,233	-	127,233	680,536	-	680,536
Miscellaneous revenue	800	-	800	58,713	-	58,713
Investment income	6,441	-	6,441	8,704	-	8,704
Total general revenues	<u>984,654</u>	<u>-</u>	<u>984,654</u>	<u>1,661,713</u>	<u>-</u>	<u>1,661,713</u>
EXPENSES						
Authority operations						
Property acquisition costs	965,510	-	965,510	1,574,578	-	1,574,578
Other	11,902	-	11,902	19,719	-	19,719
Total expenses	<u>977,412</u>	<u>-</u>	<u>977,412</u>	<u>1,594,297</u>	<u>-</u>	<u>1,594,297</u>
CHANGE IN FUND BALANCE/NET POSITION	7,242	-	7,242	67,416	-	67,416
FUND BALANCE/NET POSITION						
Beginning of year	<u>1,303,396</u>	<u>-</u>	<u>1,303,396</u>	<u>1,235,980</u>	<u>-</u>	<u>1,235,980</u>
End of year	<u>\$ 1,310,638</u>	<u>\$ -</u>	<u>\$ 1,310,638</u>	<u>\$ 1,303,396</u>	<u>\$ -</u>	<u>\$ 1,303,396</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Montgomery County Transportation Authority (the "*MCTA*") have been prepared in conformity with generally accepted accounting principles ("*GAAP*") as applied to governmental units. The Governmental Accounting Standards Board ("*GASB*") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. The significant accounting principles and policies utilized by the Authority are described below:

Organization and Reporting Entity

The County of Montgomery (the "*County*") adopted a resolution under the provision of the Municipality Authorities Act of 1945, as amended, to organize the Authority. The MCTA was created to own, operate, maintain and improve transportation (other than mass transit), bridges, tunnels, highways, parkways, traffic distribution centers, parking spaces and all facilities necessary. A Certification of Incorporation for the Authority was filed and recorded with the office of the Secretary of the Commonwealth of Pennsylvania on October 27, 2010. The Authority's Board consists of nine members appointed by the Board of County Commissioners.

The MCTA is presented as a discretely presented component unit in the County's financial statements because of the significance of its operational and financial relationship with the County.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the MCTA as a whole. These statements include the financial activities of the primary government.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the MCTA which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the MCTA is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position." The MCTA had no net assets reported as net investment in capital assets or restricted at December 31, 2020 and 2019.

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The MCTA had no deferred outflows of resources or deferred inflows of resources at December 31, 2020 and 2019.

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December 31, 2020 and 2019

The government-wide statement of activities presents a comparison between expenses and program revenues for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the MCTA.

Fund Financial Statements

The governmental fund financial statements report on the MCTA's General Fund. Fiduciary fund financial statements are presented by fund type.

Governmental Fund

The governmental fund is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The MCTA reports the following major governmental fund:

The General Fund is the only major governmental fund. The General Fund is the operating fund of the MCTA and accounts for all revenues and expenditures.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific MCTA expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The MCTA's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the MCTA is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The MCTA reports the following fund balance classifications:

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Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the MCTA's highest level of decision-making authority, the Authority Board. Committed amounts cannot be used for any other purpose unless the Authority Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the MCTA's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Executive Director or (b) an appointed body (e.g., finance committee) or (c) an official to whom the MCTA has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the MCTA's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget for the General Fund is not adopted prior to the beginning of the year, although project length financial plans are adopted.

(3) DEPOSITS

State statutes authorize the MCTA to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral or state treasurer's investment pools.

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Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2020, the carrying amount of the MCTA's deposits was \$360,910 and the bank balance was \$602,936. At December 31, 2019, the carrying amount of the MCTA's deposits was \$152,601 and the bank balance was \$156,769. The MCTA does not have a policy for custodial credit risk on deposits. The MCTA is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. The bank balance at December 31, 2020, \$250,000 was covered by federal depository insurance and \$352,936 was collateralized by the Authority's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. Of the bank balance at December 31, 2019, the entire balance of \$156,769 was covered by federal depository insurance.

(4) INTERGOVERNMENTAL RECEIVABLE/PAYABLE

Intergovernmental receivables represent amounts due from the Commonwealth of Pennsylvania through grant reimbursement agreements for eligible projects through the Pennsylvania Department of Transportation. In conjunction with the grant reimbursement projects the County provides advances to the MCTA which are reimbursed to the County upon receipt of grant reimbursement receivables.

(5) RIGHT-OF-WAY ACQUISITION

The MCTA is empowered by the Commonwealth of Pennsylvania state law to acquire right-of-way, which are transfers of property for construction purposes, to advance highway and bridge improvement projects affecting County-owned infrastructure or to advance projects of importance to the County in partnership with townships or boroughs. The Authority works with County project consultant engineers to identify the necessary right-of-way for acquisition and, upon completion of each project, will transfer ownership of appropriate right-of-way to the County or local municipality, or dispose of it through a normal legal process. Because the intended purpose of the right-of-way is to transfer ownership at the conclusion of each project, such purchases are expensed at the time of acquisition. The value of all properties acquired by the Authority for which ownership has not been transferred totaled \$13,057,750 as of December 31, 2020 and \$12,814,850 as of December 31, 2019.

(6) NOTE RECEIVABLE

In October 2013, the MCTA entered into an agreement with an individual whereby the MCTA issued a note receivable in the amount of \$925,000 to the individual to finance the relocation of a business related to the Lafayette Street Extension Project. The note receivable to MCTA required an initial 120 monthly payments of \$3,486 with an interest rate of 1.00% through June 2025 and an additional \$100,000 principal payment at the conclusion of the initial 120 monthly payments. The next 120 monthly payments will be reset to \$3,217 with an interest rate of 2.50% through June 2035 and an additional \$150,000 principal payment at the conclusion of the second 120 monthly payments. The final 60 monthly payments will be reset to \$562 with an interest rate of 3.00% through June 2040. The amount due to the MCTA under the note was \$746,584 at December 31, 2020 and \$775,092 at December 31, 2019. Future repayments are scheduled as follows:

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NOTES TO FINANCIAL STATEMENTS

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<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2021	\$ 37,417	\$ 7,901	\$ 45,318
2022	34,901	6,932	41,833
2023	35,251	6,581	41,832
2024	35,606	6,227	41,833
2025PaP	132,041	8,447	140,488
2026-2030	142,688	50,337	193,025
2031-2035	299,840	29,909	329,749
2036-2039	<u>28,840</u>	<u>2,066</u>	<u>30,906</u>
	<u>\$746,584</u>	<u>\$118,400</u>	<u>\$864,984</u>

(7) CONTINGENCIES

The MCTA is subject to legal proceedings and claims which arise in the ordinary course of business. Management believes, based in part upon the opinion of counsel, that the ultimate liability, if any, with respect to these proceedings and claims will not have a material adverse effect on the MCTA's financial position.

(8) PRIOR PERIOD ADJUSTMENT

During 2020, the MCTA determined that its note receivable balance with an individual to finance the relocation of a business related to the Lafayette Street Extension Project was incorrect. As a result, the MCTA made a prior period adjustment to restate its 2019 financial statements by increasing the note receivable balance and unassigned fund balance / unrestricted net assets by \$37,107 as of January 1, 2019. The error had no effect on the change in fund balance and net position for the 2016 financial statements.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 1, 2021, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020 that required recognition or disclosure in the financial statements.



**INDEPENDENT AUDITOR'S 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**

**Members of the Board
Montgomery County Transportation Authority
Norristown, Pennsylvania**

We have audited, in accordance with the 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, the financial statements of the Montgomery County Transportation Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Montgomery County Transportation Authority's basic financial statements, and have issued our report thereon dated June 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Montgomery County Transportation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Montgomery County Transportation Authority's internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Montgomery County Transportation Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP

Philadelphia, Pennsylvania
June 1, 2021