

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

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2016

INTRODUCTORY SECTION

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

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YEAR ENDED DECEMBER 31, 2016

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Montgomery County Transportation Authority (a component unit of the County of Montgomery) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Montgomery County Transportation 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Montgomery County Transportation Authority as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montgomery County Transportation Authority's basic financial statements. The schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, 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 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* in considering the Montgomery County Transportation Authority's internal control over financial reporting and compliance.

Oaks, Pennsylvania

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

USING THIS ANNUAL REPORT

As management of the 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, 2016.

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 position 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.

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

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 position, as shown below, was \$1,290,336 in 2016. Table 1 shows the Authority's net position. The component change in net position is shown in Table 2 as a condensed *Statement of Activities*.

	Governmental Activities	
	2016	2015
Table 1		
Condensed Statement of Net Position		
ASSETS		
Cash and cash equivalents	\$ 1,725,551	\$ 752,972
Intergovernmental receivable	<u>1,608,910</u>	<u>1,608,911</u>
TOTAL ASSETS	<u>\$ 3,334,461</u>	<u>\$ 2,361,883</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accrued expenses	\$ -	\$ 0
Intergovernmental payable	<u>2,044,125</u>	<u>2,044,125</u>
TOTAL LIABILITIES	<u>2,044,125</u>	<u>2,044,125</u>
NET POSITION		
Restricted	<u>1,290,336</u>	<u>317,758</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,334,461</u>	<u>\$ 2,361,883</u>

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

Table 2
Condensed Statement of Activities

	Governmental Activities	
	2016	2015
REVENUES		
County contributions	\$ 210,765	\$ 883,745
Grant revenue	843,058	3,534,981
Miscellaneous revenue	41,833	25,360
Investment income	2,206	1,651
	<u>1,097,862</u>	<u>4,445,737</u>
TOTAL REVENUES	1,097,862	4,445,737
EXPENSES		
Acquisition costs	<u>119,534</u>	<u>4,418,726</u>
CHANGE IN NET POSITION	<u>\$ 978,328</u>	<u>\$ 27,011</u>

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.

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 1,725,551	\$ -	\$ 1,725,551
Intergovernmental receivable	<u>1,608,910</u>	<u>-</u>	<u>1,608,910</u>
TOTAL ASSETS	<u>\$ 3,334,461</u>	<u>\$ -</u>	<u>\$ 3,334,461</u>
LIABILITIES AND FUND BALANCE/NET POSITION			
LIABILITIES			
Intergovernmental payable	\$ 2,044,125	\$ -	\$ 2,044,125
FUND BALANCE/NET POSITION			
Fund balance			
Restricted	<u>1,290,336</u>	<u>(1,290,336)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,334,461</u>		
Net position			
Restricted		<u>1,290,336</u>	<u>1,290,336</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ -</u>	<u>\$ 3,334,461</u>

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, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENSES			
Authority operations			
Acquisition costs and demolition	\$ 119,534	\$ -	\$ 119,534
GENERAL REVENUES			
County contributions	210,765	-	210,765
Grant revenue	843,058	-	843,058
Miscellaneous revenue	41,833	-	41,833
Investment income	2,206	-	2,206
TOTAL GENERAL REVENUES	<u>1,097,862</u>	<u>-</u>	<u>1,097,862</u>
CHANGE IN FUND BALANCE/NET POSITION	972,578	-	972,578
FUND BALANCE/NET POSITION AT BEGINNING OF YEAR	<u>317,758</u>	<u>-</u>	<u>317,758</u>
FUND BALANCE/NET POSITION AT END OF YEAR	<u>\$ 1,290,336</u>	<u>\$ -</u>	<u>\$ 1,290,336</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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.

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Authority 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.

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016:

Cash in checking and money market accounts	\$ 1,796,004
BALANCE PER BANK AND FINANCIAL INSTITUTIONS	1,796,004
Outstanding checks and reconciling items	(70,453)
	1,725,551
Cash on hand	-
CARRYING AMOUNT ON STATEMENT OF NET POSITION	\$ 1,725,551

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, 2016, \$1,475,551 of the Authority's bank balance of \$1,725,551 was exposed to custodial credit risk as follows:

Deposits in excess of FDIC but collateral is held by the pledging bank's trust department not in the Authority's name	\$ 1,475,551
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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.

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE C - INTERGOVERNMENTAL RECEIVABLE/PAYABLE

Intergovernmental receivables are grant funds due from the Commonwealth of Pennsylvania at December 31, 2016. 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.

NOTE D - PARCEL ACQUISITION

The Authority acquires the necessary right-of-way 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 Montgomery County project consultant engineers to identify the necessary right-of-way 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. The value of all properties acquired and owned by the Authority as of December 31, 2016, is \$10,918,300.

***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, 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, the financial statements of the governmental activities and major fund of the Montgomery County Transportation Authority as of and for the year ended December 31, 2016, 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 30, 2016.

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 opinions 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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.

Oaks, Pennsylvania

***Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of
Federal Awards in Accordance With the Uniform Guidance***

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

Report on Compliance for Each Major Federal Program

We have audited the Montgomery County Transportation Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Montgomery County Transportation Authority's major federal programs for the year ended December 31, 2016. The Montgomery County Transportation Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Montgomery County Transportation Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Montgomery County Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Montgomery County Transportation Authority's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the Montgomery County Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Montgomery County Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Montgomery County Transportation Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Montgomery County Transportation Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and major fund of the Montgomery County Transportation Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Montgomery County Transportation Authority's basic financial statements. We issued our report thereon dated June 30, 2016, which contained an unmodified opinion on the governmental activities and major fund. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Oaks, Pennsylvania

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures (Amount Invoiced)</u>
U.S. DEPARTMENT OF TRANSPORTATION Passed through the Commonwealth of Pennsylvania Highway Planning and Construction	20.205*	\$ <u><u>3,534,981</u></u>

*Tested as a major program

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2016

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Montgomery County Transportation Authority.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Montgomery County Transportation Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major award programs of the Montgomery County Transportation Authority expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs were:

Program	CFDA
Highway Planning and Construction	20.205
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. The Montgomery County Transportation Authority was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

MONTGOMERY COUNTY TRANSPORTATION AUTHORITY
(A Component Unit of the County of Montgomery)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2015

None.