

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended June 30, 2016*



*Expertise Beyond The Numbers®*

*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2016

---

	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	21
Statement of Activities	22
<b><i>Fund Financial Statements</i></b>	
<i>Governmental Funds</i>	
Balance Sheet	23
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	26
<i>Proprietary Fund</i>	
Statement of Net Position	27
Statement of Revenues, Expenses and Changes in Net Position	28
Statement of Cash Flows	29

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2016

---

	<b>Page</b>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position	31
Notes to the Basic Financial Statements	32
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedules	
General Fund	58
Special Education Fund	59
Special Education Transportation Fund	60
Institutionalized Children Fund	61
Early Intervention Fund	62
Notes to the Budgetary Comparison Schedules	63
Schedule of the Intermediate Unit's Proportionate Share of the Net Pension Liability	65
Schedule of the Intermediate Unit's Contributions	66
Postemployment Benefits Other Than Pension Funding Progress	67
<b>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</b>	<b>68</b>
<b>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</b>	<b>70</b>
<b>Supplementary Information - Major Federal Award Programs Audit</b>	
Schedule of Expenditures of Federal Awards	73
Notes to the Schedule of Expenditures of Federal Awards	76
Schedule of Findings and Questioned Costs	77

## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Directors  
Montgomery County Intermediate Unit  
Norristown, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Montgomery County Intermediate Unit as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Montgomery County Intermediate Unit'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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Montgomery County Intermediate Unit as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Montgomery County Intermediate Unit  
Norristown, Pennsylvania

***Emphasis of Matter***

For the year ended June 30, 2016, the Montgomery County Intermediate Unit adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

***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 20, budgetary comparison information on pages 58 through 64, schedule of the intermediate unit's proportionate share of the net pension liability on page 65, schedule of the intermediate unit's contributions on page 66 and postemployment benefits other than pension funding progress on page 67 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 Intermediate Unit's basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the Montgomery County Intermediate Unit'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 Intermediate Unit's internal control over financial reporting and compliance.



Oaks, Pennsylvania  
December 8, 2016

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

**INTRODUCTION**

This section of the Montgomery County Intermediate Unit's annual financial report provides a discussion and analysis of the Intermediate Unit's performance during the fiscal year ended June 30, 2016. The management's discussion and analysis should be read in conjunction with the accompanying financial statements.

Montgomery County Intermediate Unit #23, with revenues in excess of \$116 million, provides support and educational services for 22 member school districts, 4 technology centers and 127 nonpublic schools in Montgomery County. The Intermediate Unit's staff members provide a range of services that assist local education agencies in meeting state and federal standards. The Intermediate Unit serves as a regional resource for county educators, students and school administrators. Services provided by the Intermediate Unit include classroom instruction, continuing professional education programs, legislative updates, special education services, curriculum updates, technology services, cooperative purchasing and other cost-saving initiatives.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement Number 34 and present entity (government-wide) as well as fund level financial statements prepared under the full accrual and modified accrual basis of accounting, respectively.

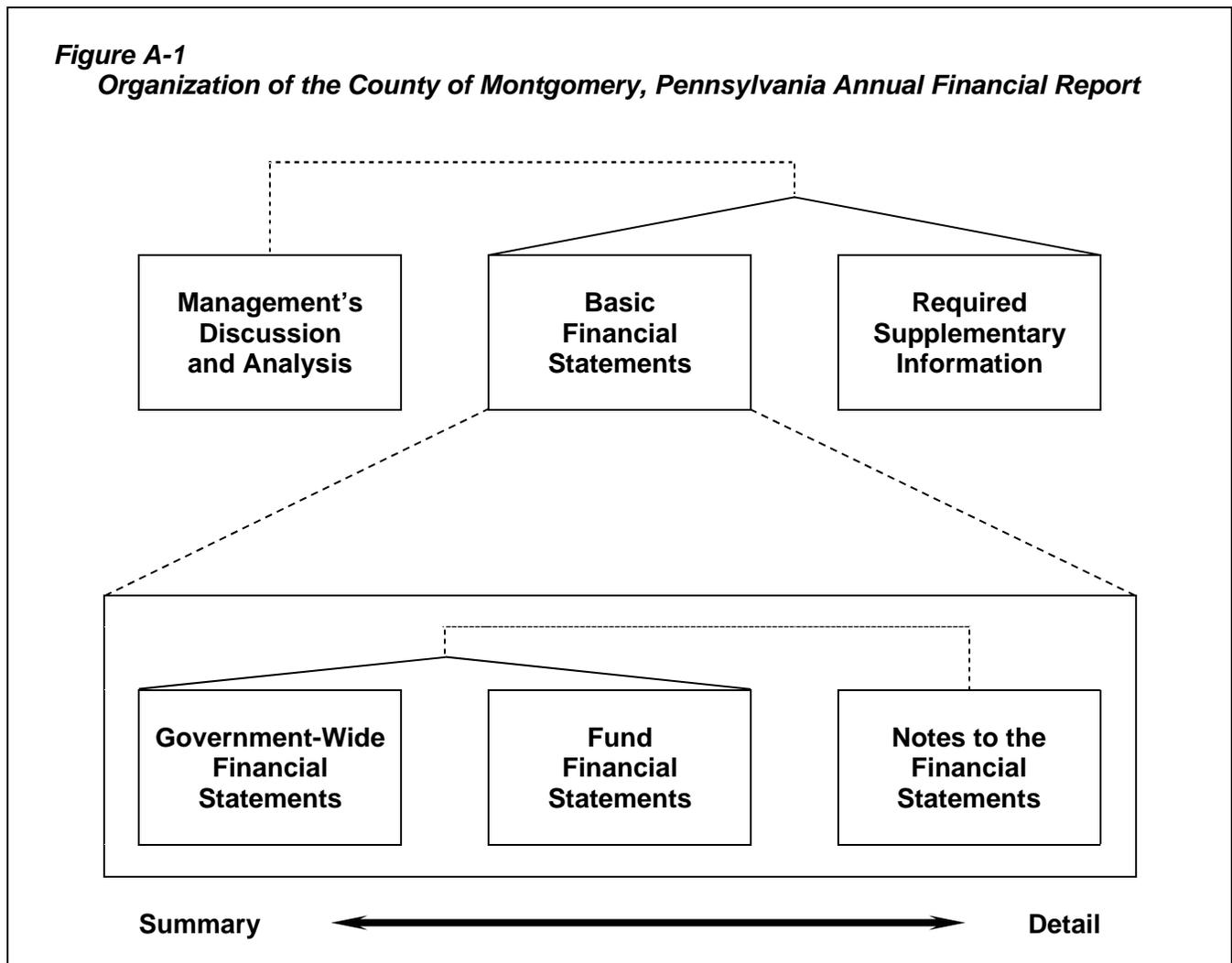
The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two types of statements that provide different perspectives of the Intermediate Unit's operations.

- The *Government-Wide Financial Statements* provide both a short-term and long-term perspective of the Intermediate Unit's financial status similar to the presentation provided by a commercial enterprise.
- The *Fund Financial Statements* focus on individual parts of the Intermediate Unit in more detail than the government-wide statements. The Governmental Funds statements provide a view of how instructional and support services were financed in the short term, as well as what remains for future spending (fund balance). The Proprietary Fund provides a view of how the food service operations and internal service fund were financed in the short term, as well as what is available for future spending (retained earnings).

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

By providing background information for the financial statement balances, footnotes are an integral part of the financial statements. The statements are followed by a section of required supplementary information that includes budgetary comparisons for the Intermediate Unit's General, Special Education, Special Education Transportation, Institutionalized Children and Early Intervention Funds. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

Figure A-2 summarizes the major features of the Intermediate Unit’s financial statements, including the portion of the Intermediate Unit’s activities they cover and types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire Intermediate Unit (except Fiduciary Funds)	Includes General, Special Revenue and Capital Projects Funds; General Fund is used for activities not required to be accounted for in another fund; Special Revenue Funds account for specific revenue sources that are legally restricted; Capital Projects Fund accounts for resources used for the acquisition of capital assets	Activities the Intermediate Unit operates similar to private businesses, such as food services and the internal service fund (healthcare fund).	Used for instances in which the Intermediate Unit administers resources on behalf of someone else in a trustee or agency capacity
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances (deficit)</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues which are received during or soon after the end of the year; expenditures when goods or services have been received	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

**Government-Wide Statements**

The government-wide statements report information about the Intermediate Unit as a whole using the full accrual basis of accounting similar to private sector companies. The statement of net assets includes all Intermediate Unit assets and liabilities. All of the current year's revenues and expenses are recognized regardless of when cash is received or paid.

The two government-wide statements report the Intermediate Unit's net assets and how they have changed. Net assets are one measure of the Intermediate Unit's financial health or position at the end of the fiscal year. Over time, changes in the Intermediate Unit's net assets are an indication of whether its financial position is improving or declining. In the government-wide statements, the Intermediate Unit's activities are financed by charges for services and operating grants and contributions from state and federal funding sources.

In the entity-wide financial statements, the Intermediate Unit's activities are divided into two categories:

- **Governmental Activities:** Most of the Intermediate Unit's basic services are included here, such as classroom instruction, continuing professional education programs, legislative updates, special education services, curriculum updates, technology services, cooperative purchasing and other cost-saving initiatives. These activities are financed by charges for services and operating grants and contributions from state and federal funding sources.
- **Business-Type Activities:** The Intermediate Unit charges fees to cover the costs of certain services it provides. The Intermediate Unit operates business-type activities for the food service program and the healthcare fund.

**Fund Level Financial Statements**

The fund financial statements provide more detailed information about the Intermediate Unit's operations. The Intermediate Unit's report includes the General Fund, Special Revenue Funds mandated by the Commonwealth of Pennsylvania, Capital Projects Funds and a Proprietary Fund. The Intermediate Unit utilizes prescribed fund and source codes to ensure that specific sources of funding are spent appropriately.

The Intermediate Unit has three kinds of funds:

- **Governmental Funds:** The majority of the Intermediate Unit's basic services are included in Governmental Funds. Governmental Funds provide a detailed short-term view of the Intermediate Unit's finances. The Governmental Funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances that remain at the end of the year and are available for spending in subsequent periods. Because of the short-term focus of the Fund Financial Statements, a reconciliation of the balances reported in the Government-Wide Financial Statements explains the relationship or differences between the two financial statements.
- **Proprietary Fund:** The Proprietary Fund uses the accrual basis of accounting, the same as the government-wide statements; therefore, the statements will essentially match the business-type activities portion of the government-wide statements.

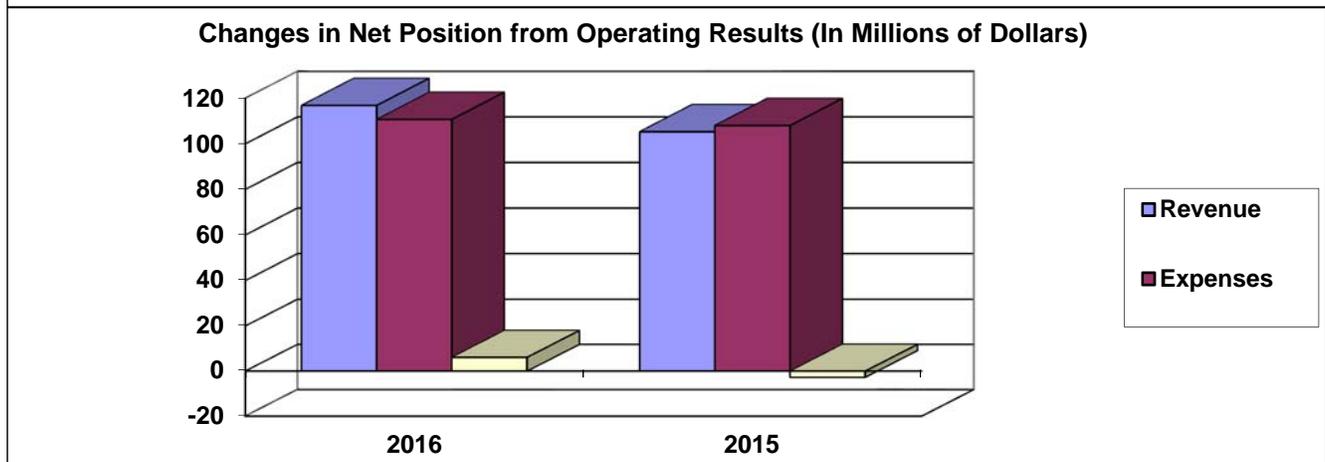
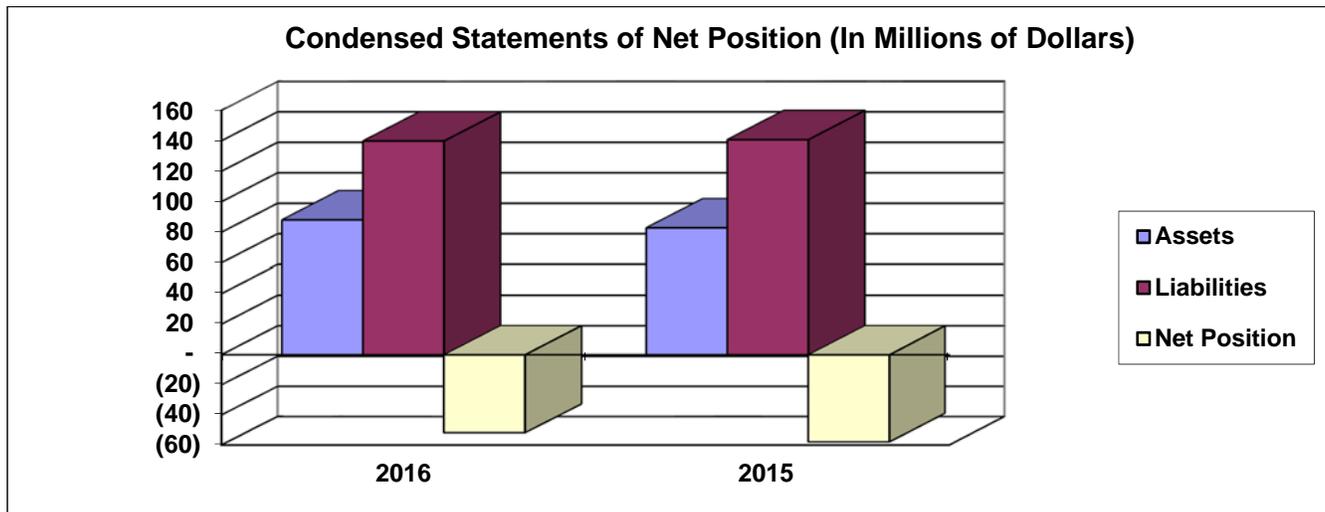
**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

- Fiduciary Funds:** The Intermediate Unit serves as a trustee or fiduciary for Trust Funds set up in memory of former colleagues, for affiliated outside organizations and for its Other Postemployment Benefits Trust Fund. The Intermediate Unit must safeguard these assets to ensure their use for the intended purpose by those to whom the assets belong. The Intermediate Unit excludes these activities from the Government-Wide Financial Statements.

**FINANCIAL HIGHLIGHTS OF THE INTERMEDIATE UNIT AS A WHOLE**

The following is a summary of the amounts reported on the traditional fund level financial statements and the government-wide financial statements.

- Net position increased by \$5.97 million while total assets and deferred outflows and resources increased by \$5.06 million at the Intermediate Unit's government-wide basis including all governmental activities and business-type activities.



**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

**Figure A-3**  
**Condensed Statements of Net Position (In Millions of Dollars)**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Current and other assets	\$ 50.399	\$ 45.488	\$ 0.005	\$ 0.046	\$ 50.404	\$ 45.534
Capital assets	25.251	25.866	0.247	0.255	25.498	26.121
<b>TOTAL ASSETS</b>	<u>75.650</u>	<u>71.354</u>	<u>0.252</u>	<u>0.301</u>	<u>75.902</u>	<u>71.655</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	12.104	11.289	-	-	12.104	11.289
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
	<u>87.754</u>	<u>82.643</u>	<u>0.252</u>	<u>0.301</u>	<u>88.006</u>	<u>82.944</u>
<b>LIABILITIES</b>						
Current liabilities	16.678	17.288	-	-	16.678	17.288
Long-term liabilities	113.930	116.329	-	-	113.930	116.329
<b>TOTAL LIABILITIES</b>	<u>130.608</u>	<u>133.617</u>	<u>-</u>	<u>-</u>	<u>130.608</u>	<u>133.617</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	9.295	7.193	-	-	9.295	7.193
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
	<u>139.903</u>	<u>140.810</u>	<u>-</u>	<u>-</u>	<u>139.903</u>	<u>140.810</u>
<b>NET POSITION</b>						
Net investment in capital assets	11.848	11.934	0.247	0.255	12.095	12.189
Restricted	8.850	5.827	-	-	8.850	5.827
Unrestricted	(72.847)	(75.928)	0.005	0.046	(72.842)	(75.882)
<b>TOTAL NET POSITION</b>	<u>\$ (52.149)</u>	<u>\$ (58.167)</u>	<u>\$ 0.252</u>	<u>\$ 0.301</u>	<u>\$ (51.897)</u>	<u>\$ (57.866)</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

**Figure A-4**  
**Changes in Net Position from Operating Results (In Millions of Dollars)**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 21.880	\$ 19.300	\$ 0.003	\$ 0.002	\$ 21.883	\$ 19.302
Operating grants and contributions	94.514	85.997	0.285	-	94.799	85.997
General revenues	0.063	0.024	-	-	0.063	0.024
<b>TOTAL REVENUES</b>	<b>116.457</b>	<b>105.321</b>	<b>0.288</b>	<b>0.002</b>	<b>116.745</b>	<b>105.323</b>
<b>EXPENSES</b>						
	<b>110.438</b>	<b>108.040</b>	<b>0.337</b>	<b>0.012</b>	<b>110.775</b>	<b>108.052</b>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	<b>6.019</b>	<b>(2.719)</b>	<b>(0.049)</b>	<b>(0.010)</b>	<b>5.970</b>	<b>(2.729)</b>
Transfers	-	-0.011	-	0.01	-	-
<b>CHANGE IN NET POSITION</b>	<b>\$ 6.019</b>	<b>\$ (2.730)</b>	<b>\$ (0.049)</b>	<b>\$ -</b>	<b>\$ 5.970</b>	<b>\$ (2.729)</b>

For the fiscal year ended June 30, 2016, the Intermediate Unit's Governmental Funds revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances totaled \$116.457 million. These revenues were derived from local sources (\$22.275 million), state sources (\$56.521 million) and federal sources (\$37.661 million).

On the Government-Wide Statement of Activities, the program revenues were categorized as charges for services and operating grants and contributions and applied to each governmental and business-type activity (expense) to arrive at a net operating result for each category. Interest earnings of \$0.063 million are considered general revenue and are not allocated to any particular governmental activity.

**Expenditures/Expenses**

The revenues earned during the 2015-2016 fiscal year funded governmental expenditures totaling \$110.51 million on the Statement of Revenues, Expenditures and Changes in Fund Balances. These expenditures were segregated into various programs by the use of funds, functions, or source codes prescribed by the Pennsylvania Department of Education to ensure compliance with applicable reporting guidelines.

Expenses totaling \$110.44 million reported on the Government-Wide Statement of Activities include the effect of depreciation, capitalization of fixed asset purchases and changes in employee compensated absence balances and the cost of funding other postemployment retirement benefits and Pension retirement expenses that are not reflected in the same manner on the traditional Statement of Revenues, Expenditures and Changes in Fund Balances.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

**Changes in Fund Balance/Net Assets**

During the fiscal year ended June 30, 2016, net position for governmental activities increased by \$6.019 million.

The business-type activities and Proprietary Fund operations both report the activities of the Intermediate Unit's food service operations and the self-insurance fund accounts for the financial transactions associated with the self-funded healthcare plan that provides benefits for all eligible employees of the intermediate unit. The net position of the business-type activities and Proprietary Fund decreased by \$0.049 million due to the increased cost of healthcare and the cost of providing food services to the Head Start and Pre-K Counts Programs.

**Budgets**

The Intermediate Unit provides a variety of programs to its member school districts and nonpublic schools throughout Montgomery County. The Intermediate Unit's budget is prepared according to Pennsylvania law on the modified accrual basis of accounting, whereby revenues are recognized when measurable and available and expenditures are recognized when incurred. The General Operating Budget requires the approval of the Superintendents Advisory Council, the Board of Directors of the Intermediate Unit and the majority of the Boards of School Directors of the 22 member school districts. Other Intermediate Unit budgets require the approval of the Intermediate Unit Board of Directors, the Pennsylvania Department of Education, or various federal and state agencies.

The Intermediate Unit utilizes budgetary and encumbrance accounting controls, whereby the available balances for each line item are restricted by the commitment of funds by the use of purchase orders before the funds are disbursed. The accompanying financial statements include budget versus actual comparisons for the General Fund and the state-mandated Special Education, Special Education Transportation, Institutionalized Children and State Early Intervention Funds.

Some of the larger component elements of the General Fund Budget include Administration, Curriculum, Instructional Materials, Management, State and Federal Liaison, Federal Programs, Act 89 and other state and locally funded programs.

**Labor Relations**

The professional employees of the Intermediate Unit are organized for collective bargaining purposes in accordance with the Public Employees Relations Act (Act 195) as enacted by the Pennsylvania Legislature. The Montgomery County Intermediate Unit Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), represents the professional employees. The Intermediate Unit's professional employees agreed to a new contract in 2014-2015. This contract will expire at the end of the 2015-2016 fiscal year.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2016**

---

Teacher Assistants, Paraprofessionals, Job Coaches and Interpreters agreed to a new contract in 2009-10 under a meet and discuss agreement that would have expired at the end of the 2012-2013 fiscal year. Teacher Assistants, Paraprofessionals, Job Coaches and Interpreters subsequently agreed to an amendment to that contract in the 2010-2011 fiscal year that expired in the 2013-2014 fiscal year. Beginning with the 2014-2015 fiscal year, the positions included in this meet and discuss agreement have been outsourced and any new staff will now be included under the support staff agreement.

Support Staff personnel are under a meet and discuss agreement that was amended in June 2013. The plan is for the 2013-2014 and 2014-2015 fiscal years expiring June 2015. The Support Staff and CTC (Coordinator, Technical, and Confidential) Staff agreed to new agreements starting July 1, 2015 and expiring on June 30, 2017.

A meet and discuss agreement with the Administrative Group was began on July 1, 2014 and will continue to be in effect until June 30, 2017.

**Capital Assets**

During the fiscal year ended June 30, 2016, the Intermediate Unit's capital assets net of depreciation decreased by \$0.62 million. The decrease is comprised of current year additions of \$0.57 million and depreciation of \$1.15 million.

**Figure A-5**  
**Capital Assets (Net of Depreciation, In Millions of Dollars)**

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
CAPITAL ASSETS NOT BEING DEPRECIATED							
Land	\$ 0.59	\$ 0.59	\$ -	\$ -	\$ 0.59	\$ 0.59	
Construction in progress	-	-	-	-	-	-	
CAPITAL ASSETS BEING DEPRECIATED							
Buildings and building improvements	22.98	23.86	0.25	0.26	23.23	24.12	
Furniture and equipment	1.62	1.34	-	-	1.62	1.34	
Vehicles	0.07	0.08	-	-	0.07	0.08	
	<u>\$ 25.26</u>	<u>\$ 25.87</u>	<u>\$ 0.25</u>	<u>\$ 0.26</u>	<u>\$ 25.51</u>	<u>\$ 26.13</u>	<u>-2.37%</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

**FACTORS BEARING ON THE INTERMEDIATE UNIT'S FUTURE**

Throughout the 2015-2016 fiscal year, the Intermediate Unit continued to adapt to be responsive to the needs of the schools and students of Montgomery County in areas such as curriculum, technology, professional learning, and student services.

The following are office highlights of the 2015-2016 fiscal year:

- **Office of Student Services**

Throughout the year, the Office of Student Services responded to the needs of school districts seeking expertise and leadership in all areas of student services with the goal of achievement and success for students throughout their school career and beyond graduation.

The following is a summary of some of the services provided County-wide, including the number of students or participants served County-wide:

- School Age Classroom programs - 107 students
- Early Intervention Classroom programs - 289 students
- Itinerant programs (Hearing, Orientation, Mobility and Vision) - 3,496 students
- Evaluation services (Auditory, Bilingual Speech, Functional Hearing and Vision, Psychiatric and Psychological and Cochlear Implants) - 4,350 evaluations
- BrainSTEPS Program - 62 students
- Consultative Services Support - 718 days
- Transition Program -190 students
- Anderson School - 121 students
- Detention Program - 390 students
- Professional Development/Training and Consulting TAC Workshops - 7,930 educators and 1,593 activities.
- Vocational Evaluations - 245 evaluations
- Corrections Education - 33 students
- Other services provided included Acoustic Measurement, Tasks and Tools (SETT) Meetings, Parents as Partners Meetings, Right to Education Local Task Force, Early Intervention Local Council Meetings, Extended School Year Programs, and Equitable Participation Trainings.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

- **Office of Technology**

The Office of Technology supports all MCIU technology initiatives as well as the effective utilization of technology by schools in the county. These initiatives are in the area of application hosting, web and data development, technology training, network design and management, internet services, audiovisual design and installation, video production and distance learning and consortium purchasing/eBay auctions.

Divisional highlights include:

- Provided e-Rate support to 7 districts and 3 career technical schools for eRate reimbursements totaling \$381,153.13 for fiscal year 2015-2016.
- Provided PowerSchool support to 5 school districts and 1 non-public school.
- Organized the Middle School/High School Computer Fair. A total of 113 students from 8 school entities submitted 75 projects in 6 categories.
- Provided 34 schools with 13,950 MBs total internet bandwidth.
- Offered a new service for a Technology Director candidate search to Cumberland Valley School District.
- Provided a technology program evaluation to one district and one charter school.
- Provided PIMS data support to 7 districts.
- Provided 22 Data Quality Network, Child Count and Child Accounting meetings supporting 458 LEA participants in PIMS, Data quality and Data Governance.
- Participation in 72 Data Quality Curriculum Tracks and Specialty modules by 32 participants to improve PIMS and Data Governance Skills.

- **Office of Professional Learning**

The Office of Professional Learning provides a dynamic, coordinated and systematic array of services and support. The Office is responsible for establishing, coordinating and maintaining a wide range of activities, cooperative programs, and specialized services. The programs focus on curriculum content, instructional strategies, assessment and professional development.

Office highlights include:

- Provided consultation and training on Pennsylvania Department of Education initiatives including Educator Effectiveness, PA Student Learning Objectives, PVAAS, Comprehensive Planning, College and Career Readiness, PBA/Keystone Exams, School Climate and PA Core Standards.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

- Provided 20 CPE courses and more than 300 professional development workshops in the areas of curriculum and instruction, special education, technology, and communications.
- Organization of the Reading Olympics which attracted more than 500 teams and close to 7,000 students.
- Continued facilitating a MCIU PIIC (Pennsylvania Institute for Instructional Coaching) job alike group with over 70 members as well as working cooperatively with three other Southeast Region IUs to facilitate two Regional PIIC Network meetings with over 150 coaches.
- Facilitated 37 different job alike groups and curriculum councils to provide peers from all districts with a forum to discuss common challenges and support each other through collaboration and information/resource sharing.
- Provided seven College Board Advanced Placement Summer Institutes offering subject specific support and training for Advanced Placement teachers.
- For the 2015-16 school year 34 schools utilized the MVP program comprised of 302 enrollments throughout the regular school year. In addition, for the 2016 summer program there were 551 enrollments. 195 Accelerated course enrollments and 356 credit recovery. Of those 551 summer school students, 518 students completed required seatwork and received a passing score.
- Provided 64 on-site, professional development workshops to public and non-public schools.
- Provided over 1,000 hours of conference center space for local constituents.
- **Office of Business Services**

The Office of Business Services serves a dual role within the Intermediate Unit. The Office is responsible for all of the internal fiscal operations and provides support and consultation services to school entities. These support services include annual statistical studies and reports that assist school entities with their financial operations. Special financial related studies to meet specific school entity needs are also available.

Office highlights include:

- Managed the operations for the school entities participating in the Southeastern Pennsylvania Schools Trust (SEPaST).
- Cooperative purchasing for Fuel and Supplies saved over \$1 Million for the participating school entities.
- Coordinated the School Based ACCESS billing service for 13 school districts.
- Expanded the partnership arrangement with North Montco Technical and Career Center (NMTCC) to include payroll support services.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

- Prepared 12 new facilities and established financial processes for the operation of the Head Start and Pre-K Counts programs.
- Established a 3-year fixed pricing for electricity via the Energy Consortium.

- **Office of Human Resources**

The Office of Human Resources coordinates all of the personnel operations for the MCIU and also provides comprehensive personnel support services and professional development to school entities.

Office highlights include:

- Completed and implemented a salary study for the Montgomery County IU Administrative and Support Staff groups to better align salaries to the regional market.
- Initiated a fingerprinting service to assist customers in meeting the new clearance law requirements. Customers of this service have included the Archdiocese of Philadelphia, non-public schools, behavioral health programs, and private sector businesses.
- Held job-alike meetings to support district partners.

- **Office of Non-Public School Services**

The Office of Non-Public School Services provides a variety of basic education and intervention programs for students enrolled in the approved nonpublic schools in Montgomery County. These programs include: remedial reading, remedial math, school counseling (individual, group and crisis intervention), psychological evaluation and speech therapy. The Office also offers professional development programs for teachers and administrators.

Office highlights include:

- Through collaboration with the Office of Student Services increased by 86% over the previous year the number of nonpublic school students receiving psychological services to 346.
- Provided 6 different summer camp opportunities for 265 students entering 1st grade thru 12th grade.
- Began a review of the School Counseling Program in order to align it with the American School Counselors Association National Model: A Framework for School Counseling Programs.
- Provided the following direct services to 19,795 students (with some students receiving one or more services).
- Elementary and secondary school counseling.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

- Standardized Achievement Testing including fall, winter, and spring benchmarks.
- Remedial Mathematics.
- Remedial Reading.
- Speech Therapy including screenings, assessments and direct service.

- **Office of Community and Government Relations**

The Office of Community and Government Relations provides identification, review and analysis of legislative, judicial and executive activities that may affect Montgomery County school districts and educators. The Office conducts legislative research, drafts proposals, writes white papers and provides testimony on educational issues. The Office also provides assistance to school districts and the MCIU in locating and writing grants.

Office highlights include:

- Provides timely information to Montgomery County Superintendents, School Directors, Administrators and Educators about proposed state and federal legislation, regulations, and other pertinent issues affecting public education.
- Works with the Montgomery County Superintendents' Legislative Committee and the Montgomery County School Districts' Legislative Committee to develop an annual legislative platform, to coordinate meetings with legislators and critical legislative staff members, and to disseminate legislative information that can be presented to their respective stakeholders.
- Strengthens relationships with federal and state legislative offices to ensure that the MCIU is the point of contact when education matters arise.
- Promotes awareness and understanding of Intermediate Units, especially the work of the MCIU, and the diverse programs and services offered throughout the Commonwealth.
- Fosters partnerships and strengthens relationships with businesses and local governments, and pursues grants and other resources, to enable the MCIU to fulfill its mission of service to children aged 3 to 21 throughout Montgomery County.
- Drafts MCIU Policy for adoption by the Montgomery County Intermediate Unit Board and prepares ancillary Administrative Regulations for MCIU Executive Leadership approval.
- Facilitates School Board professional development sessions to assist in developing board governance practices and procedures to strengthen internal and external relations.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

- Coordinates the MCIU Minigrant Program for staff pursuant to contractual guidelines.
- Operates as communications/MCIU liaison to the Montgomery County Intermediate Unit Education Foundation.

- **Office of PaTTAN**

The Pennsylvania Training and Technical Assistance Network (PaTTAN), King of Prussia Office is part of a network of consultants that supports the efforts and initiatives of the Bureau of Special Education. PaTTAN is focused on improving the results for students with disabilities by providing systematic, results oriented training and technical assistance.

Office highlights include:

- PaTTAN has offered IDEA Refresher trainings to provide information about federal and state special education regulatory requirements to school staff. The target audiences for the sessions have varied, which allows for information to be presented and discussed from different perspectives. Training has been presented to intermediate unit staff, charter school staff, and special education leaders. The sessions provide clarification and opportunity to interact with regulatory information and school-related scenarios. Pre- and post-session data indicate that participants increase their knowledge of the content an average of 20 percent.
- PaTTAN holds two federal grants for 7.5 million dollars: Project MAX and the Pennsylvania Deaf-Blind Project.
- Project MAX has supported 23 intermediate units, 70 school teams, 136 administrators, and 225 educators in gaining the skills and knowledge needed to maximize access to the general curriculum and the PA Core Standards for all students. This project has benefited 560 students.
- The Pennsylvania Deaf-Blind Project offers a variety of training, technical assistance, and resources to assist educators and families in the areas of assessment, instruction, and family involvement activities to support students with deaf-blindness. The Project has already attained several of the goals to be completed by February 2018, and staff are committed to continuing to build on the positive outcomes for children who are deaf-blind.
- PaTTAN coordinates the Pennsylvania Department of Education's annual conference, the Special Education Leadership Academy, the Low Incidence Institute, and the Assistive Technology Expo. Every year, thousands of educators and administrators attend these events, which provide opportunities for intensive professional development, networking, and resource-building.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2016

---

The following are highlights of items that will have an impact upon the Intermediate Unit's operations in the future:

- Since the Intermediate Unit receives 52% of its funding from State Sources and 29% of its Federal Funds on a pass thru basis from the Commonwealth of Pennsylvania, timely passage of the State Budget as well as possible budget cuts will have an effect on the Intermediate Unit's operations in the future.
- Funding of Future Employer Pension Plan Contributions: Scheduled pension plan contributions based upon projections provided by the Public School Employees Retirement System show that employer contribution rates are expected to rise in fiscal year 2016 to 25.84%. Employer contributions for fiscal years 2017 to 2023 will range from 25.84% to 30.93%.
- The Intermediate Unit has implemented cost centers as a part of its monthly director reports to improve the monitoring of expenditures in the face of declining revenue streams and rising costs.

**CONTACTING THE INTERMEDIATE UNIT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Montgomery County Intermediate Unit's finances for all those with an interest in the Intermediate Unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Stan Wisler  
Chief Financial Officer  
Montgomery County Intermediate Unit  
2 West Lafayette Street  
Norristown, PA 19401  
Call: 610-755-9304

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,113,408	\$ -	\$ 7,113,408
Investments	27,231,763	-	27,231,763
Internal balances	47,894	(47,894)	-
Due from other governments	15,599,526	53,039	15,652,565
Inventory	17,946	-	17,946
Prepaid expenses	34,738	-	34,738
Net OPEB asset	353,784	-	353,784
Capital assets			
Land	590,000	-	590,000
Buildings and building improvements net of accumulated depreciation	22,978,370	247,198	23,225,568
Furniture and equipment, net of accumulated depreciation	1,616,577	-	1,616,577
Vehicles, net of accumulated depreciation	65,579	-	65,579
<b>TOTAL ASSETS</b>	<u>75,649,585</u>	<u>252,343</u>	<u>75,901,928</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension activity	12,104,610	-	12,104,610
<b>TOTAL ASSETS AND         DEFERRED OUTFLOWS         OF RESOURCES</b>	<u>\$ 87,754,195</u>	<u>\$ 252,343</u>	<u>\$ 88,006,538</u>
<b>LIABILITIES</b>			
Due to other governments	\$ 6,905,193	\$ -	\$ 6,905,193
Accounts payable	3,982,929	-	3,982,929
Accrued salaries and benefits	4,923,267	-	4,923,267
Accrued interest	40,976	-	40,976
Unearned revenue	825,707	-	825,707
Noncurrent liabilities			
Due within one year	691,469	-	691,469
Due in more than one year	113,238,234	-	113,238,234
<b>TOTAL LIABILITIES</b>	<u>130,607,775</u>	<u>-</u>	<u>130,607,775</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	9,295,413	-	9,295,413
<b>NET POSITION</b>			
Net investment in capital assets	11,848,344	247,198	12,095,542
Restricted	8,849,910	-	8,849,910
Unrestricted	(72,847,247)	5,145	(72,842,102)
<b>TOTAL NET POSITION</b>	<u>(52,148,993)</u>	<u>252,343</u>	<u>(51,896,650)</u>
<b>TOTAL LIABILITIES, DEFERRED         INFLOWS OF RESOURCES         AND NET POSITION</b>	<u>\$ 87,754,195</u>	<u>\$ 252,343</u>	<u>\$ 88,006,538</u>

See accompanying notes to the basic financial statements.

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
Instruction			
Special programs	\$ 21,671,327	\$ 7,537,773	\$ 17,226,962
Other instructional programs	2,463,597	474,159	1,679,469
Nonpublic school programs	4,481,613	121	5,222,565
Pre-kindergarten programs	1,927,889	29,816	1,954,062
Support services			
Pupil personnel services	14,845,924	3,333,064	13,052,369
Instructional staff services	6,423,438	1,187,527	4,939,149
Administration services	7,215,368	312,843	6,517,016
Pupil health services	3,582,464	974,226	2,917,701
Business services	2,529,441	1,838,531	374,979
Operation and maintenance of plant services	3,067,754	274,609	2,398,939
Student transportation services	10,212,191	784,683	10,868,433
Central and other support services	4,441,463	3,808,506	419,917
Other support services	27,194,044	939,029	26,399,187
Debt service	381,647	385,335	542,869
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>110,438,160</b>	<b>21,880,222</b>	<b>94,513,617</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Food service	336,491	2,670	284,731
<b>TOTAL INTERMEDIATE UNIT ACTIVITIES</b>	<b>\$ 110,774,651</b>	<b>\$ 21,882,892</b>	<b>\$ 94,798,348</b>

### GENERAL REVENUES

Investment earnings

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ 3,093,408	\$ -	\$ 3,093,408
(309,969)	-	(309,969)
741,073	-	741,073
55,989	-	55,989
1,539,509	-	1,539,509
(296,762)	-	(296,762)
(385,509)	-	(385,509)
309,463	-	309,463
(315,931)	-	(315,931)
(394,206)	-	(394,206)
1,440,925	-	1,440,925
(213,040)	-	(213,040)
144,172	-	144,172
546,557	-	546,557
5,955,679	-	5,955,679
-	(49,090)	(49,090)
5,955,679	(49,090)	5,906,589
62,629	-	62,629
62,629	-	62,629
6,018,308	(49,090)	5,969,218
(58,167,301)	301,433	(57,865,868)
\$ <u>(52,148,993)</u>	\$ <u>252,343</u>	\$ <u>(51,896,650)</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**

## BALANCE SHEET

## GOVERNMENTAL FUNDS

JUNE 30, 2016

		Special	
		Special	Special
	General Fund	Education	Education
		Fund	Transportation
			Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,188,675	\$ 993,883	\$ 905,410
Investments	22,000,000	4,231,763	-
Due from other funds	47,564	330	-
Due from other governments	12,583,725	3,014,533	1,268
Inventory	17,946	-	-
Prepaid expenditures	34,738	-	-
	<u>38,872,648</u>	<u>8,240,509</u>	<u>906,678</u>
<b>TOTAL ASSETS</b>	<b>\$ 38,872,648</b>	<b>\$ 8,240,509</b>	<b>\$ 906,678</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other governments	\$ 6,840,143	\$ 65,050	\$ -
Accounts payable	1,645,087	342,107	602,350
Accrued salaries and benefits	4,923,267	-	-
Unearned revenues	825,707	-	-
	<u>14,234,204</u>	<u>407,157</u>	<u>602,350</u>
<b>TOTAL LIABILITIES</b>	<b>14,234,204</b>	<b>407,157</b>	<b>602,350</b>
<b>FUND BALANCES</b>			
Nonspendable	52,684	-	-
Restricted	712,230	7,833,352	304,328
Committed	1,510,884	-	-
Assigned	14,644,412	-	-
Unassigned	7,718,234	-	-
	<u>24,638,444</u>	<u>7,833,352</u>	<u>304,328</u>
<b>TOTAL FUND BALANCES</b>	<b>24,638,444</b>	<b>7,833,352</b>	<b>304,328</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 38,872,648</b>	<b>\$ 8,240,509</b>	<b>\$ 906,678</b>

*See accompanying notes to the basic financial statements.*

---

Revenue Funds

---

<u>Institutionalized Children Fund</u>	<u>Early Intervention Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 93,561	\$ 291,090	\$ 500,000	\$ 6,972,619
-	1,000,000	-	27,231,763
-	-	-	47,894
-	-	-	15,599,526
-	-	-	17,946
-	-	-	34,738
<u>93,561</u>	<u>1,291,090</u>	<u>500,000</u>	<u>49,904,486</u>
\$ -	\$ -	\$ -	\$ 6,905,193
93,561	1,291,090	-	3,974,195
-	-	-	4,923,267
-	-	-	825,707
<u>93,561</u>	<u>1,291,090</u>	<u>-</u>	<u>16,628,362</u>
-	-	-	52,684
-	-	-	8,849,910
-	-	-	1,510,884
-	-	500,000	15,144,412
-	-	-	7,718,234
<u>-</u>	<u>-</u>	<u>500,000</u>	<u>33,276,124</u>
<u>\$ 93,561</u>	<u>\$ 1,291,090</u>	<u>\$ 500,000</u>	<u>\$ 49,904,486</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2016**

---

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 33,276,124
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	590,000
Buildings and building improvements, net of accumulated depreciation	22,978,370
Furniture and equipment, net of accumulated depreciation	1,616,577
Vehicles, net of accumulated depreciation	65,579
<p>Net OPEB asset is not recorded as an asset in the Governmental Funds; however, this item is reported as an asset in the government-wide financial statements.</p>	
	353,784
<p>Internal Service Funds are used by management to charge the costs of health care to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.</p>	
	132,055
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	2,809,197
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Compensated absences	(1,509,522)
Bonds payable	(8,614,987)
Accrued interest	(40,976)
Net pension liability	(99,018,000)
Lease purchase obligations	(4,787,194)
	<u>(104,750,683)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (52,148,993)</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Special Education Transportation Fund</u>
<b>REVENUES</b>			
Local sources	\$ 9,468,326	\$ 12,762,856	\$ 781
State sources	22,821,139	4,073,242	10,801,621
Federal sources	<u>37,661,050</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>69,950,515</u>	<u>16,836,098</u>	<u>10,802,402</u>
<b>EXPENDITURES</b>			
Instruction	10,748,566	8,047,834	-
Support services	59,205,029	4,760,082	9,290,338
Debt service	589,791	321,813	-
TOTAL EXPENDITURES	<u>70,543,386</u>	<u>13,129,729</u>	<u>9,290,338</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(592,871)</u>	<u>3,706,369</u>	<u>1,512,064</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	10,751,483	2,167,383	-
Operating transfers out	<u>(7,594,985)</u>	<u>(3,265,903)</u>	<u>(737,231)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,156,498</u>	<u>(1,098,520)</u>	<u>(737,231)</u>
NET CHANGE IN FUND BALANCES	2,563,627	2,607,849	774,833
<b>FUND BALANCES (DEFICIT)</b>			
AT BEGINNING OF YEAR	<u>22,074,817</u>	<u>5,225,503</u>	<u>(470,505)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 24,638,444</u>	<u>\$ 7,833,352</u>	<u>\$ 304,328</u>

See accompanying notes to the basic financial statements.

---

Revenue Funds

---

<u>Institutionalized Children Fund</u>	<u>Early Intervention Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 88	\$ 42,396	\$ -	\$ 22,274,447
54,241	18,770,728	-	56,520,971
-	-	-	37,661,050
54,329	18,813,124	-	116,456,468
29,715	11,781,790	-	30,607,905
5,682	5,729,519	-	78,990,650
-	-	-	911,604
35,397	17,511,309	-	110,510,159
18,932	1,301,815	-	5,946,309
-	-	-	12,918,866
(18,932)	(1,301,815)	-	(12,918,866)
(18,932)	(1,301,815)	-	-
-	-	-	5,946,309
-	-	500,000	27,329,815
-	-	500,000	33,276,124
\$ -	\$ -	\$ 500,000	\$ 33,276,124

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 5,946,309

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,157,487) exceeds capital outlays (\$565,543) in the current period. (591,944)

The net effect of various miscellaneous transactions involving capital assets i.e., sales, trade-ins and donations is to decrease net assets. (23,209)

The issuance of long-term debt (e.g., leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 529,401

The net change in the asset for the net OPEB asset is reported in the government-wide statements but not in the Governmental Funds statements. 7,566

Internal Service Funds are used by management to charge the costs of health care to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities. (433,638)

Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the effect of this difference in the treatment of interest payable. 557

Pension plan expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds. 310,291

In the statement of activities, certain operating expenses--compensated absences and retirement incentives--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 272,975

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,018,308

*See accompanying notes to the basic financial statements.*

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## STATEMENT OF NET POSITION

### PROPRIETARY FUND

JUNE 30, 2016

	<u>Business-Type Activities</u> Food Service Fund	<u>Governmental Activities</u> Internal Service Fund
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 140,789
Due from other governments	<u>53,039</u>	<u>-</u>
TOTAL CURRENT ASSETS	53,039	140,789
CAPITAL ASSETS, net		
Building	<u>247,198</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 300,237</u>	<u>\$ 140,789</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 8,734
Due to other funds	<u>47,894</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>47,894</u>	<u>8,734</u>
NET POSITION		
Net investment in capital assets	247,198	-
Unrestricted	<u>5,145</u>	<u>132,055</u>
TOTAL NET POSITION	<u>252,343</u>	<u>132,055</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 300,237</u>	<u>\$ 140,789</u>

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	Business-Type Activities	Governmental Activities
	Food Service Fund	Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,670	\$ 7,229,102
TOTAL OPERATING REVENUES	<u>2,670</u>	<u>7,229,102</u>
<b>OPERATING EXPENSES</b>		
Employee benefits	-	7,663,195
Supplies	328,722	-
Depreciation	7,769	-
TOTAL OPERATING EXPENSES	<u>336,491</u>	<u>7,663,195</u>
OPERATING LOSS	<u>(333,821)</u>	<u>(434,093)</u>
<b>NONOPERATING REVENUES</b>		
Local sources	10,000	-
Federal sources	274,731	-
Earnings on investments	-	455
TOTAL NONOPERATING REVENUE	<u>284,731</u>	<u>455</u>
CHANGE IN NET POSITION	(49,090)	(433,638)
NET POSITION AT BEGINNING OF YEAR	<u>301,433</u>	<u>565,693</u>
NET POSITION AT END OF YEAR	<u>\$ 252,343</u>	<u>\$ 132,055</u>

See accompanying notes to the basic financial statements.

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

YEAR ENDED JUNE 30, 2016

	Business-Type Activities <u>Food</u> <u>Service Fund</u>	Governmental Activities <u>Internal</u> <u>Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 2,670	\$ 7,229,102
Payments to suppliers	(280,828)	-
Cash payments for insurance services	-	(7,636,547)
NET CASH USED BY OPERATING ACTIVITIES	<u>(278,158)</u>	<u>(407,445)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local Sources	10,000	-
Federal Sources	221,692	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>231,692</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	-	455
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,466)	(406,990)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>46,466</u>	<u>547,779</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 140,789</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (333,821)	\$ (434,093)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	7,769	-
Decrease in prepaid expenses	-	33,066
Increase in due to other funds	47,894	-
Decrease in accounts payable	-	(6,418)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (278,158)</u>	<u>\$ (407,445)</u>

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

---

	<u>Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ 14,659	\$ 4,267,517
Investments	1,554,482	46,500,000
Due from other governments	<u>-</u>	<u>501,425</u>
<b>TOTAL ASSETS</b>	<u>1,569,141</u>	<u>\$ 51,268,942</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 510,982
Due to SEPAST	<u>-</u>	<u>50,757,960</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 51,268,942</u>
<b>NET POSITION</b>		
Held in trust for other purposes	<u>\$ 1,569,141</u>	

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

---

	<u>Trust Funds</u>
ADDITIONS	
Local sources	\$ 67,628
DEDUCTIONS	
Support services	<u>28,689</u>
CHANGE IN NET POSITION	38,939
NET POSITION AT BEGINNING OF YEAR	<u>1,530,202</u>
NET POSITION AT END OF YEAR	<u>\$ 1,569,141</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Montgomery County Intermediate Unit (the "Intermediate Unit") was established on July 1, 1971, pursuant to Section 901-A of the Public School Code of 1949. The Intermediate Unit Board of Directors (the "Board") is the basic level of government, which has oversight responsibility and control over all activities related to providing programs and resources to 22 individual school districts within Montgomery County. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. The Board is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB) pronouncements. Board members are elected by the public at the local level and are elected by their peers to serve on the Intermediate Unit Board. The Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The basic financial statements of the Intermediate Unit have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Fund Accounting**

The Intermediate Unit uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Intermediate Unit functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Intermediate Unit are grouped into the categories governmental and fiduciary.

**Governmental Funds**

**General Fund** - Accounts for all activities of the Intermediate Unit not required to be accounted for in some other fund. Included in this fund are Administrative, Instructional Materials Services, Curriculum, Legislative, Federal Projects, Nonpublic School Services (Act 89) and Grant Program Administration.

**Special Revenue Funds** - Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the Intermediate Unit are the Special Education, Special Education Transportation, Institutionalized Children and Early Intervention Funds.

**Capital Project Funds** - Accounts for financial resources that are used for the acquisition or construction of major capital equipment and improvements. Capital Project Funds of the Intermediate Unit are the Capital Projects Fund and the Series 2012 Capital Project Bond Fund.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016

---

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

***Proprietary Fund***

**Food Service Fund** - The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy management control, accountability, or other purposes.

**Internal Service Fund** - The Internal Service Fund is used to account for the financing of insurance services provided to the other funds of the Intermediate Unit on a cost reimbursement basis.

***Fiduciary Funds*** - Fiduciary Funds reporting focuses on net position and changes in net position.

**Trust and Agency Funds** - Trust Funds are used to account for assets held by the Intermediate Unit in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Intermediate Unit serves in a trustee capacity for funds deposited with the Intermediate Unit in memory of former colleagues or with affiliated organizations. The following are Trust Funds held by the Intermediate Unit as of June 30, 2016:

- Bobbie Goodman Memorial Fund
- Cynthia Welder
- Montgomery County Science Teachers Association Research Program
- OPEB Trust Fund

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Intermediate Unit as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Intermediate Unit's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Intermediate Unit, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Intermediate Unit.

The effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements**

Fund financial statements report detailed information about the Intermediate Unit. The focus of Governmental Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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. For this purpose, the Intermediate Unit considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016

---

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

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included in the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Intermediate Unit finances and meets the cash flow needs of its proprietary activities.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Intermediate Unit's Food Service Fund are charges to customers for sales and services. Operating expenses for the Food Service Fund include cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the Intermediate Unit's policy to use restricted resources first, then unrestricted resources as they are needed.

**Cash Equivalents**

Cash equivalents in the basic financial statements include all highly liquid investments with an original maturity of three months or less. Authorized bank depositories are submitted to the Intermediate Unit's Board of Directors prior to the start of the fiscal year.

**Investments**

Statutes authorize the Intermediate Unit to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Intermediate Unit may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each entity owns a pro rata share of each investment or deposit which is held in the name of the fund.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016

---

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

**Investments (Continued)**

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2016, was in excess of the minimum requirements just described.

The Intermediate Unit has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

**Short-Term Interfund Receivables/Payables**

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

**Inventories and Prepaid Items**

Inventories in the General Fund are valued at cost determined under the weighted average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The Intermediate Unit defines capital assets as assets with an initial, individual cost equal to or greater than \$2,000 (amount not rounded) or purchased with debt proceeds and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

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

**Capital Assets (Continued)**

Property, plant and equipment of the Intermediate Unit are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	25-40
Furniture and equipment	3-15
Vehicles	5

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the period incurred.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Unearned Revenue**

Unearned revenue arises when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Intermediate Unit before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Intermediate Unit has a legal claim to the resources, the liability for unearned revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Intermediate Unit has one item that qualify for reporting in this category. The deferred outflow related to pension activity reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of changes in the Intermediate Unit’s proportionate share of the total plan from year to year, the difference between actual employer contributions and the Intermediate Unit’s proportionate share of total contributions, and actual contributions subsequent to the measurement date.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Intermediate Unit does not have any items that qualify for reporting in this category. The Intermediate Unit has one item that qualifies for reporting in this category. Deferred inflows related to pension activity are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption**

Sometimes the Intermediate Unit will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Intermediate Unit's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance**

The Intermediate Unit 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 Intermediate Unit's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory or prepaid assets) or are legally or contractually required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts with constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- ***Committed Fund Balance*** - Amounts limited by Board policy or action. Once committed, it cannot be used for any other purpose unless changed by Board policy or action (e.g., future anticipated costs).
- ***Assigned Fund Balance*** - Amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the Board or by an official or authority to whom the Board has granted authority.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016

---

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

- ***Unassigned Fund Balance*** - Amounts available for consumption or not restricted in any manner. Only the General Fund may report positive unassigned fund balance.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

By passage of resolution of Board policy, the Board of Directors has authorized funds to be assigned with the authorization of the Chief Executive Officer and the Chief Financial Officer.

Order for the fund balances used for disbursement is at the discretion of the Executive Director and Chief Financial Officer when expenditure is incurred for which both restricted and unrestricted amounts (or for committed, assigned, or unassigned within unrestricted amounts) are available. The Intermediate Unit 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Compensated Absences**

The Intermediate Unit accounts for compensated absences by complying with GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires a liability be reported for certain compensated absences as the benefits are earned by employees instead of when they are paid.

Sick leave is granted as appropriate (medical evidence required) with budgetary provision being made annually for the estimated cost of substitute personnel. Contractual provisions with professional personnel require payment at the rate of \$55 per day for accumulated unused sick leave days on retirement to a maximum of 225 days. The rate is \$52.50 per day for administrative and supervisory personnel to a maximum of 215 days, \$42 per day for support staff/classified personnel to a maximum of 200 days and \$50 per day for teachers' assistants and paraprofessionals to a maximum of 100 days. A liability based on these rates, including a provision for employer social security, has been recorded for the vested portion of accumulated sick and vacation leave in the government-wide financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

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

**Other Postemployment Benefits**

The Intermediate Unit offers health and dental insurance to its administrative employees upon retirement provided they meet certain conditions. They must have been a member of the Public School Employees Retirement System (PSERS) for 30 years and an employee of the Intermediate Unit for 15 years. If these conditions are met, the Intermediate Unit will pay an amount equal to the monthly premium for single coverage for hospitalization and dental as of the date of retirement. Any additional costs will be the responsibility of the retiree. This benefit will continue until the retiree is eligible for Medicare benefits.

Professional employees with 15 years of service who retired under normal retirement effective June 30, 2006, and who have not taken a non-elective employer contribution to their 403(b) plan, will have \$25,000 available for monthly health insurance premiums at the single rate for up to a maximum of six years or until they become eligible for Medicare benefits. This benefit had a second \$30,000 window available to employees who elected to retire on June 30, 2009.

**NOTE B - CASH DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS**

In order to optimize interest earnings, the Intermediate Unit pools its cash and investment balances. Each fund's share of the cash and investment balances is reflected as equity in pooled cash and investments on the balance sheet. Certificates of deposit are purchased for individual funds based upon their available balance and cash flow requirements. All deposits are carried at cost plus interest credited prior to June 30, 2016.

The Intermediate Unit's investment policy and choice of depositories require collateralization of public funds in accordance with Act 72 to limit custodial credit risk for amounts in excess of the \$250,000 FDIC insurance threshold. Act 72 permits banks to collateralize all public fund deposits with a pool of permitted securities held in the name of the bank's trust department. Since the securities are not held in the name of the participating governmental entities, custodial credit risk exists that the deposits may not be returned promptly in the event of a bank failure. As of June 30, 2016, \$609,152 of the Intermediate Unit's \$7,879,592 bank balance is uninsured and collateralized with securities held by the pledging bank's trust department not in the Intermediate Unit's name, \$276,764 was insured by the FDIC and \$6,993,676 is uninsured and uncollateralized. The Intermediate Unit also places funds with the Pennsylvania School District Liquid Asset Fund (PSDLAF), Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania Treasurer's INVEST Program. Each member owns a pro rata share of each of the fund's underlying investments or deposits, which are held in the name of the applicable fund. The underlying pool of securities for each of these funds is permitted in Section 440.1 of the School Code. In order to minimize interest rate risks, each fund strives to maintain investment maturities to keep the net asset values for participants at \$1.00 per share.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE B - CASH DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (Continued)**

The Pennsylvania OPEB Trust, an external investment pool, is not registered with the SEC and is not insured or guaranteed by any governmental agency. The Trust is not required to comply with the investment guidance in the Pennsylvania School Code. The reported value of the pool is the same as the fair value of the pool shares.

As of June 30, 2016, the Intermediate Unit had the following investments and maturities:

Investment Type	Amortized Cost	Fair Value	Maturities Less Than One Year
State investment pools	\$ 73,731,763	\$ -	\$ 73,731,763
Trusts	-	1,554,482	1,554,482
	<u>\$ 73,731,763</u>	<u>\$ 1,554,482</u>	<u>\$ 75,286,245</u>

A portion of the Intermediate Unit's investments is in the PSDLAF and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2016, is \$73,731,763. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The Intermediate Unit had \$4,231,763 invested in a PLGIT I-Class account at June 30, 2016. This investment limits redemptions or exchanges to two per calendar month.

**Fair Value Measurement**

The Intermediate Unit categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Intermediate Unit did not have Level 2 or Level 3 investments as of June 30, 2016 and all investments were considered to be Level 1.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE C - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following:

	General Fund	Special Revenue Funds			Totals
		Special Education Fund	Special Education Transportation Fund	Early Intervention Fund	
<b>FEDERAL SOURCES</b>					
Excess of program expenditures over amounts received	\$ 7,871,116	\$ -	\$ -	\$ -	\$ 7,871,116
<b>STATE SUBSIDIES</b>					
Retirement	1,409,131	-	-	-	1,409,131
Professional development	424,913	-	-	-	424,913
Excess of program expenditures over amounts received	587,482	-	-	-	587,482
<b>TOTAL STATE SUBSIDIES</b>	<b>2,421,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,421,526</b>
<b>LOCAL SOURCES</b>					
Continuing professional education	205,698	-	-	-	205,698
Special Education	-	3,014,533	1,268	-	3,015,801
Detention center	722,856	-	-	-	722,856
Technology and information services	122,999	-	-	-	122,999
Other local revenues from districts	1,239,530	-	-	-	1,239,530
<b>TOTAL LOCAL SOURCES</b>	<b>2,291,083</b>	<b>3,014,533</b>	<b>1,268</b>	<b>-</b>	<b>5,306,884</b>
<b>TOTAL INTERGOVERN- MENTAL RECEIVABLES</b>	<b>\$ 12,583,725</b>	<b>\$ 3,014,533</b>	<b>\$ 1,268</b>	<b>\$ -</b>	<b>\$ 15,599,526</b>

**Allowance for Doubtful Accounts**

Management believes that all receivables are collectible. Therefore, an allowance for doubtful accounts is not needed.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE D - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food service	\$ 47,564
Special Education Fund	Food service	<u>330</u>
		<u>\$ 47,894</u>

The Food Service Fund cash overdraft was due to outstanding receivables at the end of the fiscal year.

**NOTE E - INTERFUND TRANSFERS**

A summary of interfund transfers is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 10,751,483	\$ (7,594,985)
Special Education Fund	2,167,383	(3,265,903)
Special Education Transportation Fund	-	(737,231)
Institutionalized Children Fund	-	(18,932)
Early Intervention Fund	<u>-</u>	<u>(1,301,815)</u>
	<u>\$ 12,918,866</u>	<u>\$ (12,918,866)</u>

Transfers are used to (1) allocate indirect and administrative costs, (2) charge Instructional Media Services to specific funds, (3) allocate building costs to the specific funds, (4) cover deficits in other funds or programs and (5) reimburse expenditures.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 1, 2015	Additions	Deletions	Reclassifications	Balance June 30, 2016
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated					
Land	\$ 590,000	\$ -	\$ -	\$ -	\$ 590,000
Capital assets being depreciated					
Buildings and building improvements	29,285,962	-	-	-	29,285,962
Furniture and equipment	6,284,693	543,928	(27,514)	87,250	6,888,357
Vehicles	494,529	21,615	-	(87,250)	428,894
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>36,065,184</b>	<b>565,543</b>	<b>(27,514)</b>	<b>-</b>	<b>36,603,213</b>
Accumulated depreciation					
Buildings and building improvements	(5,428,171)	(806,592)	-	-	(6,234,763)
Furniture and equipment	(4,943,009)	(239,347)	4,305	(83,279)	(5,261,330)
Vehicles	(418,325)	(111,548)	-	83,279	(446,594)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(10,789,505)</b>	<b>(1,157,487)</b>	<b>4,305</b>	<b>-</b>	<b>(11,942,687)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>25,275,679</b>	<b>(591,944)</b>	<b>(23,209)</b>	<b>-</b>	<b>24,660,526</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 25,865,679</b>	<b>\$ (591,944)</b>	<b>\$ (23,209)</b>	<b>\$ -</b>	<b>\$ 25,250,526</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets being depreciated					
Buildings	\$ 310,579	\$ -	\$ -	\$ -	\$ 310,579
Accumulated depreciation	(55,612)	(7,769)	-	-	(63,381)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 254,967</b>	<b>\$ (7,769)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 247,198</b>

The net book value of each capital asset category for governmental activities is as follows:

	Cost	Accumulated Depreciation	Net Book Value
<b>CAPITAL ASSETS</b>			
Land	\$ 590,000	\$ -	\$ 590,000
Buildings and building improvements	29,285,962	(6,234,763)	23,051,199
Furniture and equipment	6,888,357	(5,261,330)	1,627,027
Vehicles	428,894	(446,594)	(17,700)
	<b>\$ 37,193,213</b>	<b>\$ (11,942,687)</b>	<b>\$ 25,250,526</b>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE F - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>INSTRUCTION</b>		
Special programs		\$ 76,241
Other instructional programs		244,273
Non-public school programs		31,848
 <b>SUPPORT SERVICES</b>		
Pupil personnel services		25,859
Instructional staff services		6,313
Administration services		72,541
Pupil health services		312
Business services		54,559
Operation and maintenance of plant services		375,086
Central and other support services		270,204
Other support services		251
		<u>1,157,487</u>
		<u>\$ 1,157,487</u>

**NOTE G - CHANGES IN LONG-TERM LIABILITIES**

**Capital Lease Obligation**

On December 30, 2008, the Montgomery County Intermediate Unit entered into a \$5,911,981, 25-year capital lease for the Anderson School Facility with the State Public School Building Authority. For the first five years, the interest rate was fixed at 5.25% and thereafter set to change to a variable rate that would reset each January not to exceed 12%. The \$5,911,981 purchase price was assigned \$5,321,981 to the building and \$590,000 to land. On November 26, 2013, the Montgomery County Intermediate Unit refinanced the 2008 lease for \$5,342,784 at a 1.95% interest rate. The lease is payable for 20 years and is set to mature in January 2034.

The annual capital lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 230,516	\$ 91,297	\$ 321,813
2018	235,052	86,762	321,814
2019	239,677	82,137	321,814
2020	244,392	77,421	321,813
2021	249,201	72,613	321,814
2022 to 2026	1,321,508	287,560	1,609,068
2027 to 2031	1,456,730	152,338	1,609,068
2032 to 2034	810,118	21,234	831,352
	<u>\$ 4,787,194</u>	<u>\$ 871,362</u>	<u>\$ 5,658,556</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE G - CHANGES IN LONG-TERM LIABILITIES (Continued)**

**Revenue Bonds, Series of 2012**

On September 27, 2012, the Intermediate Unit issued Revenue Bonds, Series of 2012, in the aggregate principal amount of \$10,000,000. The bonds were issued for the purpose of providing funds for and toward the costs of certain capital projects of the Intermediate Unit, including, without limitation, the acquisition of certain parcels of land, together with the building and improvements located thereon, and the costs of renovations and construction of improvements with respect thereto; and the payment of costs and expenses related to the issuance of the bonds. The bonds are scheduled to mature in 2037 with interest charged at rates from 0.90% to 4.00%.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Totals
2017	\$ 310,000	\$ 280,979	\$ 590,979
2018	310,000	276,329	586,329
2019	320,000	270,129	590,129
2020	325,000	263,249	588,249
2021	335,000	255,530	590,530
2022 to 2026	1,825,000	1,121,329	2,946,329
2027 to 2031	2,130,000	814,865	2,944,865
2032 to 2036	2,530,000	414,395	2,944,395
2036 to 2037	565,000	22,600	587,600
	<u>\$ 8,650,000</u>	<u>\$ 3,719,405</u>	<u>\$ 12,369,405</u>

**Changes in Long-Term Liabilities**

Governmental long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>BONDS PAYABLE</b>					
Revenue Bonds, Series of 2012	\$ 8,955,000	\$ -	\$ (305,000)	\$ 8,650,000	\$ 310,000
Discount	(36,680)	-	1,667	(35,013)	-
<b>TOTAL BONDS PAYABLE</b>	<u>8,918,320</u>	<u>-</u>	<u>(303,333)</u>	<u>8,614,987</u>	<u>310,000</u>
<b>NET PENSION LIABILITY</b>	<u>100,615,000</u>	<u>-</u>	<u>(1,597,000)</u>	<u>99,018,000</u>	<u>-</u>
<b>CAPITAL LEASE</b>	<u>5,013,262</u>	<u>-</u>	<u>(226,068)</u>	<u>4,787,194</u>	<u>230,516</u>
<b>COMPENSATED ABSENCES</b>					
Vacation leave	688,602	-	(134,535)	554,067	55,407
Retirement incentive	195,000	-	(195,000)	-	-
Sick leave	898,896	56,559	-	955,455	95,546
<b>TOTAL COMPENSATED ABSENCES</b>	<u>1,782,498</u>	<u>56,559</u>	<u>(329,535)</u>	<u>1,509,522</u>	<u>150,953</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>\$ 116,329,080</u>	<u>\$ 56,559</u>	<u>\$ (2,455,936)</u>	<u>\$ 113,929,703</u>	<u>\$ 691,469</u>

Compensated absences, pension and other postemployment benefits are generally liquidated by the General Fund.

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

---

### NOTE H - OPERATING LEASES

The Intermediate Unit leases building space under operating leases expiring no later than June 2026 at annual amounts ranging from \$882 to \$368,000.

The Intermediate Unit leases a vehicle under an operating lease expiring August 2019 at a monthly cost of \$497.

The Intermediate Unit leases office equipment under operating leases expiring June 2017 at monthly costs ranging from \$108 to \$386.

A schedule of future minimum lease payments under all noncancelable leases is as follows:

<u>Year Ending June 30,</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Totals</u>
2017	\$ 563,806	\$ 4,971	\$ 40,229	\$ 609,006
2018	413,867	5,965	-	419,832
2019	405,267	5,965	-	411,232
2020	402,124	994	-	403,118
2021	414,187	-	-	414,187
2022-2026	<u>2,264,946</u>	<u>-</u>	<u>-</u>	<u>2,264,946</u>
	<u>\$ 4,464,197</u>	<u>\$ 17,895</u>	<u>\$ 40,229</u>	<u>\$ 4,522,321</u>

Rent expense under operating leases for the year ended June 30, 2016, was \$801,844.

### NOTE I - PENSION PLAN

#### **Summary of Significant Accounting Policies**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **General Information About the Pension Plan**

**Plan Description** - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE I - PENSION PLAN (Continued)**

**Benefits Provided** - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Contributions**

**Members Contributions**

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE I - PENSION PLAN (Continued)**

- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The Intermediate Unit's contractually required contribution rate for the fiscal year ended June 30, 2016, was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the Intermediate Unit were \$8,013,379 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the Intermediate Unit reported a liability of \$99,018,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The Intermediate Unit's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the Intermediate Unit's proportion was 0.2286%, which was a decrease of 0.0256% from its proportion measured as of June 30, 2014.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE I - PENSION PLAN (Continued)**

For the year ended June 30, 2016, the Intermediate Unit recognized pension expense of \$7,703,088. At June 30, 2016, the Intermediate Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 409,000
Net difference between projected and actual investment earnings	-	200,413
Changes in proportions	4,005,750	8,686,000
Difference between employer contributions and proportionate share of total contributions	85,481	-
Contributions subsequent to the measurement date	<u>8,013,379</u>	<u>-</u>
	<u>\$ 12,104,610</u>	<u>\$ 9,295,413</u>

\$8,013,379 reported as deferred outflows of resources related to pensions resulting from Intermediate Unit contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2017	\$ (1,433,453)
2018	(1,433,453)
2019	(1,435,453)
2020	(904,049)
2021	<u>2,226</u>
	<u>\$ (5,204,182)</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2015, was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE I - PENSION PLAN (Continued)**

- **Salary Increases** - Effective average of 5.50%, which reflects an allowance for inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.50%	4.80%
Private markets (equity)	15.00%	6.60%
Private real estate	12.00%	4.50%
Global fixed income	7.50%	2.40%
U.S. long treasuries	3.00%	1.40%
TIPS	12.00%	1.10%
High yield bonds	6.00%	3.30%
Cash	3.00%	0.70%
Absolute return	10.00%	4.90%
Risk parity	10.00%	3.70%
MLPs/Infrastructure	5.00%	5.20%
Commodities	8.00%	3.10%
Financing (LIBOR)	-14.00%	1.10%
	<u>100.00%</u>	

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE I - PENSION PLAN (Continued)**

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Intermediate Unit's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Intermediate Unit's proportionate share of the net pension liability	\$ <u>122,050,208</u>	\$ <u>99,018,000</u>	\$ <u>79,660,880</u>

**Pension Plan Fiduciary Net Position** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE J - OTHER POSTEMPLOYMENT BENEFITS**

During the fiscal year ended June 30, 2016, the Intermediate Unit paid health insurance premiums totaling \$28,085 for hospitalization and dental coverage for four Administrative, Supervisory, Consultative and Psychological (ASCAP) retirees. The Intermediate Unit's policy is to fund these costs as they are incurred by providing for them in the annual budget.

During the 2005-2006 fiscal year, the Intermediate Unit offered the professional employees a Voluntary Early Retirement Incentive Program (VERIP). Under the VERIP, the Intermediate Unit will pay up to \$25,000 of the cost for providing health insurance coverage at the single rate to eligible professional employees retiring on June 30, 2006. The VERIP is available to employees who have 15 years of full-time experience with the Intermediate Unit on June 30 of the VERIP retirement year who retire under normal retirement.

A total of 34 employees elected to take the VERIP in 2006. The VERIP offered medical coverage not to exceed \$25,000 to the retiring employee. A total of eight employees who provided evidence of healthcare insurance from another source had a non-elective employer contribution made to their employee 403(b) account. The remaining 26 employees will have their monthly health insurance premiums paid up to a maximum of \$25,000 at the single rate or until they become eligible for Medicare. A second \$30,000 VERIP became available to eligible employees who elected to retire on June 30, 2009.

A total of 32 employees elected to take the VERIP in 2009. A total of 12 employees who provided evidence of coverage had a non-elective employer contribution to their 403(b) account in the amount of \$30,000. The remaining 20 employees elected to have health insurance premiums paid at the single rate until becoming eligible for Medicare. A liability for \$360,000 was established for employees who elected to take the payment in lieu of coverage. This amount was paid during the fiscal year ended June 30, 2010.

A total of \$640,833 has been set aside for the costs of future VERIP health care benefits. This balance is comprised of \$110,303 for seven of the 26 participants from 2006 and \$530,530 set aside for 20 of the 32 employees from the 2009 VERIP. This amount was fully expended in fiscal year ended June 30, 2013. Expenditures paid under VERIP totaled \$97,500 for the fiscal year ended June 30, 2016.

**Annual OPEB Cost and Net OPEB Asset**

The Intermediate Unit's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The components of the Intermediate Unit's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Intermediate Unit's net OPEB asset to the plan are as follows:

Normal cost	\$ 156,352
Interest	(19,492)
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>136,860</u>
Adjustment to ARC	43,071
ANNUAL OPEB EXPENSE	<u>179,931</u>
Net OPEB contributions during the year	(187,497)
INCREASE IN NET OPEB OBLIGATION	<u>(7,566)</u>
Net OPEB obligation at beginning of year	<u>(346,218)</u>
NET OPEB ASSET AT END OF YEAR	<u><u>\$ (353,784)</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
2013-2014	\$ 292,936	125.19%	\$ 257,893
2014-2015	173,916	150.79%	346,218
2015-2016	179,931	104.20%	353,784

**Funded Status and Funding Progress**

As of July 1, 2014, the actuarial accrued liability for benefits was \$1,987,592 and the actuarial value of assets was \$1,492,839, leaving \$494,753 unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$28,569,569, and the ratio of the UAAL to the covered payroll was 1.73%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.63% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% in 2014, decreasing by 0.5% per year to 5.5% in 2016. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was three years.

**NOTE K - DEFERRED COMPENSATION PLANS**

The Intermediate Unit offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan permits each employee to shelter a portion of his/her salary from federal income tax.

The Intermediate Unit also offers an Enhanced 403(b) plan for certain administrative and professional employees. Employees in these two groups are required to deposit their severance payments for unused sick and vacation time into the plan. The amounts deposited are sheltered from federal withholding, FICA and state and local income taxes at retirement.

The deferred compensation for both plans is not available to employees until termination, retirement, death, or an unforeseeable emergency. Employee contributions to the plans are withheld from their earnings and remitted to the applicable mutual fund and/or plan administrators. The assets of these plans no longer belong to the Intermediate Unit and are not included in its financial reporting.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE L - RISK MANAGEMENT**

The Intermediate Unit is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation for which the Intermediate Unit retains risk of loss. For insured programs, there were no significant reductions in insurance coverage for the 2015-2016 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Intermediate Unit is a member of the School Districts Insurance Consortium (SDIC) for workers' compensation coverage. SDIC is comprised of 78 member school districts which jointly self-assume their workers' compensation liabilities. Even though the member school districts contribute to SDIC's insurance fund, they remain individually liable for their own workers' compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. At June 30, 2016, there was no unfunded liability.

**NOTE M - COMMITMENTS AND CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Intermediate Unit expects such amounts, if any, to be immaterial.

The Intermediate Unit is the defendant in several lawsuits arising in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements, and, accordingly, no provision for losses has been recorded.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

---

**NOTE N - FUND BALANCES (DEFICIT)**

The detail breakdown of fund balances (deficit) as of June 30, 2016, is as follows:

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Special Education Transportation Fund</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventory	\$ 17,946	\$ -	\$ -
Prepaid expenses	34,738	-	-
Restricted			
Title I	541,612	-	-
State personnel grant	60,773	-	-
Statewide system of support	73,599	-	-
Title II - districts	36,246	-	-
Special education	-	7,833,352	304,328
Committed			
Self-insured unemployment compensation	1,185,577	-	-
Self-insured dental	325,307	-	-
Assigned			
Projects administration	6,182,577	-	-
Non-pub fee based	16,065	-	-
Pattan conferences	409,849	-	-
Facilities	3,188,844	-	-
Graphics center	116,480	-	-
Unemployment compensation	473,792	-	-
Dental consortium	29	-	-
IDEA - EIPA	65,530	-	-
Access - school age	4,191,246	-	-
Capital improvements and repairs	-	-	-
Unassigned	<u>7,718,234</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<b>\$ <u>24,638,444</u></b>	<b>\$ <u>7,833,352</u></b>	<b>\$ <u>304,328</u></b>

Revenue Funds		Capital Project Funds			Total Governmental Funds
Institutionalized Children Fund	Early Intervention Fund	Capital Projects Fund	Series 2012 Capital Project Bond Fund		
\$ -	\$ -	\$ -	\$ -	\$ 17,946	
-	-	-	-	34,738	
-	-	-	-	541,612	
-	-	-	-	60,773	
-	-	-	-	73,599	
-	-	-	-	36,246	
-	-	-	-	8,137,680	
-	-	-	-	1,185,577	
-	-	-	-	325,307	
-	-	-	-	6,182,577	
-	-	-	-	16,065	
-	-	-	-	409,849	
-	-	-	-	3,188,844	
-	-	-	-	116,480	
-	-	-	-	473,792	
-	-	-	-	29	
-	-	-	-	65,530	
-	-	-	-	4,191,246	
-	-	500,000	-	500,000	
-	-	-	-	7,718,234	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 33,276,124</u>	

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 8,755,280	\$ 8,755,280	\$ 9,468,326	\$ 713,046
State sources	25,036,724	25,036,724	22,821,139	(2,215,585)
Federal sources	40,330,485	40,330,485	37,661,050	(2,669,435)
<b>TOTAL REVENUES</b>	<b>74,122,489</b>	<b>74,122,489</b>	<b>69,950,515</b>	<b>(4,171,974)</b>
<b>EXPENDITURES</b>				
Instruction				
Special programs	2,212,337	2,212,337	2,326,821	(114,484)
Other instructional programs	2,493,765	2,493,765	1,897,237	596,528
Nonpublic school programs	4,764,650	4,764,650	4,604,380	160,270
Pre-kindergarten programs	1,943,787	1,943,787	1,920,128	23,659
Support services				
Pupil personnel services	8,050,266	8,050,266	8,094,874	(44,608)
Instructional staff services	6,041,734	6,041,734	6,452,132	(410,398)
Administration services	8,181,357	8,181,357	6,934,467	1,246,890
Pupil health services	158,267	158,267	488,593	(330,326)
Business services	2,557,245	2,557,245	2,437,763	119,482
Operation and maintenance of plant services	2,985,619	2,985,619	2,705,105	280,514
Student transportation services	979,945	979,945	915,130	64,815
Central and other support services	5,498,070	5,498,070	3,983,012	1,515,058
Other support services	31,392,864	31,392,864	27,193,953	4,198,911
Community service	348,619	348,619	-	348,619
Debt service	590,000	590,000	589,791	209
<b>TOTAL EXPENDITURES</b>	<b>78,198,525</b>	<b>78,198,525</b>	<b>70,543,386</b>	<b>7,655,139</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(4,076,036)</b>	<b>(4,076,036)</b>	<b>(592,871)</b>	<b>3,483,165</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	9,397,505	9,397,505	10,751,483	1,353,978
Operating transfers out	(6,215,023)	(6,215,023)	(7,594,985)	(1,379,962)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,182,482</b>	<b>3,182,482</b>	<b>3,156,498</b>	<b>(25,984)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(893,554)</b>	<b>(893,554)</b>	<b>2,563,627</b>	<b>\$ 3,457,181</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>22,074,817</b>	<b>22,074,817</b>	<b>22,074,817</b>	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 21,181,263</b>	<b>\$ 21,181,263</b>	<b>\$ 24,638,444</b>	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL EDUCATION FUND**  
**YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 14,779,319	\$ 14,779,319	\$ 12,762,856	\$ (2,016,463)
State sources	4,133,280	4,133,280	4,073,242	(60,038)
<b>TOTAL REVENUES</b>	<b>18,912,599</b>	<b>18,912,599</b>	<b>16,836,098</b>	<b>(2,076,501)</b>
<b>EXPENDITURES</b>				
Instruction				
Special programs	10,047,439	10,047,439	7,735,201	2,312,238
Other instructional programs	363,575	363,575	312,633	50,942
Support services				
Pupil personnel services	4,059,326	4,059,326	3,389,759	669,567
Administration services	377,185	377,185	229,637	147,548
Pupil health services	877,803	877,803	999,545	(121,742)
Business services	2,215	2,215	3,791	(1,576)
Operation and maintenance of plant services	88,580	88,580	78,540	10,040
Central and other support services	95,756	95,756	58,810	36,946
Debt service	350,000	350,000	321,813	28,187
<b>TOTAL EXPENDITURES</b>	<b>16,261,879</b>	<b>16,261,879</b>	<b>13,129,729</b>	<b>3,132,150</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>2,650,720</b>	<b>2,650,720</b>	<b>3,706,369</b>	<b>1,055,649</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	2,167,383	2,167,383
Operating transfers out	(2,540,410)	(2,540,410)	(3,265,903)	(725,493)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,540,410)</b>	<b>(2,540,410)</b>	<b>(1,098,520)</b>	<b>1,441,890</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>110,310</b>	<b>110,310</b>	<b>2,607,849</b>	<b>\$ 2,497,539</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>5,225,503</b>	<b>5,225,503</b>	<b>5,225,503</b>	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 5,335,813</b>	<b>\$ 5,335,813</b>	<b>\$ 7,833,352</b>	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL EDUCATION TRANSPORTATION FUND**  
**YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,200	\$ 1,200	\$ 781	\$ (419)
State sources	10,343,980	10,343,980	10,801,621	457,641
TOTAL REVENUES	<u>10,345,180</u>	<u>10,345,180</u>	<u>10,802,402</u>	<u>457,222</u>
EXPENDITURES				
Support services				
Administration services	1,200	1,200	-	1,200
Business services	50	50	69	(19)
Student transportation services	9,577,620	9,577,620	9,290,269	287,351
TOTAL EXPENDITURES	<u>9,578,870</u>	<u>9,578,870</u>	<u>9,290,338</u>	<u>288,532</u>
EXCESS OF REVENUES OVER EXPENDITURES	766,310	766,310	1,512,064	745,754
OTHER FINANCING (USES)				
Operating transfers out	<u>(766,310)</u>	<u>(766,310)</u>	<u>(737,231)</u>	<u>29,079</u>
NET CHANGE IN FUND BALANCE	-	-	774,833	<u>\$ 774,833</u>
FUND DEFICIT AT BEGINNING OF YEAR	<u>(470,505)</u>	<u>(470,505)</u>	<u>(470,505)</u>	
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (470,505)</u>	<u>\$ (470,505)</u>	<u>\$ 304,328</u>	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**INSTITUTIONALIZED CHILDREN FUND**  
**YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ -	\$ -	\$ 88	\$ 88
State sources	266,100	266,100	54,241	(211,859)
TOTAL REVENUES	266,100	266,100	54,329	(211,771)
EXPENDITURES				
Instruction				
Special programs	230,390	230,390	29,715	200,675
Support services				
Pupil personnel services	-	-	5,682	(5,682)
Pupil health services	16,000	16,000	-	16,000
TOTAL EXPENDITURES	246,390	246,390	35,397	210,993
EXCESS OF REVENUES OVER EXPENDITURES	19,710	19,710	18,932	(778)
OTHER FINANCING USES				
Operating transfers out	(19,710)	(19,710)	(18,932)	778
NET CHANGE IN FUND BALANCE	-	-	-	\$ -
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**EARLY INTERVENTION FUND**  
**YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 15,000	\$ 15,000	\$ 42,396	\$ 27,396
State sources	18,703,583	18,703,583	18,770,728	67,145
TOTAL REVENUES	<u>18,718,583</u>	<u>18,718,583</u>	<u>18,813,124</u>	<u>94,541</u>
EXPENDITURES				
Instruction				
Special programs	10,936,226	10,936,226	11,781,790	(845,564)
Support services				
Pupil personnel services	3,299,526	3,299,526	3,379,849	(80,323)
Administration services	200,000	200,000	93,466	106,534
Pupil health services	2,711,188	2,711,188	2,108,637	602,551
Business services	6,000	6,000	12,395	(6,395)
Operation and maintenance of plant services	-	-	7,021	(7,021)
Central and other support services	93,548	93,548	128,151	(34,603)
TOTAL EXPENDITURES	<u>17,246,488</u>	<u>17,246,488</u>	<u>17,511,309</u>	<u>(264,821)</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,472,095	1,472,095	1,301,815	(170,280)
OTHER FINANCING USES				
Operating transfers out	<u>(1,472,095)</u>	<u>(1,472,095)</u>	<u>(1,301,815)</u>	<u>170,280</u>
NET CHANGE IN FUND BALANCE	-	-	-	\$ <u><u>-</u></u>
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**  
**JUNE 30, 2016**

---

**NOTE A - LEGAL COMPLIANCE BUDGETS**

The Intermediate Unit follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. In October, the Chief Financial Officer and Director of Management Services submit to the Board a proposed operating budget for the General Fund for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing them.
2. In November, the Board approves the General Fund budget document and authorizes the administration to distribute copies to all school districts in Montgomery County for district board approval.
3. Upon receiving a favorable vote from the school districts, the General Fund budget is legally enacted prior to June 30.
4. All other budgets must receive Board approval prior to their submission to the Department of Education.
5. The Board may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
6. Budgets for all funds are adopted on a basis prescribed by the Department of Education.
7. All budgeted amounts lapse at year-end.

The Intermediate Unit's General Fund budget includes programs that have budgets approved on an annual basis and federal and state program budgets approved on a project-length basis that do not coincide with the Intermediate Unit's fiscal year.

The budgetary comparison schedules include amounts from the formally adopted budget, current year actual amounts for grant programs and internal budgets for federal project administration.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**  
**JUNE 30, 2016**

---

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2016, expenditures exceeded appropriations in the following General Fund, Special Education Transportation Fund, Institutionalized Children Fund and Early Intervention Fund department levels (the legal level of budgetary control):

<b>GENERAL FUND</b>	
Special programs	\$ 114,484
Pupil personnel services	44,608
Instructional staff services	410,398
Pupil health services	330,326
<b>SPECIAL EDUCATION FUND</b>	
Pupil health services	\$ 121,742
Business services	1,576
<b>SPECIAL EDUCATION TRANSPORTATION FUND</b>	
Business services	\$ 19
<b>INSTITUTIONALIZED CHILDREN FUND</b>	
Pupil personnel services	\$ 5,682
<b>EARLY INTERVENTION FUND</b>	
Special programs	\$ 845,564
Pupil personnel services	80,323
Business services	6,395
Operation and maintenance of plant services	7,021
Central and other support services	34,603

These excess expenditures were funded by available fund balance in the General Fund, Special Education Fund, Special Education Transportation Fund, Institutionalized Children Fund and Early Intervention Fund.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF THE INTERMEDIATE UNIT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**LAST TWO FISCAL YEARS**

---

	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	<u>0.2286%</u>	<u>0.2542%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>99,018,000</u>	\$ <u>100,615,000</u>
School District's covered-employee payroll	\$ <u>29,410,257</u>	\$ <u>32,432,489</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>336.68%</u>	<u>310.23%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>54.36%</u>	<u>57.24%</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF INTERMEDIATE UNIT'S CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS**

---

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 8,013,379	\$ 5,979,417
Contributions in relation to the contractually required contribution	<u>8,013,379</u>	<u>5,979,417</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>          -</u>	\$ <u>          -</u>
School District's covered-employee payroll	\$ <u>32,053,516</u>	\$ <u>29,410,257</u>
Contributions as a percentage of covered-employee payroll	<u>25.00%</u>	<u>20.33%</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**JUNE 30, 2016**

---

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
July 1, 2010	\$ -	\$ 3,508,289	\$ 3,508,289	0.00%	\$ 32,232,653	10.88%
2012	1,162,468	2,522,076	1,359,608	46.09%	29,885,173	4.55%
2014	1,492,839	1,987,592	494,753	75.11%	28,569,569	1.73%

**SCHEDULE OF EMPLOYER AND OTHER ENTITY CONTRIBUTIONS**

Fiscal Year	Annual OPEB Cost	Contributions	Percentage Contributed	Net OPEB Asset
2012	\$ 852,816	\$ 852,816	100.00%	\$ -
2013	280,960	465,053	165.52%	346,218
2014	179,931	187,497	104.20%	353,784

***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 Intermediate Unit  
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, the business-type activities, each major fund and the aggregate remaining fund information of the Montgomery County Intermediate Unit as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Montgomery County Intermediate Unit's basic financial statements, and have issued our report thereon dated December 8, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Montgomery County Intermediate Unit'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 Intermediate Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montgomery County Intermediate Unit'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 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 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 Intermediate Unit  
Norristown, Pennsylvania

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Montgomery County Intermediate Unit'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.

*Maullie LLP*

Oaks, Pennsylvania  
December 8, 2016

***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 Intermediate Unit  
Norristown, Pennsylvania

***Report on Compliance for Each Major Federal Program***

We have audited the Montgomery County Intermediate Unit's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Montgomery County Intermediate Unit's major federal programs for the year ended June 30, 2016. The Montgomery County Intermediate Unit'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 Intermediate Unit'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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require 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 Intermediate Unit'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 Intermediate Unit's compliance.

To the Board of Directors  
Montgomery County Intermediate Unit  
Norristown, Pennsylvania

***Opinion on Each Major Federal Program***

In our opinion, the Montgomery County Intermediate Unit 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 June 30, 2016.

***Report on Internal Control Over Compliance***

Management of the Montgomery County Intermediate Unit 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 Intermediate Unit'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 Intermediate Unit'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 Intermediate Unit  
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, the business-type activities, each major fund and the aggregate remaining fund information of the Montgomery County Intermediate Unit as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Montgomery County Intermediate Unit's basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (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 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 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 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  
December 8, 2016

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

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Direct Federal Assistance</b>				
The Pennsylvania Deaf-Blind Project (Year 2)	D	84.326T	H326T130083	October 1, 2013 to September 30, 2018
The Pennsylvania Deaf-Blind Project (Year 3)	D	84.326T	H326T130083	October 1, 2013 to September 30, 2018
TOTAL THE PENNSYLVANIA DEAF-BLIND PROJECT				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I Improving Basic Programs	I	84.010	013-150623	September 9, 2014 to September 30, 2015
Title I Improving Basic Programs	I	84.010	013-160623	July 17, 2015 to September 30, 2016
Title I Delinquent	I	84.010	107-150623	September 9, 2014 to September 30, 2016
Title I Delinquent	I	84.010	107-160623	July 17, 2015 to September 30, 2016
Data Governance	I	84.010	147-160002	December 8, 2015 to September 30, 2016
Keystone Exams/PBA	I	84.010	148-160023	October 1, 2015 to September 30, 2016
Supports for Effective Standards Based Instruction	I	84.010	148-160023	October 1, 2015 to September 30, 2016
TOTAL TITLE I CLUSTER				
IDEA-B	I	84.027	062-140035	July 1, 2013 to September 30, 2015
IDEA-B	I	84.027	062-150035	July 1, 2014 to September 30, 2016
IDEA-B	I	84.027	062-160035	July 1, 2015 to September 30, 2016
IDEA-B	I	84.027	062-150023	July 1, 2014 to September 30, 2016
IDEA-B	I	84.027	062-160023	July 1, 2015 to September 30, 2016
IDEA-B	I	84.027	131-140023	July 1, 2014 to June 30, 2015
TOTAL IDEA CLUSTER FORWARD				
SUBTOTAL FORWARD				

*See accompanying notes to the schedule of expenditures of federal awards.*

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Passed Through to Sub-Recipients</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>
\$ 371,952	\$ 320,132	\$ 110,043	\$ 210,089	\$ 210,089	\$ -	\$ -
371,952	<u>35,395</u>	<u>-</u>	<u>134,797</u>	<u>134,797</u>	<u>-</u>	<u>99,402</u>
	<u>355,527</u>	<u>110,043</u>	<u>344,886</u>	<u>344,886</u>	<u>-</u>	<u>99,402</u>
201,695	157,443	45,644	111,799	111,799	-	-
113,036	83,513	-	101,880	101,880	-	18,367
360,737	110,996	71,278	35,429	35,429	-	(4,289)
409,330	272,887	-	261,841	261,841	-	(11,046)
12,000	6,000	-	12,000	12,000	-	6,000
5,886	2,452	-	5,886	5,886	-	3,434
68,174	<u>22,725</u>	<u>-</u>	<u>68,174</u>	<u>68,174</u>	<u>-</u>	<u>45,449</u>
	<u>656,016</u>	<u>116,922</u>	<u>597,009</u>	<u>597,009</u>	<u>-</u>	<u>57,915</u>
6,797,745	-	(126,470)	135,369	135,369	-	8,899
8,769,700	2,292,960	91,748	1,687,877	1,687,877	1,065,000	(513,335)
10,009,700	6,273,780	-	7,835,590	7,835,590	2,322,058	1,561,810
21,038,243	8,415,297	7,608,254	794,909	794,909	-	(12,134)
20,927,083	13,951,389	-	19,007,833	19,007,833	16,385,948	5,056,444
1,565,323	<u>130,446</u>	<u>130,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>31,063,872</u>	<u>7,703,978</u>	<u>29,461,578</u>	<u>29,461,578</u>	<u>19,773,006</u>	<u>6,101,684</u>
\$	<u>\$ 32,075,415</u>	<u>\$ 7,930,943</u>	<u>\$ 30,403,473</u>	<u>\$ 30,403,473</u>	<u>\$ 19,773,006</u>	<u>\$ 6,259,001</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
SUBTOTAL FORWARDED				
<b>Passed through the Pennsylvania Department of Education</b>				
TOTAL IDEA CLUSTER FORWARDED				
IDEA-B	I	84.027	131-150023	July 1, 2015 to June 30, 2016
IDEA Preschool	I	84.173	131-140023	July 1, 2014 to June 30, 2015
IDEA Preschool	I	84.173	131-150023	July 1, 2015 to June 30, 2016
TOTAL IDEA CLUSTER				
Title III Inst LEP/Immigrant Students	I	84.365	010-150623	September 9, 2014 to September 30, 2016
Title III Inst LEP/Immigrant Students	I	84.365	010-160623	July 17, 2015 to September 30, 2016
TOTAL TITLE III				
Title II Improving Teacher Quality	I	84.367	020-150623	September 9, 2014 to September 30, 2016
Title II Improving Teacher Quality	I	84.367	020-160623	July 17, 2015 to September 30, 2016
TOTAL TITLE III				
Race to the Top	I	84.413A	B413A120004	July 1, 2012 to September 30, 2015
<b>Passed through Eastern Center for Arts and Technology</b>				
Vocational Education	I	84.048	Sub-Contract	September 4, 2014 to June 30, 2015
Vocational Education	I	84.048	Sub-Contract	September 4, 2015 to June 30, 2016
TOTAL VOCATIONAL EDUCATION				
TOTAL U.S. DEPARTMENT OF EDUCATION FORWARD				

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Passed Through to Sub-Recipients</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>
	\$ 32,075,415	\$ 7,930,943	\$ 30,403,473	\$ 30,403,473	\$ 19,773,006	\$ 6,259,001
	31,063,872	7,703,978	29,461,578	29,461,578	19,773,006	6,101,684
\$ 1,644,157	1,644,157	-	1,643,982	1,643,982	-	(175)
406,632	33,881	33,881	-	-	-	-
N/A	391,947	-	391,947	391,947	79,538	-
	33,133,857	7,737,859	31,497,507	31,497,507	19,852,544	6,101,509
200,072	153,902	(12,601)	141,300	141,300	-	(25,203)
N/A	141,703	-	55,243	55,243	-	(86,460)
	295,605	(12,601)	196,543	196,543	-	(111,663)
134,492	72,419	(1,518)	73,937	73,937	-	-
134,492	89,661	-	27,950	27,950	-	(61,711)
	162,080	(1,518)	101,887	101,887	-	(61,711)
214,646	43,012	-	43,012	43,012	-	-
65,000	19,500	19,500	-	-	-	-
65,000	58,500	-	65,000	65,000	-	6,500
	78,000	19,500	65,000	65,000	-	6,500
	\$ 34,724,097	\$ 7,970,205	\$ 32,845,844	\$ 32,845,844	\$ 19,852,544	\$ 6,091,952

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL U.S. DEPARTMENT OF EDUCATION FORWARDED				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance - Access	I	93.778	4100009941	July 1, 2014 to June 30, 2015
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION FOR CHILDREN AND FAMILIES</b>				
Head Start	D	93.600		June 1, 2015 to May 31, 2016
Head Start	D	93.600		June 1, 2016 to May 31, 2017
TOTAL HEAD START				
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION FOR CHILDREN AND FAMILIES				
<b>U.S. DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SCIENCE</b>				
Child and Adult Care Food Program	I	10.558		
TOTAL U.S. DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SCIENCE				
TOTAL FEDERAL AWARDS				

**Source Codes**

D - Direct funding  
I - Indirect funding

**Programs Tested**

IDEA-B  
IDEA Preschool  
Head Start

TOTAL PROGRAMS TESTED

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Passed Through to Sub-Recipients</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>
	\$ <u>34,724,097</u>	\$ <u>7,970,205</u>	\$ <u>32,845,844</u>	\$ <u>32,845,844</u>	\$ <u>19,852,544</u>	\$ <u>6,091,952</u>
N/A	<u>88,593</u>	<u>-</u>	<u>88,593</u>	<u>88,593</u>	<u>-</u>	<u>-</u>
	<u>88,593</u>	<u>-</u>	<u>88,593</u>	<u>88,593</u>	<u>-</u>	<u>-</u>
3,471,996	2,431,222	-	3,149,128	3,149,128	-	717,906
3,471,996	<u>-</u>	<u>-</u>	<u>177,155</u>	<u>177,155</u>	<u>-</u>	<u>177,155</u>
	<u>2,431,222</u>	<u>-</u>	<u>3,326,283</u>	<u>3,326,283</u>	<u>-</u>	<u>895,061</u>
	<u>2,431,222</u>	<u>-</u>	<u>3,326,283</u>	<u>3,326,283</u>	<u>-</u>	<u>895,061</u>
N/A	<u>221,692</u>	<u>-</u>	<u>274,731</u>	<u>274,731</u>	<u>-</u>	<u>53,039</u>
	<u>221,692</u>	<u>-</u>	<u>274,731</u>	<u>274,731</u>	<u>-</u>	<u>53,039</u>
	\$ <u><u>37,465,604</u></u>	\$ <u><u>7,970,205</u></u>	\$ <u><u>36,535,451</u></u>	\$ <u><u>36,535,451</u></u>	\$ <u><u>19,852,544</u></u>	\$ <u><u>7,040,052</u></u>
<u>CFDA #</u>						
84.027	\$ 31,105,560	Total programs tested		\$ 34,823,790	=	95.32%
84.173	391,947	Total federal expenditures		\$ 36,535,451		
93.600	<u>3,326,283</u>					
	\$ <u><u>34,823,790</u></u>					

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

---

**NOTE A - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note A to the Intermediate Unit's basic financial statements.

**NOTE B - FEDERAL EXPENDITURES**

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

**NOTE C - INDIRECT COST RATES**

The Intermediate Unit has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

---

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Montgomery County Intermediate Unit.
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 Intermediate Unit 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; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Montgomery County Intermediate Unit expresses an unmodified opinion.
6. The programs tested as major federal programs were:

Program	CFDA
Special Education Cluster (IDEA)	
Special Education	
Grants to States (IDEA, Part B)	84.027
Preschool Grants (IDEA, Section 619)	84.173
Head Start	93.600

7. The threshold for distinguishing Types A and B programs was \$1,096,064.
8. The Montgomery County Intermediate Unit 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.