

MONTGOMERY COUNTY INTERMEDIATE UNIT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2019



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

MONTGOMERY COUNTY INTERMEDIATE UNIT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2019

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	21
Statement of Activities	22
<i>Fund Financial Statements</i>	
<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
<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

MONTGOMERY COUNTY INTERMEDIATE UNIT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2019

	Page
Required Supplementary Information	
Budgetary Comparison Schedule	
General Fund	67
Special Education Fund	68
Special Education Transportation Fund	69
Institutionalized Children Fund	70
Early Intervention Fund	71
Notes to the Budgetary Comparison Schedule	72
Schedule of the Intermediate Unit's Proportionate Share of the PSERS Net Pension Liability	74
Schedule of the Intermediate Unit's PSERS Pension Contributions	75
Schedule of the Intermediate Unit's Proportionate Share of the PSERS Net Other Postemployment Benefit Plan Liability	76
Schedule of the Intermediate Unit's PSERS Other Postemployment Benefit Plan Contributions	77
Schedule of Changes in the Net Other Postemployment Benefit Plan Liability and Related Ratios	78
Schedule of Other Postemployment Benefit Plan Contributions	79
Schedule of Other Postemployment Benefit Plan Investment Returns	80
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 <i>Government Auditing Standards</i>	81
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	83
Supplementary Information - Major Federal Award Programs Audit	
Schedule of Expenditures of Federal Awards	86
Notes to the Schedule of Expenditures of Federal Awards	89
Schedule of Findings and Questioned Costs	90

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, 2019, 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, 2019, 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

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 67 through 73, schedule of the intermediate unit's proportionate share of the PSERS net pension liability on page 74, schedules of intermediate unit's PSERS pension contributions on page 75, schedule of the intermediate unit's proportionate share of the PSERS net other postemployment benefit plan liability on page 76, schedule of the intermediate unit's PSERS other postemployment benefit plan contributions on page 77, schedule of changes in the net other postemployment benefit plan liability and related ratios on page 78, schedule of other postemployment benefit plan contributions on page 79 and schedule of other postemployment benefit plan investment returns on page 80 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 January 31, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
January 31, 2020

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

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, 2019. 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 \$135 million, provides support and educational services for 22 member school districts, 4 technology centers, 110 nonpublic schools, and 3 charter 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.

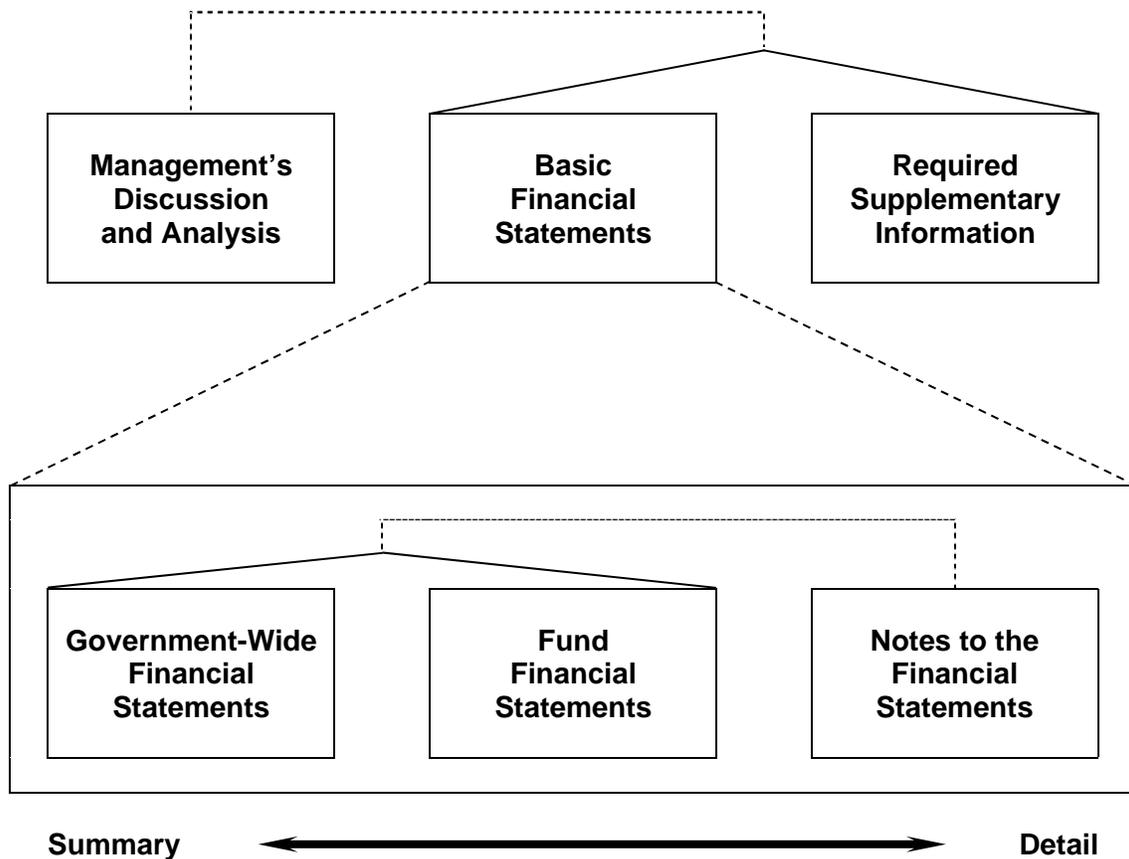
The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two types of statements that provide different perspectives of the Intermediate Unit's operations.

- 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, 2019

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.

Figure A-1
Organization of the County of Montgomery, Pennsylvania Annual Financial Report



MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

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.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances (deficit) 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, 2019

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.

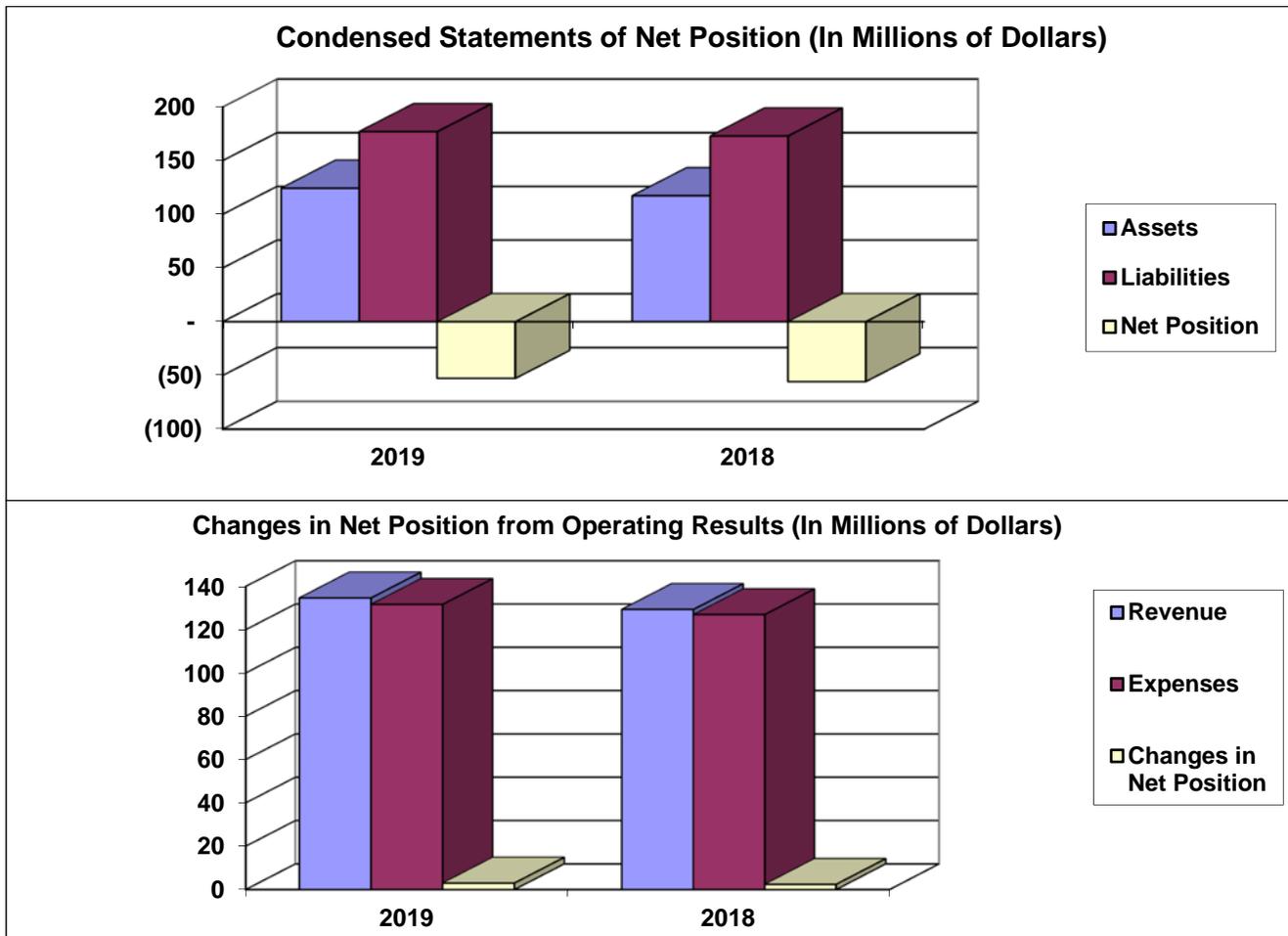
MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

- 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 \$4.41 million while total assets and deferred outflows and resources increased by \$8.42 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, 2019

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 73.044	\$ 66.286	\$ (0.007)	\$ (0.012)	\$ 73.037	\$ 66.274
Capital assets	23.894	23.924	0.224	0.232	24.118	24.156
TOTAL ASSETS	<u>96.938</u>	<u>90.210</u>	<u>0.217</u>	<u>0.220</u>	<u>97.155</u>	<u>90.430</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>28.583</u>	<u>26.887</u>	<u>-</u>	<u>-</u>	<u>28.583</u>	<u>26.887</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>125.521</u>	<u>117.097</u>	<u>0.217</u>	<u>0.220</u>	<u>125.738</u>	<u>117.317</u>
LIABILITIES						
Current liabilities	23.579	24.449	0.009	0.017	23.588	24.466
Long-term liabilities	148.490	142.941	-	-	148.490	142.941
TOTAL LIABILITIES	<u>172.069</u>	<u>167.390</u>	<u>0.009</u>	<u>0.017</u>	<u>172.078</u>	<u>167.407</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>4.889</u>	<u>5.554</u>	<u>-</u>	<u>-</u>	<u>4.889</u>	<u>5.554</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>176.958</u>	<u>172.944</u>	<u>0.009</u>	<u>0.017</u>	<u>176.967</u>	<u>172.961</u>
NET POSITION						
Net investment in capital assets	11.663	11.116	0.224	0.232	11.887	11.348
Restricted	9.416	8.059	-	-	9.416	8.059
Unrestricted	(72.516)	(75.022)	(0.016)	(0.029)	(72.532)	(75.051)
TOTAL NET POSITION	<u>\$ (51.437)</u>	<u>\$ (55.847)</u>	<u>\$ 0.208</u>	<u>\$ 0.203</u>	<u>\$ (51.229)</u>	<u>\$ (55.644)</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues						
Charges for services	\$ 29.379	\$ 27.535	\$ -	\$ -	\$ 29.379	\$ 27.535
Operating grants and contributions	104.284	100.838	0.666	0.495	104.950	101.333
General revenues	1.113	0.599	-	-	1.113	0.599
TOTAL REVENUES	<u>134.776</u>	<u>128.972</u>	<u>0.666</u>	<u>0.495</u>	<u>135.442</u>	<u>129.467</u>
EXPENSES	<u>130.367</u>	<u>126.529</u>	<u>0.661</u>	<u>0.516</u>	<u>131.028</u>	<u>127.045</u>
CHANGE IN NET POSITION	\$ <u>4.409</u>	\$ <u>2.443</u>	\$ <u>0.005</u>	\$ <u>(0.021)</u>	\$ <u>4.414</u>	\$ <u>2.422</u>

For the fiscal year ended June 30, 2019, the Intermediate Unit's Governmental Funds revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances totaled \$135.447 million. These revenues were derived from local sources (\$29.823 million), state sources (\$62.452 million) and federal sources (\$43.171 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 \$1.113 million are considered general revenue and are not allocated to any particular governmental activity.

Expenditures/Expenses

The revenues earned during the 2018-2019 fiscal year funded governmental expenditures totaling \$128.234 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 \$131.027 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, 2019

Changes in Fund Balance/Net Assets

During the fiscal year ended June 30, 2019, net position for governmental activities increased by \$4.409 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 \$0.06 million due to the 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 2018-2019. This contract will expire at the end of the 2021-2022 fiscal year.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Support Staff personnel are under a meet and discuss agreement that was amended in 2016-2017. The plan is for the 2017-2018, 2018-2019, and 2019-2020 fiscal years expiring June 2020. The Support Staff and CTC (Coordinator, Technical, and Confidential) Staff agreed to new agreements starting July 1, 2017 and expiring on June 30, 2020.

A meet and discuss agreement with the Administrative Group was began on July 1, 2017 and will continue to be in effect until June 30, 2020.

Capital Assets

During the fiscal year ended June 30, 2019, the Intermediate Unit's capital assets net of depreciation decreased by \$0.038 million. The decrease is comprised of current year additions of \$1.14 million and depreciation of \$1.18 million.

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

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change 2018-2019
	2019	2018	2019	2018	2019	2018	
CAPITAL ASSETS NOT BEING DEPRECIATED							
Land	\$ 0.59	\$ 0.59	\$ -	\$ -	\$ 0.59	\$ 0.59	
Construction in progress	0.44	-	-	-	-	-	
CAPITAL ASSETS BEING DEPRECIATED							
Buildings and building improvements	20.75	21.36	0.23	0.23	20.98	21.59	
Furniture and equipment	1.91	1.81	-	-	1.91	1.81	
Vehicles	0.21	0.16	-	-	0.21	0.16	
	<u>\$ 23.90</u>	<u>\$ 23.92</u>	<u>\$ 0.23</u>	<u>\$ 0.23</u>	<u>\$ 23.69</u>	<u>\$ 24.15</u>	-1.91%

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

FACTORS BEARING ON THE INTERMEDIATE UNIT'S FUTURE

Throughout the 2018-2019 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 2018-2019 fiscal year:

- **Office of Early Childhood**

The Office of Early Childhood serves eligible children between the ages of 3 to 5 by providing Early Intervention Services, Head Start services, and Pre-K Counts services. Our goal is to help these children make a successful transition to the school age programming.

The following is a summary of some of the services provided throughout Montgomery County, including the number of children served:

- Evaluations to determine eligibility for Early Intervention services were conducted for 1,610 children.
- Early Intervention served 256 children, in 14 Specialized Classrooms.
- Early Intervention served an additional 2791 eligible children, in parent provided preschools.
- Head Start provides services to 450 students in 25 classrooms strategically located across 10 sites in Montgomery County.
- Pre-K Counts served 160 students county wide.
- Task and Tool SETT meetings.
- Local Interagency Coordinating Council with birth to 3 providers
- Hearing Services for the Montgomery County Infant/Toddler Program.
- Additional collaborations with countywide organizations such as the Early Learning Resource Centers (ELRC), Education for Children and Youth Experiencing Homelessness (ECYEH), Pottstown Early Action for Kindergarten Readiness (PEAK), and Your Way Home.
- Partnerships with community agencies to provide ease of access to needed resources for families and children experiencing crises related needs

- **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, data services, network administration and management, internet services, network security, technology staffing, and consortium purchasing.

Office highlights include:

- Saved districts \$163,970 in E-rate discounts on internet alone. Districts purchased 25GBs total bandwidth.
- Provided technology leadership services to Pottstown School District and North Montco Technical Career Center.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

- Provided 11 public and 9 nonpublic schools consortium pricing for Discovery digital content totaling \$68,000.
- Provided 5 public schools consortium pricing for Safari digital content totaling \$26,600.
- Submitted e-Rate applications for 12 public schools and 2 tech school totaling \$55,000.
- Provided technical consultation and staffing support to 12 schools for a total of \$205,000.
- Provide
- Provided PIMS staffing and support for Perkiomen Valley, Pottstown and Jenkintown School Districts totaling \$96,000.
- Provided PowerSchool services for 6 public schools and 1 nonpublic school totaling \$171,490.
- Marketed and sold \$78,600 of Level Data Services to 20 schools through an established statewide reseller agreement.
- Partnered with Marcia Brenner Associates to sell over \$95,000 of their plugin modules for PowerSchool.
- Conducted a successful regional computer competition with 54 student projects, led by Jackie Krail.
- Coordinated the PDE Data Summit led by Alison Scott and data team.
- Added a new Data Services Specialist and Network Security Admin to the Office of Technology.
- Continued to provide quality technical support for MCIU internal programs including HeadStart and PreK Counts.

- **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: Effective Standards Based Instruction, STEM, College and Career Readiness, and School Climate.
- Provided more than 395 days of professional training and 2 CPE in the areas of Literacy, STEM, Special Education, and Technology.
- Organized ten regional Reading Olympics events which attracted more than 500 teams and close to 7,000 students.
- Facilitated a MCIU PIIC (Pennsylvania Institute for Instruction Coaching) Network with over 70 members while working cooperatively with the three other Southeast Region IUs to offer two Regional PIIC Network meetings with over 150 coaches attending.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

- Facilitated 39 different job alike groups and curriculum councils to provide a forum for peers across Montgomery County districts to discuss common challenges and support each other through collaboration and information /resource sharing.
- Offered six College Board Advanced Placement Summer Institutes offering subject specific support and training for Advanced Placement teachers.

- Provided Montgomery Virtual Program (MVP) services to 39 Montgomery County schools throughout the regular school year. Of the 2,312 MVP course enrollments, 2011 completed 80% of the course and 96% had a passing score of 60 or better.
- Offered Montgomery Virtual Program (<VP) Summer Program course advancement to 575 students and credit recovery to another 380 students. Of the 955 enrollments, 897 students completed 90% of the required seatwork and received a passing score.
- Delivered 50 on-site, professional development workshops to public and non-public schools.
- Hosted local constituents for nearly 1,400 hours of meetings within the MCIU Conference Center. The Conference Center also rented space to 45 different organizations, 25 of which were given rooms gratis.

- **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).
- Coordinated the School Based ACCESS billing service for 13 school districts.
- Continued the partnership arrangement with North Montco Technical and Career Center (NMTCC) to provide Business Office Management services.
- Provided long term payroll support services to Jenkintown School District and North Montco Technical and Career Center.

- **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.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Office highlights include:

- Coordinated the completion of a new bargaining unit agreement with the MCIU Education Association, and also created new multiyear Compensation Plans for the IUs Administrative, CTC and Support Staff Groups.
- Completed projects for school districts in Montgomery County to review their compensation structure and if necessary implement changes to the structure to remain in alignment with the regional market.
- Held monthly job-alike meetings with school district partners for the purpose of information sharing and professional development.

- **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 – 120 students
- Itinerant programs (Hearing, Orientation, Mobility and Vision) – 280 students
- Evaluation services (Auditory, Bilingual Speech, Functional Hearing and Vision, Psychiatric and Psychological and Cochlear Implants) – 150 evaluations
- BrainSTEPS Program – 40 students
- Consultative Services Support – 1,250 days
- Transition Program – 125 students
- Anderson School – 100 students
- Instruction in the Home – 5 students
- Institutionalized Children's Program – 4 students
- Detention Program and Shelter – 414 students
- Corrections Education – 35 students
- Other services provided included Acoustic Measurement, Parents as Partners Meetings, Right to Education Local Task Force, Extended School Year Programs, and Equitable Participation Trainings.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

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

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

- **Office of PaTTAN**

The Pennsylvania Training and Technical Assistance Network (PaTTAN), Eastern Region 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 continues to hold and implement work of two highly competitive federal grants for a combined total of over 9 million dollars: The State Personnel Development Grant (The Path to Graduation- P2G) and the Pennsylvania Deaf-Blind (DB) Project are both designed to increase educational opportunities for students with Emotional Disturbance (P2G) and dual sensory loss (DB) who have complex instructional needs across the commonwealth. Feedback on our Annual Performance Report (APR) indicate that we continue to meet our stated goals across both grants.
- The PaTTAN Special Education Leadership initiative offers a year-long cohort opportunity for Special Education Leaders (Administrators, Directors, Coordinators, Supervisors, etc.) known as the Pennsylvania Fellowship Program (PFP). During the 2018-19 school year, 54 Special Education Leaders from across the state were accepted into this year long program, culminating at the July 2019 Special Education Leadership Academy.
- The PaTTAN East office leads the work of providing asynchronous online learning opportunities that allow paraprofessionals to gain knowledge related to the standards outlined in the Pennsylvania Credential of Competency Checklist that assist them in obtaining their required 20 hours of annual training, as required by Pennsylvania regulations. In the 2018-19 school year, there were a total of eight course hours available through the PaTTAN website resulting in over 40,000 certificates of completion being awarded.
- PaTTAN East continues to coordinate multiple statewide conferences as directed by the Bureau of Special Education and the PA Department of Education. During the 2018-19 school year, these conferences included the Pennsylvania Department of Education's annual conference (over 1300 attendees), the Special Education Leadership Academy (over 250 attendees), the Deaf-Blind Family Learning Conference (over 100 attendees, and the HELIX-High Expectations for Students with Low Incidence Disabilities Conference (over 300 attendees). These conferences provide much sought-after professional development and ability to earn professional credit hours, including Act 48, ASHA, ACVREP, OT, and PSYCH credit hours.
- In addition to the conferences listed above, PaTTAN East also coordinates two advisory panels for the Bureau of Special Education- ERCHL (Educational Resources for Children with Hearing Loss) and PACES-BVI (Pennsylvania Advisory Committee on Education of Students who are Blind or Visually Impaired). These advisory committees routinely meet quarterly for full-day in-person meetings in Harrisburg, throughout the year via online (Zoom) meetings, as well as a two-day meeting in the Spring.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

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 48% of its funding from State Sources and 32% of its funding from 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 influence 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 2020-2021 to 34.51%. Employer contributions for fiscal years 2021 to 2028 will range from 34.95% to 38.17%.

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:

Sandra Edling
Chief Financial Officer
Montgomery County Intermediate Unit
2 West Lafayette Street
Norristown, PA 19401
Call: 610-755-9410

MONTGOMERY COUNTY INTERMEDIATE UNIT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 50,537,146	\$ -	\$ 50,537,146
Investments	240,000	-	240,000
Internal balances	185,919	(185,919)	-
Due from other governments	22,064,619	179,459	22,244,078
Inventory	6,315	-	6,315
Prepaid expenses	9,693	-	9,693
Capital assets			
Land	590,000	-	590,000
Construction in progress	437,075	-	437,075
Buildings and building improvements net of accumulated depreciation	20,746,025	223,891	20,969,916
Furniture and equipment, net of accumulated depreciation	1,912,824	-	1,912,824
Vehicles, net of accumulated depreciation	208,300	-	208,300
TOTAL ASSETS	<u>96,937,916</u>	<u>217,431</u>	<u>97,155,347</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	64,937	-	64,937
Deferred outflows of resources for pension	14,946,325	-	14,946,325
Pension contributions made subsequent to the measurement date	12,416,689	-	12,416,689
Deferred outflows of resources for postemployment benefit obligations	838,484	-	838,484
Postemployment benefit obligation contributions made subsequent to the measurement date	316,130	-	316,130
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>28,582,565</u>	<u>-</u>	<u>28,582,565</u>
LIABILITIES			
Due to other governments	10,540,085	-	10,540,085
Accounts payable	4,134,258	9,057	4,143,315
Accrued salaries and benefits	7,298,642	-	7,298,642
Accrued interest	31,807	-	31,807
Unearned revenue	1,574,795	-	1,574,795
Noncurrent liabilities			
Due within one year	728,349	-	728,349
Due in more than one year	147,761,490	-	147,761,490
TOTAL LIABILITIES	<u>172,069,426</u>	<u>9,057</u>	<u>172,078,483</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	4,332,289	-	4,332,289
Deferred inflows of resources for postemployment benefit obligations	556,386	-	556,386
	<u>4,888,675</u>	<u>-</u>	<u>4,888,675</u>
NET POSITION			
Net investment in capital assets	11,662,750	223,891	11,886,641
Restricted	9,416,467	-	9,416,467
Unrestricted	(72,516,837)	(15,517)	(72,532,354)
TOTAL NET POSITION	<u>\$ (51,437,620)</u>	<u>\$ 208,374</u>	<u>\$ (51,229,246)</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction			
Special programs	\$ 24,654,798	\$ 10,722,300	\$ 18,716,994
Other instructional programs	3,243,848	879,826	2,106,138
Nonpublic school programs	5,319,393	88,859	5,424,505
Adult education programs	1,035,295	10,905	998,337
Pre-kindergarten programs	3,822,687	375,333	3,200,212
Support services			
Pupil personnel services	17,246,674	4,203,048	14,429,998
Instructional staff services	7,348,798	1,887,272	4,902,889
Administration services	9,266,226	457,971	7,768,233
Pupil health services	5,310,534	1,147,443	4,144,945
Business services	2,978,664	1,527,522	688,179
Operation and maintenance of plant services	2,974,211	671,485	2,950,432
Student transportation services	11,588,670	1,264,950	9,650,432
Central and other support services	4,644,720	3,351,745	466,690
Other support services	30,571,816	2,290,009	28,302,711
Community services	34,877	156	33,773
Debt service	325,712	499,950	499,578
TOTAL GOVERNMENTAL ACTIVITIES	130,366,923	29,378,774	104,284,046
BUSINESS-TYPE ACTIVITIES			
Food service	660,798	-	666,333
TOTAL INTERMEDIATE UNIT ACTIVITIES	\$ 131,027,721	\$ 29,378,774	\$ 104,950,379

GENERAL REVENUES

Investment earnings

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ 4,784,496	\$ -	\$ 4,784,496
(257,884)	-	(257,884)
193,971	-	193,971
(26,053)	-	(26,053)
(247,142)	-	(247,142)
1,386,372	-	1,386,372
(558,637)	-	(558,637)
(1,040,022)	-	(1,040,022)
(18,146)	-	(18,146)
(762,963)	-	(762,963)
647,706	-	647,706
(673,288)	-	(673,288)
(826,285)	-	(826,285)
20,904	-	20,904
(948)	-	(948)
<u>673,816</u>	<u>-</u>	<u>673,816</u>
3,295,897	-	3,295,897
<u>-</u>	<u>5,535</u>	<u>5,535</u>
3,295,897	5,535	3,301,432
<u>1,112,977</u>	<u>-</u>	<u>1,112,977</u>
4,408,874	5,535	4,414,409
<u>(55,846,494)</u>	<u>202,839</u>	<u>(55,643,655)</u>
<u>\$ (51,437,620)</u>	<u>\$ 208,374</u>	<u>\$ (51,229,246)</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

		<u>Special</u>	
		Special	Special
	<u>General Fund</u>	<u>Education</u>	<u>Education</u>
		Fund	Transportation
			Fund
ASSETS			
Cash and cash equivalents	\$ 34,054,922	\$ 3,472,850	\$ 300,341
Investments	240,000	-	-
Due from other funds	417,933	-	-
Due from other governments	14,828,120	5,768,685	-
Inventory	6,315	-	-
Prepaid expenditures	9,693	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 49,556,983</u>	<u>\$ 9,241,535</u>	<u>\$ 300,341</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Due to other governments	10,540,085	-	-
Accounts payable	1,993,657	293,904	593,222
Accrued salaries and benefits	7,298,642	-	-
Unearned revenues	1,539,925	34,870	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>21,372,309</u>	<u>328,774</u>	<u>593,222</u>
FUND BALANCES			
Nonspendable	16,008	-	-
Restricted	503,706	8,912,761	-
Committed	2,305,778	-	-
Assigned	20,174,021	-	-
Unassigned	5,185,161	-	(292,881)
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>28,184,674</u>	<u>8,912,761</u>	<u>(292,881)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,556,983</u>	<u>\$ 9,241,535</u>	<u>\$ 300,341</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>
\$ 261	\$ -	\$ 11,676,049	\$ 49,504,423
-	-	-	240,000
-	-	-	417,933
-	1,467,814	-	22,064,619
-	-	-	6,315
-	-	-	9,693
<u>261</u>	<u>1,467,814</u>	<u>11,676,049</u>	<u>72,242,983</u>
\$ -	\$ 232,014	\$ -	\$ 232,014
-	-	-	10,540,085
261	1,235,800	-	4,116,844
-	-	-	7,298,642
-	-	-	1,574,795
<u>261</u>	<u>1,467,814</u>	<u>-</u>	<u>23,762,380</u>
-	-	-	16,008
-	-	-	9,416,467
-	-	-	2,305,778
-	-	11,676,049	31,850,070
-	-	-	4,892,280
<u>-</u>	<u>-</u>	<u>11,676,049</u>	<u>48,480,603</u>
<u>\$ 261</u>	<u>\$ 1,467,814</u>	<u>\$ 11,676,049</u>	<u>\$ 72,242,983</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 48,480,603
<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	20,746,025
Furniture and equipment, net of accumulated depreciation	1,912,824
Vehicles, net of accumulated depreciation	208,300
<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>	
	1,015,309
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	23,030,725
<p>Deferred inflows and outflows of resources for post-employment benefit obligations are recorded and amortized in the statement of net position</p>	
	598,228
<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	(1,303,688)
Bonds payable	(8,210,478)
Deferral charge on bond refunding	64,937
Accrued interest	(31,807)
Net pension liability	(129,037,000)
Other post-employment benefit obligations	(5,852,740)
Lease purchase obligations	<u>(4,085,933)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (51,437,620)</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, 2019

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Special Education Transportation Fund</u>
REVENUES			
Local sources	\$ 12,386,298	\$ 17,193,788	\$ 25,148
State sources	25,723,482	5,044,575	9,638,973
Federal sources	43,171,409	-	-
TOTAL REVENUES	<u>81,281,189</u>	<u>22,238,363</u>	<u>9,664,121</u>
EXPENDITURES			
Instruction	14,087,241	10,466,892	-
Support services	66,204,048	5,898,463	9,380,089
Operation of non-instructional services	132,096	-	-
Building acquisition/construction	-	-	-
Debt service	570,151	333,675	-
TOTAL EXPENDITURES	<u>80,993,536</u>	<u>16,699,030</u>	<u>9,380,089</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>287,653</u>	<u>5,539,333</u>	<u>284,032</u>
OTHER FINANCING SOURCES (USES)			
Refunding bond issued	-	4,145,482	-
Payment to refunding bond escrow agent	-	(4,145,482)	-
Operating transfers in	5,475,966	-	-
Operating transfers out	(2,300,000)	(5,600,625)	(750,316)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,175,966</u>	<u>(5,600,625)</u>	<u>(750,316)</u>
NET CHANGE IN FUND BALANCES	3,463,619	(61,292)	(466,284)
FUND BALANCES AT BEGINNING OF YEAR	<u>24,721,055</u>	<u>8,974,053</u>	<u>173,403</u>
FUND BALANCES AT END OF YEAR	<u>\$ 28,184,674</u>	<u>\$ 8,912,761</u>	<u>\$ (292,881)</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>
\$ -	\$ 104,635	\$ 113,124	\$ 29,822,993
30,871	22,014,237	-	62,452,138
-	-	-	43,171,409
<u>30,871</u>	<u>22,118,872</u>	<u>113,124</u>	<u>135,446,540</u>
30,871	11,894,618	-	36,479,622
-	8,799,229	-	90,281,829
-	-	-	132,096
-	-	437,075	437,075
-	-	-	903,826
<u>30,871</u>	<u>20,693,847</u>	<u>437,075</u>	<u>128,234,448</u>
-	1,425,025	(323,951)	7,212,092
-	-	-	4,145,482
-	-	-	(4,145,482)
-	-	4,600,000	10,075,966
-	(1,425,025)	-	(10,075,966)
-	(1,425,025)	4,600,000	-
-	-	4,276,049	7,212,092
-	-	7,400,000	41,268,511
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,676,049</u>	<u>\$ 48,480,603</u>

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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 7,212,092

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 (\$1,172,548) exceeds capital outlays (\$1,141,950) in the current period. (30,598)

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. 577,517

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. 414,575

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. 597

The change in net position liability and other postemployment benefit obligations and related deferred outflows and inflows of resources are reflected as adjustment to expense on the statement of activities, but not included in the fund statements. (3,884,688)

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). 119,379

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,408,874

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2019

	Business-Type Activities <u>Food Service Fund</u>	Governmental Activities <u>Internal Service Fund</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 1,032,723
Due from other governments	179,459	-
TOTAL CURRENT ASSETS	<u>179,459</u>	<u>1,032,723</u>
CAPITAL ASSETS, net		
Building	<u>223,891</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 403,350</u>	<u>\$ 1,032,723</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 9,057	\$ 17,414
Due to other funds	185,919	-
TOTAL CURRENT LIABILITIES	<u>194,976</u>	<u>17,414</u>
NET POSITION		
Net investment in capital assets	223,891	-
Unrestricted	<u>(15,517)</u>	<u>1,015,309</u>
TOTAL NET POSITION	<u>208,374</u>	<u>1,015,309</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 403,350</u>	<u>\$ 1,032,723</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, 2019

	Business-Type Activities	Governmental Activities
	Food Service Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ -	\$ 8,262,205
OPERATING EXPENSES		
Salaries	49,307	-
Employee benefits	27,937	7,849,988
Purchased professional and technical services	229	-
Supplies	575,556	-
Depreciation	7,769	-
TOTAL OPERATING EXPENSES	<u>660,798</u>	<u>7,849,988</u>
OPERATING INCOME (LOSS)	<u>(660,798)</u>	<u>412,217</u>
NONOPERATING REVENUES		
State sources	9,575	-
Federal sources	656,758	-
Earnings on investments	-	2,358
TOTAL NONOPERATING REVENUE	<u>666,333</u>	<u>2,358</u>
CHANGE IN NET POSITION	5,535	414,575
NET POSITION AT BEGINNING OF YEAR	<u>202,839</u>	<u>600,734</u>
NET POSITION AT END OF YEAR	<u>\$ 208,374</u>	<u>\$ 1,015,309</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

	Business-Type Activities	Governmental Activities
	Food Service Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ -	\$ 8,262,205
Payments to suppliers	(553,223)	-
Payments to employees for services	(77,244)	-
Cash payments for insurance services	-	(7,854,384)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(630,467)</u>	<u>407,821</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	9,575	-
Federal sources	620,892	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>630,467</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	500,000
Earnings on investments	-	2,358
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>502,358</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	910,179
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>122,544</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 1,032,723</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (660,798)	\$ 412,217
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	7,769	-
Increase in due to other funds	30,943	-
Decrease in accounts payable	(8,381)	(4,396)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (630,467)</u>	<u>\$ 407,821</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Trust Funds</u>
ASSETS	
Cash	\$ 14,441
Investments	1,797,631
Due from other governments	<u>-</u>
TOTAL ASSETS	\$ <u><u>1,812,072</u></u>
NET POSITION	
Held in trust for other purposes	\$ <u><u>1,812,072</u></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, 2019

	<u>Trust Funds</u>
ADDITIONS	
Local sources	\$ 130,916
DEDUCTIONS	
Support services	<u>16,406</u>
CHANGE IN NET POSITION	114,510
NET POSITION AT BEGINNING OF YEAR	<u>1,697,562</u>
NET POSITION AT END OF YEAR	<u>\$ 1,812,072</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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 Funds - Trust Funds are used to account for assets held by the Intermediate Unit in a trustee capacity or as an agent for individuals.

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, 2019:

- 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, 2019

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, 2019

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, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2019, 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, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 five items that qualify for reporting in this category, which a deferred charge on bond are refunding, a deferred pension contribution, deferred outflows of resources for pension, a deferred OPEB contribution, and deferred outflows of resources for OPEB (reported in the government-wide statement of net position). A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the Intermediate Unit’s year end.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The contributions will be recognized as a reduction in net pension liability in the following year. Deferred outflows of resources for pension relates to the Intermediate Unit's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, variances in expected versus actual investment earnings, changes in the employer's proportion, and differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. A deferred OPEB contribution results from contributions made to the OPEB plan subsequent to the measurement date and prior to the Intermediate Unit's year end. The contributions will be recognized as a reduction in the OPEB liability in the following year. Deferred outflows of resources for OPEB relates to the Intermediate Unit's net OPEB liability and OPEB expense and arises from changes in assumptions, and variances in expected versus actual investment earnings.

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 has two types of items that qualify for reporting in this category. The first item, deferred inflows of resources for pension, relates to the District's net pension liability and pension expense and arises from actual versus expected results, and changes in the employer's proportion. The second item, deferred inflows of resources for OPEB, relates to the District's OPEB liability and OPEB expense and arises from changes in assumptions, changes in proportion, and differences between employer contributions and the proportionate share of total contributions reported by the OPEB plan.

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.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.
- **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.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$56 per day for accumulated unused sick leave days on retirement to a maximum of 225 days. The rate is \$60 per day for administrative and supervisory personnel to a maximum of 225 days, \$45 per day for support staff/classified personnel to a maximum of 200 days and \$45 per day for teachers' assistants and paraprofessionals to a maximum of 200 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.

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, 2019.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

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, 2019, \$444,909 of the Intermediate Unit's \$51,378,519 bank balance is uninsured and collateralized with securities held by the pledging bank's trust department not in the Intermediate Unit's name, \$276,694 was insured by the FDIC and \$50,656,916 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.

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, 2019, the Intermediate Unit had the following investments and maturities:

Investment Type	Amortized Cost	Fair Value	Maturities Less Than One Year
State investment pools	\$ 240,000	\$ -	\$ 240,000
Trusts	-	1,797,631	1,797,631
	\$ 240,000	\$ 1,797,631	\$ 2,037,631

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, 2019, is \$240,000. 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.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The Intermediate Unit had \$4,430,898 invested in a PLGIT I-Class account at June 30, 2019. 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, 2019 and all investments were considered to be Level 1.

NOTE C - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following:

	General Fund	Special Revenue Funds		Business-Type	Totals
		Special Education Fund	Early Intervention Fund	Activities Food Service Fund	
FEDERAL SOURCES					
Excess of program expenditures over amounts received	\$ 10,406,544	\$ -	\$ -	\$ 179,459	\$ 10,586,003
STATE SUBSIDIES					
Retirement	1,928,799	-	-	-	1,928,799
Professional development	317,168	-	-	-	317,168
Excess of program expenditures over amounts received	-	-	1,467,814	-	1,467,814
TOTAL STATE SUBSIDIES	2,245,967	-	1,467,814	-	3,713,781
LOCAL SOURCES					
Continuing professional education	425,983	-	-	-	425,983
Special Education	-	5,768,685	-	-	5,768,685
Detention center	801,627	-	-	-	801,627
Technology and information services	88,888	-	-	-	88,888
Other local revenues from districts	859,111	-	-	-	859,111
TOTAL LOCAL SOURCES	2,175,609	5,768,685	-	-	7,944,294
TOTAL INTERGOVERNMENTAL RECEIVABLES	\$ 14,828,120	\$ 5,768,685	\$ 1,467,814	\$ 179,459	\$ 22,244,078

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, 2019

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food service	\$ 185,919
General Fund	Early Intervention	<u>232,014</u>
		<u>\$ 417,933</u>

The Food Service Fund and Early Intervention 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	\$ 5,475,966	\$ (2,300,000)
Capital Projects Fund	4,600,000	-
Special Education Fund	-	(5,600,625)
Special Education Transportation Fund	-	(750,316)
Early Intervention Fund	-	<u>(1,425,025)</u>
	<u>\$ 10,075,966</u>	<u>\$ (10,075,966)</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, 2019

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 590,000	\$ -	\$ -	\$ 590,000
Construction in progress	-	437,075	-	437,075
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	590,000	437,075	-	1,027,075
Capital assets being depreciated				
Buildings and building improvements	29,285,962	-	-	29,285,962
Furniture and equipment	4,316,834	602,253	(5,183)	4,913,904
Vehicles	434,019	102,622	(55,374)	481,267
TOTAL CAPITAL ASSETS BEING DEPRECIATED	34,036,815	704,875	(60,557)	34,681,133
Accumulated depreciation				
Buildings and building improvements	(7,920,784)	(619,153)	-	(8,539,937)
Furniture and equipment	(2,508,552)	(497,711)	5,183	(3,001,080)
Vehicles	(272,657)	(55,684)	55,374	(272,967)
TOTAL ACCUMULATED DEPRECIATION	(10,701,993)	(1,172,548)	60,557	(11,813,984)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	23,334,822	(467,673)	-	22,867,149
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 23,924,822	\$ (30,598)	\$ -	\$ 23,894,224
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Buildings	\$ 310,579	\$ -	\$ -	\$ 310,579
Accumulated depreciation	(78,919)	(7,769)	-	(86,688)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 231,660	\$ (7,769)	\$ -	\$ 223,891

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE F - CAPITAL ASSETS

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
CAPITAL ASSETS			
Land	\$ 590,000	\$ -	\$ 590,000
Construction in progress	437,075	-	437,075
Buildings and building improvements	29,285,962	(8,539,937)	20,746,025
Furniture and equipment	4,913,904	(3,001,080)	1,912,824
Vehicles	481,267	(272,967)	208,300
	<u>\$ 35,708,208</u>	<u>\$ (11,813,984)</u>	<u>\$ 23,894,224</u>

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Special programs		\$ 220,152
Other instructional programs		234,136
Non-public school programs		86,786
SUPPORT SERVICES		
Pupil personnel services		170,228
Instructional staff services		29,669
Administration services		161,344
Pupil health services		1,831
Prekindergarten services		38,278
Business services		53,404
Operation and maintenance of plant services		104,667
Central and other support services		72,053
		<u>\$ 1,172,548</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. On March 15, 2019, the Montgomery County Intermediate Unit refinanced the 2013 lease for \$4,145,482 at a 3.17% interest rate. The lease is payable annually and is set to mature in January 2034.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

The annual capital lease payments are as follows:

Year Ending June 30,	Principal	Interest	Totals
2020	\$ 222,980	\$ 128,411	\$ 351,391
2021	230,602	120,788	351,390
2022	238,124	113,266	351,390
2023	225,259	126,131	351,390
2024	274,279	77,111	351,390
2025-2029	1,399,107	357,844	1,756,951
2030-2034	1,495,582	114,959	1,610,541
	<u>\$ 4,085,933</u>	<u>\$ 1,038,510</u>	<u>\$ 5,124,443</u>

Revenue Bonds, Series of 2017

On December 19, 2017, the Intermediate Unit issued Revenue Bonds, Series of 2017, in the aggregate principal amount of \$8,645,000. The bonds were issued for the purpose of currently refunding the Intermediate Unit's outstanding 2012 Bonds and payments 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 1.170 % to 3.250%. The refunding resulted in a cash flow savings (difference in debt service) of \$3,296,499.

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

Year Ending June 30,	Principal	Interest	Totals
2020	\$ 375,000	\$ 214,354	\$ 589,354
2021	385,000	206,754	591,754
2022	390,000	199,004	589,004
2023	400,000	191,104	591,104
2024	405,000	183,054	588,054
2025-2029	2,170,000	773,838	2,943,838
2030-2034	2,485,000	460,694	2,945,694
2035-2037	1,685,000	82,941	1,767,941
	<u>\$ 8,295,000</u>	<u>\$ 2,311,743</u>	<u>\$ 10,606,743</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

Changes in Long-Term Liabilities

Governmental long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
BONDS PAYABLE					
Revenue Bonds, Series of 2017	\$ 8,645,000	\$ -	\$ (350,000)	\$ 8,295,000	\$ 375,000
Discount	(89,218)	-	4,696	(84,522)	-
TOTAL BONDS PAYABLE	<u>8,555,782</u>	<u>-</u>	<u>(345,304)</u>	<u>8,210,478</u>	<u>375,000</u>
NET OPEB OBLIGATION	<u>5,564,707</u>	<u>527,000</u>	<u>(238,967)</u>	<u>5,852,740</u>	<u>-</u>
NET PENSION LIABILITY	<u>123,076,000</u>	<u>5,961,000</u>	<u>-</u>	<u>129,037,000</u>	<u>-</u>
CAPITAL LEASE	<u>4,321,754</u>	<u>4,145,482</u>	<u>(4,381,303)</u>	<u>4,085,933</u>	<u>222,980</u>
COMPENSATED ABSENCES					
Vacation leave	461,100	-	(58,412)	402,688	40,269
Sick leave	961,967	-	(60,967)	901,000	90,100
TOTAL COMPENSATED ABSENCES	<u>1,423,067</u>	<u>-</u>	<u>(119,379)</u>	<u>1,303,688</u>	<u>130,369</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 142,941,310</u>	<u>\$ 10,633,482</u>	<u>\$ (5,084,953)</u>	<u>\$ 148,489,839</u>	<u>\$ 728,349</u>

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

NOTE H - OPERATING LEASES

The Intermediate Unit leases building space under operating leases expiring no later than June 2026 at annual amounts ranging from \$4,460 to \$480,000.

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 no later than June 2020 at monthly costs ranging from \$80 to \$5,686.

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE H - OPERATING LEASES (Continued)

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>
2020	\$ 657,014	\$ 994	\$ 73,751	\$ 731,759
2021	414,187	-	-	414,187
2022	426,613	-	-	426,613
2023	439,411	-	-	439,411
2024	452,594	-	-	452,594
2025-2026	946,331	-	-	946,331
	<u>\$ 3,336,150</u>	<u>\$ 994</u>	<u>\$ 73,751</u>	<u>\$ 3,410,895</u>

Rent expense under operating leases for the year ended June 30, 2019, was \$704,409.

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.

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

The contribution policy is set by the State Statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

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, 2019

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, 2019, was 32.60% 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 \$12,416,689 for the year ended June 30, 2019.

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

At June 30, 2019, the Intermediate Unit reported a liability of \$129,037,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the Intermediate Unit's proportion was 0.2688%, which was an increase of 0.0196% from its proportion measured as of June 30, 2018.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE I - PENSION PLAN (Continued)

For the year ended June 30, 2019, the Intermediate Unit recognized pension expense of \$16,148,468. At June 30, 2019, 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	\$ 1,038,727	\$ 1,997,289
Changes in assumptions	2,404,271	-
Net difference between projected and actual investment earnings	632,423	-
Changes in proportions	10,749,000	2,335,000
Difference between employer contributions and proportionate share of total contributions	121,904	-
Contributions subsequent to the measurement date	<u>12,416,689</u>	<u>-</u>
	<u>\$ 27,363,014</u>	<u>\$ 4,332,289</u>

\$12,416,689 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, 2019. 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>	
2020	\$ 4,773,798
2021	4,729,476
2022	72,270
2023	<u>1,038,492</u>
	<u>\$ 10,614,036</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE I - PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2018, was determined by rolling forward the System’s total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018, using the following actuarial assumptions:

- Actuarial cost method - entry age normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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>
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<u>100.0%</u>	

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, 2018.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE I - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. 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 pension 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 pension 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 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Intermediate Unit's proportionate share of the net pension liability	\$ <u>159,951,000</u>	\$ <u>129,037,000</u>	\$ <u>102,899,000</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.

NOTE J - OTHER POSTEMPLOYMENT BENEFITS – PSERS

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE J - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

PSERS is a governmental cost-sharing multiple-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.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE J - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)

Contributions

The Intermediate Unit's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% 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 OPEB plan from the Intermediate Unit were \$316,130 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Intermediate Unit reported a liability of \$5,604,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The Intermediate Unit's proportion of the net OPEB 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, 2019, the Intermediate Unit's proportion was 0.2688% percent, which was a decrease of 0.0196% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Intermediate Unit recognized OPEB expense of \$8,632. At June 30, 2019, the Intermediate Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 34,604	\$ -
Changes in assumptions	88,603	212,374
Net difference between projected and actual investment earnings	9,457	-
Changes in proportions	349,200	8,800
Difference between employer contributions and proportionate share of total contributions	-	2,629
Contributions subsequent to the measurement date	<u>316,130</u>	<u>-</u>
	<u>\$ 797,994</u>	<u>\$ 223,803</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE J - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)

\$316,130 was reported as deferred outflows of resources related to OPEB resulting from Intermediate Unit contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 34,224
2021	36,624
2022	36,624
2023	35,177
2024	36,278
Thereafter	<u>79,134</u>
	<u>\$ 258,061</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate.
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE J - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.9%	0.3%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	<u>1.3%</u>	0.4%
	<u><u>100.0%</u></u>	

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, 2018.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE J - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ <u>5,603,000</u>	\$ <u>5,604,000</u>	\$ <u>5,605,000</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE J - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
Intermediate Unit's proportionate share of the net OPEB liability	\$ <u>6,374,000</u>	\$ <u>5,604,000</u>	\$ <u>4,966,000</u>

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System's website at www.psers.pa.gov.

NOTE K - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN

Plan Description

The Intermediate Unit provides healthcare benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The Board of Directors has the authority to establish and amend benefit provisions, and the plan is under the control of the Board Directors. The plan does not issue a stand-alone financial report and is not included in the report of any public employee retirement system or any other entity.

Plan Membership

At July 1, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	124
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>475</u>
	<u>599</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)

Funding Policy and Funding Status

The contribution requirements of plan members are established and may be amended by the Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of Directors. The costs of administering the plan are paid by the Intermediate Unit.

Additionally, in fiscal year 2011, the Intermediate Unit joined the Pennsylvania OPEB Trust, a statewide Trust established to fund other post-employment benefits offered by the Pennsylvania School Local Government Units to current and prospective retirees and dependents. The Intermediate Unit contributed \$1,038,396 to the Trust in the 2010-2011 fiscal year to offset future benefit costs.

Benefits Provided

The plan provides the following benefits:

- For the former director of special education, medical, prescription drug, dental and life insurance benefits are provided. The member pays full premium for medical, prescription drug and dental, and the spouse and family are included. The Intermediate Unit pays full premium for life insurance in the amount of \$50,000 for up to 10 years. Spouse and family is included.
- For the current executive director, medical, prescription drug, dental, vision and life insurance benefits are provided. Member receives fully-paid coverage for medical, prescription drug, dental and vision for member and spouse. Intermediate Unit also pays full premium for Life insurance on the member in the amount of \$50,000 for up to 10 years. Spouse and family included.
- For the current assistant chief executive director, chief financial officer, and director of human resources, medical, prescription drug, dental and life insurance benefits are provided. If a member has a least 30 years of PSERS service and at least 15 years of service with the Intermediate Unit, the Intermediate Unit pays 100% for single coverage premium at the time of retirement for the medical and prescription drug core plan and dental. Member must pay the remainder of the premium which includes any increases in the premium after retirement, plus any additional premium due to coverage in a plan other than the core plan and the coverage of spouse and/or dependents. The core plan is Personal Choice 20/30/70 for Medical and 20/40/60 for Prescription Drug. Upon reaching age 65, member can continue coverage for Dental provided that the member pays full premium. The Intermediate Unit pays full premium for life insurance in the amount of \$50,000 for up to 10 years after member's retirement. If the member does not meet the requirements for the Intermediate Unit subsidy, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA. Spouse and family is included. For the chief financial officer, dependents are eligible for COBRA continuation coverage only.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)

- For all other administrators, medical, prescription drug and dental benefits are provided. If a member has a least 30 years of PSERS service and at least 15 years of service with the Intermediate Unit, the Intermediate Unit pays 100% for single coverage premium at the time of retirement for the medical and prescription drug core plan and dental. Member must pay the remainder of the premium which includes any increases in the premium after retirement, plus any additional premium due to coverage in a plan other than the core plan and the coverage of spouse and/or dependents. The core plan is Personal Choice 20/30/70 for Medical and 20/40/60 for Prescription Drug. Upon reaching age 65, member can continue coverage for Dental provided that the member pays full premium. The Intermediate Unit pays full premium for life insurance in the amount of \$50,000 for up to 10 years after member's retirement. If the member does not meet the requirements for the Intermediate Unit subsidy, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA. Spouse and family is included.
- For all other employees not listed above, upon retirement with 30 years of PSERS service or upon superannuation retirement, retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Discount Rate – 4.23%, based on S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2019.

Salary - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies from 2.75% to 0%.

Health Care Cost Trend Rate – 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)

Withdrawal - Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

Mortality - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Disability - No disability was assumed.

Retirement - Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Percent of Eligible Retirees Electing Coverage in Plan – 100% of Administrators that are eligible for a subsidy from the Intermediate Unit, 55% of Teachers and Administrators who are only eligible for the Act 110/43 benefit, and 30% of Support Staff and Part-Time Benefits Employees are assumed to elect coverage.

Percent Married at Retirement - 25% of employees are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age - Wives are assumed to be two years younger than their husbands.

Retiree Contributions - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Actuarial Value of Assets - Equal to the Market Value of Assets.

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)

Changes in Assumptions - In the 2018 actuarial valuation, the discount rate changed from 4.76% to 4.23%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes in the Total OPEB Liability

	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a)-(b)</u>
Balances at June 30, 2018	\$ 2,172,471	\$ 1,684,764	\$ 487,707
Changes for the year			
Service cost	169,243	-	169,243
Interest cost	108,606	-	108,606
Changes of benefit terms	53,303	-	-
Changes for experience	(150,331)	-	(150,331)
Changes in assumptions	(196,033)	-	(196,033)
Contributions - Employer	-	110,888	(110,888)
Net investment income	-	127,876	(127,876)
Administrative expenses	-	(15,009)	15,009
Benefit payments	(110,888)	(110,888)	-
Net changes	<u>(126,100)</u>	<u>112,867</u>	<u>(238,967)</u>
Balances at June 30, 2019	<u>\$ 2,046,371</u>	<u>\$ 1,797,631</u>	<u>\$ 248,740</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Intermediate Unit, as well as what the Intermediate Unit's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.23 percent) or 1-percentage-point higher (5.23 percent) than the current discount rate:

	1% Decrease <u>(3.23%)</u>	Current Discount Rate <u>(4.23%)</u>	1% Increase <u>(5.23%)</u>
Net OPEB liability	<u>\$ 383,368</u>	<u>\$ 248,740</u>	<u>\$ 122,476</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE K - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Intermediate Unit, as well as what the Intermediate Unit's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ <u>44,218</u>	\$ <u>248,740</u>	\$ <u>489,908</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the Intermediate Unit recognized OPEB expense of \$144,277. At June 30, 2019, 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>
Changes in assumptions	\$ 329,345	\$ 179,697
Difference between expected and actual experience	-	137,803
Net difference between projected and actual investments earnings	<u>27,275</u>	<u>15,083</u>
	<u>\$ 356,620</u>	<u>\$ 332,583</u>

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>	
2020	\$ 18,026
2021	18,026
2022	16,822
2023	8,534
2024	12,304
Thereafter	<u>(49,675)</u>
	<u>\$ 24,037</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE L - 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.

NOTE M - 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 2017-2018 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, 2019, there was no unfunded liability.

NOTE N - 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, 2019

NOTE O - FUND BALANCES

The detail breakdown of fund balances as of June 30, 2019, is as follows:

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Special Education Transportation Fund</u>
FUND BALANCES (DEFICIT)			
Nonspendable			
Inventory	\$ 6,315	\$ -	\$ -
Prepaid expenses	9,693	-	-
Restricted			
Non-public instructional programs	500,148	-	-
Special education	-	8,912,761	-
Statewide system of support	3,558	-	-
Committed			
Self-insured unemployment compensation	1,975,327	-	-
Self-insured dental	330,451	-	-
Assigned			
Projects administration	11,293,121	-	-
Non-pub fee based	268,610	-	-
Pattan conferences	480,053	-	-
Facilities	4,030,078	-	-
IDEA - EIPA	104,489	-	-
Access - school age	3,997,670	-	-
Capital improvements and repairs	-	-	-
Unassigned	<u>5,185,161</u>	<u>-</u>	<u>(292,881)</u>
TOTAL FUND BALANCES (DEFICIT)	<u>\$ 28,184,674</u>	<u>\$ 8,912,761</u>	<u>\$ (292,881)</u>

Revenue Funds

<u>Institutionalized Children Fund</u>	<u>Early Intervention Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 6,315
-	-	-	9,693
-	-	-	500,148
-	-	-	8,912,761
-	-	-	3,558
-	-	-	1,975,327
-	-	-	330,451
-	-	-	11,293,121
-	-	-	268,610
-	-	-	480,053
-	-	-	4,030,078
-	-	-	104,489
-	-	-	3,997,670
-	-	11,676,049	11,676,049
-	-	-	4,892,280
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,676,049</u>	<u>\$ 48,480,603</u>

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY INTERMEDIATE UNIT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 8,841,669	\$ 8,841,669	\$ 12,386,298	\$ 3,544,629
State sources	32,742,643	32,742,643	25,723,482	(7,019,161)
Federal sources	33,250,616	33,250,616	43,171,409	9,920,793
TOTAL REVENUES	<u>74,834,928</u>	<u>74,834,928</u>	<u>81,281,189</u>	<u>6,446,261</u>
EXPENDITURES				
Instruction				
Special programs	2,429,667	2,429,667	1,809,362	620,305
Other instructional programs	2,020,152	2,020,152	2,635,819	(615,667)
Nonpublic school programs	4,956,640	4,956,640	5,099,563	(142,923)
Adult programs	1,280,201	1,280,201	996,753	283,448
Pre-kindergarten programs	3,499,673	3,499,673	3,545,744	(46,071)
Support services				
Pupil personnel services	7,754,384	7,754,384	7,812,195	(57,811)
Instructional staff services	6,794,935	6,794,935	6,572,829	222,106
Administration services	5,945,954	5,945,954	8,582,763	(2,636,809)
Pupil health services	119,791	119,791	143,586	(23,795)
Business services	2,679,910	2,679,910	2,826,002	(146,092)
Operation and maintenance of plant services	2,744,868	2,744,868	3,378,309	(633,441)
Student transportation services	1,265,950	1,265,950	2,118,807	(852,857)
Central and other support services	4,827,750	4,827,750	4,189,219	638,531
Other support services	32,530,628	32,530,628	30,580,338	1,950,290
Community service	50,044	50,044	132,096	(82,052)
Debt service	570,152	570,152	570,151	1
TOTAL EXPENDITURES	<u>79,470,699</u>	<u>79,470,699</u>	<u>80,993,536</u>	<u>(1,522,837)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,635,771)	(4,635,771)	287,653	4,923,424
OTHER FINANCING SOURCES				
Operating transfers in	<u>4,635,771</u>	<u>4,635,771</u>	<u>3,175,966</u>	<u>(1,459,805)</u>
NET CHANGE IN FUND BALANCE	-	-	3,463,619	<u>\$ 3,463,619</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>24,721,055</u>	<u>24,721,055</u>	<u>24,721,055</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 24,721,055</u>	<u>\$ 24,721,055</u>	<u>\$ 28,184,674</u>	

See accompanying notes to the budgetary comparison schedules.

MONTGOMERY COUNTY INTERMEDIATE UNIT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 15,051,617	\$ 15,051,617	\$ 17,193,788	\$ 2,142,171
State sources	4,894,938	4,894,938	5,044,575	149,637
TOTAL REVENUES	<u>19,946,555</u>	<u>19,946,555</u>	<u>22,238,363</u>	<u>2,291,808</u>
EXPENDITURES				
Instruction				
Special programs	10,661,359	10,661,359	10,157,394	503,965
Other instructional programs	326,150	326,150	309,498	16,652
Support services				
Pupil personnel services	4,853,757	4,853,757	3,963,127	890,630
Instructional staff services	116,810	116,810	323,949	(207,139)
Administration services	310,595	310,595	262,601	47,994
Pupil health services	1,062,275	1,062,275	1,057,284	4,991
Business services	5,450	5,450	7,869	(2,419)
Operation and maintenance of plant services	201,564	201,564	157,367	44,197
Central and other support services	110,827	110,827	126,266	(15,439)
Debt service	321,900	321,900	333,675	(11,775)
TOTAL EXPENDITURES	<u>17,970,687</u>	<u>17,970,687</u>	<u>16,699,030</u>	<u>1,271,657</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,975,868	1,975,868	5,539,333	3,563,465
OTHER FINANCING USES				
Operating transfers out	<u>(1,975,868)</u>	<u>(1,975,868)</u>	<u>(5,600,625)</u>	<u>(3,624,757)</u>
NET CHANGE IN FUND BALANCE	-	-	(61,292)	\$ <u>(61,292)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>8,974,053</u>	<u>8,974,053</u>	<u>8,974,053</u>	
FUND BALANCE AT END OF YEAR	\$ <u>8,974,053</u>	\$ <u>8,974,053</u>	\$ <u>8,912,761</u>	

See accompanying notes to the budgetary comparison schedules.

MONTGOMERY COUNTY INTERMEDIATE UNIT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 20,000	\$ 20,000	\$ 25,148	\$ 5,148
State sources	10,779,750	10,779,750	9,638,973	(1,140,777)
TOTAL REVENUES	<u>10,799,750</u>	<u>10,799,750</u>	<u>9,664,121</u>	<u>(1,135,629)</u>
EXPENDITURES				
Support services				
Administration services	2,000	2,000	-	2,000
Business services	15,980	15,980	17,406	(1,426)
Student transportation services	9,981,790	9,981,790	9,362,608	619,182
Central and other support services	-	-	75	(75)
TOTAL EXPENDITURES	<u>9,999,770</u>	<u>9,999,770</u>	<u>9,380,089</u>	<u>619,681</u>
EXCESS OF REVENUES OVER EXPENDITURES	799,980	799,980	284,032	(515,948)
OTHER FINANCING USES				
Operating transfers out	<u>(799,980)</u>	<u>(799,980)</u>	<u>(750,316)</u>	<u>49,664</u>
NET CHANGE IN FUND BALANCE	-	-	(466,284)	\$ <u><u>(466,284)</u></u>
FUND BALANCE AT BEGINNING OF YEAR	<u>173,403</u>	<u>173,403</u>	<u>173,403</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 173,403</u>	<u>\$ 173,403</u>	<u>\$ (292,881)</u>	

See accompanying notes to the budgetary comparison schedules.

MONTGOMERY COUNTY INTERMEDIATE UNIT
BUDGETARY COMPARISON SCHEDULE
INSTITUTIONALIZED CHILDREN FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State sources	\$ 31,405	\$ 31,405	\$ 30,871	\$ (534)
EXPENDITURES				
Instruction				
Special programs	31,405	31,405	30,871	534
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
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, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 145,000	\$ 145,000	\$ 104,635	\$ (40,365)
State sources	<u>22,553,608</u>	<u>22,553,608</u>	<u>22,014,237</u>	<u>(539,371)</u>
TOTAL REVENUES	<u>22,698,608</u>	<u>22,698,608</u>	<u>22,118,872</u>	<u>(579,736)</u>
EXPENDITURES				
Instruction				
Special programs	12,157,569	12,157,569	11,894,618	262,951
Support services				
Pupil personnel services	4,421,516	4,421,516	4,652,981	(231,465)
Instructional staff services	-	-	39,469	(39,469)
Administration services	505,503	505,503	112,055	393,448
Pupil health services	3,819,182	3,819,182	3,779,586	39,596
Business services	20,000	20,000	9,742	10,258
Operation and maintenance of plant services	203,400	203,400	79,277	124,123
Central and other support services	<u>150,780</u>	<u>150,780</u>	<u>126,119</u>	<u>24,661</u>
TOTAL EXPENDITURES	<u>21,277,950</u>	<u>21,277,950</u>	<u>20,693,847</u>	<u>584,103</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,420,658	1,420,658	1,425,025	4,367
OTHER FINANCING USES				
Operating transfers out	<u>(1,314,859)</u>	<u>(1,314,859)</u>	<u>(1,425,025)</u>	<u>(110,166)</u>
NET CHANGE IN FUND BALANCE	105,799	105,799	-	\$ <u>(105,799)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	
FUND BALANCE AT END OF YEAR	\$ <u>105,799</u>	\$ <u>105,799</u>	\$ <u>-</u>	

See accompanying notes to the budgetary comparison schedules.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2019

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, 2019

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded appropriations in the following General Fund, Special Education Fund, Special Education Transportation Fund, and Early Intervention Fund department levels (the legal level of budgetary control):

GENERAL FUND

Other instructional programs	\$ (615,667)
Nonpublic school programs	(142,923)
Pre-kindergarten programs	(46,071)
Pupil personnel services	(57,811)
Administration services	(2,636,809)
Pupil health services	(23,795)
Business services	(146,092)
Operation and maintenance of plant services	(633,441)
Student transportation services	(852,857)
Community service	(82,052)

SPECIAL EDUCATION FUND

Instructional staff services	\$ 207,139
Business services	2,419
Central and other support services	15,439
Debt service	11,775

SPECIAL EDUCATION TRANSPORTATION FUND

Business services	\$ (1,426)
Central and other support services	(75)

EARLY INTERVENTION FUND

Pupil personnel services	\$ (231,465)
Instructional staff services	(39,469)

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Intermediate Unit's proportion of the net pension liability (asset)	<u>0.2688%</u>	<u>0.2492%</u>	<u>0.2498%</u>	<u>0.2286%</u>	<u>0.2542%</u>
Intermediate Unit's proportionate share of the net pension liability (asset)	<u>\$ 129,037,000</u>	<u>\$ 123,076,000</u>	<u>\$ 123,793,000</u>	<u>\$ 99,018,000</u>	<u>\$ 100,615,000</u>
Intermediate Unit's covered payroll	<u>\$ 36,201,461</u>	<u>\$ 33,177,621</u>	<u>\$ 32,353,899</u>	<u>\$ 29,410,257</u>	<u>\$ 32,432,489</u>
Intermediate Unit's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>356.44%</u>	<u>370.96%</u>	<u>382.62%</u>	<u>336.68%</u>	<u>310.23%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>54.36%</u>	<u>57.24%</u>

NOTES TO SCHEDULE

The Intermediate Unit's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2018, 2017, 2016, 2015, and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF THE INTERMEDIATE UNIT'S PSERS PENSION CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 12,416,689	\$ 11,472,582	\$ 9,615,836	\$ 8,013,376	\$ 5,979,417
Contributions in relation to the contractually required contribution	<u>12,416,689</u>	<u>11,472,582</u>	<u>9,615,836</u>	<u>8,013,376</u>	<u>5,979,417</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>				
Intermediate Unit's covered payroll	\$ <u>39,120,003</u>	\$ <u>36,201,461</u>	\$ <u>33,177,621</u>	\$ <u>32,353,899</u>	\$ <u>29,410,257</u>
Contributions as a percentage of covered-employee payroll	<u>31.74%</u>	<u>31.69%</u>	<u>28.98%</u>	<u>24.77%</u>	<u>20.33%</u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

MONTGOMERY COUNTY INTERMEDIATE UNIT

SCHEDULE OF THE INTERMEDIATE UNIT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Intermediate Unit's proportion of the net OPEB liability (asset)	<u>0.2688%</u>	<u>0.2492%</u>	<u>0.2498%</u>
Intermediate Unit's proportionate share of the net OPEB liability (asset)	<u>\$ 5,604,000</u>	<u>\$ 5,077,000</u>	<u>\$ 5,381,000</u>
Intermediate Unit's covered payroll	<u>\$ 36,201,461</u>	<u>\$ 33,177,621</u>	<u>\$ 32,353,899</u>
Intermediate Unit's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	<u>15.48%</u>	<u>15.30%</u>	<u>16.63%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>5.56%</u>	<u>5.73%</u>	<u>5.47%</u>

NOTES TO SCHEDULE

The Intermediate Unit's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2018, 2017 and 2016).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF THE INTERMEDIATE UNIT'S PSERS OTHER
POSTEMPLOYMENT BENEFIT PLAN CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 316,130	\$ 300,008	\$ 273,327
Contributions in relation to the contractually required contribution	<u>316,130</u>	<u>300,008</u>	<u>273,327</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Intermediate Unit's covered payroll	<u>\$ 38,087,952</u>	<u>\$ 36,201,461</u>	<u>\$ 33,177,621</u>
Contributions as a percentage of covered-employee payroll	<u>0.83%</u>	<u>0.83%</u>	<u>0.82%</u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 169,243	\$ 113,173	\$ 108,873
Interest	108,606	110,861	105,094
Changes of benefit terms	53,303	-	-
Changes for experience	(150,331)	-	-
Changes of assumptions	(196,033)	411,681	-
Benefit payments	<u>(110,888)</u>	<u>(121,386)</u>	<u>(139,158)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(126,100)	514,329	74,809
Total OPEB liability, beginning	<u>2,172,471</u>	<u>1,658,142</u>	<u>1,583,333</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 2,046,371</u>	<u>\$ 2,172,471</u>	<u>\$ 1,658,142</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 110,888	\$ 121,386	\$ 139,158
Net investment income	127,876	64,355	94,582
Benefit payments	(110,888)	(121,386)	(139,158)
Administrative expense	<u>(15,009)</u>	<u>(14,826)</u>	<u>(13,829)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	112,867	49,529	80,753
Plan fiduciary net position, beginning	<u>1,684,764</u>	<u>1,635,235</u>	<u>1,554,482</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 1,797,631</u>	<u>\$ 1,684,764</u>	<u>\$ 1,635,235</u>
NET OPEB LIABILITY, ENDING (a)-(b)	<u>\$ 248,740</u>	<u>\$ 487,707</u>	<u>\$ 22,907</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>87.84%</u>	<u>77.55%</u>	<u>98.62%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 36,207,725</u>	<u>\$ 31,257,637</u>	<u>\$ 31,257,637</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>0.69%</u>	<u>1.56%</u>	<u>0.07%</u>

NOTE TO SCHEDULE

Change in assumptions: In the July 1, 2018 actuarial valuation, the discount rate changed from 4.76% to 4.23%. In the July 1, 2017 actuarial valuation, the discount rate changed from 6.5% to 4.76%. The trend assumptions were updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Change in benefit terms: The Intermediate Unit carved out the benefits and increased coverage offered to the chief financial officer and the executive director.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT
PLAN CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 110,888	\$ 121,386	\$ 139,158
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>110,888</u>	<u>121,386</u>	<u>139,158</u>
CONTRIBUTION EXCESS	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>36,207,725</u>	\$ <u>31,257,637</u>	\$ <u>31,257,637</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>0.31%</u>	<u>0.39%</u>	<u>0.45%</u>

NOTES TO SCHEDULE

The Intermediate Unit's covered employee payroll noted above is as of the measurement date of the net OPEB liability (July 1, 2018, 2017, 2016).

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	3.75% to 6.25% annual increase
Investment rate of return	4.23%
Retirement age	Normal retirement age based on PSERS plan experience
Mortality	Rates assumed in the PSERS defined benefit pension plan actuarial valuation

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT PLAN
INVESTMENT RETURNS
LAST TWO FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>6.53%</u>	<u>3.03%</u>	<u>5.19%</u>

NOTE TO SCHEDULES

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

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, 2019, 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 January 31, 2020.

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

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.

A handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
January 31, 2020

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2019.

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 to determine the 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

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.

Maullis LLP

Oaks, Pennsylvania
January 31, 2020

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

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Direct Federal Assistance				
The Pennsylvania Deaf-Blind Project (Year 5)	D	84.326T	H326T130083	October 1, 2013 to September 30, 2018
The Pennsylvania Deaf-Blind Project 2.0	D	84.326T	H326T180047	October 15, 2018 to October 14, 2023
TOTAL THE PENNSYLVANIA DEAF-BLIND PROJECT				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	013-180623	July 2, 2017 to September 30, 2018
Title I Improving Basic Programs	I	84.010	013-190623	July 2, 2018 to September 30, 2019
Title I Delinquent	I	84.010	107-170623	July 2, 2016 to September 30, 2017
Title I Delinquent	I	84.010	107-180623	July 7, 2017 to September 30, 2018
Title I Delinquent	I	84.010	107-190623	July 25, 2018 to September 30, 2019
Data Governance	I	84.010	147-190023	July 1, 2018 to June 30, 2019
Supports for Effective Standards Based Instruction	I	84.010	149-180026	July 1, 2017 to June 30, 2018
Supports for Effective Standards Based Instruction	I	84.010	149-190023	July 1, 2018 to June 30, 2019
Supports for Effective Standards Based Instruction	I	84.367	149-190023	July 1, 2018 to June 30, 2019
Additional Targeted School Improv-A-TSI	I	84.010	155-190023	July 1, 2018 to June 30, 2019
TOTAL TITLE I				
IDEA-B	I	84.027	062-170035	July 1, 2016 to September 30, 2017
IDEA-B	I	84.027	062-180035	July 1, 2017 to September 30, 2018
IDEA-B	I	84.027	062-190035	July 1, 2018 to September 30, 2019
IDEA-B	I	84.027	062-170023	July 1, 2016 to September 30, 2018
IDEA-B	I	84.027	062-180023	July 1, 2017 to September 30, 2018
IDEA-B	I	84.027	062-190023	July 1, 2018 to September 30, 2019
IDEA Preschool	I	84.173	131-180023	July 1, 2018 to June 30, 2019
IDEA Preschool	I	84.173	131-180023	July 1, 2018 to June 30, 2019
TOTAL IDEA CLUSTER FORWARD				
SUBTOTAL FORWARD				

Program or Award Amount	Total Received	Accrued or (Deferred) Revenue at June 30, 2018	Revenue Recognized	Expenditures	Passed Through to Sub-Recipients	Accrued or (Deferred) Revenue at June 30, 2019
\$ 371,952	\$ 347,663	\$ 100,703	\$ 259,234	\$ 259,234	\$ -	\$ 12,274
350,902	55,885	-	177,838	177,838	-	121,953
	403,548	100,703	437,072	437,072	-	134,227
183,046	85,421	27,093	58,328	58,328	-	-
172,893	103,736	-	126,657	126,657	-	22,921
395,133	-	(5,853)	5,853	5,853	-	-
341,000	136,400	126,958	9,442	9,442	-	-
350,724	257,198	-	350,724	350,724	-	93,526
9,600	4,000	-	9,600	9,600	-	5,600
80,759	26,919	26,919	-	-	-	-
8,400	2,800	-	8,400	8,400	-	5,600
5,600	1,867	-	5,600	5,600	-	3,733
14,000	4,667	-	14,000	14,000	-	9,333
	623,008	175,117	588,604	588,604	-	140,713
10,348,257	-	(164,471)	164,471	164,471	-	-
10,466,255	2,127,842	(3,885,924)	5,762,430	5,762,430	54,654	(251,336)
7,092,047	3,119,496	-	2,249,938	2,249,938	501,141	(869,558)
23,233,829	-	-	-	-	-	-
23,128,692	1,541,912	1,227,825	313,987	313,987	-	(100)
23,582,300	14,149,380	-	23,274,147	23,274,147	21,332,261	9,124,767
1,929,973	1,572,337	-	1,929,973	1,929,973	-	357,636
415,336	603,947	-	415,336	415,336	74,052	(188,611)
	23,114,914	(2,822,570)	34,110,282	34,110,282	21,962,108	8,172,798
\$ 24,141,470	\$ (2,546,750)	\$ 35,135,958	\$ 35,135,958	\$ 21,962,108	\$ 8,447,738	

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
U.S. DEPARTMENT OF EDUCATION				
SUBTOTAL FORWARDED				
Passed through the Pennsylvania Department of Education				
Title III Inst LEP/Immigrant Students	I	84.365	010-160623	July 17, 2015 to September 30, 2017
Title III Inst LEP/Immigrant Students	I	84.365	010-170623	July 2, 2016 to September 30, 2018
Title III Inst LEP/Immigrant Students	I	84.365	010-180623	July 7, 2017 to September 30, 2019
Title III Inst LEP/Immigrant Students	I	84.365	010-190623	July 25, 2018 to September 30, 2019
TOTAL TITLE III				
Title II Improving Teacher Quality	I	84.367	020-170623	July 2, 2016 to September 30, 2017
TOTAL TITLE II				
Safe Schools Support	I	84.424	150-190023	July 1, 2018 to June 30, 2019
School Climate Regional Coordinators	I	84.424	151-190023	July 1, 2018 to June 30, 2019
TOTAL STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM				
TOTAL U.S. DEPARTMENT OF EDUCATION FORWARD				

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Passed Through to Sub-Recipients</u>	<u>Accrued or (Deferred) Revenue at June 30, 2019</u>
	\$ 24,141,470	\$ (2,546,750)	\$ 35,135,958	\$ 35,135,958	\$ 21,962,108	\$ 8,447,738
218,955	-	- *	-	-	-	-
273,898	-	(19,437)	19,437	19,437	-	-
251,391	100,556	31,961	53,361	53,361	-	(15,234)
200,110	<u>146,747</u>	<u>-</u>	<u>163,007</u>	<u>163,007</u>	<u>-</u>	<u>16,260</u>
	<u>247,303</u>	<u>12,524</u>	<u>235,805</u>	<u>235,805</u>	<u>-</u>	<u>1,026</u>
134,492	<u>-</u>	<u>- *</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
13,276	5,532	-	13,276	13,276	-	7,744
7,500	<u>3,125</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>4,375</u>
	<u>8,657</u>	<u>-</u>	<u>20,776</u>	<u>20,776</u>	<u>-</u>	<u>12,119</u>
	\$ <u>24,397,430</u>	\$ <u>(2,534,226)</u>	\$ <u>35,392,539</u>	\$ <u>35,392,539</u>	\$ <u>21,962,108</u>	\$ <u>8,460,883</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
U.S. DEPARTMENT OF EDUCATION				
SUBTOTAL FORWARDED				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance - Access	I	93.778	4100009941	July 1, 2018 to June 30, 2019
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION FOR CHILDREN AND FAMILIES				
Head Start	D	93.600		June 1, 2017 to May 31, 2018
Head Start	D	93.600		June 1, 2018 to May 31, 2019
Head Start	D	93.600		June 1, 2019 to May 31, 2020
TOTAL HEAD START				
U.S. DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SCIENCE				
Passed through the Pennsylvania Department of Education				
Child and Adult Care Food Program	I	10.558		
Summer Food Program	I	10.559		
Lunch	I	10.555		
Breakfast	I	10.553		
TOTAL CHILD NUTRITION CLUSTER				
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

TOTAL PROGRAMS TESTED

*Adjustment to Beginning Balance- see Note D of the Notes to the Schedule of Expenditures of Federal Awards

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 June 30, 2018</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Passed Through to Sub-Recipients</u>	<u>Accrued or (Deferred) Revenue at June 30, 2019</u>
	\$ 24,397,430	\$ (2,534,226)	\$ 35,392,539	\$ 35,392,539	\$ 21,962,108	\$ 8,460,883
\$ -	76,677	2,042	181,408	181,408	-	106,773
3,913,862	410,964	248,315	162,650	162,650	-	-
3,757,961	3,455,616	187,168	3,579,821	3,579,821	-	311,373
3,823,651	-	-	202,677	202,677	-	202,677
	<u>3,866,580</u>	<u>435,483</u>	<u>3,945,148</u>	<u>3,945,148</u>	<u>-</u>	<u>514,050</u>
-	571,959	141,236	609,350	609,350	-	178,627
-	30,794	-	30,794	30,794	-	-
-	15,892	1,754	14,719	14,719	-	581
-	6,288	604	5,935	5,935	-	251
	<u>52,974</u>	<u>2,358</u>	<u>51,448</u>	<u>51,448</u>	<u>-</u>	<u>832</u>
	<u>624,933</u>	<u>143,594</u>	<u>660,798</u>	<u>660,798</u>	<u>-</u>	<u>179,459</u>
	<u>\$ 28,965,620</u>	<u>\$ (1,953,107)</u>	<u>\$ 40,179,893</u>	<u>\$ 40,179,893</u>	<u>\$ 21,962,108</u>	<u>\$ 9,261,165</u>
<u>CFDA #</u>						
84.027	\$ 31,764,973	Total programs tested		\$ 34,110,282	=	84.89%
84.173	<u>2,345,309</u>	Total federal expenditures		\$ 40,179,893		
	<u>\$ 34,110,282</u>					

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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.

NOTE D - ADJUSTMENTS TO BEGINNING BALANCES

As a result of the information obtained during the year, adjustments to accrued (deferred) revenue at July 1, 2018 were necessary for the programs listed below. A schedule of adjustments is as follows:

Grant Program / Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2018	Adjustment	Accrued (Deferred) Revenue at July 1, 2018
IDEA-B	84.027	\$ (367,920)	\$ 367,920	\$ -
Title III Inst LEP/ Immigrant Students	84.365	2,120	(2,120)	-
Title II Improving Teacher Quality	84.367	643	(643)	-
		<u>\$ (365,157)</u>	<u>\$ 365,157</u>	<u>\$ -</u>

Reconciliation to the schedule of expenditures of federal awards totals:

TOTAL ACCRUED (DEFERRED) REVENUE		
June 30, 2018		\$ (2,318,264)
July 1, 2018		<u>(1,953,107)</u>
TOTAL ADJUSTMENT TO ACCRUED (DEFERRED) REVENUE AT BEGINNING OF YEAR		<u>\$ 365,157</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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

7. The threshold for distinguishing Types A and B programs was \$1,205,397.
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.