

MONTGOMERY COUNTY INTERMEDIATE UNIT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2020

INTRODUCTORY SECTION

MONTGOMERY COUNTY INTERMEDIATE UNIT

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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, 2020, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Montgomery County Intermediate Unit as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note P, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on Montgomery County Intermediate Unit's operational and financial performance. At this point, Montgomery County Intermediate Unit cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 22, budgetary comparison information on pages 72 through 78, schedule of the intermediate unit's proportionate share of the PSERS net pension liability on page 79, schedules of intermediate unit's PSERS pension contributions on page 80, schedule of the intermediate unit's proportionate share of the PSERS net other postemployment benefit plan liability on page 81, schedule of the intermediate unit's PSERS other postemployment benefit plan contributions on page 82, schedule of changes in the net other postemployment benefit plan liability and related ratios on page 83, schedule of other postemployment benefit plan contributions on page 84 and schedule of other postemployment benefit plan investment returns on page 85 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.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 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.



Limerick, Pennsylvania
December 29, 2020

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

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, 2020. 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 \$140 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.

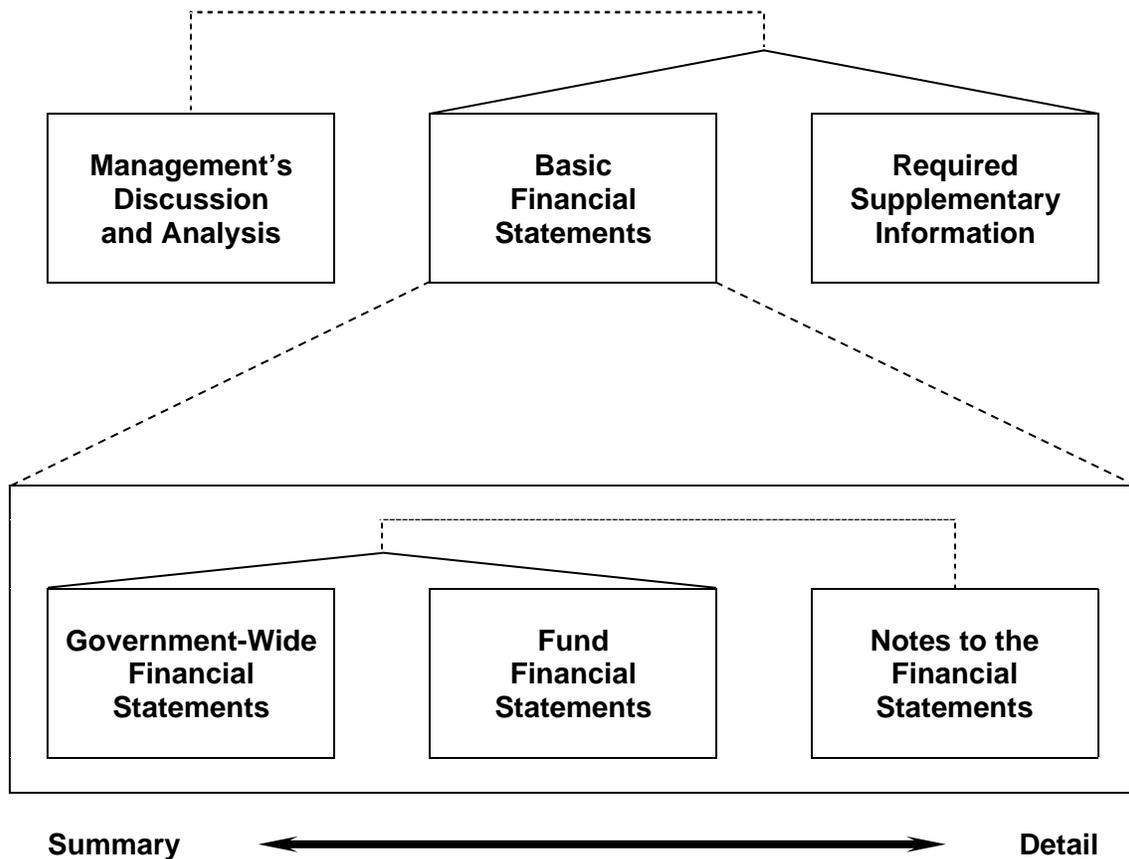
The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two types of statements that provide different perspectives of the Intermediate Unit's operations.

- 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, 2020

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, 2020

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, 2020

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.

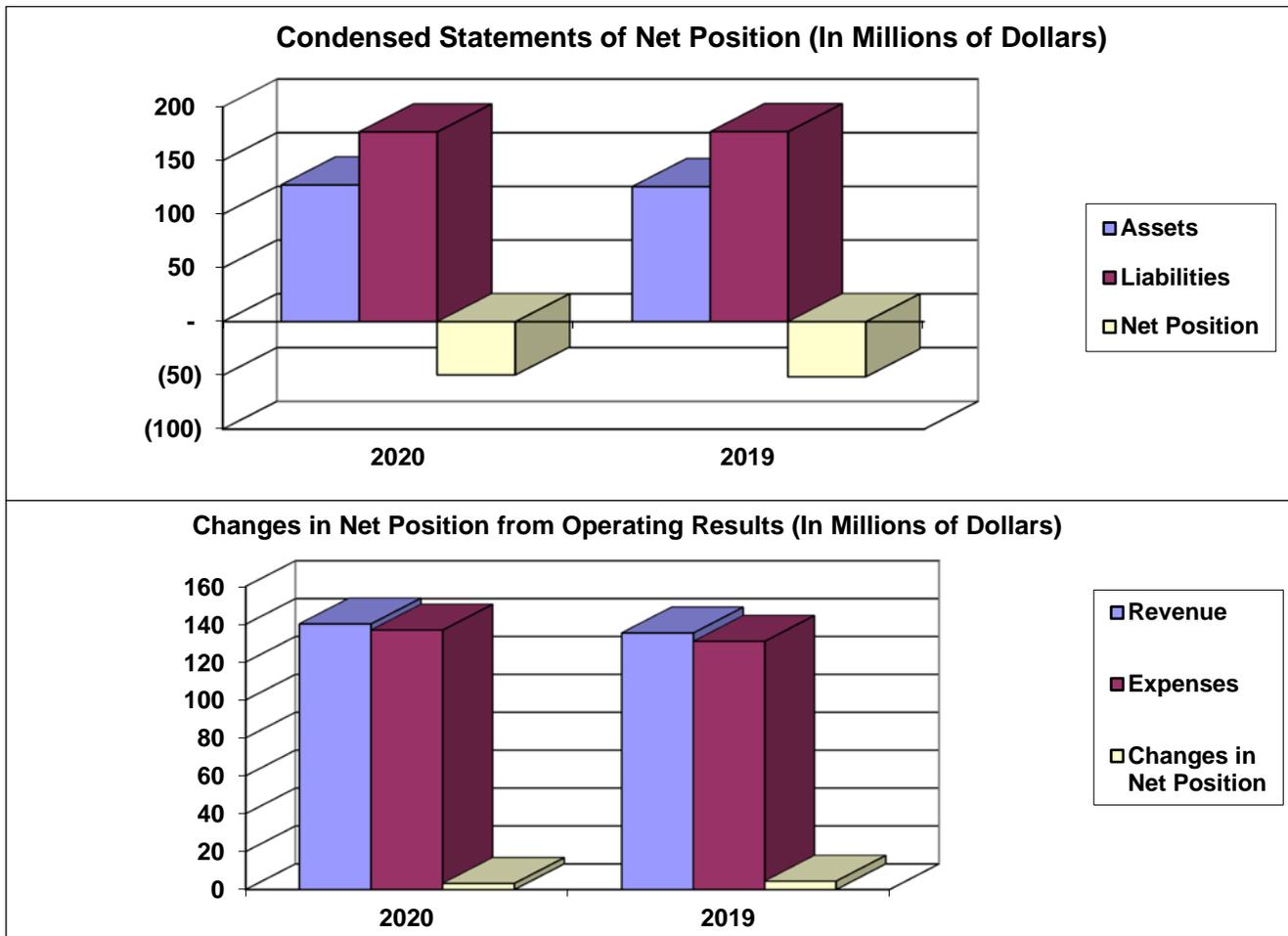
MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

- 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 \$1.823 million while total assets and deferred outflows and resources increased by \$1.590 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, 2020

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 67.630	\$ 73.044	\$ 0.032	\$ (0.007)	\$ 67.662	\$ 73.037
Capital assets	32.490	23.894	0.216	0.224	32.706	24.118
TOTAL ASSETS	100.120	96.938	0.248	0.217	100.368	97.155
DEFERRED OUTFLOWS OF RESOURCES						
	26.960	28.583	-	-	26.960	28.583
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	127.080	125.521	0.248	0.217	127.328	125.738
LIABILITIES						
Current liabilities	23.070	23.579	0.028	0.009	23.098	23.588
Long-term liabilities	148.380	148.490	-	-	148.380	148.490
TOTAL LIABILITIES	171.450	172.069	0.028	0.009	171.478	172.078
DEFERRED INFLOWS OF RESOURCES						
	5.260	4.889	-	-	5.260	4.889
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	176.710	176.958	0.028	0.009	176.738	176.967
NET POSITION						
Net investment in capital assets	20.850	11.663	0.216	0.224	21.066	11.887
Restricted	11.900	9.416	-	-	11.900	9.416
Unrestricted	(82.380)	(72.516)	0.004	(0.016)	(82.376)	(72.532)
TOTAL NET POSITION	\$ (49.630)	\$ (51.437)	\$ 0.220	\$ 0.208	\$ (49.410)	\$ (51.229)

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	\$ 32.157	\$ 29.379	\$ -	\$ -	\$ 32.157	\$ 29.379
Operating grants and contributions	106.017	104.284	0.523	0.666	106.540	104.950
General revenues	0.636	1.113	-	-	0.636	1.113
TOTAL REVENUES	<u>138.810</u>	<u>134.776</u>	<u>0.523</u>	<u>0.666</u>	<u>139.333</u>	<u>135.442</u>
EXPENSES	<u>136.998</u>	<u>130.367</u>	<u>0.512</u>	<u>0.661</u>	<u>137.510</u>	<u>131.028</u>
CHANGE IN NET POSITION	<u>\$ 1.812</u>	<u>\$ 4.409</u>	<u>\$ 0.011</u>	<u>\$ 0.005</u>	<u>\$ 1.823</u>	<u>\$ 4.414</u>

For the fiscal year ended June 30, 2020, the Intermediate Unit's Governmental Funds revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances totaled \$138.236 million. These revenues were derived from local sources (\$30.043 million), state sources (\$67.559 million) and federal sources (\$40.634 million).

On the Government-Wide Statement of Activities, the program revenues were categorized as charges for services and operating grants and contributions and applied to each governmental and business-type activity (expense) to arrive at a net operating result for each category. Interest earnings of \$0.636 million are considered general revenue and are not allocated to any particular governmental activity.

Expenditures/Expenses

The revenues earned during the 2019-2020 fiscal year funded governmental expenditures totaling \$142.994 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 \$137.510 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, 2020

Changes in Fund Balance/Net Assets

During the fiscal year ended June 30, 2020, net position for governmental activities increased by \$1.812 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 increased by \$0.011 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, 2020

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. Due to the pandemic, the agreement was extended by a single year to June 30, 2021.

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. Due to the pandemic, the agreement was extended by a single year to June 30,2021.

Capital Assets

During the fiscal year ended June 30, 2020, the Intermediate Unit’s capital assets net of depreciation increased by \$8.59 million. The increased is comprised of current year additions of \$9.35 million and depreciation of \$1.82 million.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Total Percentage Change 2019-2020</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
CAPITAL ASSETS NOT BEING DEPRECIATED							
Land	\$ 0.59	\$ 0.59	\$ -	\$ -	\$ 0.59	\$ 0.59	
Construction in progress	9.79	0.44	-	-	9.79	-	
CAPITAL ASSETS BEING DEPRECIATED							
Buildings and building improvements	20.12	20.75	0.22	0.23	20.34	20.98	
Furniture and equipment	1.82	1.91	-	-	1.82	1.91	
Vehicles	0.17	0.21	-	-	0.17	0.21	
	<u>\$ 32.49</u>	<u>\$ 23.90</u>	<u>\$ 0.22</u>	<u>\$ 0.23</u>	<u>\$ 32.71</u>	<u>\$ 23.69</u>	38.09%

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

FACTORS BEARING ON THE INTERMEDIATE UNIT'S FUTURE

Throughout the 2019-2020 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 2019-2020 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 1,475 children.
- Early Intervention served 212 children, in 14 Specialized Classrooms.
- Early Intervention served an additional 3007 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 \$253,108 in E-rate discounts on internet and RWAN. Districts purchased 34GBs total bandwidth.
- Provided technology leadership services to Methacton and Pottstown School Districts and North Montco Technical Career Center.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

- Provided 11 public and 7 nonpublic schools consortium pricing for Discovery digital content totaling \$67,000.
- 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 \$64,000.
- Provided technical consultation and staffing support to 7 schools for a total of \$279,000.
- Provided PIMS and Child Accounting staffing and support for Central Montco Vo-Tech, Jenkintown, Souderton Area, and Spring-Ford School Districts totaling \$77,100.
- Provided PowerSchool services for 6 public schools and 1 nonpublic school totaling \$176,871.
- Marketed and sold \$129,700 of Level Data Services to 38 schools through an established statewide reseller agreement.
- Partnered with Marcia Brenner Associates to sell over \$62,000 of their plugin modules for PowerSchool.
- Conducted a successful regional computer competition with 45 student projects, led by Jackie Krail.
- Coordinated the PDE Data Summit led by Alison Scott and data team.
- Added a replacement Data Services Supervisor 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: STEM, Text Dependent Analysis (TDA), Classroom Diagnostic Tools (CDT), Secondary Transition and Equity, as well as Positive Behavioral Interventions and Supports (PBIS) and Multi-Tiered System of Supports (MTSS).
- Provided 154 total days of professional training in the areas of Literacy, STEM, Special Education, Supporting Teaching and Learning in Virtual Environments, and Technology.
- Organized two Reading Olympics face-to-face events. Remaining nine in-person events were cancelled due to COVID but restructured as virtual events for those schools that were interested. Prior to COVID, registration remained strong at about 500 teams and over 5,000 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 one Regional PIIC Network meetings with over 150 coaches attending.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

- Facilitated 35 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 five College Board Advanced Placement Summer Institutes offering subject specific support and training for Advanced Placement teachers.
- Provided Montgomery Virtual Program (MVP) services to Montgomery County schools throughout the entire 2019/2020 school year. Of the 1,506 MVP course enrollments, 1,281 completed 80% of the course and 85% had a passing score of 60 or better.
- Provided Montgomery Virtual Program (MVP) services to Montgomery County schools throughout the regular (Fall/Spring semester) school year. Of the 478 MVP course enrollments, 356 completed 80% of the course and 74% had a passing score of 60 or better.
- Offered Montgomery Virtual Program (MVP) Summer Program course advancement to 714 students and credit recovery to another 314 students. Of the 1,028 enrollments, 930 students completed 90% of the required seatwork and received a passing score.
- Delivered 40 on-site, professional development workshops to public and non-public schools.

- **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.
- Established and lead a Faculties Job-Alike group for facilities directors/managers within our member school districts
- Provided a lead role in assisting the Harrisburg School District recovery by providing Business Management Services
- Continued to provide job alike hosting and collaboration with our Business Services teams in our member school districts

- **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, 2020

Office highlights include:

- 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.
- Facilitated weekly and bi-weekly HR Leadership meetings with our school district partners with the purpose of education, information sharing and professional development.
- Established a county-wide recruitment consortium dedicated to the recruitment, selections, and employment of diverse, skilled, and talented educators to work in our school districts.
- Launched a revamped Human Resources intranet site containing information, resources, and forms for IU staff.

- **Office of Student Services**

Throughout the year, the Office of Student Services (OSS) responded to the needs of both public school districts and non-public schools providing 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.

In 2019-2020, OSS added services including audiological consultations and feeding team evaluations. OSS also began offering PREPaRE and Comprehensive Threat Assessment Guideline (C-STAG) trainings which provides school-based mental health professionals and other school crisis intervention team members with the knowledge necessary to meet the mental health needs of students and train teams how to respond following a school-associated crisis event.

The following is a summary of some of the services provided county-wide to our public schools:

- Educated 132 students in special education school age classroom programs
- Provided itinerant services to 1,056 students including audiological, hearing, orientation & mobility, occupational/physical/speech therapy.
- Conducted 187 student evaluations in the areas of auditory, bilingual speech, hearing, vision, psychological, feeding, occupational, physical and speech.
- Provided a BrainSTEPS program to 30 students assisting them with re-entering school after a brain injury
- Provided 1,223 days of behavior analyst support to school districts
- Provided 384 days of supplemental psychology, social work and adapted physical education services
- Provided support, training and experience to 151 transition-age students to help them prepare for their future
- Educated 52 students at The Anderson School meeting their academic, behavioral and therapeutic needs
- Assisted districts in delivering instruction and special services for students requiring services in the home
- Educated 8 students in the Institutionalized Children's Program

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

- Provided education to 277 students through the Detention Center and Shelter
- Provided education to 27 students at the Corrections Facility
- Conducted 226 hours of assistive technology consults and SETT meetings

Highlights of services provided to our non-public schools for 2019-2020:

- Provided FTE direct services to 14,891 students in grades K through 12 in 73 eligible non-public schools in Montgomery County (with some students receiving more than one service) as follows:
 - Elementary and secondary school counseling
 - Remedial mathematics
 - Remedial reading
 - Speech therapy including direct service, consultation and screenings
 - Psychological services including full psychological-educational evaluations, diagnostic evaluations, consultations, therapy and crisis support
 - Increased use of technology and web-based therapy materials for tele Therapy and counseling practices.
 - Access to q-interactive for assessment use while social distancing
 - Training of, and implementation by, school counselors in comprehensive risk assessment procedures include suicide assessment and management and threat assessment.
 - Increased math remediation offerings to 7th and 8th grade students
 - Assisted numerous non-public schools in the completion and submission of Safe School Grants awarded through PDE and PCCD
 - Implemented effective virtual learning/instruction/student support programs in counseling, remediation and speech
 - Membership and active participation by counselors, psychologists and social workers in County-wide crisis intervention teams.
 - Continued effectiveness in serving internal constituents of eligible nonpublic schools as evidenced by a School Satisfaction Survey rate of at least 100% in all areas reviewed.
- **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.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

- 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.
- Coordinates school safety and security for the MCIU, provides support and communication to school districts regarding emergency planning and requirements of the Pennsylvania Attorney General, the Pennsylvania Commission on Crime and Delinquency and the Department of Education. This includes leadership of the Montgomery County School Safety and Security Job Alike workgroup for all Montgomery County school districts and career and technical schools.

- **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.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

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 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 2019-20 school year, there were a total of 66 videos available. Six new videos were created and posted for the 2019-2020 school year, with over 350,000 hours of video viewed. There were 67,490 users of the site during the 2019-2020 school year.
- PaTTAN East continues to coordinate multiple statewide conferences as directed by the Bureau of Special Education and the PA Department of Education. During the 2019-20 school year, the HELIX (High Expectations for Students with Low Incidence Disabilities) was held in November 2019, with over 300 participants in attendance. Two additional conferences were impacted by the COVID-19 Pandemic during March 2020, which required cancelling both the PDE Department of Education's annual conference, as well as the Deaf-Blind Family Conference in June 2020.
- 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). New for 2019-2020 was the addition of the PaDBAC, the Pennsylvania Deaf-Blind Advisory Committee.) These three advisory committees routinely meet quarterly for full-day in-person meetings in Harrisburg, throughout the year, and via online (Zoom) meetings, as well as a two-day meeting in the Spring. During the 2019-2020 year, the regularly scheduled in-person events ended with the March pivot to remote instruction, so all events from that point forward were held via zoom meeting with work continuing in this remote fashion.
- New to PaTTAN East for 2019-2020 was leadership of the statewide Family Engagement initiative. Working closely with the Bureau of Special Education, this team provided a statewide survey of LEAs and families to gain input regarding Family Engagement. With the onset of COVID-19, this group worked to develop resources to support family engagement during remote and hybrid instruction that aligned with the Bureau of Special Education guidance for Pennsylvania schools.

MONTGOMERY COUNTY INTERMEDIATE UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

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 2021-2022 to 34.95%. Employer contributions for fiscal years 2022 to 2028 will range from 35.62% to 38.17%.
- The continuation of the Covid-19 pandemic continues to provide unique challenges to the IU's operations both for program related issues (remote learning and coordinating special education services) and fiscal issues concerning state budget limitations.

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, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 44,366,272	\$ -	\$ 44,366,272
Investments	240,000	-	240,000
Internal balances	122,320	(122,320)	-
Due from other governments	22,820,987	146,903	22,967,890
Inventory	7,655	-	7,655
Prepaid expenses	72,503	7,342	79,845
Capital assets			
Land	590,000	-	590,000
Construction in progress	9,791,660	-	9,791,660
Buildings and building improvements net of accumulated depreciation	20,126,872	216,122	20,342,994
Furniture and equipment, net of accumulated depreciation	1,818,850	-	1,818,850
Vehicles, net of accumulated depreciation	165,478	-	165,478
TOTAL ASSETS	<u>100,122,597</u>	<u>248,047</u>	<u>100,370,644</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	61,329	-	61,329
Deferred outflows of resources for pension	11,293,601	-	11,293,601
Pension contributions made subsequent to the measurement date	14,234,044	-	14,234,044
Deferred outflows of resources for postemployment benefit obligations	999,436	-	999,436
Postemployment benefit obligation contributions made subsequent to the measurement date	357,447	-	357,447
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>26,945,857</u>	<u>-</u>	<u>26,945,857</u>
LIABILITIES			
Due to other governments	9,083,716	-	9,083,716
Accounts payable	4,374,550	401	4,374,951
Accrued salaries and benefits	7,952,263	-	7,952,263
Accrued interest	30,713	-	30,713
Unearned revenue	840,834	27,991	868,825
Noncurrent liabilities			
Due within one year	784,944	-	784,944
Due in more than one year	148,381,825	-	148,381,825
TOTAL LIABILITIES	<u>171,448,845</u>	<u>28,392</u>	<u>171,477,237</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	4,771,959	-	4,771,959
Deferred inflows of resources for postemployment benefit obligations	473,406	-	473,406
	<u>5,245,365</u>	<u>-</u>	<u>5,245,365</u>
NET POSITION			
Net investment in capital assets	20,851,064	216,122	21,067,186
Restricted	11,904,305	-	11,904,305
Unrestricted	(82,381,125)	3,533	(82,377,592)
TOTAL NET POSITION	<u>\$ (49,625,756)</u>	<u>\$ 219,655</u>	<u>\$ (49,406,101)</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction			
Special programs	\$ 24,742,658	\$ 11,788,545	\$ 17,227,700
Other instructional programs	4,580,779	799,172	3,091,524
Nonpublic school programs	5,347,609	46,949	5,328,494
Adult education programs	1,030,789	7,903	990,510
Pre-kindergarten programs	4,436,536	293,010	3,732,518
Support services			
Pupil personnel services	18,656,038	5,350,180	14,668,735
Instructional staff services	9,922,703	2,245,621	6,637,621
Administration services	9,599,881	727,535	7,809,590
Pupil health services	6,135,720	1,241,137	5,577,645
Business services	3,555,050	2,217,021	439,380
Operation and maintenance of plant services	4,433,324	461,906	3,374,818
Student transportation services	8,286,428	1,095,530	7,392,612
Central and other support services	4,747,059	4,160,968	673,953
Other support services	31,142,581	1,266,318	28,514,640
Community services	31,531	144	30,584
Debt service	349,975	454,785	527,046
TOTAL GOVERNMENTAL ACTIVITIES	136,998,661	32,156,724	106,017,370
BUSINESS-TYPE ACTIVITIES			
Food service	511,924	-	523,205
TOTAL INTERMEDIATE UNIT ACTIVITIES	\$ 137,510,585	\$ 32,156,724	\$ 106,540,575

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.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ 4,273,587	\$ -	\$ 4,273,587
(690,083)	-	(690,083)
27,834	-	27,834
(32,376)	-	(32,376)
(411,008)	-	(411,008)
1,362,877	-	1,362,877
(1,039,461)	-	(1,039,461)
(1,062,756)	-	(1,062,756)
683,062	-	683,062
(898,649)	-	(898,649)
(596,600)	-	(596,600)
201,714	-	201,714
87,862	-	87,862
(1,361,623)	-	(1,361,623)
(803)	-	(803)
631,856	-	631,856
1,175,433	-	1,175,433
-	11,281	11,281
1,175,433	11,281	1,186,714
636,431	-	636,431
1,811,864	11,281	1,823,145
(51,437,620)	208,374	(51,229,246)
\$ (49,625,756)	\$ 219,655	\$ (49,406,101)

MONTGOMERY COUNTY INTERMEDIATE UNIT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Special Education Transportation Fund</u>
ASSETS			
Cash and cash equivalents	\$ 30,837,804	\$ 5,868,385	\$ 75,150
Investments	240,000	-	-
Due from other funds	122,594	-	-
Due from other governments	17,589,723	5,203,124	-
Inventory	7,655	-	-
Prepaid expenditures	72,503	-	-
	<u>48,870,279</u>	<u>11,071,509</u>	<u>75,150</u>
TOTAL ASSETS	\$ 48,870,279	\$ 11,071,509	\$ 75,150
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Due to other governments	9,083,716	-	-
Accounts payable	1,047,421	214,015	68
Accrued salaries and benefits	7,952,263	-	-
Unearned revenues	804,674	36,160	-
	<u>18,888,074</u>	<u>250,175</u>	<u>68</u>
TOTAL LIABILITIES	18,888,074	250,175	68
FUND BALANCES			
Nonspendable	80,158	-	-
Restricted	847,810	10,821,334	75,082
Committed	2,307,584	-	-
Assigned	21,103,771	-	-
Unassigned	5,642,882	-	-
	<u>29,982,205</u>	<u>10,821,334</u>	<u>75,082</u>
TOTAL FUND BALANCES	29,982,205	10,821,334	75,082
TOTAL LIABILITIES AND FUND BALANCES	\$ 48,870,279	\$ 11,071,509	\$ 75,150

See accompanying notes to the basic financial statements.

Revenue Funds

Institutionalized Children Fund	Early Intervention Fund	Capital Projects Fund	Total Governmental Funds
\$ -	\$ 1,389,338	\$ 4,527,456	\$ 42,698,133
-	-	-	240,000
-	-	-	122,594
12,375	15,765	-	22,820,987
-	-	-	7,655
-	-	-	72,503
<u>\$ 12,375</u>	<u>\$ 1,405,103</u>	<u>\$ 4,527,456</u>	<u>\$ 65,961,872</u>
\$ 274	\$ -	\$ -	\$ 274
-	-	-	9,083,716
12,101	1,245,024	1,842,739	4,361,368
-	-	-	7,952,263
-	-	-	840,834
<u>12,375</u>	<u>1,245,024</u>	<u>1,842,739</u>	<u>22,238,455</u>
-	-	-	80,158
-	160,079	-	11,904,305
-	-	-	2,307,584
-	-	2,684,717	23,788,488
-	-	-	5,642,882
<u>-</u>	<u>160,079</u>	<u>2,684,717</u>	<u>43,723,417</u>
<u>\$ 12,375</u>	<u>\$ 1,405,103</u>	<u>\$ 4,527,456</u>	<u>\$ 65,961,872</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 43,723,417
<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
Construction in progress	9,791,660
Buildings and building improvements, net of accumulated depreciation	20,126,872
Furniture and equipment, net of accumulated depreciation	1,818,850
Vehicles, net of accumulated depreciation	165,478
<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>	
	1,654,957
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	20,755,686
<p>Deferred inflows and outflows of resources for post-employment benefit obligations are recorded and amortized in the statement of net position</p>	
	883,477
<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	(1,693,417)
Bonds payable	(7,840,174)
Deferral charge on bond refunding	61,329
Accrued interest	(30,713)
Net pension liability	(129,494,000)
Other post-employment benefit liabilities	(6,276,225)
Lease purchase obligations	(3,862,953)
	<u>(49,625,756)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(49,625,756)</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, 2020

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Special Education Transportation Fund</u>
REVENUES			
Local sources	\$ 11,608,099	\$ 18,256,531	\$ 5,381
State sources	31,062,044	5,717,215	7,509,997
Federal sources	40,634,312	-	-
TOTAL REVENUES	<u>83,304,455</u>	<u>23,973,746</u>	<u>7,515,378</u>
EXPENDITURES			
Instruction	15,602,597	11,223,222	-
Support services	70,972,734	7,048,903	6,617,977
Operation of non-instructional services	60,739	-	-
Building acquisition/construction	-	-	-
Debt service	589,354	351,391	-
TOTAL EXPENDITURES	<u>87,225,424</u>	<u>18,623,516</u>	<u>6,617,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,920,969)</u>	<u>5,350,230</u>	<u>897,401</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	5,718,500	-	-
Operating transfers out	-	(3,441,657)	(529,438)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,718,500</u>	<u>(3,441,657)</u>	<u>(529,438)</u>
NET CHANGE IN FUND BALANCES	1,797,531	1,908,573	367,963
FUND BALANCES AT BEGINNING OF YEAR	<u>28,184,674</u>	<u>8,912,761</u>	<u>(292,881)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 29,982,205</u>	<u>\$ 10,821,334</u>	<u>\$ 75,082</u>

See accompanying notes to the basic financial statements.

Revenue Funds

Institutionalized Children Fund	Early Intervention Fund	Capital Projects Fund	Total Governmental Funds
\$ 12,375	\$ 122,084	\$ 38,944	\$ 30,043,414
18,945	23,250,660	-	67,558,861
-	-	-	40,634,312
<u>31,320</u>	<u>23,372,744</u>	<u>38,944</u>	<u>138,236,587</u>
31,320	11,606,607	-	38,463,746
-	9,608,653	-	94,248,267
-	-	-	60,739
-	-	9,280,276	9,280,276
-	-	-	940,745
<u>31,320</u>	<u>21,215,260</u>	<u>9,280,276</u>	<u>142,993,773</u>
-	2,157,484	(9,241,332)	(4,757,186)
-	-	250,000	5,968,500
-	(1,997,405)	-	(5,968,500)
-	(1,997,405)	250,000	-
-	160,079	(8,991,332)	(4,757,186)
-	-	11,676,049	48,480,603
<u>\$ -</u>	<u>\$ 160,079</u>	<u>\$ 2,684,717</u>	<u>\$ 43,723,417</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, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (4,757,186)

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 capital outlays (\$9,768,641) exceeds depreciation (\$1,170,005) in the current period. 8,598,636

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. 589,676

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. 639,648

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. 1,094

The change in net pension liability and other postemployment benefit obligations and related deferred outflows and inflows of resources are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (2,870,275)

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). (389,729)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,811,864

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2020

	Business-Type Activities	Governmental Activities
	Food	Internal
	<u>Service Fund</u>	<u>Service Fund</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 1,668,139
Due from other governments	146,903	-
Prepaid expense	7,342	-
TOTAL CURRENT ASSETS	<u>154,245</u>	<u>1,668,139</u>
CAPITAL ASSETS, net		
Building	<u>216,122</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 370,367</u>	<u>\$ 1,668,139</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 401	\$ 13,182
Due to other funds	122,320	-
Deferred revenue	27,991	-
TOTAL CURRENT LIABILITIES	<u>150,712</u>	<u>13,182</u>
NET POSITION		
Net investment in capital assets	216,122	-
Unrestricted	<u>3,533</u>	<u>1,654,957</u>
TOTAL NET POSITION	<u>219,655</u>	<u>1,654,957</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 370,367</u>	<u>\$ 1,668,139</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNITSTATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020

	Business-Type Activities <u>Food Service Fund</u>	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES		
Charges for services	\$ -	\$ 8,429,638
OPERATING EXPENSES		
Salaries	24,062	-
Employee benefits	13,645	7,789,990
Purchased professional and technical services	150	-
Supplies	466,140	-
Depreciation	7,769	-
Dues and fees	158	-
TOTAL OPERATING EXPENSES	<u>511,924</u>	<u>7,789,990</u>
OPERATING INCOME (LOSS)	<u>(511,924)</u>	<u>639,648</u>
NONOPERATING REVENUES		
State sources	5,704	-
Federal sources	517,501	-
TOTAL NONOPERATING REVENUE	<u>523,205</u>	<u>-</u>
CHANGE IN NET POSITION	11,281	639,648
NET POSITION AT BEGINNING OF YEAR	<u>208,374</u>	<u>1,015,309</u>
NET POSITION AT END OF YEAR	<u>\$ 219,655</u>	<u>\$ 1,654,957</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	Business-Type Activities <u>Food Service Fund</u>	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ -	\$ 8,429,638
Payments to suppliers	(518,054)	-
Payments to employees for services	(37,707)	-
Cash payments for insurance services	-	(7,794,222)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(555,761)</u>	<u>635,416</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	5,704	-
Federal sources	550,057	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>555,761</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	635,416
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>1,032,723</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 1,668,139</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (511,924)	\$ 639,648
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	7,769	-
Increase in prepaid expenses	(7,342)	-
Decrease in due to other funds	(63,599)	-
Increase in deferred revenue	27,991	-
Decrease in accounts payable	(8,656)	(4,232)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (555,761)</u>	<u>\$ 635,416</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Trust Funds</u>
ASSETS	
Cash	\$ 19,716
Investments	<u>1,898,673</u>
 TOTAL ASSETS	 \$ <u><u>1,918,389</u></u>
 NET POSITION	
Held in trust for other purposes	\$ <u><u>1,918,389</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, 2020

	<u>Trust Funds</u>
ADDITIONS	
Local sources	\$ 124,078
DEDUCTIONS	
Support services	<u>17,761</u>
CHANGE IN NET POSITION	106,317
NET POSITION AT BEGINNING OF YEAR	<u>1,812,072</u>
NET POSITION AT END OF YEAR	<u><u>\$ 1,918,389</u></u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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, 2020:

- 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, 2020

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, 2020

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, 2020

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, 2020, 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, 2020

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, 2020

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, 2020

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, 2020

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, 2020.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, \$96,656 of the Intermediate Unit's \$46,609,611 bank balance is uninsured and collateralized with securities held by the pledging bank's trust department not in the Intermediate Unit's name, \$276,634 was insured by the FDIC and \$46,236,321 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, 2020, the Intermediate Unit had the following investments and maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Maturities Less Than One Year</u>
State investment pools	\$ 240,000	\$ -	\$ 240,000
Trusts	-	1,898,673	1,898,673
	<u>\$ 240,000</u>	<u>\$ 1,898,673</u>	<u>\$ 2,138,673</u>

A portion of the Intermediate Unit's investments is in the PSDLAF 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 cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2020, 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, 2020

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.

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, 2020 and all investments were considered to be Level 1.

NOTE C - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following:

	Special Revenue Funds				Business-Type	Totals
	General Fund	Special Education Fund	Institutionalized Children Fund	Early Intervention Fund	Activities Food Service Fund	
FEDERAL SOURCES						
Excess of program expenditures over amounts received	\$ 8,486,022	\$ -	\$ -	\$ -	\$ 146,903	\$ 8,632,925
STATE SUBSIDIES						
Retirement	2,153,476	-	-	-	-	2,153,476
Continuity of Education	3,385,530	-	-	-	-	3,385,530
Professional development	386,620	-	-	-	-	386,620
Excess of program expenditures over amounts received	-	-	-	15,765	-	15,765
TOTAL STATE SUBSIDIES	5,925,626	-	-	15,765	-	5,941,391
LOCAL SOURCES						
Continuing professional education	506,931	-	-	-	-	506,931
Special Education	-	5,203,124	-	-	-	5,203,124
Detention center	513,128	-	-	-	-	513,128
Technology and information services	97,415	-	-	-	-	97,415
Other local revenues from districts	2,060,601	-	12,375	-	-	2,072,976
TOTAL LOCAL SOURCES	3,178,075	5,203,124	12,375	-	-	8,393,574
TOTAL INTERGOVERNMENTAL RECEIVABLES	\$ 17,589,723	\$ 5,203,124	\$ 12,375	\$ 15,765	\$ 146,903	\$ 22,967,890

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE C - INTERGOVERNMENTAL RECEIVABLES (Continued)

Allowance for Doubtful Accounts

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

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food service	\$ 122,320
General Fund	Institutionalized Children	<u>274</u>
		<u>\$ 122,594</u>

The Food Service Fund and Institutionalized Children 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	\$ 5,718,500	\$ -
Capital Projects Fund	250,000	-
Special Education Fund	-	3,441,657
Special Education Transportation Fund	-	529,438
Early Intervention Fund	<u>-</u>	<u>1,997,405</u>
	<u>\$ 5,968,500</u>	<u>\$ 5,968,500</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, 2020

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 590,000	\$ -	\$ -	\$ 590,000
Construction in progress	437,075	9,354,585	-	9,791,660
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,027,075	9,354,585	-	10,381,660
Capital assets being depreciated				
Buildings and building improvements	29,285,962	-	-	29,285,962
Furniture and equipment	4,913,904	388,430	-	5,302,334
Vehicles	481,267	25,626	-	506,893
TOTAL CAPITAL ASSETS BEING DEPRECIATED	34,681,133	414,056	-	35,095,189
Accumulated depreciation				
Buildings and building improvements	(8,539,937)	(619,153)	-	(9,159,090)
Furniture and equipment	(3,001,080)	(482,404)	-	(3,483,484)
Vehicles	(272,967)	(68,448)	-	(341,415)
TOTAL ACCUMULATED DEPRECIATION	(11,813,984)	(1,170,005)	-	(12,983,989)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	22,867,149	(755,949)	-	22,111,200
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 23,894,224	\$ 8,598,636	\$ -	\$ 32,492,860
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Buildings	\$ 310,579	\$ -	\$ -	\$ 310,579
Accumulated depreciation	(86,688)	(7,769)	-	(94,457)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 223,891	\$ (7,769)	\$ -	\$ 216,122

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE F - CAPITAL ASSETS (Continued)

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	9,791,660	-	9,791,660
Buildings and building improvements	29,285,962	(9,159,090)	20,126,872
Furniture and equipment	5,302,334	(3,483,484)	1,818,850
Vehicles	506,893	(341,415)	165,478
	<u>\$ 45,476,849</u>	<u>\$ (12,983,989)</u>	<u>\$ 32,492,860</u>

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Special programs		\$ 201,372
Other instructional programs		234,510
Non-public school programs		85,232
SUPPORT SERVICES		
Pupil personnel services		241,188
Administration services		165,980
Pupil health services		1,834
Prekindergarten services		33,221
Business services		30,171
Operation and maintenance of plant services		119,810
Central and other support services		<u>56,687</u>
		<u>\$ 1,170,005</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, 2020

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

The annual capital lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	262,185	89,205	351,390
2026-2030	1,444,743	312,208	1,756,951
2031-2035	1,187,760	71,390	1,259,150
	<u>\$ 3,862,952</u>	<u>\$ 910,099</u>	<u>\$ 4,773,051</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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	415,000	174,594	589,594
2026-2030	2,225,000	720,237	2,945,237
2031-2035	2,560,000	385,266	2,945,266
2036-2037	1,140,000	37,375	1,177,375
	<u>\$ 7,920,000</u>	<u>\$ 2,097,388</u>	<u>\$ 10,017,388</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

Changes in Long-Term Liabilities

Governmental long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
BONDS PAYABLE					
Revenue Bonds, Series of 2017	\$ 8,295,000	\$ -	\$ (375,000)	\$ 7,920,000	\$ 385,000
Discount	(84,522)	-	4,696	(79,826)	-
TOTAL BONDS PAYABLE	8,210,478	-	(370,304)	7,840,174	385,000
NET OPEB LIABILITY	5,852,740	423,485	-	6,276,225	-
NET PENSION LIABILITY	129,037,000	457,000	-	129,494,000	-
CAPITAL LEASE	4,085,933	-	(222,981)	3,862,952	230,602
COMPENSATED ABSENCES					
Vacation leave	402,688	266,812	-	669,500	66,950
Sick leave	901,000	122,918	-	1,023,918	102,392
TOTAL COMPENSATED ABSENCES	1,303,688	389,730	-	1,693,418	169,342
TOTAL LONG-TERM LIABILITIES	\$ 148,489,839	\$ 1,270,215	\$ (593,285)	\$ 149,166,769	\$ 784,944

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 \$4,576 to \$480,000.

The Intermediate Unit leases office equipment under operating leases expiring no later than June 2021 at monthly costs ranging from \$120 to \$400.

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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>Equipment</u>	<u>Totals</u>
2021	\$ 645,470	\$ 93,130	\$ 738,600
2022	426,613	24,900	451,513
2023	439,411	-	439,411
2024	452,594	-	452,594
2025	466,171	-	466,171
2026	480,157	-	480,157
	<u>\$ 2,910,416</u>	<u>\$ 118,030</u>	<u>\$ 3,028,446</u>

Rent expense under operating leases for the year ended June 30, 2020, was \$738,957.

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.pasers.pa.gov.

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020

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, 2020, was 33.36% 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 \$14,234,044 for the year ended June 30, 2020.

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

At June 30, 2020, the Intermediate Unit reported a liability of \$129,494,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the Intermediate Unit's proportion was 0.2768%, which was an increase of 0.0080% from its proportion measured as of June 30, 2019.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE I - PENSION PLAN (Continued)

For the year ended June 30, 2020, the Intermediate Unit recognized pension expense of \$16,966,039. At June 30, 2020, 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	\$ 713,095	\$ 4,292,010
Changes in assumptions	1,237,910	-
Net difference between projected and actual investment earnings	-	370,949
Changes in proportions	9,257,000	109,000
Difference between employer contributions and proportionate share of total contributions	85,596	-
Contributions subsequent to the measurement date	<u>14,234,044</u>	<u>-</u>
	<u>\$ 25,527,645</u>	<u>\$ 4,771,959</u>

\$14,234,044 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, 2020. 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>	
2021	\$ 4,925,057
2022	(128,252)
2023	864,716
2024	860,119
2025	<u>2</u>
	<u>\$ 6,521,642</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE I - PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2019, was determined by rolling forward the System's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019, 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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

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.

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE I - PENSION PLAN (Continued)

The pension 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%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<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, 2019.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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>161,299,000</u>	\$ <u>129,494,000</u>	\$ <u>102,563,000</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.pa.gov.

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, 2019 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, 2019, there were no assumed future benefit increases to participating eligible retirees.

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE J - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

Contributions

The Intermediate Unit's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% 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 \$357,447 for the year ended June 30, 2020.

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

At June 30, 2020, the Intermediate Unit reported a liability of \$5,887,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the Intermediate Unit's proportion was 0.2768% percent, which was an increase of 0.0080% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Intermediate Unit recognized OPEB expense of \$360,895. At June 30, 2020, 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	\$ 33,100	\$ -
Changes in assumptions	195,053	174,957
Net difference between projected and actual investment earnings	9,913	-
Changes in proportions	443,000	7,000
Difference between employer contributions and proportionate share of total contributions	-	2,813
Contributions subsequent to the measurement date	<u>357,447</u>	<u>-</u>
	<u>\$ 1,038,513</u>	<u>\$ 184,770</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE J - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

\$357,447 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, 2020. 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</u> <u>June 30,</u>	
2021	\$ 82,010
2022	82,010
2023	80,521
2024	81,583
2025	124,959
Thereafter	<u>45,213</u>
	<u>\$ 496,296</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2018
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - 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, 2020

NOTE J - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- 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 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.

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	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	<u>3.7%</u>	0.0%
	<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, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 2.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE J - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. 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 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Change in Actuarial Assumptions

The discount rate used to measure the Total OPEB liability decreased from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019.

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, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 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, 2019, 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>5,886,000</u>	\$ <u>5,887,000</u>	\$ <u>5,888,000</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
Intermediate Unit's proportionate share of the net OPEB liability	\$ <u>6,707,000</u>	\$ <u>5,887,000</u>	\$ <u>5,208,000</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><u>599</u></u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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 - 4.11%, based on S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2020.

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 - 5.5% in 2019 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% 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, 2020

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.

Investment Rate of Return - The long-term expected rate of return on OPEB plan investments is 6.50% and the municipal bond rate is 2.66% based on the S&P Municipal bond 20 Year High Grade Rate Index as of June 30, 2020.

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, 2020

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

Changes in Assumptions - In the 2019 actuarial valuation, the discount rate changed from 4.23% to 4.11%. 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 (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at June 30, 2019	\$ 2,046,371	\$ 1,797,631	\$ 248,740
Changes for the year			
Service cost	244,375	-	244,375
Interest cost	94,070	-	94,070
Changes of benefit terms	-	-	-
Changes for experience	-	-	-
Changes in assumptions	26,508	-	26,508
Contributions - Employer	-	123,426	(123,426)
Net investment income	-	117,046	(117,046)
Administrative expenses	-	(16,004)	16,004
Benefit payments	(123,426)	(123,426)	-
Net changes	<u>241,527</u>	<u>101,042</u>	<u>140,485</u>
Balances at June 30, 2020	<u>\$ 2,287,898</u>	<u>\$ 1,898,673</u>	<u>\$ 389,225</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 (3.11 percent) or 1-percentage-point higher (5.11 percent) than the current discount rate:

	1% Decrease (3.11%)	Current Discount Rate (4.11%)	1% Increase (5.11%)
	<u>(3.11%)</u>	<u>(4.11%)</u>	<u>(5.11%)</u>
Net OPEB liability	\$ <u>541,290</u>	\$ <u>389,225</u>	\$ <u>246,870</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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>138,806</u>	\$ <u>389,225</u>	\$ <u>686,707</u>

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

- For the year ended June 30, 2020, the Intermediate Unit recognized OPEB expense of \$134,788. At June 30, 2020, 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	\$ 312,476	\$ 163,361
Difference between expected and actual experience	-	125,275
Net difference between projected and actual investments earnings	<u>5,894</u>	<u>-</u>
	\$ <u>318,370</u>	\$ <u>288,636</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>	
2021	\$ 20,091
2022	18,887
2023	10,599
2024	14,369
2025	14,513
Thereafter	<u>(48,725)</u>
	\$ <u>29,734</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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 2019-2020 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, 2020, 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, 2020

NOTE O - FUND BALANCES

The detail breakdown of fund balances as of June 30, 2020, is as follows:

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Special Education Transportation Fund</u>
FUND BALANCES			
Nonspendable			
Inventory	\$ 7,655	\$ -	\$ -
Prepaid expenses	72,503	-	-
Restricted			
IDEA - B	444,221	-	-
Non-public instructional programs	324,693	-	-
Special education	-	10,821,334	75,082
Statewide system of support	70,495	-	-
Title II - districts	8,401	-	-
Committed			
Self-insured unemployment compensation	1,975,152	-	-
Self-insured dental	332,432	-	-
Assigned			
Projects administration	11,972,072	-	-
Non-pub fee based	273,901	-	-
Pattan conferences	500,749	-	-
Facilities	4,510,217	-	-
IDEA - EIPA	105,115	-	-
Access - school age	3,741,717	-	-
Capital improvements and repairs	-	-	-
Unassigned	5,642,882	-	-
TOTAL FUND BALANCES	\$ 29,982,205	\$ 10,821,334	\$ 75,082

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

<u>Revenue Funds</u>			
<u>Institutionalized Children Fund</u>	<u>Early Intervention Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 7,655
-	-	-	72,503
-	-	-	444,221
-	-	-	324,693
-	160,079	-	11,056,495
-	-	-	70,495
-	-	-	8,401
-	-	-	1,975,152
-	-	-	332,432
-	-	-	11,972,072
-	-	-	273,901
-	-	-	500,749
-	-	-	4,510,217
-	-	-	105,115
-	-	-	3,741,717
-	-	2,684,717	2,684,717
-	-	-	5,642,882
<u>\$ -</u>	<u>\$ 160,079</u>	<u>\$ 2,684,717</u>	<u>\$ 43,723,417</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE P - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic which has impacted the global economy. The Intermediate Unit's operations are heavily dependent on federal and state appropriations, grants and contract to fund the Intermediate Unit's operations. The COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the Intermediate Unit's net position and statement of activities is uncertain and cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY INTERMEDIATE UNIT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local sources	\$ 11,868,177	\$ 11,868,177	\$ 11,608,099	\$ (260,078)
State sources	39,577,983	39,577,983	31,062,044	(8,515,939)
Federal sources	33,851,240	33,851,240	40,634,312	6,783,072
TOTAL REVENUES	<u>85,297,400</u>	<u>85,297,400</u>	<u>83,304,455</u>	<u>(1,992,945)</u>
EXPENDITURES				
Instruction				
Special programs	1,477,487	1,477,487	1,146,692	330,795
Other instructional programs	4,045,224	4,045,224	4,034,008	11,216
Nonpublic school programs	5,147,815	5,147,815	5,094,673	53,142
Adult programs	1,140,759	1,140,759	1,005,342	135,417
Pre-kindergarten programs	4,394,471	4,394,471	4,321,882	72,589
Support services				
Pupil personnel services	9,001,765	9,001,765	8,595,776	405,989
Instructional staff services	9,585,604	9,585,604	8,977,284	608,320
Administration services	8,266,526	8,266,526	8,806,046	(539,520)
Pupil health services	318,692	318,692	195,606	123,086
Business services	3,368,079	3,368,079	3,373,391	(5,312)
Operation and maintenance of plant services	2,940,555	2,940,555	3,912,652	(972,097)
Student transportation services	1,544,110	1,544,110	1,546,658	(2,548)
Central and other support services	5,609,075	5,609,075	4,418,674	1,190,401
Other support services	31,177,752	31,177,752	31,146,647	31,105
Community service	124,938	124,938	60,739	64,199
Debt service	589,354	589,354	589,354	-
TOTAL EXPENDITURES	<u>88,732,206</u>	<u>88,732,206</u>	<u>87,225,424</u>	<u>1,506,782</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,434,806)	(3,434,806)	(3,920,969)	(486,163)
OTHER FINANCING SOURCES				
Operating transfers in	<u>3,434,806</u>	<u>3,434,806</u>	<u>5,718,500</u>	<u>2,283,694</u>
NET CHANGE IN FUND BALANCE	-	-	1,797,531	<u>\$ 1,797,531</u>
FUND BALANCE AT BEGINNING OF YEAR				
	<u>28,184,674</u>	<u>28,184,674</u>	<u>28,184,674</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 28,184,674</u>	<u>\$ 28,184,674</u>	<u>\$ 29,982,205</u>	

See accompanying notes to the budgetary comparison schedules.

MONTGOMERY COUNTY INTERMEDIATE UNIT

BUDGETARY COMPARISON SCHEDULE

SPECIAL EDUCATION FUND

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 18,501,997	\$ 18,501,997	\$ 18,256,531	\$ (245,466)
State sources	5,675,381	5,675,381	5,717,215	41,834
TOTAL REVENUES	<u>24,177,378</u>	<u>24,177,378</u>	<u>23,973,746</u>	<u>(203,632)</u>
EXPENDITURES				
Instruction				
Special programs	12,744,094	12,744,094	10,931,895	1,812,199
Other instructional programs	320,880	320,880	291,327	29,553
Support services				
Pupil personnel services	4,994,198	4,994,198	4,921,962	72,236
Instructional staff services	431,195	431,195	458,100	(26,905)
Administration services	222,925	222,925	314,506	(91,581)
Pupil health services	1,340,149	1,340,149	1,113,686	226,463
Business services	7,250	7,250	10,290	(3,040)
Operation and maintenance of plant services				
Central and other support services	123,850	123,850	115,664	8,186
Debt service	153,014	153,014	114,695	38,319
TOTAL EXPENDITURES	<u>20,686,176</u>	<u>20,686,176</u>	<u>18,623,516</u>	<u>2,062,660</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,491,202	3,491,202	5,350,230	1,859,028
OTHER FINANCING USES				
Operating transfers out	<u>(3,491,202)</u>	<u>(3,491,202)</u>	<u>(3,441,657)</u>	<u>49,545</u>
NET CHANGE IN FUND BALANCE	-	-	1,908,573	<u>\$ 1,908,573</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>8,912,761</u>	<u>8,912,761</u>	<u>8,912,761</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 8,912,761</u>	<u>\$ 8,912,761</u>	<u>\$ 10,821,334</u>	

See accompanying notes to the budgetary comparison schedules.

MONTGOMERY COUNTY INTERMEDIATE UNIT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 61,340	\$ 61,340	\$ 5,381	\$ (55,959)
State sources	9,829,170	9,829,170	7,509,997	(2,319,173)
TOTAL REVENUES	<u>9,890,510</u>	<u>9,890,510</u>	<u>7,515,378</u>	<u>(2,375,132)</u>
EXPENDITURES				
Support services				
Business services	16,380	16,380	375	16,005
Student transportation services	9,140,000	9,140,000	6,617,161	2,522,839
Central and other support services	1,500	1,500	441	1,059
TOTAL EXPENDITURES	<u>9,157,880</u>	<u>9,157,880</u>	<u>6,617,977</u>	<u>2,539,903</u>
EXCESS OF REVENUES OVER EXPENDITURES	732,630	732,630	897,401	164,771
OTHER FINANCING USES				
Operating transfers out	<u>(732,630)</u>	<u>(732,630)</u>	<u>(529,438)</u>	<u>203,192</u>
NET CHANGE IN FUND BALANCE	-	-	367,963	<u>\$ 367,963</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>(292,881)</u>	<u>(292,881)</u>	<u>(292,881)</u>	
FUND BALANCE AT END OF YEAR	<u>\$ (292,881)</u>	<u>\$ (292,881)</u>	<u>\$ 75,082</u>	

See accompanying notes to the budgetary comparison schedules.

MONTGOMERY COUNTY INTERMEDIATE UNIT
BUDGETARY COMPARISON SCHEDULE
INSTITUTIONALIZED CHILDREN FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ -	\$ -	\$ 12,375	\$ 12,375
State sources	32,140	32,140	18,945	(13,195)
TOTAL REVENUES	32,140	32,140	31,320	(820)
EXPENDITURES				
Instruction				
Special programs	32,140	32,140	31,320	820
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, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 50,000	\$ 50,000	\$ 122,084	\$ 72,084
State sources	23,096,310	23,096,310	23,250,660	154,350
TOTAL REVENUES	<u>23,146,310</u>	<u>23,146,310</u>	<u>23,372,744</u>	<u>226,434</u>
EXPENDITURES				
Instruction				
Special programs	12,162,057	12,162,057	11,606,607	555,450
Support services				
Pupil personnel services	4,496,197	4,496,197	4,496,940	(743)
Instructional staff services	3,500	3,500	72,966	(69,466)
Administration services	169,000	169,000	214,507	(45,507)
Pupil health services	4,267,737	4,267,737	4,517,143	(249,406)
Business services	10,000	10,000	46,259	(36,259)
Operation and maintenance of plant services	138,366	138,366	122,427	15,939
Central and other support services	191,385	191,385	138,411	52,974
TOTAL EXPENDITURES	<u>21,438,242</u>	<u>21,438,242</u>	<u>21,215,260</u>	<u>222,982</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,708,068	1,708,068	2,157,484	449,416
OTHER FINANCING USES				
Operating transfers out	<u>(1,708,068)</u>	<u>(1,708,068)</u>	<u>(1,997,405)</u>	<u>(289,337)</u>
NET CHANGE IN FUND BALANCE	-	-	160,079	\$ <u>160,079</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,079</u>	

See accompanying notes to the budgetary comparison schedules.

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2020

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, 2020

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, expenditures exceeded appropriations in the following General Fund, Special Education Fund and Early Intervention Fund department levels (the legal level of budgetary control):

GENERAL FUND	
Administration services	\$ (539,520)
Business services	(5,312)
Operation and maintenance of plant services	(972,097)
Student transportation services	(2,548)
 SPECIAL EDUCATION FUND	
Instructional staff services	\$ (26,905)
Administration services	(91,581)
Business services	(3,040)
Debt service	(2,770)
 EARLY INTERVENTION FUND	
Pupil personnel services	\$ (743)
Instructional staff services	(69,466)
Administration services	(45,507)
Pupil health services	(249,406)
Business services	(36,259)

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

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

	<u>2020</u>	<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>0.2768%</u>	<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>129,494,000</u>	\$ <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>38,167,202</u>	\$ <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 payroll	<u>339.28%</u>	<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>55.66%</u>	<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, 2019, 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 SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 14,234,044	\$ 12,416,689	\$ 11,472,582	\$ 9,615,836	\$ 8,013,376	\$ 5,979,417
Contributions in relation to the contractually required contribution	<u>14,234,044</u>	<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>42,553,196</u>	\$ <u>38,167,202</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 payroll	<u>33.45%</u>	<u>32.53%</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 FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Intermediate Unit's proportion of the net OPEB liability (asset)	<u>0.2768%</u>	<u>0.2688%</u>	<u>0.2492%</u>	<u>0.2498%</u>
Intermediate Unit's proportionate share of the net OPEB liability (asset)	<u>\$ 5,887,000</u>	<u>\$ 5,604,000</u>	<u>\$ 5,077,000</u>	<u>\$ 5,381,000</u>
Intermediate Unit's covered payroll	<u>\$ 38,167,202</u>	<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>15.42%</u>	<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>5.56%</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, 2019, 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 FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 357,447	\$ 316,130	\$ 300,008	\$ 273,327
Contributions in relation to the contractually required contribution	<u>357,447</u>	<u>316,130</u>	<u>300,008</u>	<u>273,327</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Intermediate Unit's covered payroll	\$ <u>42,553,196</u>	\$ <u>38,167,202</u>	\$ <u>36,201,461</u>	\$ <u>33,177,621</u>
Contributions as a percentage of covered-employee payroll	<u>0.84%</u>	<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 FOUR FISCAL YEARS

	2020	2019	2018	2017
TOTAL OPEB LIABILITY				
Service cost	\$ 244,375	\$ 169,243	\$ 113,173	\$ 108,873
Interest	94,070	108,606	110,861	105,094
Changes of benefit terms	-	53,303	-	-
Changes for experience	-	(150,331)	-	-
Changes of assumptions	26,508	(196,033)	411,681	-
Benefit payments	(123,426)	(110,888)	(121,386)	(139,158)
NET CHANGE IN TOTAL OPEB LIABILITY	241,527	(126,100)	514,329	74,809
Total OPEB liability, beginning	2,046,371	2,172,471	1,658,142	1,583,333
TOTAL OPEB LIABILITY, ENDING (a)	\$ 2,287,898	\$ 2,046,371	\$ 2,172,471	\$ 1,658,142
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 123,426	\$ 110,888	\$ 121,386	\$ 139,158
Net investment income	117,046	127,876	64,355	94,582
Benefit payments	(123,426)	(110,888)	(121,386)	(139,158)
Administrative expense	(16,004)	(15,009)	(14,826)	(13,829)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	101,042	112,867	49,529	80,753
Plan fiduciary net position, beginning	1,797,631	1,684,764	1,635,235	1,554,482
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 1,898,673	\$ 1,797,631	\$ 1,684,764	\$ 1,635,235
NET OPEB LIABILITY, ENDING (a)-(b)	\$ 389,225	\$ 248,740	\$ 487,707	\$ 22,907
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	82.99%	87.84%	77.55%	98.62%
COVERED-EMPLOYEE PAYROLL	\$ 36,207,725	\$ 36,207,725	\$ 31,257,637	\$ 31,257,637
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	1.07%	0.69%	1.56%	0.07%

NOTE TO SCHEDULE

Change in assumptions: In the July 1, 2019 actuarial valuation, the discount rate changed from 4.23% to 4.11%. 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 FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 123,426	\$ 110,888	\$ 121,386	\$ 139,158
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>123,426</u>	<u>110,888</u>	<u>121,386</u>	<u>139,158</u>
CONTRIBUTION EXCESS	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>36,207,725</u>	\$ <u>36,207,725</u>	\$ <u>31,257,637</u>	\$ <u>31,257,637</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>0.34%</u>	<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, 2019, 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	4.11%
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 FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>5.62%</u>	<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, 2020, and the related notes to the financial statements, which collectively comprise the Montgomery County Intermediate Unit's basic financial statements, and have issued our report thereon dated December 29, 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.



Limerick, Pennsylvania
December 29, 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, 2020. 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, 2020.

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.

A handwritten signature in cursive script, appearing to read "Millie JRP".

Limerick, Pennsylvania
December 29, 2020

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

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

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	013-190623	July 2, 2018 to September 30, 2019
Title I Improving Basic Programs	I	84.010	013-200623	July 2, 2019 to September 30, 2020
Title I Delinquent	I	84.010	107-190623	July 2, 2018 to September 30, 2019
Title I Delinquent	I	84.010	107-200623	July 7, 2019 to September 30, 2020
Data Governance	I	84.010	147-190023	July 1, 2018 to June 30, 2019
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	84.010	149-200023	July 1, 2019 to June 30, 2020
Additional Targetd School Improv-A-TSI	I	84.010	155-190023	July 1, 2018 to June 30, 2019
TOTAL TITLE I				
Data Governance	I	84.367	149-200023	July 1, 2019 to June 30, 2020
Safety Initiatives	I	84.367	156-200023	July 1, 2019 to June 30, 2020
Supports for Effective Standards Based Instruction	I	84.367	149-190023	July 1, 2018 to June 30, 2019
Supports for Effective Standards Based Instruction	I	84.367	149-200023	July 1, 2019 to June 30, 2020
TOTAL SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS				
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	062-200035	July 1, 2019 to September 30, 2020
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-B	I	84.027	062-200023	July 1, 2019 to September 30, 2020
IDEA Preschool	I	84.027	131-180023	July 1, 2018 to June 30, 2019
IDEA Preschool	I	84.173	131-180023	July 1, 2018 to June 30, 2019
IDEA Preschool	I	84.027	131-190023	July 1, 2019 to June 30, 2020
IDEA Preschool	I	84.173	131-190023	July 1, 2019 to June 30, 2020
TOTAL IDEA CLUSTER FORWARD				
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at June 30, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Passed Through to Sub-Recipients</u>	<u>Accrued or (Deferred) Revenue at June 30, 2020</u>
\$ 371,952	\$ 100,448	\$ 12,274	\$ 95,519	\$ 95,519	\$ -	\$ 7,345
350,893	<u>296,171</u>	<u>121,953</u>	<u>236,731</u>	<u>236,731</u>	-	<u>62,513</u>
	<u>396,619</u>	<u>134,227</u>	<u>332,250</u>	<u>332,250</u>	-	<u>69,858</u>
172,893	69,157	22,921	33,422	33,422	-	(12,814)
182,952	121,968	-	141,750	141,750	-	19,782
350,724	93,526	93,526	-	-	-	-
360,076	264,056	-	251,245	251,245	-	(12,811)
9,600	5,600	5,600	-	-	-	-
8,400	5,600	5,600	-	-	-	-
35,310	-	-	35,310	35,310	16,774	35,310
14,000	<u>9,333</u>	<u>9,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>569,240</u>	<u>136,980</u>	<u>461,727</u>	<u>461,727</u>	<u>16,774</u>	<u>29,467</u>
9,600	-	-	9,600	9,600	-	9,600
26,766	11,152	-	26,766	26,766	-	15,614
5,600	3,733	3,733	-	-	-	-
6,650	<u>-</u>	<u>-</u>	<u>6,650</u>	<u>6,650</u>	<u>-</u>	<u>6,650</u>
	<u>14,885</u>	<u>3,733</u>	<u>43,016</u>	<u>43,016</u>	<u>-</u>	<u>31,864</u>
10,466,255	1,418,561	(251,336)	1,669,898	1,669,898	-	-
7,092,047	1,638,054	(869,558)	2,448,657	2,448,657	1,392,887	(58,955)
7,025,170	5,620,136	-	5,348,244	5,348,244	-	(271,892)
23,128,692	-	(100)	100	100	-	-
23,582,300	9,432,920	9,124,767	288,177	288,177	-	(19,976)
23,636,774	15,757,849	-	22,598,866	22,598,866	20,631,259	6,841,017
1,929,973	357,636	357,636	-	-	-	-
415,336	(188,611)	(188,611)	-	-	-	-
1,978,121	1,978,121	-	1,978,121	1,978,121	-	-
434,120	434,120	-	434,120	434,120	75,960	-
	<u>36,448,786</u>	<u>8,172,798</u>	<u>34,766,183</u>	<u>34,766,183</u>	<u>22,100,106</u>	<u>6,490,194</u>
	<u>\$ 37,429,530</u>	<u>\$ 8,447,738</u>	<u>\$ 35,603,176</u>	<u>\$ 35,603,176</u>	<u>\$ 22,116,880</u>	<u>\$ 6,621,383</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

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 Student:	I	84.365	010-180623	July 7, 2017 to September 30, 2019
Title III Inst LEP/Immigrant Student:	I	84.365	010-190623	July 25, 2018 to September 30, 2019
Title III Inst LEP/Immigrant Student:	I	84.365	010-200623	July 25, 2019 to September 30, 2020
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
Safety Initiatives	I	84.424	156-200023	July 1, 2019 to June 30, 2020
TOTAL STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM				
COVID-19 Pre-K and HSSAP	I	21.019	161-190084	March 1, 2020 November 30, 2020
TOTAL U.S. DEPARTMENT OF EDUCATION FORWARD				

Program or Award Amount	Total Received	Accrued or (Deferred) Revenue at June 30, 2019	Revenue Recognized	Expenditures	Passed Through to Sub-Recipients	Accrued or (Deferred) Revenue at June 30, 2020
	\$ 37,429,530	\$ 8,447,738	\$ 35,603,176	\$ 35,603,176	\$ 22,116,880	\$ 6,621,383
251,391	-	(15,234)	15,234	15,234	-	-
200,110	40,022	16,260	30,804	30,804	-	7,042
182,428	170,266	-	166,802	166,802	-	(3,464)
	210,288	1,026	212,840	212,840	-	3,578
13,276	7,744	7,744	-	-	-	-
7,500	4,375	4,375	-	-	-	-
22,734	9,473	-	22,734	22,734	-	13,261
	21,592	12,119	22,734	22,734	-	13,261
73,502	-	-	-	-	-	-
	\$ 37,661,410	\$ 8,460,883	\$ 35,838,750	\$ 35,838,750	\$ 22,116,880	\$ 6,638,222

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

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, 2019 to June 30, 2020
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION FOR CHILDREN AND FAMILIES				
Head Start	D	93.600		June 1, 2018 to May 31, 2019
Head Start	D	93.600		June 1, 2019 to May 31, 2020
Head Start	D	93.600		June 1, 2020 to May 31, 2021
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
Head Start

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.

Program or Award Amount	Total Received	Accrued or (Deferred) Revenue at June 30, 2019	Revenue Recognized	Expenditures	Passed Through to Sub-Recipients	Accrued or (Deferred) Revenue at June 30, 2020
	\$ 37,661,410	\$ 8,460,883	\$ 35,838,750	\$ 35,838,750	\$ 22,116,880	\$ 6,638,222
-	33,747	106,773	18,445	18,445	-	91,471
3,757,961	302,345	311,373	-	-	-	9,027
3,823,651	2,664,925	202,677	3,661,948	3,661,948	-	1,199,700
-	-	-	167,688	167,688	-	167,688
	2,967,270	514,050	3,829,636	3,829,636	-	1,376,415
-	529,883	178,627	498,158	498,158	-	146,902
-	54,112	-	30,424	30,424	-	(23,688)
-	9,329	581	5,649	5,649	-	(3,099)
-	3,731	251	2,278	2,278	-	(1,202)
	67,172	832	38,351	38,351	-	(27,989)
	597,055	179,459	536,509	536,509	-	118,913
	\$ 41,259,482	\$ 9,261,165	\$ 40,223,340	\$ 40,223,340	\$ 22,116,880	\$ 8,225,021
CFDA #						
84.027	\$ 32,353,942	Total programs tested		\$ 38,595,819		
84.173	2,412,241	Total federal expenditures		\$ 40,223,340	=	95.95%
93.600	3,829,636					
	\$ 38,595,819					

MONTGOMERY COUNTY INTERMEDIATE UNIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE A - BASIS OF ACCOUNTING

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

NOTE B - FEDERAL EXPENDITURES

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

NOTE C - INDIRECT COST RATES

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

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **Yes**

Significant deficiencies identified that are considered to be material weaknesses: **Yes**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance: **No**

Identification of major programs:

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

The threshold for distinguishing Types A and B programs was \$1,206,700.

Auditee qualified as a low-risk auditee: **Yes**

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2020-01 Interfund Balances

Condition: During our audit we determined that the interfund receivables and reciprocating interfund payables, as well as amounts recorded as transfers between funds, did not reconcile.

Criteria: Interfund activity should be reconciled on a timely basis. If a transaction is recorded as a transfer in the receiving fund, it should be recorded as a transfer out in the paying fund. Likewise, if a fund is presenting an amount due from other funds, the other funds should be reflecting an amount due to the other funds for the same amount.

Effect: Assets, liabilities, revenue and expenses may be misstated.

Cause: We noted that the Montgomery County Intermediate Unit does not consistently record transfers between funds as transfer revenue in the receiving fund and transfer expense in the paying fund. In several instances, the paying fund recorded the transaction as a transfer out, but the receiving fund recorded the receipt as revenue, or the paying fund recorded an expense, and the receiving fund recorded the receipt as a transfer in.

Recommendation: We recommend that interfund activity be regularly reconciled to ensure the activity balances and nets to zero.

Management's Response: Adjustments have been made so that interfund activity is reconciled on a timely basis as part of the monthly close process and reviewed to ensure the activity balances and nets to zero.

2020-02 Year End Accrual Entries

Condition: During the audit, we noted that for several receivable and payable accounts that adjustments were not properly made to record the current year end receivable and payable balances.

Criteria: Year-end accrual adjustments should be made on a timely basis to the general ledger.

Effect: This will result in year-end misstatements in the receivable and payable balances, and either an overstatement or understatement in current year revenue and expenses.

Cause: We noted that the Montgomery County Intermediate Unit did not properly record year-end accrual adjustments to numerous receivable and payable accounts.

Recommendation: We recommend processes be put in place to ensure that each year, current year accruals are recorded to ensure the trial balance is properly stated.

Management's Response: Adjustments have been made so that year-end accrual activity is recorded as part of the year-end close process.

MONTGOMERY COUNTY INTERMEDIATE UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

2020-03 Timely and Accurate Financial Reports

Condition: We noted that Montgomery County Intermediate Unit's accounting and reporting processes are being significantly delayed.

Criteria: The general ledger and subsidiary ledgers should be reconciled on a monthly basis.

Effect: Constant problems in receiving timely and current financial information can significantly impact management's ability to effectively guide an organization. Critical areas such as financial analysis, budgetary control, and cash flow can all be negatively impacted.

Cause: Montgomery County Intermediate Unit did not consistently follow its process of requiring that accounts be reconciled on a monthly basis.

Recommendation: We strongly suggest the accounting department take whatever steps are necessary to ensure that senior management receives current and accurate financial information on a timely basis.

Management's Response: Reconciliations will be prepared and performed on an ongoing basis consistent with its close procedures. The noted deficiency in preparing accurate and timely financial reports is being addressed through a comprehensive review and root cause analysis, and adjustments needed to the process and procedures, if any, will be updated.

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

None.