

**MONTGOMERY COUNTY INTERMEDIATE UNIT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2021*

## **INTRODUCTORY SECTION**

# MONTGOMERY COUNTY INTERMEDIATE UNIT

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YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 2021, 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 Q, for the year ended June 30, 2021, Montgomery County Intermediate Unit adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. 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 71 through 77, schedule of the intermediate unit's proportionate share of the PSERS net pension liability on page 78, schedule of intermediate unit's PSERS pension contributions on page 79, schedule of the intermediate unit's proportionate share of the PSERS net other postemployment benefit plan liability on page 80, schedule of the intermediate unit's PSERS other postemployment benefit plan contributions on page 81, schedule of changes in the net other postemployment benefit plan liability and related ratios on page 82, schedule of other postemployment benefit plan contributions on page 83 and schedule of other postemployment benefit plan investment returns on page 84 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 January 11, 2022, 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  
January 11, 2022

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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**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, 2021. 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 \$151 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.

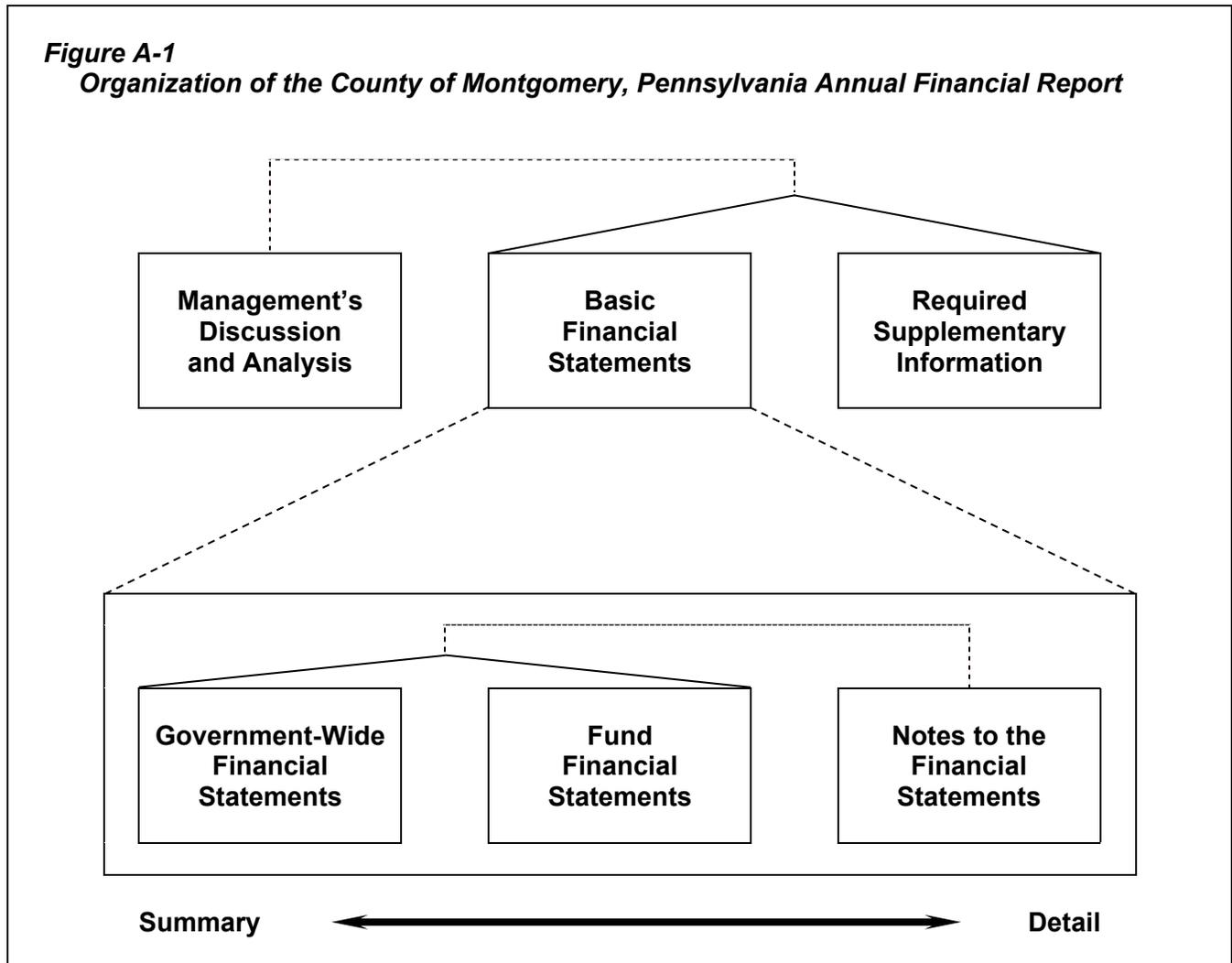
The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two types of statements that provide different perspectives of the Intermediate Unit's operations.

- 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, 2021

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



**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

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

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

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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**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.

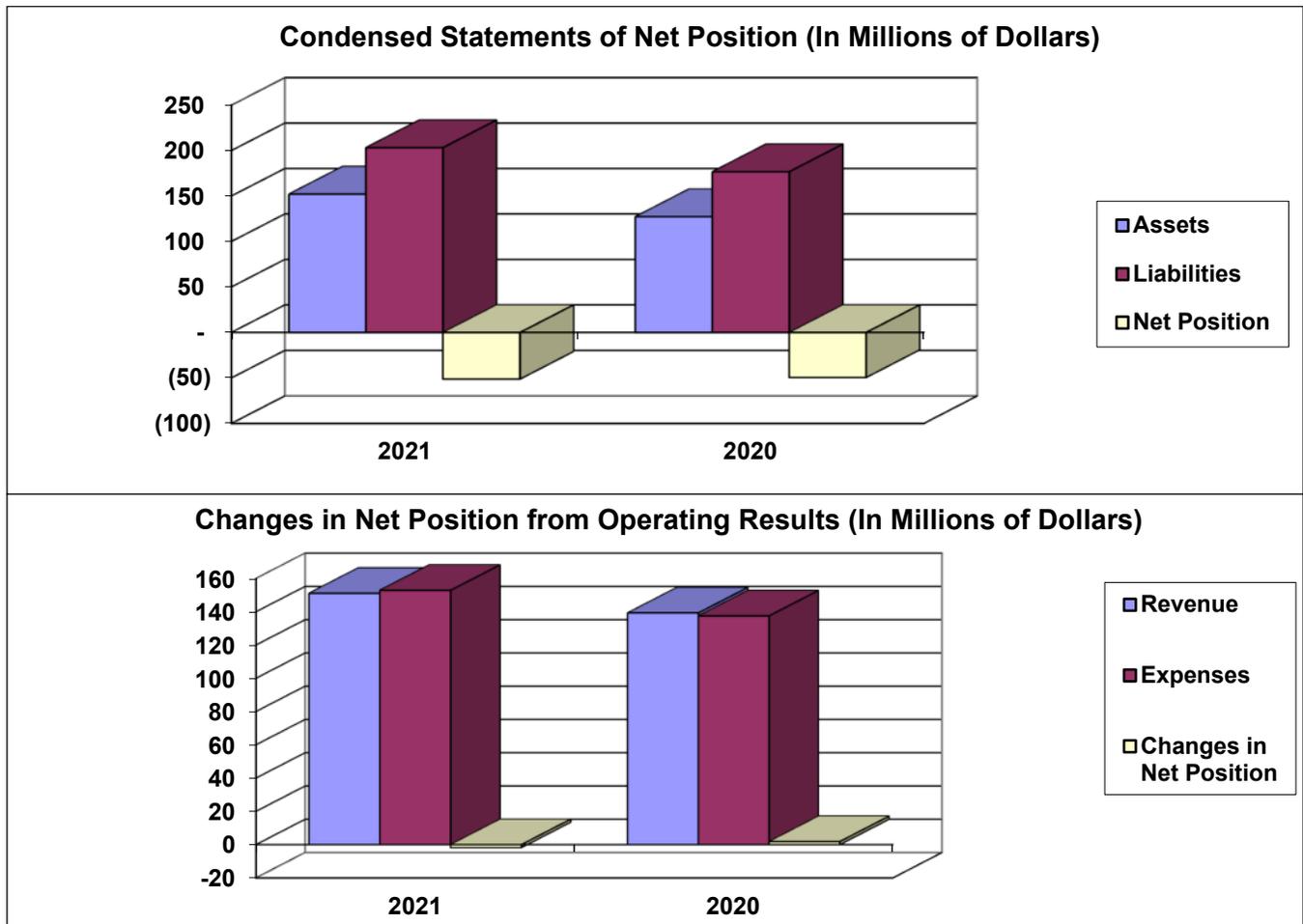
**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

- 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 decreased by \$1.328 million while total assets and deferred outflows of resources increased by \$25.275 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, 2021**

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current and other assets	\$ 79.201	\$ 67.630	\$ 0.041	\$ 0.032	\$ 79.242	\$ 67.662
Capital assets	35.736	32.490	0.208	0.216	35.944	32.706
<b>TOTAL ASSETS</b>	<b>114.937</b>	<b>100.120</b>	<b>0.249</b>	<b>0.248</b>	<b>115.186</b>	<b>100.368</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	37.406	26.960	-	-	37.406	26.960
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>152.343</b>	<b>127.080</b>	<b>0.249</b>	<b>0.248</b>	<b>152.592</b>	<b>127.328</b>
<b>LIABILITIES</b>						
Current liabilities	29.157	23.070	0.032	0.028	29.189	23.098
Long-term liabilities	169.224	148.380	-	-	169.224	148.380
<b>TOTAL LIABILITIES</b>	<b>198.381</b>	<b>171.450</b>	<b>0.032</b>	<b>0.028</b>	<b>198.413</b>	<b>171.478</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	4.896	5.260	-	-	4.896	5.260
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>203.277</b>	<b>176.710</b>	<b>0.032</b>	<b>0.028</b>	<b>203.309</b>	<b>176.738</b>
<b>NET POSITION</b>						
Net investment in capital assets	24.699	20.850	0.208	0.216	24.907	21.066
Restricted	9.833	11.900	-	-	9.833	11.900
Unrestricted	(85.466)	(82.380)	0.009	0.004	(85.457)	(82.376)
<b>TOTAL NET POSITION</b>	<b>\$ (50.934)</b>	<b>\$ (49.630)</b>	<b>\$ 0.217</b>	<b>\$ 0.220</b>	<b>\$ (50.717)</b>	<b>\$ (49.410)</b>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 36.092	\$ 32.157	\$ -	\$ -	\$ 36.092	\$ 32.157
Operating grants and contributions	115.270	106.017	0.400	0.523	115.670	106.540
General revenues	0.083	0.636	-	-	0.083	0.636
<b>TOTAL REVENUES</b>	<u>151.445</u>	<u>138.810</u>	<u>0.400</u>	<u>0.523</u>	<u>151.845</u>	<u>139.333</u>
<b>EXPENSES</b>	<u>152.773</u>	<u>136.998</u>	<u>0.403</u>	<u>0.512</u>	<u>153.176</u>	<u>137.510</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (1.328)</u>	<u>\$ 1.812</u>	<u>\$ (0.003)</u>	<u>\$ 0.011</u>	<u>\$ (1.331)</u>	<u>\$ 1.823</u>

For the fiscal year ended June 30, 2021, the Intermediate Unit's Governmental Funds revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances totaled \$151.069 million. These revenues were derived from local sources (\$31.109 million), state sources (\$58.134 million) and federal sources (\$61.826 million).

On the Government-Wide Statement of Activities, the program revenues were categorized as charges for services and operating grants and contributions and applied to each governmental and business-type activity (expense) to arrive at a net operating result for each category. Interest earnings of \$1.113 million are considered general revenue and are not allocated to any particular governmental activity.

**Expenditures/Expenses**

The revenues earned during the 2020-2021 fiscal year funded governmental expenditures totaling \$148.689 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 \$153.175 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, 2021

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**Changes in Fund Balance/Net Assets**

During the fiscal year ended June 30, 2021, net position for governmental activities decreased by \$1.328 million.

The business-type activities and Proprietary Fund operations both report the activities of the Intermediate Unit's food service operations and the self-insurance fund accounts for the financial transactions associated with the self-funded healthcare plan that provides benefits for all eligible employees of the intermediate unit. The net position of the business-type activities and Proprietary Fund decreased by \$0.002 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, 2021**

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The Support Staff and CTC (Coordinator, Technical, and Confidential) Staff agreed to new agreements starting July 1, 2021 and expiring on June 30, 2024.

A meet and discuss agreement with the Administrative Group was began on July 1, 2021 and will continue to be in effect until June 30, 2024.

**Capital Assets**

During the fiscal year ended June 30, 2021, the Intermediate Unit’s capital assets net of depreciation increased by \$3.24 million. The increased is comprised of current year additions of \$12.56 million and depreciation of \$2.31 million.

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

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change 2020-2021
	2021	2020	2021	2020	2021	2020	
CAPITAL ASSETS NOT BEING DEPRECIATED							
Land	\$ 0.59	\$ 0.59	\$ -	\$ -	\$ 0.59	\$ 0.59	
Construction in progress	12.56	9.79	-	-	12.56	9.79	
CAPITAL ASSETS BEING DEPRECIATED							
Buildings and building improvements	20.13	20.12	0.21	0.22	20.34	20.34	
Furniture and equipment	2.31	1.82	-	-	2.31	1.82	
Vehicles	0.15	0.17	-	-	0.15	0.17	
	<u>\$ 35.74</u>	<u>\$ 32.49</u>	<u>\$ 0.21</u>	<u>\$ 0.22</u>	<u>\$ 35.95</u>	<u>\$ 32.71</u>	9.91%

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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

Throughout the 2020-2021 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 2020-2021 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 1,907 children
- Early Intervention served 248 children in 13 Specialized Classrooms
- Early Intervention Served an additional 3,098 eligible children in parent provided preschools

- **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 \$275,707 in E-rate discounts on internet and RWAN. Districts purchased 53GBs total bandwidth.
- Provided technology leadership services to Pottstown School District.
- Provided 10 public and 8 nonpublic schools consortium pricing for Discovery digital content totaling \$59,500.
- Provided 5 public schools consortium pricing for Safari digital content totaling \$27,300.
- Submitted E-rate applications for 13 public schools and 1 tech school resulting in approved funding in the amount of \$1,495,678.
- Submitted E-rate Emergency Connectivity Fund applications for 2 public school districts and was approved for \$322,961 in funding.
- Provided technology equipment and services using EANS funding for 11 nonpublic schools totaling \$91,041.25.
- Provided technical consultation and staffing support to 12 schools for a total of \$164,500.
- Provided PIMS and Child Accounting staffing and support for Capital Area Intermediate Unit, West Oak Lane Charter School, and Jenkintown, Perkiomen Valley, and Souderton Area School Districts totaling \$36,070.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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- Provided PowerSchool services for 7 public schools and 1 nonpublic school totaling \$154,800.
- Marketed and sold \$156,850 of Level Data Services to 37 schools through an established statewide reseller agreement.
- Partnered with Marcia Brenner Associates to sell over \$26,352 of their plugin modules for PowerSchool.
- Provided 698,000 Zoom meetings with a total of 9 million attendees.
- Conducted a successful regional computer competition virtually with 37 student projects, led by Jackie Krail.
- Coordinated the PDE Data Summit led by Shane Lentz and the data team.
- 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 PA Department of Education initiatives including: STEM, ATSI, Diversity, Equity and Inclusion, Text Dependent Analysis (TDA) and Special Education Initiatives including, MTSS-Academics and Behavior, Inclusive Practices, and Autism.
- Offered more than 179 days of professional training in the areas of curriculum and instruction, diversity, equity and inclusion, special education, and technology.
- Delivered 41 virtual, professional development workshops and provided support to public and non-public schools.
- Organized multiple, virtual student events, the largest of which is Reading Olympics attracting 225 teams and close to 2,700 students.
- Co-led the PA SEED Ecosystem bringing together various organizations from K-12, higher education, business and industry and informal education centers within the Bucks, Chester, Delaware and Montgomery Counties.
- Expanded WILSON Language Training partnership offerings to extend our reach. During this calendar year 19 WILSON Reading® workshops and courses were facilitated along with one year-long certification practicum.
- Facilitated a MCIU PIIC (Pennsylvania Institute for Instructional Coaching) job alike group with over 76 members, as well as working cooperatively with three other Southeast Region IUs to offer two Regional PIIC Network meetings with over 150 coaches.
- Convened 40 different job alike groups and curriculum virtual councils to provide peers from all districts with a forum to discuss common challenges and support each other through collaboration and information/resource sharing.
- Provided Montgomery Virtual Program (MVP) services to 47 schools utilized during the 2020-2021 school year.
  - There was a total of 1,899 enrollments.
  - 620 enrollments for the regular school year

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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- 478 enrollments completed 80% of the required seatwork and received a passing score of 60 or better.
- The Montgomery Virtual Program (MVP) Summer Program had a total of 1279 enrollments. Of that total, 1083 were Course Advancement and 196 were credit recovery enrollments. Of the 1279 summer enrollments, 1195 enrollments completed 90% of the required seatwork and received a passing score

- **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
- Provided long term payroll support services to Jenkintown School District
- Established and lead a Faculties Job-Alike group for facilities directors/managers within our member school districts
- Assisted in the establishment of a MCIU Vaccine Clinic for employees
- Provided a lead role in assisting the Harrisburg School District and Chester Upland School District 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.

Office highlights include:

- Coordinated a county-wide vaccination clinic and provided free rapid antigen testing services for all MCIU and Montgomery County school district employees and contractors.
- Executed innovative recruitment strategies, including coordinating county-wide virtual job fairs and multiple in-person hiring events, resulting in over 150 new hires since July 1, 2020.
- Facilitated weekly and bi-weekly HR Leadership meetings with our school district partners with the purpose of education, information sharing and professional development.
- Navigated complex COVID personnel challenges, including the administration of COVID/FFCRA leave policies and accommodations discussions.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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- **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 2020-2021, OSS opened the Children's Hearing Center (CHC). CHC dispenses hearing aids and direct microphone systems, earmolds, and batteries. In addition, hearing aids and direct microphone systems can be repaired through the Center. OSS implemented a School Attendance Improvement Program (SAIP) to assist students with school refusal behavior and related mental health challenges. Five evaluations were completed, and 379 hours of support were provided.

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

- Educated 140 students in special education school age classroom programs
- Provided itinerant services to 1,114 students including audiological, hearing, orientation & mobility, occupational/physical/speech therapy.
- Conducted 151 student evaluations in the areas of auditory, bilingual speech, hearing, vision, psychological, feeding, occupational, physical and speech.
- Provided a BrainSTEPS program to 15 students assisting them with re-entering school after a brain injury
- Provided 1099 days of behavior analyst support to school districts
- Provided 923 days of supplemental psychology, social work and adapted physical education services
- Provided support, training and experience to 131 transition-age students to help them prepare for their future
- Educated 42 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 7 students in the Institutionalized Children's Program
- Provided education to 189 students through the Detention Center and Shelter
- Provided education to 23 students at the Corrections Facility
- Conducted 296 hours of assistive technology consults and SETT meetings

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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Highlights of services provided to our non-public schools for 2020-2021:

- Provided FTE direct services to 17,065 students in grades K through 12 in 70 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
- In-person, hybrid and synchronous zoom classrooms were implemented to ensure ACT 89 services were continuously and effectively delivered throughout the school year to all eligible nonpublic school students.
- All School Counselors became fully certified OLWEUS bullying prevention trainer/consultants and able to work with schools to implement programs that have been found to be effective in reduce bullying and related antisocial behaviors.
- In 2020-2021 ACT 89 served nearly 2200 additional students in Montgomery County nonpublic schools over the previous school year.
- The implementation of Boom Cards and Ultimate SLP resources both enhanced speech teletherapy for online students and effectively enabled students to transition back to in-person learning.
- Continued to effectively serve internal constituents of eligible nonpublic schools as evidenced by a 100% School Satisfaction Survey Rating of Very Satisfied/Satisfied with all ACT 89 services provided.
- Assisted in the delivery of the Johnson & Johnson COVID vaccine for staff in the nonpublic schools
- Assisted Montgomery County nonpublic schools in obtaining \$26 million of Emergency Assistance to Non-Public Schools [EANS] funds under the Elementary and Secondary School Relief [ESSER] of the American Rescue Plan [ARP] to address learning loss due to COVID.
- Collaborated with LEAs in the provision of math and reading intervention to nearly 300 eligible TITLE I students in nonpublic schools.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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- **Office of Community and Government Relations**

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

Office highlights include:

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

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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- **Office of PaTTAN**

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

Office highlights include:

- PaTTAN continues to maintain logistic and programmatic management of implementation 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 from the Office of Special Education Programs (OSEP) in response to our Annual Performance Report (APR) indicate that we continue to meet our stated goals across both grants, with full continued awarded funding for both grants.
- PaTTAN has worked thoughtfully to adjust our budget expenditures to allow for high quality remote professional development opportunities for our regional and statewide events during COVID protocols.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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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 39% of its funding from State Sources and 40% 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 2022-2023 to 35.79%. Employer contributions for fiscal years 2024 to 2029 will range from 36.38% to 38.42%.
- 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, 2021**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 49,438,609	\$ -	\$ 49,438,609
Investments	8,436,950	-	8,436,950
Internal balances	256,161	(256,161)	-
Due from other governments	20,442,188	296,955	20,739,143
Accounts receivable	-	-	-
Inventory	7,655	-	7,655
Prepaid expenses	146,758	-	146,758
Net OPEB asset	473,039	-	473,039
Capital assets			
Land	590,000	-	590,000
Construction in progress	12,559,951	-	12,559,951
Buildings and building improvements net of accumulated depreciation	20,134,539	208,353	20,342,892
Furniture and equipment, net of accumulated depreciation	2,308,403	-	2,308,403
Vehicles, net of accumulated depreciation	143,234	-	143,234
<b>TOTAL ASSETS</b>	<b>114,937,487</b>	<b>249,147</b>	<b>115,186,634</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on bond refunding	57,721	-	57,721
Deferred outflows of resources for pension	20,852,164	-	20,852,164
Pension contributions made subsequent to the measurement date	14,687,464	-	14,687,464
Deferred outflows of resources for postemployment benefit obligations	1,451,093	-	1,451,093
Postemployment benefit obligation contributions made subsequent to the measurement date	357,487	-	357,487
<b>TOTAL DEFERRED OUTFLOWS         OF RESOURCES</b>	<b>37,405,929</b>	<b>-</b>	<b>37,405,929</b>
<b>LIABILITIES</b>			
Due to other governments	10,648,126	-	10,648,126
Accounts payable	4,738,857	3,200	4,742,057
Accrued salaries and benefits	8,025,488	-	8,025,488
Accrued interest	29,590	-	29,590
Unearned revenue	5,714,899	29,125	5,744,024
Noncurrent liabilities			
Due within one year	857,416	-	857,416
Due in more than one year	168,366,932	-	168,366,932
<b>TOTAL LIABILITIES</b>	<b>198,381,308</b>	<b>32,325</b>	<b>198,413,633</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources for pension	3,638,560	-	3,638,560
Deferred inflows of resources for postemployment benefit obligations	1,257,709	-	1,257,709
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,896,269</b>	<b>-</b>	<b>4,896,269</b>
<b>NET POSITION</b>			
Net investment in capital assets	24,699,094	208,353	24,907,447
Restricted	9,833,049	-	9,833,049
Unrestricted	(85,466,304)	8,469	(85,457,835)
<b>TOTAL NET POSITION</b>	<b>\$ (50,934,161)</b>	<b>\$ 216,822</b>	<b>\$ (50,717,339)</b>

See accompanying notes to the basic financial statements.

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
Instruction			
Special programs	\$ 27,264,269	\$ 12,972,502	\$ 16,836,017
Other instructional programs	4,046,488	1,587,416	2,160,373
Nonpublic school programs	5,610,869	204,538	5,251,106
Adult education programs	956,645	50,556	842,125
Pre-kindergarten programs	4,871,477	776,493	3,684,773
Support services			
Pupil personnel services	21,038,605	6,010,276	15,777,555
Instructional staff services	8,674,122	2,293,171	5,955,881
Administration services	10,779,156	844,671	8,135,270
Pupil health services	6,230,473	1,419,062	5,025,299
Business services	3,927,851	2,050,556	590,100
Operation and maintenance of plant services	5,079,742	1,136,384	3,897,793
Student transportation services	5,373,980	254,661	5,156,129
Central and other support services	5,899,994	4,372,217	760,306
Other support services	42,692,437	1,520,859	40,746,686
Community services	4,493	138	7,268
Facilities acquisition, construction and improvement services	-	-	-
Debt service	322,764	597,229	444,174
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>152,773,365</b>	<b>36,091,723</b>	<b>115,270,855</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Food service	402,409	-	399,576
<b>TOTAL INTERMEDIATE UNIT ACTIVITIES</b>	<b>\$ 153,175,774</b>	<b>\$ 36,091,723</b>	<b>\$ 115,670,431</b>

### GENERAL REVENUES

Investment earnings

### CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ 2,544,250	\$ -	\$ 2,544,250
(298,699)	-	(298,699)
(155,225)	-	(155,225)
(63,964)	-	(63,964)
(410,211)	-	(410,211)
749,226	-	749,226
(425,070)	-	(425,070)
(1,799,215)	-	(1,799,215)
213,888	-	213,888
(1,287,195)	-	(1,287,195)
(45,565)	-	(45,565)
36,810	-	36,810
(767,471)	-	(767,471)
(424,892)	-	(424,892)
2,913	-	2,913
-	-	-
<u>718,639</u>	<u>-</u>	<u>718,639</u>
(1,410,787)	-	(1,410,787)
<u>-</u>	<u>(2,833)</u>	<u>(2,833)</u>
(1,410,787)	(2,833)	(1,413,620)
<u>82,666</u>	<u>-</u>	<u>82,666</u>
(1,328,121)	(2,833)	(1,330,954)
<u>(49,606,040)</u>	<u>219,655</u>	<u>(49,386,385)</u>
<u>\$ (50,934,161)</u>	<u>\$ 216,822</u>	<u>\$ (50,717,339)</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**

## BALANCE SHEET

## GOVERNMENTAL FUNDS

JUNE 30, 2021

		<u>Special</u>	
		Special	Special
	<u>General Fund</u>	<u>Education</u>	<u>Education</u>
		Fund	Transportation
			Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 29,701,477	\$ 6,695,692	\$ 2,355,692
Investments	8,436,950	-	-
Due from other funds	256,171	-	-
Due from other governments	17,761,229	2,664,084	-
Inventory	7,655	-	-
Prepaid expenditures	146,423	335	-
	<u>56,309,905</u>	<u>9,360,111</u>	<u>2,355,692</u>
TOTAL ASSETS	\$ <u>56,309,905</u>	\$ <u>9,360,111</u>	\$ <u>2,355,692</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
Due to other governments	10,648,126	-	-
Accounts payable	2,348,910	153,910	400,748
Accrued salaries and benefits	8,025,488	-	-
Unearned revenues	3,796,498	42,870	1,875,531
	<u>24,819,022</u>	<u>196,780</u>	<u>2,276,279</u>
TOTAL LIABILITIES	<u>24,819,022</u>	<u>196,780</u>	<u>2,276,279</u>
<b>FUND BALANCES</b>			
Nonspendable	154,078	335	-
Restricted	502,463	9,162,996	79,413
Committed	2,308,662	-	-
Assigned	21,919,782	-	-
Unassigned	6,605,898	-	-
	<u>31,490,883</u>	<u>9,163,331</u>	<u>79,413</u>
TOTAL FUND BALANCES	<u>31,490,883</u>	<u>9,163,331</u>	<u>79,413</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>56,309,905</u>	\$ <u>9,360,111</u>	\$ <u>2,355,692</u>

*See accompanying notes to the basic financial statements.*

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Revenue Funds

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<u>Institutionalized Children Fund</u>	<u>Early Intervention Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,644,840	\$ 5,665,443	\$ 46,063,144
-	-	-	8,436,950
-	-	-	256,171
16,875	-	-	20,442,188
-	-	-	7,655
-	-	-	146,758
<hr/>	<hr/>	<hr/>	<hr/>
\$ <u>16,875</u>	\$ <u>1,644,840</u>	\$ <u>5,665,443</u>	\$ <u>75,352,866</u>
\$ 10	\$ -	\$ -	\$ 10
-	-	-	10,648,126
16,865	1,556,663	261,761	4,738,857
-	-	-	8,025,488
-	-	-	5,714,899
<hr/>	<hr/>	<hr/>	<hr/>
<u>16,875</u>	<u>1,556,663</u>	<u>261,761</u>	<u>29,127,380</u>
-	-	-	154,413
-	88,177	-	9,833,049
-	-	-	2,308,662
-	-	5,403,682	27,323,464
-	-	-	6,605,898
<hr/>	<hr/>	<hr/>	<hr/>
<u>-</u>	<u>88,177</u>	<u>5,403,682</u>	<u>46,225,486</u>
\$ <u>16,875</u>	\$ <u>1,644,840</u>	\$ <u>5,665,443</u>	\$ <u>75,352,866</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2021**

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 46,225,486
<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	12,559,951
Buildings and building improvements, net of accumulated depreciation	20,134,539
Furniture and equipment, net of accumulated depreciation	2,308,403
Vehicles, net of accumulated depreciation	143,234
Net OPEB asset is not recorded as an asset in the Governmental	473,039
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.	3,375,465
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	31,901,068
Deferred inflows and outflows of resources for post-employment benefit obligations are recorded and amortized in the statement of net position	550,871
<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	(2,035,289)
Bonds payable	(7,459,870)
Deferral charge on bond refunding	57,721
Accrued interest	(29,590)
Net pension liability	(149,539,000)
Other post-employment benefit liabilities	(6,560,000)
Lease purchase obligations	(3,630,189)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (50,934,161)</u>

*See accompanying notes to the basic financial statements.*

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**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	General Fund	Special Education Fund	Special Education Transportation Fund
<b>REVENUES</b>			
Local sources	\$ 11,775,384	\$ 18,258,185	\$ 4,331
State sources	23,199,341	5,841,427	5,304,107
Federal sources	61,826,440	-	-
TOTAL REVENUES	96,801,165	24,099,612	5,308,438
<b>EXPENDITURES</b>			
Instruction	15,483,968	11,671,448	-
Support services	82,493,597	7,812,087	4,934,053
Operation of non-instructional services	7,465	-	-
Building acquisition/construction	-	-	-
Debt service	591,754	341,593	-
TOTAL EXPENDITURES	98,576,784	19,825,128	4,934,053
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,775,619)	4,274,484	374,385
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	-	-	-
Operating transfers in	3,264,581	-	-
Operating transfers out	-	(5,932,487)	(370,054)
TOTAL OTHER FINANCING SOURCES (USES)	3,264,581	(5,932,487)	(370,054)
NET CHANGE IN FUND BALANCES	1,488,962	(1,658,003)	4,331
FUND BALANCES AT BEGINNING OF YEAR, restated	30,001,921	10,821,334	75,082
FUND BALANCES AT END OF YEAR	\$ 31,490,883	\$ 9,163,331	\$ 79,413

*See accompanying notes to the basic financial statements.*

Revenue Funds

Institutionalized Children Fund	Early Intervention Fund	Capital Projects Fund	Total Governmental Funds
\$ 16,875	\$ 86,274	\$ 967,868	\$ 31,108,917
14,500	23,774,810	-	58,134,185
-	-	-	61,826,440
<u>31,375</u>	<u>23,861,084</u>	<u>967,868</u>	<u>151,069,542</u>
31,375	11,611,013	-	38,797,804
-	10,462,433	-	105,702,170
-	-	-	7,465
-	-	3,248,903	3,248,903
-	-	-	933,347
<u>31,375</u>	<u>22,073,446</u>	<u>3,248,903</u>	<u>148,689,689</u>
-	1,787,638	(2,281,035)	2,379,853
-	102,500	-	102,500
-	-	5,000,000	8,264,581
-	(1,962,040)	-	(8,264,581)
-	(1,859,540)	5,000,000	102,500
-	(71,902)	2,718,965	2,482,353
-	160,079	2,684,717	43,743,133
<u>\$ -</u>	<u>\$ 88,177</u>	<u>\$ 5,403,682</u>	<u>\$ 46,225,486</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, 2021**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,482,353
<p>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 (\$4,384,060) exceeds depreciation (\$1,140,793) in the current period.</p>	3,243,267
<p>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.</p>	609,460
<p>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.</p>	1,720,508
<p>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.</p>	1,123
<p>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.</p>	(9,042,960)
<p>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).</p>	<u>(341,872)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,328,121)</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2021**

	Business-Type Activities <u>Food</u> <u>Service Fund</u>	Governmental Activities <u>Internal</u> <u>Service Fund</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 3,375,465
Due from other governments	296,955	-
Prepaid expense	-	-
TOTAL CURRENT ASSETS	<u>296,955</u>	<u>3,375,465</u>
<b>CAPITAL ASSETS, net</b>		
Building	<u>208,353</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 505,308</u>	<u>\$ 3,375,465</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,200	\$ -
Due to other funds	256,161	-
Deferred revenue	29,125	-
TOTAL CURRENT LIABILITIES	<u>288,486</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	208,353	-
Unrestricted	8,469	3,375,465
TOTAL NET POSITION	<u>216,822</u>	<u>3,375,465</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 505,308</u>	<u>\$ 3,375,465</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2021**

	Business-Type Activities <u>Food</u> <u>Service Fund</u>	Governmental Activities <u>Internal</u> <u>Service Fund</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ -	\$ 10,033,163
<b>OPERATING EXPENSES</b>		
Salaries	30,617	-
Employee benefits	16,669	8,276,334
Purchased professional and technical services	247	36,321
Supplies	346,349	-
Depreciation	7,769	-
Dues and fees	758	-
TOTAL OPERATING EXPENSES	<u>402,409</u>	<u>8,312,655</u>
OPERATING INCOME (LOSS)	<u>(402,409)</u>	<u>1,720,508</u>
<b>NONOPERATING REVENUES</b>		
State sources	6,766	-
Federal sources	392,810	-
TOTAL NONOPERATING REVENUE	<u>399,576</u>	<u>-</u>
CHANGE IN NET POSITION	(2,833)	1,720,508
NET POSITION AT BEGINNING OF YEAR	<u>219,655</u>	<u>1,654,957</u>
NET POSITION AT END OF YEAR	<u>\$ 216,822</u>	<u>\$ 3,375,465</u>

*See accompanying notes to the basic financial statements.*

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

YEAR ENDED JUNE 30, 2021

	Business-Type Activities <u>Food Service Fund</u>	Governmental Activities <u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 1,134	\$ 10,033,163
Payments to suppliers	(203,372)	-
Payments to employees for services	(47,286)	-
Cash payments for insurance services	-	(8,325,837)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(249,524)</u>	<u>1,707,326</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State sources	6,766	-
Federal sources	242,758	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>249,524</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	1,707,326
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>1,668,139</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 3,375,465</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (402,409)	\$ 1,720,508
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	7,769	-
Decrease in prepaid expenses	7,342	-
Increase in due to other funds	133,841	-
Increase in deferred revenue	1,134	-
Increase (Decrease) in accounts payable	2,799	(13,182)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (249,524)</u>	<u>\$ 1,707,326</u>

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021

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	Pension (and Other Employee Benefit) <u>Trust Funds</u>
ASSETS	
Investments	\$ <u>2,157,081</u>
NET POSITION	
Held in trust for other purposes	\$ <u><u>2,157,081</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, 2021**

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	Pension (and Other Employee Benefit) <u>Trust Funds</u>
ADDITIONS	
Local sources	\$ 275,788
DEDUCTIONS	
Support services	<u>17,380</u>
CHANGE IN NET POSITION	258,408
NET POSITION AT BEGINNING OF YEAR, restated	<u>1,898,673</u>
NET POSITION AT END OF YEAR	<u><u>\$ 2,157,081</u></u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**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, proprietary, 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, 2021

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**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 are used to account for assets held by the Intermediate Unit in a trustee capacity. This includes the Pension Trust Fund which is the OPEB plan administered through a trust. Fiduciary Funds are not included in the government-wide financial statements.

The *pension (and other employee benefit) trust fund* accounts for the activities of the other Postemployment Benefit Trust Fund, which accumulates resources held in trust for pension and other postemployment benefits payments to qualified beneficiaries.

**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.

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.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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, 2021

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**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, 2021

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**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, 2021, 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, 2021**

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**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, 2021

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**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 actual versus expected experience, 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 actual versus expected experience, changes in assumptions, changes in the employer's proportion, 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 experience, 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, 2021

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**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, 2021**

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**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, 2021.

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

### 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, 2021, \$777,891 of the Intermediate Unit's \$51,346,994 bank balance is uninsured and collateralized with securities held by the pledging bank's trust department not in the Intermediate Unit's name, \$276,619 was insured by the FDIC and \$50,292,484 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, 2021, the Intermediate Unit had the following investments and maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Maturities</u>
			<u>Less Than One Year</u>
State investment pools	\$ 8,436,950	\$ -	\$ 8,436,950
Trusts	<u>-</u>	<u>2,157,081</u>	<u>2,157,081</u>
	<u>\$ 8,436,950</u>	<u>\$ 2,157,081</u>	<u>\$ 10,594,031</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, 2021, is \$8,436,950. 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, 2021**

**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, 2021 and all investments were considered to be Level 1.

**NOTE C - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following:

	General Fund	Special Revenue Funds			Business-Type Activities Food Service Fund	Totals
		Special Education Fund	Institutionalized Children Fund	Early Intervention Fund		
<b>FEDERAL SOURCES</b>						
Excess of program expenditures over amounts received	\$ 12,465,225	\$ -	\$ -	\$ -	\$ 296,955	\$ 12,762,180
<b>STATE SUBSIDIES</b>						
Retirement	2,226,400	-	-	-	-	2,226,400
Social Security	528,795	-	-	-	-	528,795
Professional development	276,609	-	-	-	-	276,609
Excess of program expenditures over amounts received	-	-	-	-	-	-
<b>TOTAL STATE SUBSIDIES</b>	<b>3,031,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,031,804</b>
<b>LOCAL SOURCES</b>						
Continuing professional education	199,955	-	-	-	-	199,955
Special Education	-	2,664,084	-	-	-	2,664,084
Detention center	356,836	-	-	-	-	356,836
Technology and information services	56,570	-	-	-	-	56,570
Other local revenues from districts	1,650,839	-	16,875	-	-	1,667,714
<b>TOTAL LOCAL SOURCES</b>	<b>2,264,200</b>	<b>2,664,084</b>	<b>16,875</b>	<b>-</b>	<b>-</b>	<b>4,945,159</b>
<b>TOTAL INTERGOVERNMENTAL RECEIVABLES</b>	<b>\$ 17,761,229</b>	<b>\$ 2,664,084</b>	<b>\$ 16,875</b>	<b>\$ -</b>	<b>\$ 296,955</b>	<b>\$ 20,739,143</b>

**Allowance for Doubtful Accounts**

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

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE D - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food service	\$ 256,161
General Fund	Institutionalized Children	<u>10</u>
		<u>\$ 256,171</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	\$ 3,264,581	\$ -
Capital Projects Fund	5,000,000	-
Special Education Fund	-	5,932,487
Special Education Transportation Fund	-	370,054
Early Intervention Fund	<u>-</u>	<u>1,962,040</u>
	<u>\$ 8,264,581</u>	<u>\$ 8,264,581</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**  
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**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 590,000	\$ -	\$ -	\$ 590,000
Construction in progress	9,791,660	3,305,340	(537,049)	12,559,951
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>10,381,660</b>	<b>3,305,340</b>	<b>(537,049)</b>	<b>13,149,951</b>
Capital assets being depreciated				
Buildings and building improvements	29,285,962	643,099	-	29,929,061
Furniture and equipment	5,302,334	929,877	-	6,232,211
Vehicles	506,893	42,793	-	549,686
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>35,095,189</b>	<b>1,615,769</b>	<b>-</b>	<b>36,710,958</b>
Accumulated depreciation				
Buildings and building improvements	(9,159,090)	(635,432)	-	(9,794,522)
Furniture and equipment	(3,483,484)	(440,324)	-	(3,923,808)
Vehicles	(341,415)	(65,037)	-	(406,452)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(12,983,989)</b>	<b>(1,140,793)</b>	<b>-</b>	<b>(14,124,782)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>22,111,200</b>	<b>474,976</b>	<b>-</b>	<b>22,586,176</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 32,492,860</b>	<b>\$ 3,780,316</b>	<b>\$ (537,049)</b>	<b>\$ 35,736,127</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Buildings	\$ 310,579	\$ -	\$ -	\$ 310,579
Accumulated depreciation	(94,457)	(7,769)	-	(102,226)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 216,122</b>	<b>\$ (7,769)</b>	<b>\$ -</b>	<b>\$ 208,353</b>

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

### 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	12,559,951	-	12,559,951
Buildings and building improvements	29,929,061	(9,794,522)	20,134,539
Furniture and equipment	6,232,211	(3,923,808)	2,308,403
Vehicles	549,686	(406,452)	143,234
	<u>\$ 49,860,909</u>	<u>\$ (14,124,782)</u>	<u>\$ 35,736,127</u>

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Special programs		\$ 172,830
Other instructional programs		239,012
Non-public school programs		84,838
SUPPORT SERVICES		
Pupil personnel services		151,744
Administration services		170,586
Pupil health services		1,869
Prekindergarten services		41,190
Business services		8,353
Operation and maintenance of plant services		202,595
Central and other support services		67,776
		<u>\$ 1,140,793</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. On March 11, 2021, the Montgomery County Intermediate Unit modified the 2019 lease for \$3,695,282 at a 1.55% interest rate. The lease is payable annually and is set to mature in June 2034.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**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>
2022	\$ 263,887	\$ 55,152	\$ 319,039
2023	268,064	50,975	319,039
2024	272,181	46,858	319,039
2025	276,615	42,423	319,038
2026	280,994	38,045	319,039
2027-2031	1,473,031	122,162	1,595,193
2032-2035	<u>795,417</u>	<u>16,840</u>	<u>812,257</u>
	<u>\$ 3,630,189</u>	<u>\$ 372,455</u>	<u>\$ 4,002,644</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>
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	425,000	165,404	590,404
2027-2031	2,280,000	662,164	2,942,164
2032-2036	2,640,000	305,884	2,945,884
2037	<u>580,000</u>	<u>9,425</u>	<u>589,425</u>
	<u>\$ 7,535,000</u>	<u>\$ 1,890,633</u>	<u>\$ 9,425,633</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**Changes in Long-Term Liabilities**

Governmental long-term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
BONDS PAYABLE					
Revenue Bonds, Series of 2017	\$ 7,920,000	\$ -	\$ (385,000)	\$ 7,535,000	\$ 390,000
Discount	(79,826)	-	4,696	(75,130)	-
TOTAL BONDS PAYABLE	<u>7,840,174</u>	<u>-</u>	<u>(380,304)</u>	<u>7,459,870</u>	<u>390,000</u>
NET OPEB LIABILITY	<u>6,276,225</u>	<u>283,775</u>	<u>-</u>	<u>6,560,000</u>	<u>-</u>
NET PENSION LIABILITY	<u>129,494,000</u>	<u>20,045,000</u>	<u>-</u>	<u>149,539,000</u>	<u>-</u>
CAPITAL LEASE	<u>3,862,952</u>	<u>-</u>	<u>(232,763)</u>	<u>3,630,189</u>	<u>263,887</u>
COMPENSATED ABSENCES					
Vacation leave	669,500	163,840	-	833,340	83,334
Sick leave	1,023,918	178,031	-	1,201,949	120,195
TOTAL COMPENSATED ABSENCES	<u>1,693,418</u>	<u>341,871</u>	<u>-</u>	<u>2,035,289</u>	<u>203,529</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 149,166,769</u>	<u>\$ 20,670,646</u>	<u>\$ (613,067)</u>	<u>\$ 169,224,348</u>	<u>\$ 857,416</u>

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

**NOTE H - OPERATING LEASES**

The Intermediate Unit leases building space under operating leases expiring no later than June 2026 at annual amounts ranging from \$4,713 to \$480,157.

The Intermediate Unit leases office equipment under operating leases expiring no later than April 2025 at monthly costs ranging from \$209 to \$2,075.

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### 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>
2022	\$ 787,196	\$ 99,058	\$ 886,254
2023	439,411	4,322	443,733
2024	452,594	4,322	456,916
2025	466,171	3,602	469,773
2026	480,157	-	480,157
	<u>\$ 2,625,529</u>	<u>\$ 111,304</u>	<u>\$ 2,736,833</u>

Rent expense under operating leases for the year ended June 30, 2021, was \$844,798.

### NOTE I - PENSION PLAN

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

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

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

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

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### 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, 2021**

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**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, 2021, was 33.51% 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 \$14,687,464 for the year ended June 30, 2021.

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

At June 30, 2021, the Intermediate Unit reported a liability of \$149,539,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The Intermediate Unit's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the Intermediate Unit's proportion was 0.3037%, which was an increase of 0.0269% from its proportion measured as of June 30, 2020.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

For the year ended June 30, 2021, the Intermediate Unit recognized pension expense of \$23,587,082. At June 30, 2021, 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	\$ 391,196	\$ 3,584,060
Net difference between projected and actual investment earnings	6,572,037	-
Changes in proportions	13,813,000	54,500
Difference between employer contributions and proportionate share of total contributions	75,931	-
Contributions subsequent to the measurement date	<u>14,687,464</u>	<u>-</u>
	<u>\$ 35,539,628</u>	<u>\$ 3,638,560</u>

\$14,687,464 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, 2022. 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>	
2022	\$ 5,334,681
2023	4,075,369
2024	4,219,476
2025	<u>3,584,078</u>
	<u>\$ 17,213,604</u>

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### NOTE I - PENSION PLAN (Continued)

**Actuarial Assumptions** - The total pension liability as of June 30, 2020, was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020, using the following actuarial assumptions:

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

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

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### 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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-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, 2020.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**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>185,011,000</u>	\$ <u>149,539,000</u>	\$ <u>119,489,000</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](http://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.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**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, 2020 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](http://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, 2020, there were no assumed future benefit increases to participating eligible retirees.

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### NOTE J - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

#### *Contributions*

The Intermediate Unit's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% 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 \$357,487 for the year ended June 30, 2021.

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

At June 30, 2021, the Intermediate Unit reported a liability of \$6,560,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2021, the Intermediate Unit's proportion was 0.3037% percent, which was an increase of 0.0269% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Intermediate Unit recognized OPEB expense of \$503,458. At June 30, 2021, 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	\$ 60,358	\$ -
Changes in assumptions	267,318	143,925
Net difference between projected and actual investment earnings	11,318	-
Changes in proportions	843,000	6,000
Difference between employer contributions and proportionate share of total contributions	-	8,784
Contributions subsequent to the measurement date	<u>357,487</u>	<u>-</u>
	<u>\$ 1,539,481</u>	<u>\$ 158,709</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)**

\$357,487 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, 2022. 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>	
2022	\$ 180,494
2023	181,887
2024	182,822
2025	230,362
2026	147,455
Thereafter	<u>100,265</u>
	<u>\$ 1,023,285</u>

***Actuarial Assumptions***

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.66% - 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, 2021**

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**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, 2018 determined the employer contribution rate for fiscal year 2020.
- 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	50.3%	-1.0%
US Core Fixed Income	46.5%	-0.1%
Non-US Developed Fixed	3.2%	-0.1%
	<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, 2020.

For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 1.97%. 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, 2021**

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

***Discount Rate***

The discount rate used to measure the Total OPEB Liability was 2.66%. 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 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, 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 2.79% as of June 30, 2019 to 2.66% as of June 30, 2020.

***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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 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, 2020, 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	\$ 6,559,000	\$ 6,560,000	\$ 6,561,000

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
Intermediate Unit's proportionate share of the net OPEB liability	\$ 7,479,000	\$ 6,560,000	\$ 5,799,000

***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](http://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, 2020, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>517</u>
	<u>533</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**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**  
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**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** - 5.07%, based on S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2021.

**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 2020 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**  
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**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 2.18% based on the S&P Municipal bond 20 Year High Grade Rate Index as of June 30, 2021.

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

**Changes in Assumptions** - In the 2020 actuarial valuation, the discount rate changed from 4.11% to 5.07%. 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 (Asset)**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances at June 30, 2020	\$ 2,287,898	\$ 1,898,673	\$ 389,225
Changes for the year			
Service cost	249,416	-	249,416
Interest cost	101,217	-	101,217
Changes of benefit terms	(48,344)	-	(48,344)
Changes for experience	(485,257)	-	(485,257)
Changes in assumptions	(283,164)	-	(283,164)
Contributions - Employer	-	137,724	(137,724)
Net investment income	-	275,788	(275,788)
Administrative expenses	-	(17,380)	17,380
Benefit payments	(137,724)	(137,724)	-
Net changes	<u>(603,856)</u>	<u>258,408</u>	<u>(862,264)</u>
Balances at June 30, 2021	<u>\$ 1,684,042</u>	<u>\$ 2,157,081</u>	<u>\$ (473,039)</u>

**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate**

The following presents the total OPEB asset of the Intermediate Unit, as well as what the Intermediate Unit's total OPEB asset would be if it were calculated using a discount rate that is 1 percentage-point lower (4.07 percent) or 1-percentage-point higher (6.07 percent) than the current discount rate:

	1% Decrease (4.07%)	Current Discount Rate (5.07%)	1% Increase (6.07%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net OPEB asset	\$ (359,647)	\$ (473,039)	\$ (578,463)

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN (Continued)**

**Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates** The following presents the total OPEB asset of the Intermediate Unit, as well as what the Intermediate Unit's total OPEB asset 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%</u> <u>Decrease</u>	<u>Current</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Net OPEB asset	\$ <u>(637,248)</u>	\$ <u>(473,039)</u>	\$ <u>(279,403)</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2021, the Intermediate Unit recognized OPEB expense of (\$2,629). At June 30, 2021, the Intermediate Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in assumptions	\$ 269,099	\$ 411,311
Difference between expected and actual experience	-	565,654
Net difference between projected and actual investments earnings	<u>-</u>	<u>122,035</u>
	\$ <u>269,099</u>	\$ <u>1,099,000</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</u> <u>June 30,</u>	
2022	\$ (62,929)
2023	(71,217)
2024	(67,447)
2025	(67,302)
2026	(36,715)
Thereafter	<u>(524,291)</u>
	\$ <u>(829,901)</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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 2020-2021 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, 2021, 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.

At June 30, 2021, the Intermediate Unit has approximately \$71,000 of commitments outstanding associated with the 2 West Lafayette Elevator Modernization and MCIU 1605 W Main Street Renovation projects.

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**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE O - FUND BALANCES**

The detail breakdown of fund balances as of June 30, 2021, is as follows:

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Special Education Transportation Fund</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventory	\$ 7,655	\$ -	\$ -
Prepaid expenses	146,423	335	-
Restricted			
IDEA - B	439,888	-	-
Non-public instructional programs	15,221	-	-
Special education	-	9,162,996	79,413
Statewide system of support	47,354	-	-
Committed			
Self-insured unemployment compensation	1,975,837	-	-
Self-insured dental	332,825	-	-
Assigned			
Projects administration	13,740,465	-	-
Non-pub fee based	302,830	-	-
Pattan conferences	501,493	-	-
Facilities	3,620,426	-	-
Access - school age	3,754,568	-	-
Capital improvements and repairs	-	-	-
Unassigned	<u>6,605,898</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<b>\$ <u>31,490,883</u></b>	<b>\$ <u>9,163,331</u></b>	<b>\$ <u>79,413</u></b>

Revenue Funds

Institutionalized Children Fund	Early Intervention Fund	Capital Projects Fund	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 7,655
-	-	-	146,758
-	-	-	439,888
-	-	-	15,221
-	88,177	-	9,330,586
-	-	-	47,354
-	-	-	1,975,837
-	-	-	332,825
-	-	-	13,740,465
-	-	-	302,830
-	-	-	501,493
-	-	-	3,620,426
-	-	-	3,754,568
-	-	5,403,682	5,403,682
-	-	-	6,605,898
<u>\$ -</u>	<u>\$ 88,177</u>	<u>\$ 5,403,682</u>	<u>\$ 46,225,486</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**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.

**NOTE Q - PRIOR PERIOD RESTATEMENT**

The Intermediate Unit implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

For government-wide governmental activities, the Intermediate Unit has treated the beginning of year net positions of \$(49,606,040) as having been recognized in the period incurred. The Intermediate Unit has adjusted net position for their governmental activities from \$(49,625,756) to \$(49,606,040) to reflect the addition of funds that no longer qualify as fiduciary activities.

For the general fund, the Intermediate Unit has treated the beginning of year net fund balance of \$30,001,921 as having been recognized in the period incurred. The Intermediate Unit has adjusted beginning fund balance for their general fund activities from \$29,982,205 to \$30,001,921 to reflect the addition of funds that no longer qualify as fiduciary activities.

For fiduciary fund pension trust fund activities, the Intermediate Unit has treated the beginning of year net position of \$1,898,673 as having been recognized in the period incurred. The Intermediate Unit has adjusted beginning of year net position for their fiduciary activities from \$1,918,389 to \$1,898,673 to reflect the removal of funds that no longer qualify as fiduciary activities.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 11,681,383	\$ 11,681,383	\$ 11,775,384	\$ 94,001
State sources	39,788,448	39,788,448	23,199,341	(16,589,107)
Federal sources	51,799,700	51,799,700	61,826,440	10,026,740
<b>TOTAL REVENUES</b>	<u>103,269,531</u>	<u>103,269,531</u>	<u>96,801,165</u>	<u>(6,468,366)</u>
<b>EXPENDITURES</b>				
Instruction				
Special programs	2,485,849	2,485,849	1,546,300	939,549
Other instructional programs	2,692,158	2,692,158	3,460,210	(768,052)
Nonpublic school programs	5,198,265	5,198,265	5,025,950	172,315
Adult programs	819,835	819,835	902,424	(82,589)
Pre-kindergarten programs	5,046,425	5,046,425	4,549,084	497,341
Support services				
Pupil personnel services	8,933,226	8,933,226	8,187,538	745,688
Instructional staff services	7,771,876	7,771,876	7,948,592	(176,716)
Administration services	9,751,962	9,751,962	9,488,480	263,482
Pupil health services	232,261	232,261	172,718	59,543
Business services	3,676,870	3,676,870	3,496,032	180,838
Operation and maintenance of plant services	5,726,450	5,726,450	4,495,962	1,230,488
Student transportation services	1,632,200	1,632,200	421,209	1,210,991
Central and other support services	5,624,526	5,624,526	5,619,392	5,134
Other support services	47,615,223	47,615,223	42,663,674	4,951,549
Community service	109,712	109,712	7,465	102,247
Debt service	591,754	591,754	591,754	-
<b>TOTAL EXPENDITURES</b>	<u>107,908,592</u>	<u>107,908,592</u>	<u>98,576,784</u>	<u>9,331,808</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(4,639,061)</b>	<b>(4,639,061)</b>	<b>(1,775,619)</b>	<b>2,863,442</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	4,639,061	4,639,061	3,264,581	(1,374,480)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>1,488,962</b>	<b>\$ 1,488,962</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>				
	<u>30,001,921</u>	<u>30,001,921</u>	<u>30,001,921</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ <u>30,001,921</u></b>	<b>\$ <u>30,001,921</u></b>	<b>\$ <u>31,490,883</u></b>	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL EDUCATION FUND**  
**YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 19,149,899	\$ 19,149,899	\$ 18,258,185	\$ (891,714)
State sources	5,956,707	5,956,707	5,841,427	(115,280)
<b>TOTAL REVENUES</b>	<u>25,106,606</u>	<u>25,106,606</u>	<u>24,099,612</u>	<u>(1,006,994)</u>
<b>EXPENDITURES</b>				
Instruction				
Special programs	12,969,007	12,969,007	11,377,583	1,591,424
Other instructional programs	299,645	299,645	293,865	5,780
Support services				
Pupil personnel services	5,297,209	5,297,209	5,419,847	(122,638)
Instructional staff services	515,185	515,185	276,337	238,848
Administration services	350,270	350,270	398,965	(48,695)
Pupil health services	1,501,461	1,501,461	1,261,545	239,916
Business services	11,550	11,550	3,657	7,893
Operation and maintenance of plant services	138,825	138,825	237,970	(99,145)
Central and other support services	247,196	247,196	213,766	33,430
Debt service	351,390	351,390	341,593	9,797
<b>TOTAL EXPENDITURES</b>	<u>21,681,738</u>	<u>21,681,738</u>	<u>19,825,128</u>	<u>1,856,610</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	3,424,868	3,424,868	4,274,484	849,616
<b>OTHER FINANCING USES</b>				
Issuance of refunding debt	-	-	3,695,282	3,695,282
Payment to refunding bond escrow agent	-	-	(3,695,282)	(3,695,282)
Operating transfers out	(3,424,868)	(3,424,868)	(5,932,487)	(2,507,619)
<b>TOTAL OTHER FINANCING USES</b>	<u>(3,424,868)</u>	<u>(3,424,868)</u>	<u>(5,932,487)</u>	<u>(2,507,619)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(1,658,003)	\$ <u>(1,658,003)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>10,821,334</u>	<u>10,821,334</u>	<u>10,821,334</u>	
<b>FUND BALANCE AT END OF YEAR</b>	\$ <u>10,821,334</u>	\$ <u>10,821,334</u>	\$ <u>9,163,331</u>	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL EDUCATION TRANSPORTATION FUND**  
**YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 25,000	\$ 25,000	\$ 4,331	\$ (20,669)
State sources	9,875,320	9,875,320	5,304,107	(4,571,213)
TOTAL REVENUES	<u>9,900,320</u>	<u>9,900,320</u>	<u>5,308,438</u>	<u>(4,591,882)</u>
EXPENDITURES				
Support services				
Business services	500	500	197	303
Student transportation services	9,164,465	9,164,465	4,933,856	4,230,609
Central and other support services	2,000	2,000	-	2,000
TOTAL EXPENDITURES	<u>9,166,965</u>	<u>9,166,965</u>	<u>4,934,053</u>	<u>4,232,912</u>
EXCESS OF REVENUES OVER EXPENDITURES	733,355	733,355	374,385	(358,970)
OTHER FINANCING USES				
Operating transfers out	<u>(733,355)</u>	<u>(733,355)</u>	<u>(370,054)</u>	<u>363,301</u>
NET CHANGE IN FUND BALANCE	-	-	4,331	\$ <u>4,331</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>75,082</u>	<u>75,082</u>	<u>75,082</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 75,082</u>	<u>\$ 75,082</u>	<u>\$ 79,413</u>	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**INSTITUTIONALIZED CHILDREN FUND**  
**YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ -	\$ -	\$ 16,875	\$ 16,875
State sources	32,040	32,040	14,500	(17,540)
TOTAL REVENUES	<u>32,040</u>	<u>32,040</u>	<u>31,375</u>	<u>(665)</u>
EXPENDITURES				
Instruction				
Special programs	32,040	32,040	31,375	665
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	\$ <u><u>-</u></u>
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	
FUND BALANCE AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	

*See accompanying notes to the budgetary comparison schedules.*

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**BUDGETARY COMPARISON SCHEDULE**  
**EARLY INTERVENTION FUND**  
**YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 50,000	\$ 50,000	\$ 86,274	\$ 36,274
State sources	23,811,656	23,811,656	23,774,810	(36,846)
<b>TOTAL REVENUES</b>	<u>23,861,656</u>	<u>23,861,656</u>	<u>23,861,084</u>	<u>(572)</u>
<b>EXPENDITURES</b>				
Instruction				
Special programs	12,158,057	12,158,057	11,611,013	547,044
Support services				
Pupil personnel services	5,037,747	5,037,747	5,436,300	(398,553)
Instructional staff services	5,681	5,681	4,561	1,120
Administration services	192,000	192,000	114,950	77,050
Pupil health services	4,508,121	4,508,121	4,354,888	153,233
Business services	11,000	11,000	113,524	(102,524)
Operation and maintenance of plant services	97,555	97,555	292,518	(194,963)
Central and other support services	144,452	144,452	145,692	(1,240)
<b>TOTAL EXPENDITURES</b>	<u>22,154,613</u>	<u>22,154,613</u>	<u>22,073,446</u>	<u>81,167</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,707,043	1,707,043	1,787,638	80,595
<b>OTHER FINANCING USES</b>				
Insurance recoveries	-	-	102,500	102,500
Operating transfers out	(1,707,043)	(1,707,043)	(1,962,040)	(254,997)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,707,043)</u>	<u>(1,707,043)</u>	<u>(1,859,540)</u>	<u>(152,497)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(71,902)	\$ <u>(71,902)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>160,079</u>	<u>160,079</u>	<u>160,079</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 160,079</u>	<u>\$ 160,079</u>	<u>\$ 88,177</u>	

See accompanying notes to the budgetary comparison schedules.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**  
**JUNE 30, 2021**

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**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, 2021**

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

For the year ended June 30, 2021, expenditures exceeded appropriations in the following General Fund, Special Education Fund and Early Intervention Fund department levels (the legal level of budgetary control):

<b>GENERAL FUND</b>	
Other instructional programs	\$ (768,052)
Adult programs	(82,589)
Instructional staff services	(176,716)
<b>SPECIAL EDUCATION FUND</b>	
Pupil personnel services	(122,638)
Administration services	(48,695)
Operation and maintenance of plant services	(99,145)
<b>EARLY INTERVENTION FUND</b>	
Pupil personnel services	\$ (398,553)
Business services	(102,524)
plant services	(194,963)
Central and other support services	(1,240)

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

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# MONTGOMERY COUNTY INTERMEDIATE UNIT

## SCHEDULE OF THE INTERMEDIATE UNIT'S PROPORTIONATE SHARE OF THE PSERS NET PENSION LIABILITY LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Intermediate Unit's proportion of the net pension liability (asset)	<u>0.3037%</u>	<u>0.2768%</u>	<u>0.2688%</u>
Intermediate Unit's proportionate share of the net pension liability (asset)	<u>\$ 149,539,000</u>	<u>\$ 129,494,000</u>	<u>\$ 129,037,000</u>
Intermediate Unit's covered payroll	<u>\$ 42,617,880</u>	<u>\$ 38,167,202</u>	<u>\$ 36,201,461</u>
Intermediate Unit's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>350.88%</u>	<u>339.28%</u>	<u>356.44%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>55.66%</u>	<u>54.00%</u>	<u>54.00%</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, 2020, 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.

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.2492%</u>	<u>0.2498%</u>	<u>0.2286%</u>	<u>0.2542%</u>
\$ <u>123,076,000</u>	\$ <u>123,793,000</u>	\$ <u>99,018,000</u>	\$ <u>100,615,000</u>
\$ <u>33,177,621</u>	\$ <u>32,353,899</u>	\$ <u>29,410,257</u>	\$ <u>32,432,489</u>
<u>370.96%</u>	<u>382.62%</u>	<u>336.68%</u>	<u>310.23%</u>
<u>51.84%</u>	<u>50.14%</u>	<u>54.36%</u>	<u>57.24%</u>

# MONTGOMERY COUNTY INTERMEDIATE UNIT

## SCHEDULE OF THE INTERMEDIATE UNIT'S PSERS PENSION CONTRIBUTIONS LAST SEVEN FISCAL YEARS

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	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 14,687,464	\$ 14,234,044	\$ 12,416,689
Contributions in relation to the contractually required contribution	<u>14,687,464</u>	<u>14,234,044</u>	<u>12,416,689</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Intermediate Unit's covered payroll	\$ <u>43,595,976</u>	\$ <u>42,617,880</u>	\$ <u>38,167,202</u>
Contributions as a percentage of covered payroll	<u>33.69%</u>	<u>33.40%</u>	<u>32.53%</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.

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 11,472,582	\$ 9,615,836	\$ 8,013,376	\$ 5,979,417
<u>11,472,582</u>	<u>9,615,836</u>	<u>8,013,376</u>	<u>5,979,417</u>
\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
\$ <u>36,201,461</u>	\$ <u>33,177,621</u>	\$ <u>32,353,899</u>	\$ <u>29,410,257</u>
<u>31.69%</u>	<u>28.98%</u>	<u>24.77%</u>	<u>20.33%</u>

# MONTGOMERY COUNTY INTERMEDIATE UNIT

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Intermediate Unit's proportion of the net OPEB liability (asset)	<u>0.3036%</u>	<u>0.2768%</u>	<u>0.2688%</u>
Intermediate Unit's proportionate share of the net OPEB liability (asset)	<u>\$ 6,560,000</u>	<u>\$ 5,887,000</u>	<u>\$ 5,604,000</u>
Intermediate Unit's covered payroll	<u>\$ 42,617,880</u>	<u>\$ 38,167,202</u>	<u>\$ 36,201,461</u>
Intermediate Unit's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	<u>15.39%</u>	<u>15.42%</u>	<u>15.48%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</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, 2020, 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.

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<u>2018</u>	<u>2017</u>
<u>0.2492%</u>	<u>0.2498%</u>
\$ <u>5,077,000</u>	\$ <u>5,381,000</u>
\$ <u>33,177,621</u>	\$ <u>32,353,899</u>
<u>15.30%</u>	<u>16.63%</u>
<u>5.73%</u>	<u>5.47%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 357,487	\$ 357,447	\$ 316,130
Contributions in relation to the contractually required contribution	<u>357,487</u>	<u>357,447</u>	<u>316,130</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Intermediate Unit's covered payroll	\$ <u><u>43,595,976</u></u>	\$ <u><u>42,617,880</u></u>	\$ <u><u>38,167,202</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>0.82%</u></u>	<u><u>0.84%</u></u>	<u><u>0.83%</u></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.

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<u>2018</u>	<u>2017</u>
\$ 300,008	\$ 273,327
<u>300,008</u>	<u>273,327</u>
\$ <u>-</u>	\$ <u>-</u>
\$ <u>36,201,461</u>	\$ <u>33,177,621</u>
<u>0.83%</u>	<u>0.82%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>TOTAL OPEB LIABILITY</b>			
Service cost	\$ 249,416	\$ 244,375	\$ 169,243
Interest	101,217	94,070	108,606
Changes of benefit terms	(48,344)	-	53,303
Changes for experience	(485,257)	-	(150,331)
Changes of assumptions	(283,164)	26,508	(196,033)
Benefit payments	<u>(137,724)</u>	<u>(123,426)</u>	<u>(110,888)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(603,856)	241,527	(126,100)
Total OPEB liability, beginning	<u>2,287,898</u>	<u>2,046,371</u>	<u>2,172,471</u>
<b>TOTAL OPEB LIABILITY, ENDING (a)</b>	<u><u>\$ 1,684,042</u></u>	<u><u>\$ 2,287,898</u></u>	<u><u>\$ 2,046,371</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions			
Employer	\$ 137,724	\$ 123,426	\$ 110,888
Net investment income	275,788	117,046	127,876
Benefit payments	(137,724)	(123,426)	(110,888)
Administrative expense	<u>(17,280)</u>	<u>(16,004)</u>	<u>(15,009)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	258,508	101,042	112,867
Plan fiduciary net position, beginning	<u>1,898,673</u>	<u>1,797,631</u>	<u>1,684,764</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<u><u>\$ 2,157,181</u></u>	<u><u>\$ 1,898,673</u></u>	<u><u>\$ 1,797,631</u></u>
<b>NET OPEB LIABILITY, ENDING (a)-(b)</b>	<u><u>\$ (473,139)</u></u>	<u><u>\$ 389,225</u></u>	<u><u>\$ 248,740</u></u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY</b>	<u>128.10%</u>	<u>82.99%</u>	<u>87.84%</u>
<b>COVERED-EMPLOYEE PAYROLL</b>	<u><u>\$ 39,820,761</u></u>	<u><u>\$ 36,207,725</u></u>	<u><u>\$ 36,207,725</u></u>
<b>NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	<u><u>-1.19%</u></u>	<u><u>1.07%</u></u>	<u><u>0.69%</u></u>

**NOTE TO SCHEDULE**

Change in assumptions: In the July 1, 2020 actuarial valuation, the discount rate changed from 4.11% to 5.07%. 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.

<u>2018</u>	<u>2017</u>
\$ 113,173	\$ 108,873
110,861	105,094
-	-
-	-
411,681	-
<u>(121,386)</u>	<u>(139,158)</u>
514,329	74,809
<u>1,658,142</u>	<u>1,583,333</u>
<u>\$ 2,172,471</u>	<u>\$ 1,658,142</u>
\$ 121,386	\$ 139,158
64,355	94,582
(121,386)	(139,158)
<u>(14,826)</u>	<u>(13,829)</u>
49,529	80,753
<u>1,635,235</u>	<u>1,554,482</u>
<u>\$ 1,684,764</u>	<u>\$ 1,635,235</u>
<u>\$ 487,707</u>	<u>\$ 22,907</u>
<u>77.55%</u>	<u>98.62%</u>
<u>\$ 31,257,637</u>	<u>\$ 31,257,637</u>
<u>1.56%</u>	<u>0.07%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 137,724	\$ 123,426	\$ 110,888
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>137,724</u>	<u>123,426</u>	<u>110,888</u>
CONTRIBUTION EXCESS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 39,820,761</u>	<u>\$ 36,207,725</u>	<u>\$ 36,207,725</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>0.35%</u>	<u>0.34%</u>	<u>0.31%</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, 2020, 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	5.07%
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.

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<u>2018</u>	<u>2017</u>
\$ 121,386	\$ 139,158
<u>121,386</u>	<u>139,158</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>31,257,637</u></u>	\$ <u><u>31,257,637</u></u>
<u><u>0.39%</u></u>	<u><u>0.45%</u></u>

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

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>13.61%</u>	<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, 2021, and the related notes to the financial statements, which collectively comprise the Montgomery County Intermediate Unit's basic financial statements, and have issued our report thereon dated January 11, 2022.

***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  
January 11, 2022

***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, 2021. 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, 2021.

***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.

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.



Limerick, Pennsylvania  
January 11, 2022

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

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Project Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Direct Federal Assistance</b>				
The Pennsylvania Deaf-Blind Project (Year 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				
<b>Passed through the Pennsylvania Department of Education</b>				
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	013-210623	July 1, 2020 to September 30, 2022
STEM	I	84.010	149-210023	July 1, 2020 to September 30, 2021
Supports for Effective Standards Based Instruction	I	84.010	149-200023	July 1, 2019 to June 30, 2020
TOTAL TITLE I				
Continuity of Education Intermediate Units	I	84.425D	149-210023	July 1, 2020 to September 30, 2021
Continuity of Education Charter Schools	I	84.425D	149-210023	July 1, 2020 to September 30, 2021
EI GEER Grant Agreement	I	84.425C	162-190023	March 13, 2020 to September 30, 2021
GEER Funds EI Compensatory Ed	I	84.425C	162-190023	March 13, 2020 to September 30, 2021
GEERS II Emergency Assistance to Non-Public Schools	I	84.425C	255-210623	March 13, 2020 to September 30, 2023
TOTAL EDUCATION STABILIZATION FUND				
Data Governance	I	84.367	149-200023	July 1, 2019 to June 30, 2020
Data Governance	I	84.367	149-200023	July 1, 2020 to September 30, 2021
Safety Initiatives	I	84.367	156-200023	July 1, 2019 to June 30, 2020
Safety Initiatives	I	84.367	156-210023	July 1, 2020 to June 30, 2021
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	062-190035	July 1, 2018 to September 30, 2020
IDEA-B	I	84.027	062-200035	July 1, 2019 to September 30, 2021
IDEA-B	I	84.027	062-210035	July 1, 2020 to September 30, 2022
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, 2021
IDEA-B	I	84.027	062-210023	July 1, 2020 to September 30, 2022
IDEA Preschool	I	84.027	131-200023	July 1, 2020 to June 30, 2021
TOTAL SPECIAL EDUCATION - GRANTS TO STATES (IDEA, PART B)				
IDEA Preschool	I	84.173	131-200023	July 1, 2020 to June 30, 2021
TOTAL IDEA CLUSTER FORWARD				
SUBTOTAL FORWARD				

Program or Award Amount	Total Received	Accrued or (Deferred) Revenue at June 30, 2020	Revenue Recognized	Expenditures	Passed Through to Sub-Recipients	Accrued or (Deferred) Revenue at June 30, 2021
\$ 371,952	\$ -	\$ 7,345	\$ -	\$ -	\$ -	\$ 7,345
526,344	<u>432,000</u>	<u>62,513</u>	<u>411,833</u>	<u>411,833</u>	-	<u>42,346</u>
	<u>432,000</u>	<u>69,858</u>	<u>411,833</u>	<u>411,833</u>	-	<u>49,691</u>
172,893	-	(12,814)	12,814	12,814	-	-
182,952	60,984	19,782	41,202	41,202	-	-
97,931	58,759	-	69,545	69,545	-	10,786
35,310	-	-	35,310	35,310	-	35,310
35,310	<u>35,310</u>	<u>35,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>155,053</u>	<u>42,278</u>	<u>158,871</u>	<u>158,871</u>	<u>-</u>	<u>46,096</u>
57,500	-	-	57,500	57,500	-	57,500
57,500	<u>-</u>	<u>-</u>	<u>57,500</u>	<u>57,500</u>	<u>-</u>	<u>57,500</u>
175,855	174,855	-	174,855	174,855	-	-
291,425	291,425	-	-	-	-	(291,425)
26,118,867	<u>214,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(214,617)</u>
	<u>680,897</u>	<u>-</u>	<u>289,855</u>	<u>289,855</u>	<u>-</u>	<u>(391,042)</u>
9,600	9,600	9,600	-	-	-	-
20,800	-	-	20,800	20,800	-	20,800
26,766	15,614	15,614	-	-	-	-
8,750	3,646	-	8,750	8,750	-	5,104
6,650	<u>6,650</u>	<u>6,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>35,510</u>	<u>31,864</u>	<u>29,550</u>	<u>29,550</u>	<u>-</u>	<u>25,904</u>
7,092,047	2,334,497	(58,955)	2,393,452	2,393,452	264,306	-
7,025,170	1,405,034	(271,892)	1,036,092	1,036,092	572,067	(640,834)
9,500,448	6,966,995	-	5,951,458	5,951,458	-	(1,015,537)
23,582,300	-	(19,976)	18,482	18,482	-	(1,494)
23,636,774	7,878,925	6,841,017	828,873	828,873	589,826	(209,035)
24,381,029	13,003,215	-	24,000,351	24,000,351	21,978,283	10,997,136
2,042,252	<u>2,042,252</u>	<u>-</u>	<u>2,042,252</u>	<u>2,042,252</u>	<u>-</u>	<u>-</u>
	33,630,918	6,490,194	36,270,960	36,270,960	23,404,482	9,130,236
447,353	<u>447,353</u>	<u>-</u>	<u>447,353</u>	<u>447,353</u>	<u>86,021</u>	<u>-</u>
	<u>34,078,271</u>	<u>6,490,194</u>	<u>36,718,313</u>	<u>36,718,313</u>	<u>23,490,503</u>	<u>9,130,236</u>
\$	<u>\$ 35,381,731</u>	<u>\$ 6,634,194</u>	<u>\$ 37,608,422</u>	<u>\$ 37,608,422</u>	<u>\$ 23,490,503</u>	<u>\$ 8,860,885</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Project Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
SUBTOTAL FORWARDED				
<b>Passed through the Pennsylvania Department of Education</b>				
Title III Inst LEP/Immigrant Students	I	84.365	010-190623	July 25, 2018 to September 30, 2019
Title III Inst LEP/Immigrant Students	I	84.365	010-200623	July 9, 2019 to September 30, 2021
Title III Inst LEP/Immigrant Students	I	84.365	010-210623	July 1, 2020 to September 30, 2022
TOTAL TITLE III				
School Climate	I	84.424	149-210023	July 1, 2020 to September 30, 2021
TSI and A-TSI	I	84.424	156-210623	July 1, 2020 to June 30, 2021
Safe Schools Support	I	84.424	156-210623	July 1, 2020 to June 30, 2021
Safety Initiatives	I	84.424	156-200023	July 1, 2019 to June 30, 2020
TOTAL STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM				
Middle School Success: Path to Graduation	I	84.323A	H323A170023	July 1, 2019 to June 30, 2020
Middle School Success: Path to Graduation	I	84.323A	H323A170023	July 1, 2020 to June 30, 2021
TOTAL STATE PERSONNEL DEVELOPMENT GRANTS PROGRAM				
COVID-19 Pre-K and HSSAP	I	21.019	161-190084	March 1, 2020 to November 30, 2020
<b>Passed through the County of Montgomery</b>				
Coronavirus Relief Fund - COVID-19	I	21.019		July 1, 2020 to June 30, 2021
TOTAL CORONAVIRUS RELIEF PROGRAM				
<b>Passed through the Pennsylvania Commission on Crime and Delinquency</b>				
Non-public Covid Grant	I	84.425D	SS-01-33372	July 1, 2020 to June 30, 2021
TOTAL U.S. DEPARTMENT OF EDUCATION FORWARD				

Program or Award Amount	Total Received	Accrued or (Deferred) Revenue at June 30, 2020	Revenue Recognized	Expenditures	Passed Through to Sub-Recipients	Accrued or (Deferred) Revenue at June 30, 2021
	\$ 35,381,731	\$ 6,634,194	\$ 37,608,422	\$ 37,608,422	\$ 23,490,503	\$ 8,860,885
\$ 200,110	13,341	7,042	6,299	6,299	-	-
182,428	12,162	(3,464)	15,626	15,626	-	-
199,118	132,745	-	181,628	181,628	-	48,883
	158,248	3,578	203,553	203,553	-	48,883
12,500	-	-	12,500	12,500	-	12,500
66,771	-	-	66,771	66,771	-	66,771
32,000	13,333	-	32,000	32,000	-	18,667
22,734	13,261	13,261	-	-	-	-
	26,594	13,261	111,271	111,271	-	97,938
1,040,230	455,669	455,669	-	-	-	-
1,353,565	838,186	-	1,275,741	1,275,741	-	437,555
	1,293,855	455,669	1,275,741	1,275,741	-	437,555
73,502	73,502	-	73,502	73,502	-	-
15,169,814	15,169,814	-	15,169,814	15,169,814	15,019,599	-
	15,243,316	-	15,243,316	15,243,316	15,019,599	-
855,124	731,082	-	731,082	731,082	722,544	-
	\$ 52,834,826	\$ 7,106,702	\$ 55,173,385	\$ 55,173,385	\$ 39,232,646	\$ 9,445,261

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Project Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
SUBTOTAL FORWARDED				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance - Access	I	93.778	4100009941	July 1, 2019 to June 30, 2021
Medical Assistance - Access	I	93.778	044-007523	July 1, 2020 to June 30, 2021
Medical Assistance - Access Early Intervention	I	93.778	092-007523	July 1, 2020 to June 30, 2021
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION FOR CHILDREN AND FAMILIES</b>				
Head Start	D	93.600		June 1, 2019 to May 31, 2020
Head Start	D	93.600		June 1, 2020 to May 31, 2021
Head Start	D	93.600		June 1, 2020 to May 31, 2021
Head Start - ARP	D	93.600		April 1, 2021 to March 31, 2023
Head Start - COVID Funds	D	93.600		June 1, 2020 to May 31, 2021
TOTAL HEAD START				
<b>U.S. DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SCIENCE</b>				
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  
Coronavirus Relief Fund  
ESSER

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, 2020	Revenue Recognized	Expenditures	Passed Through to Sub-Recipients	Accrued or (Deferred) Revenue at June 30, 2021
	\$ 52,834,826	\$ 7,106,702	\$ 55,173,385	\$ 55,173,385	\$ 39,232,646	\$ 9,445,261
90,000	34,548	91,471	97,654	97,654	-	154,577
1,086,235	900,000	-	750,593	750,593	-	(149,407)
746,338	1,050,000	-	-	-	-	(1,050,000)
	1,984,548	91,471	848,247	848,247	-	(1,044,830)
3,823,654	1,158,726	1,158,726	-	-	-	-
4,018,891	3,571,635	167,688	3,679,247	3,679,247	-	275,300
4,067,352	-	-	151,085	151,085	-	151,085
538,425	-	-	3,711	3,711	-	3,711
395,463	395,463	-	395,463	395,463	-	-
	5,125,824	1,326,414	4,229,506	4,229,506	-	430,096
-	232,657	146,902	382,709	382,709	-	296,954
-	8,719	(23,688)	18,326	18,326	-	(14,081)
-	8,396	(3,099)	503	503	-	(10,992)
-	3,051	(1,202)	203	203	-	(4,050)
	20,166	(27,989)	19,032	19,032	-	(29,123)
	252,823	118,913	401,741	401,741	-	267,831
	\$ 60,198,021	\$ 8,643,500 *	\$ 60,652,879	\$ 60,652,879	\$ 39,232,646	\$ 9,098,358
ALN						
84.027	\$ 36,270,960	Total programs tested		\$ 52,982,566	=	87.35%
84.173	447,353	Total federal expenditures		\$ 60,652,879		
21.019	15,243,316					
84.425C/84.425D	1,020,937					
	\$ 52,982,566					

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

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**NOTE A - BASIS OF ACCOUNTING**

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

**NOTE B - FEDERAL EXPENDITURES**

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

**NOTE C - INDIRECT COST RATES**

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

**NOTE D - ADJUSTMENTS TO BEGINNING BALANCES**

As a result of the information obtained during the year, adjustments to accrued (deferred) revenue at July 1, 2020, were necessary for the programs listed below. A schedule of adjustments is as follows:

<u>Grant Program / Title</u>	<u>Federal AL Number</u>	<u>Accrued (Deferred) Revenue at June 30, 2020</u>	<u>Adjustment</u>	<u>Accrued (Deferred) Revenue at July 1, 2020</u>
Headstart	93.600	\$ 1,208,727	\$ (50,001)	\$ 1,158,726
Middle School Success: Path to Graduation	84.323A	-	455,669	455,669
Title I Delinquent	84.010	(12,811)	12,811	-
		<u>\$ 1,195,916</u>	<u>\$ 418,479</u>	<u>\$ 1,614,395</u>

Reconciliation to the schedule of expenditures of federal awards totals:

TOTAL ACCRUED REVENUE				
June 30, 2020				\$ 8,225,021
July 1, 2021				<u>8,643,500</u>
			TOTAL ADJUSTMENT TO ACCRUED (DEFERRED) REVENUE AT BEGINNING OF YEAR	<u>\$ 418,479</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**A. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

Significant deficiencies identified: **No**

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

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	AL
Special Education Cluster (IDEA)	
Special Education	
Grants to States (IDEA, Part B)	84.027
Preschool Grants (IDEA, Section 619)	84.173
Coronavirus Relief Fund (COVID-19)	21.019
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425C/84.425D

The threshold for distinguishing Types A and B programs was \$1,781,314.

Auditee qualified as a low-risk auditee: **No**

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

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

None.

**MONTGOMERY COUNTY INTERMEDIATE UNIT**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021

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**2020-01 Interfund Balances**

**Description of Finding:** The Intermediate Unit's interfund balances were not regularly reconciled to ensure the activity balances and nets to zero.

**Current Status:** Adjustments have been made so that interfund activity is reconciled in a timely manner as part of the monthly close process and shall continue on an ongoing basis. The finding is no longer applicable.

**2020-02 Year End Accrual Entries**

**Description of Finding:** The Intermediate Unit was not properly recording year end receivable and payables.

**Current Status:** Adjustments have been made so that year-end accrual adjustments are made on a timely basis. Policies and procedures have been updated where necessary and training of administrative staff has occurred. All year-end accrual adjustments have been made and reviewed and the finding is no longer applicable.

**2020-03 Timely and Accurate Financial Reports**

**Description of Finding:** The Intermediate Unit accounting and reporting processes were significantly delayed in providing financial information on a timely basis.

**Current Status:** Reconciliations and financial reports have been prepared and are performed on an ongoing basis consistent with the Intermediate Unit's close procedures. Administrative staff have been trained on the policies and procedures in place, and the importance of adhering to these procedures. The finding is no longer applicable.