

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

FINANCIAL STATEMENTS

JUNE 30, 2022

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	24
- Statement of Activities	25
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	26
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	27
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	28
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	29
- Budgetary Comparison Statement - General Fund	30
- Budgetary Comparison Statement - Special Education Fund	31
- Budgetary Comparison Statement - Special Education Transportation Fund	32
- Budgetary Comparison Statement - Institutionalized Children Fund	33
- Budgetary Comparison Statement - Early Intervention Fund	34
- Statement of Net Position - Proprietary Funds	35
- Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	36
- Statement of Cash Flows - Proprietary Funds	37
- Statement of Net Position - Fiduciary Fund	38
- Statement of Changes in Net Position - Fiduciary Fund	39

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

TABLE OF CONTENTS

	<u>PAGE</u>
NOTES TO FINANCIAL STATEMENTS	40
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Intermediate Unit's Proportionate Share of the Net Pension Liability - PSERS	73
Schedule of Intermediate Unit Pension Contributions - PSERS	74
Schedule of the Intermediate Unit's Proportionate Share of the Net OPEB Liability - PSERS	75
Schedule of Intermediate Unit OPEB Contributions - PSERS	76
Schedule of Changes in the Net OPEB Asset and Related Ratios - Single Employer Plan	77
SINGLE AUDIT SUPPLEMENT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	80
Schedule of Expenditures of Federal Awards	83
Notes to Schedule of Expenditures of Federal Awards	85
Schedule of Findings and Recommendations	86



INDEPENDENT AUDITOR'S REPORT

February 24, 2023

Board of Directors
Montgomery County Intermediate Unit #23
Norristown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County Intermediate Unit #23 (the MCIU), Norristown, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the MCIU's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 #23, Norristown, Pennsylvania, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the component unit were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the MCIU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The MCIU's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the MCIU's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MCIU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MCIU's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Montgomery County Intermediate Unit #23

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of a Matter

As discussed in Notes 1 and 16 to the financial statements, the MCIU has adopted the requirements of GASB Statement No. 87, "Leases." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as an operating lease. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 23, and the schedule of the Intermediate Unit's proportionate share of the net pension liability - PSERS, schedule of Intermediate Unit pension contributions - PSERS, schedule of the Intermediate Unit's proportionate share of the net OPEB liability - PSERS, schedule of Intermediate Unit OPEB contributions - PSERS, and schedule of changes in the net OPEB asset and related ratios - single employer plan on pages 73 through 77 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MCIU's basic financial statements. The schedule of expenditures of federal awards on pages 83 and 84 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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

Board of Directors
Montgomery County Intermediate Unit #23

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 February 24, 2023, on our consideration of the MCIU'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 MCIU's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2022**

INTRODUCTION

This section of the Montgomery County Intermediate Unit #23's (the MCIU) annual financial report provides a discussion and analysis of the MCIU's performance during the fiscal year ended June 30, 2022. The management's discussion and analysis should be read in conjunction with the accompanying financial statements.

The MCIU, with revenues in excess of \$155.9 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 MCIU's staff members provide a range of services that assist local education agencies in meeting state and federal standards. The MCIU serves as a regional resource for county educators, students, and school administrators. Services provided by the MCIU 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 (GASB) Statement No. 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 MCIU's operations.

- The *Government-wide Financial Statements* provide both a short-term and long-term perspective of the MCIU's financial status similar to the presentation provided by a commercial enterprise.
- The *Fund Financial Statements* focus on individual parts of the MCIU 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).

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 MCIU's General, Special Education, Special Education Transportation, Institutionalized Children, and Early Intervention Funds.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

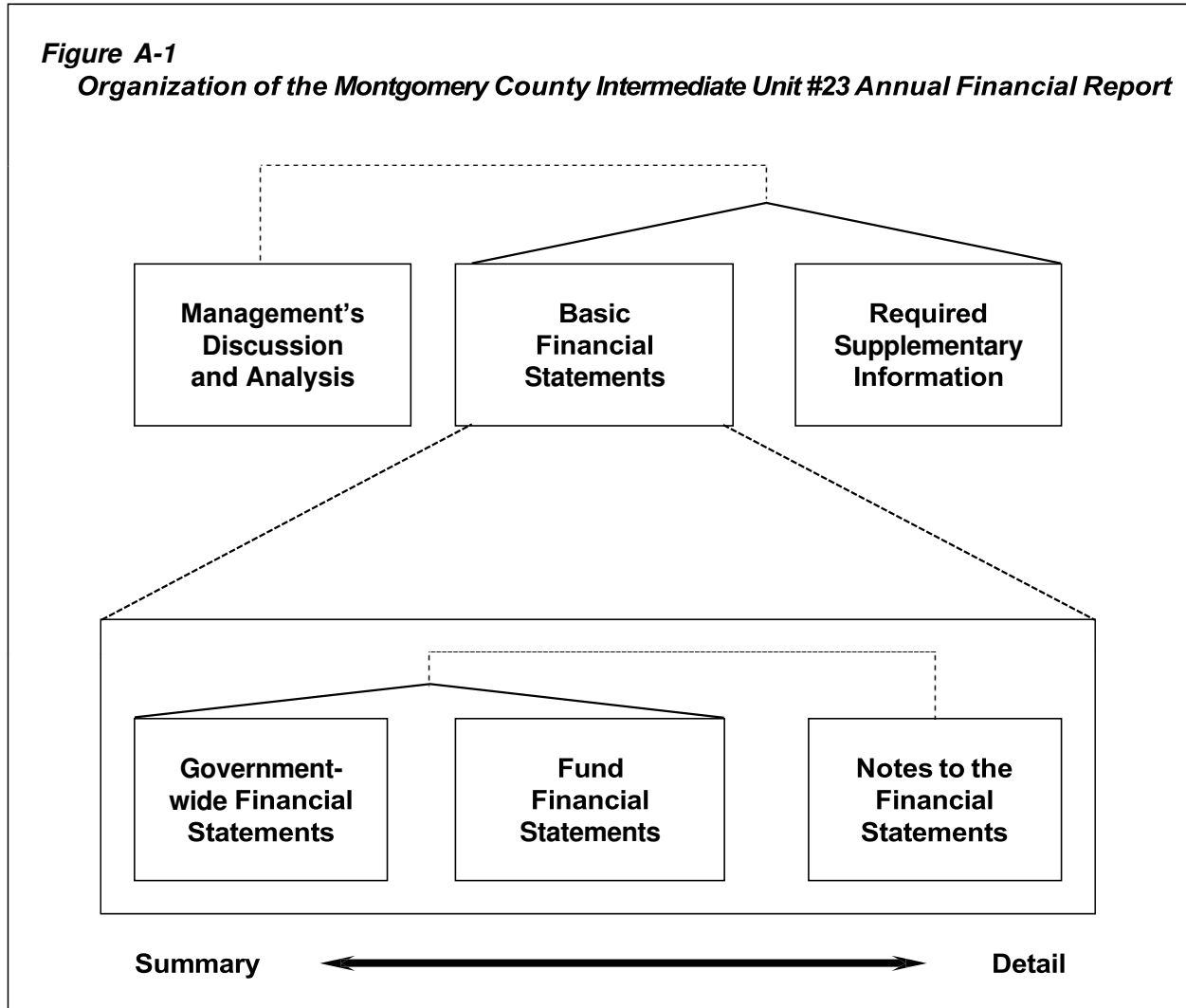


Figure A-2 summarizes the major features of the MCIU's financial statements, including the portion of the MCIU's activities they cover and types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each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

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

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

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

Government-wide Statements

The government-wide statements report information about the MCIU as a whole using the full accrual basis of accounting similar to private sector companies. The statement of net assets includes all MCIU 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 MCIU's net assets and how they have changed. Net assets are one measure of the MCIU's financial health or position at the end of the fiscal year. Over time, changes in the MCIU's net assets are an indication of whether its financial position is improving or declining. In the government-wide statements, the MCIU'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 MCIU's activities are divided into two categories:

- **Governmental Activities:** Most of the MCIU'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 MCIU charges fees to cover the costs of certain services it provides. The MCIU operates business-type activities for the Food Service Program.

Fund Level Financial Statements

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

The MCIU has three kinds of funds:

- **Governmental Funds:** The majority of the MCIU's basic services are included in governmental funds. Governmental funds provide a detailed short-term view of the MCIU'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.

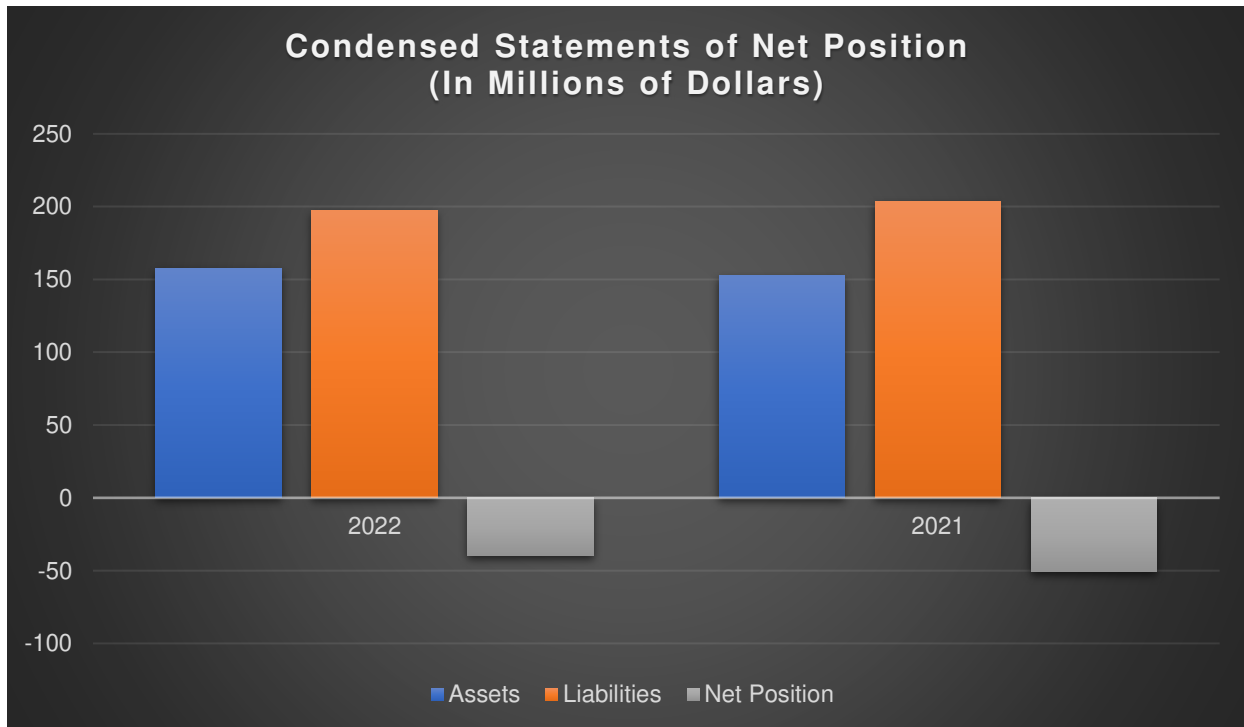
**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

- **Proprietary Funds:** The Proprietary Funds use 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.
- **Fiduciary Funds:** The MCIU serves as a trustee or fiduciary for trust funds set up for its Other Postemployment Benefits Trust Fund. The MCIU must safeguard these assets to ensure their use for the intended purpose by those to whom the assets belong. The MCIU excludes these activities from the government-wide financial statements.

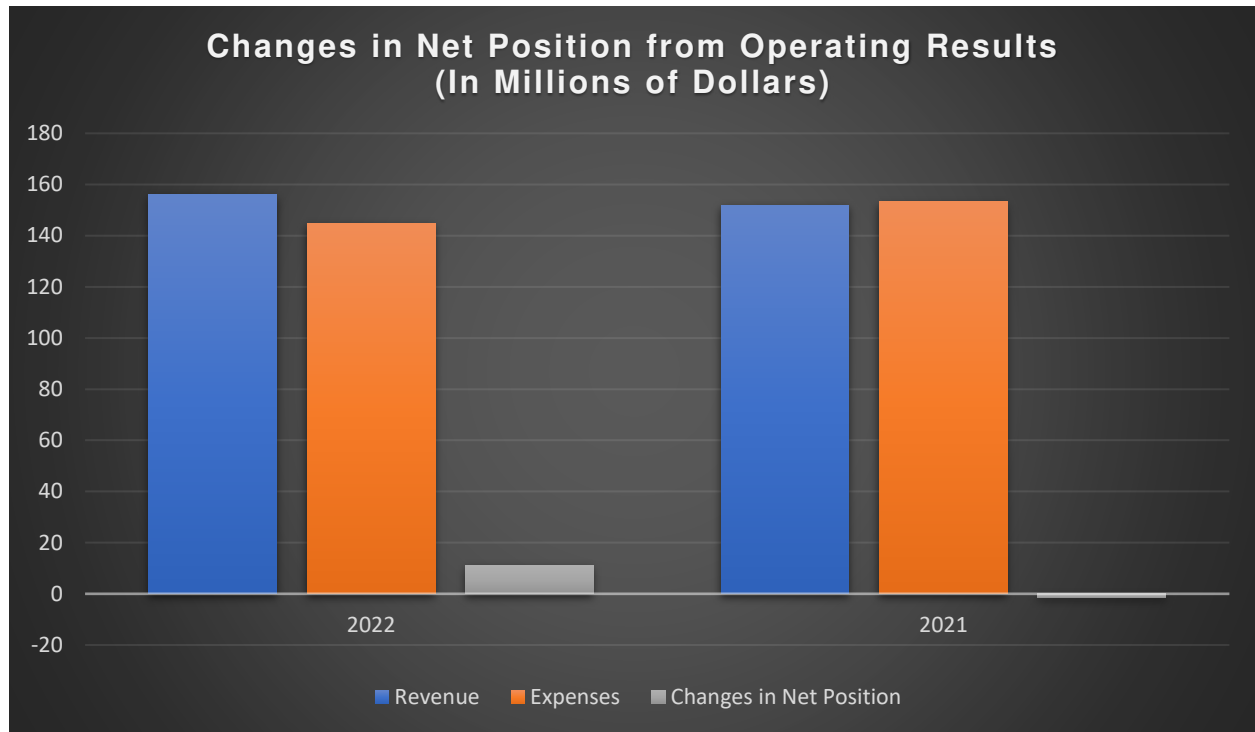
FINANCIAL HIGHLIGHTS OF THE MCIU AS A WHOLE

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

- Net position increased by \$11.0 million while total assets and deferred outflows of resources increased by \$4.9 million at the MCIU's government-wide basis including all governmental activities and business-type activities.



**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**



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

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	\$ 77.021	\$ 79.201	\$ 0.160	\$ 0.041	\$ 77.181	\$ 79.242
Capital assets	42.963	35.736	0.201	0.208	43.164	35.944
Leased assets	2.066	2.346	-	-	2.066	2.346
TOTAL ASSETS	122.050	117.283	0.361	0.249	122.411	117.532
DEFERRED OUTFLOWS OF RESOURCES						
	35.057	37.406	-	-	35.057	37.406
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	157.107	154.689	0.361	0.249	157.468	154.938

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

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

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
LIABILITIES						
Current liabilities	24.207	29.157	0.083	0.032	24.290	29.189
Long-term liabilities	149.807	171.727	-	-	149.807	171.727
TOTAL LIABILITIES	174.014	200.884	0.083	0.032	174.097	200.916
DEFERRED INFLOWS OF RESOURCES						
	23.249	4.896	-	-	23.249	4.896
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	197.263	205.780	0.083	0.032	197.346	205.812
NET POSITION						
Net investment in capital assets	32.576	24.699	0.201	0.208	32.777	24.907
Restricted	15.162	9.833	-	-	15.162	9.833
Unrestricted	(87.894)	(85.623)	0.077	0.009	(87.817)	(85.614)
TOTAL NET POSITION	\$ (40.156)	\$ (51.091)	\$ 0.278	\$ 0.217	\$ (39.878)	\$ (50.874)

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

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues:						
Charges for services	\$ 39.244	\$ 36.092	\$ -	\$ -	\$ 39.244	\$ 36.092
Operating grants and contributions	115.864	115.270	0.539	0.400	116.403	115.670
General revenues	0.149	0.083	-	-	0.149	0.083
TOTAL REVENUES	155.257	151.445	0.539	0.400	155.796	151.845
EXPENSES	144.322	152.773	0.478	0.403	144.800	153.176
CHANGE IN NET POSITION	\$ 10.935	\$ (1.328)	\$ 0.061	\$ (0.003)	\$ 10.996	\$ (1.331)

For the fiscal year ended June 30, 2022, the MCIU's governmental funds revenues reported on the statement of revenues, expenditures, and changes in fund balances totaled \$155.179 million. These revenues were derived from local sources (\$39.318 million), state sources (\$58.080 million), and federal sources (\$57.781 million).

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

On the government-wide statement of activities, the program revenues were categorized as charges for services and operating grants and contributions and applied to each governmental and business-type activity (expense) to arrive at a net operating result for each category. Interest earnings of \$0.072 million are considered general revenues and are not allocated to any particular governmental activity.

Expenditures/Expenses

The revenues earned during the 2021-2022 fiscal year funded governmental expenditures totaling \$153.743 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 \$144.800 million reported on the government-wide statement of activities include the effect of depreciation, capitalization of fixed asset purchases, 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.

Changes in Fund Balance/Net Position

During the fiscal year ended June 30, 2022, net position for governmental activities increased by \$10.935 million.

The business-type activities and Proprietary Fund operations both report the activities of the MCIU'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 MCIU. The net position of the business-type activities and Proprietary Fund increased by \$61 thousand due to the cost of healthcare and the cost of providing food services to the Head Start and Pre-K Counts Programs.

Budgets

The MCIU provides a variety of programs to its member school districts and nonpublic schools throughout Montgomery County. The MCIU'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 MCIU, and the majority of the Boards of School Directors of the 22 member school districts. Other MCIU budgets require the approval of the MCIU Board of Directors, the Pennsylvania Department of Education, or various federal and state agencies.

The MCIU 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

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

comparisons for the General Fund and the state-mandated Special Education, Special Education Transportation, Institutionalized Children, and 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 MCIU 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 MCIU's professional employees agreed to a new contract starting July 1, 2021 and expiring on June 30, 2025.

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 began on July 1, 2021 and will continue to be in effect until June 30, 2024.

Fund Level Analysis

Revenue

Revenues from the governmental fund statements totaling \$155,179,157 increased \$4,109,615 from 2020 - 2021 revenues. The following table reflects a comparison of current year revenues with the revenues recognized in the prior year.

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) from 2021 - 2022</u>	<u>% of Increase (Decrease)</u>
Local revenues	\$ 39,318,541	25.34%	\$ 8,206,624	26.39%
State sources	58,072,230	37.42%	(61,955)	(0.11)%
Federal sources	<u>57,788,386</u>	<u>37.24%</u>	<u>(4,038,054)</u>	(6.53)%
TOTAL	<u>\$155,179,157</u>	<u>100.00%</u>	<u>\$ 4,109,615</u>	

The revenue is classified under three sources: local, state, and federal. Local revenues come from MCIU special education contracts, capital, specialized service contracts, fees for services, and interest earnings. State sources of revenue come directly from the Commonwealth of Pennsylvania for services

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

rendered. Federal sources of revenue for services rendered may come to the MCIU directly from the federal government or indirectly through the Commonwealth of Pennsylvania.

Changes in Fund Balance

	Fund Balance <u>June 30, 2022</u>	Fund Balance <u>June 30, 2021</u>	Increase <u>(Decrease)</u>
General Fund	\$ 33,330,457	\$ 31,490,883	\$ 1,839,574
Capital Projects	10,388,881	5,403,682	4,985,199
Special Education	9,091,008	9,163,331	(72,323)
Special Education Transportation	(4,912,807)	79,413	(4,992,220)
Institutionalized Children	(637)	-	(637)
Early Intervention	<u>175,443</u>	<u>88,177</u>	<u>87,266</u>
TOTAL	<u>\$ 48,072,345</u>	<u>\$ 46,225,486</u>	<u>\$ 1,846,859</u>

Capital Assets

During the fiscal year ended June 30, 2022, the MCIU's capital assets net of depreciation increased by \$6.94 million. The increase is comprised of current year additions of \$9.58 million and depreciation of \$2.64 million.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Total Percentage Change</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022-2021</u>
CAPITAL ASSETS NOT BEING DEPRECIATED							
Land	\$ 0.59	\$ 0.59	\$ -	\$ -	\$ 0.59	\$ 0.59	-
Construction-in-progress	0.21	12.56	-	-	0.21	12.56	(98.33)%
CAPITAL ASSETS BEING DEPRECIATED							
Buildings and building improvements	31.77	20.13	0.20	0.21	31.97	20.34	57.18%
Furniture and equipment	10.31	2.31	-	-	10.31	2.31	346.32%
Vehicles	0.08	0.15	-	-	0.08	0.15	(46.67)%
Leased assets	<u>2.07</u>	<u>2.34</u>	<u>-</u>	<u>-</u>	<u>2.07</u>	<u>2.35</u>	<u>(11.54)%</u>
CHANGE IN NET POSITION	<u>\$ 45.03</u>	<u>\$ 38.08</u>	<u>\$ 0.20</u>	<u>\$ 0.21</u>	<u>\$ 45.23</u>	<u>\$ 38.29</u>	<u>18.12%</u>

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

DEBT ADMINISTRATION

As of July 1, 2021, MCIU had total outstanding bond principal of \$7,535,000 and lease obligations of \$3,630,189. MCIU made reductions against principal of \$390,000 in bonds and \$263,887 for lease obligations. Therefore, the ending outstanding bond principal and lease obligations was \$7,145,000 and \$3,366,302, respectively.

Other obligations include accrued vacation pay and sick leave for specific employees of MCIU. More detailed information about our long-term liabilities is included in the notes to the financial statements.

FACTORS BEARING ON THE MCIU'S FUTURE

Throughout the 2021-2022 fiscal year, the MCIU 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 2021-2022 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 made 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:

- We evaluated 2,023 children from July 1, 2022 to June 30, 2023.
- We served 258 children in 14 classrooms.
- We served an additional 3,125 children in parent provided preschools/educational sites.

- **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 57GBs total bandwidth.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

- Provided technology leadership services to Pottstown School District.
- Provided 9 public and 9 nonpublic schools consortium pricing for Discovery digital content totaling \$57,178.
- Provided 3 public schools consortium pricing for Safari digital content totaling \$22,663.
- Submitted E-rate applications for 12 public schools and 2 technical schools resulting in approved funding in the amount of \$1,751,671.
- 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 15 nonpublic schools totaling \$52,625.
- Provided technical consultation and staffing support to 15 schools for a total of \$253,085.
- Provided PIMS and Child Accounting staffing and support for Cheltenham, Colonial, Pottstown, Jenkintown, and Souderton Area School Districts totaling \$70,594.
- Provided Data Analysis Support for Pottstown School District at a cost of \$1,600 per month totaling \$19,200.
- Provided PowerSchool services for 7 public schools and 1 nonpublic school totaling \$153,291.
- Marketed and sold \$187,993 of Level Data Services to 49 schools through an established statewide reseller agreement.
- Partnered with Marcia Brenner Associates to sell over \$27,151 of their plugin modules for PowerSchool.
- Provided 2,506+ licensed Zoom accounts and 22 webinar/large meeting room services serving 26 LEAs and PDE along with 15 MCIU offices and programs.
- Conducted a successful regional Media and Design Competition virtually with 26 student projects, led by Jackie Krail.
- Coordinated the PDE Data Summit, led by Elaina Wrzesniewski and the Data Services Team.
- Continued to provide quality technical support for MCIU internal programs including HeadStart and PreK Counts.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

- **Office of Professional Learning**

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

Office highlights include:

- Provided consultation and training on Pennsylvania Department of Education initiatives including: Accelerated Learning, Comprehensive and Targeted School Improvement (CSI and A-TSI), STEM, Diversity, Equity and Inclusion (DEI), Classroom Diagnostic Tools (CDT), and Special Education Initiatives including, MTSS-Academics and Behavior, Inclusive Practices, and Autism.
- For 2021-2022, we offered 217 learning opportunities comprised of self-paced learning modules, blended modules with asynchronous work and synchronous meetings, live virtual sessions, and in-person events to support public and non-public schools.
- We introduced 2 unique learning opportunities for school and district administrators to earn Act 45 leadership credit.
- Delivered 42 virtual and in-person professional development workshops, and provided support to public and non-public schools. For 2021-2022, we offered 120 unique learning opportunities comprised of self-paced learning modules, blended modules with asynchronous work and synchronous meetings, live virtual sessions, and in-person events to support public and non-public schools. We also provided 2 unique learning opportunities for school and district administrators to earn Act 45 leadership credit.
- 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.
- Partnered with Perkiomen Watershed Conservancy and Riverbend Environmental Education Center to support school district administrators in implementing Meaningful Watershed Educational Experiences (MWEEs) in their K-12 classrooms to help advance environmental literacy and stewardship while increasing standards-based student achievement. MWEEs are learner-centered experiences in which students investigate local environmental issues and complete informed action projects.
- Expanded WILSON Language Training partnership offerings to extend our reach. During this calendar year, 19 WILSON Reading® workshops and courses were facilitated along with

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

- maintaining 2cohorts in the year-long certification. We also facilitated 10 days of Wilson Foundations Coaching for specific schools.
- Facilitated a MCIU CMC (Coach-Mentor Collaborative) job alike group with over 76 members, as well as working cooperatively with three other Southeast Region IUs to offer two Regional CMC Network meetings with over 150 coaches.
 - Convened 50 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. In 2021-2022, we also added the Computer Science Network and the Special Educators' Network.
 - Provided Montgomery Virtual Program (MVP) services to 86 schools during the 2021-2022 school year. There was a total of 7,060 enrollments after drop period.
 - 5,606 enrollments for the regular school year. Of that 3,645 enrollments received a passing score of 60 or better.
 - For those who reported their scores back to MCIU, 79.5% of MVP AP students scored a 3 or better on their AP exam.
 - The Montgomery Virtual Program (MVP) Summer Program had a total of 1,454 enrollments. Of that total, 854 were Course Advancement, and 600 were credit recovery enrollments. Of the 1,454 summer enrollments, 1,254 enrollments received a passing score of 60 or better.

- **Office of Business Services**

The Office of Business Services serves a dual role within the MCIU. The Office is responsible for all 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.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

- Provided a lead role in assisting the 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:

- Executed innovative recruitment strategies, including coordinating several county-wide virtual job fairs and multiple in-person hiring events, resulting in over 150 new hires in 2021 and 2022.
- Navigated complex personnel challenges stemming from COVID-19 pandemic, including an ongoing staffing shortage, the increase in request for leave policies, and accommodations discussions and which also included providing free rapid antigen testing services for all MCIU and Montgomery County school district employees and contractors.
- Facilitated bi-weekly HR Leadership meetings with our school district partners with the purpose of education, information sharing, and professional development.

- **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 2021-2022, OSS expanded transition programming throughout the County.

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

- Educated 162 students in special education school age classroom programs.
- Provided itinerant services to 1,594 students including audiological, hearing, orientation and mobility, and occupational/physical/speech therapy.
- Conducted 276 student evaluations in the areas of auditory, bilingual speech, hearing, vision, psychological, feeding, occupational, physical, and speech.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

- Provided a BrainSTEPS program to 19 students assisting them with re-entering school after a brain injury.
- Provided 1,068 days of behavior analyst support to school districts.
- Provided 1,310 days of supplemental psychology, social work, and adapted physical education services.
- Provided support, training, and experience to 136 transition-age students to help them prepare for their future.
- Educated 66 students at The Anderson School meeting their academic, behavioral, and therapeutic needs.
- Provided 5,091 days of education at The Anderson School to student in the ExplorationsPHP partial hospitalization program.
- Assisted districts in delivering instruction and special services for students requiring services in the home.
- Educated 2 students in the Institutionalized Children's Program.
- Provided education to 148 students through the Detention Center and Shelter.
- Provided education to 24 students at the Corrections Facility.
- Conducted 228 hours of assistive technology consults and SETT meetings.

Highlights of services provided to our non-public schools for 2021-2022:

- Provided FTE direct services to 20,469 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

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

- Increase of over 3,000 ACT 89 services provided to nonpublic school students between the 2020-2021 and 2021-2022 school years.
- All school counselors have completed trainings in a variety of research-based programs to support the safety and emotional well-being of students. MCIU school counselors have learned the most up-to-date techniques for assessing at risk students as they use research-based protocols when assessing students for risk of suicide.
- Continued to expand remedial mathematics support for students in grades 7 through 12.
- Continued implementation of Boom Cards and Ultimate SLP resources both to enhance 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 for the quality of all ACT 89 direct services provided to students.
- Expanded implementation of Wilson Foundations among pedagogy in reading remediation support.
- Continued to assist Montgomery County nonpublic schools in obtaining Emergency Assistance to Non-Public Schools (EANS I) funds under the Elementary and Secondary School Relief (ESSER) of the American Rescue Plan (ARP) to address learning loss due to COVID-19.
- Collaborated with LEAs in the provision of math and reading intervention to nearly 300 eligible TITLE I students in nonpublic schools.
- **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.
- Identifies, reviews, and analyzes state and federal legislation, judicial decisions, administrative/executive decisions, rules, regulations, and standards affecting education and presents such information to internal and external education leaders.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

- 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 #23 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.
 - Assists with superintendent searches.
 - Coordinates the MCIU Minigrant Program for staff pursuant to contractual guidelines.
 - Operates as the coordinator for the Montgomery County Intermediate Unit #23 Education Foundation and all its activities.
 - Provides communications support to the MCIU programs including but not limited to graphic design and maintain a social media presence.
- **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 and implementation of two highly competitive federal grants for a combined total of over \$9 million: 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

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

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 Reports (APR) indicate that we continue to meet our stated goals across both grants, with full continued awarded funding for both grants.

- Many PaTTAN events were offered in a hybrid format during the 2021-2022 fiscal year. We were able to offer three hybrid statewide events that were highly successful-these events were the November 2021 HELIX (High Expectations for students with Low Incidence disabilities) Conference, the March 2022 annual Pennsylvania Department of Education, Bureau of Special Education Conference, and the June 2022 Deaf-Blind Family Learning Conference.
- PaTTAN facilitated three statewide panels offering advisement to the Pennsylvania Department of Education, Bureau of Special Education related to students with sensory disabilities: ERCHL (Educational Resources for Children with Hearing Loss), PACES-BVI (Pennsylvania Advisory Committee of Education of Students with who are Blind or Visually Impaired) and PaDBAC (Pennsylvania Deaf-Blind Advisory Committee).

CONTACTING THE MCIU'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the MCIU's finances for all those with an interest in the MCIU'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 #23
2 West Lafayette Street
Norristown, PA 19401
610-755-9410

MONTGOMERY COUNTY INTERMEDIATE UNIT #23
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS:			
Cash and cash equivalents	\$ 47,361,715	\$ -	\$ 47,361,715
Investments	2,000,001	-	2,000,001
Internal balances	61,777	(61,777)	-
Due from other governments	27,433,564	222,109	27,655,673
Inventories	7,655	-	7,655
Prepaid expenses	95,304	-	95,304
Net OPEB Asset	60,806	-	60,806
Land	590,000	-	590,000
Construction-in-progress	207,271	-	207,271
Building and building improvements, net	31,773,279	-	31,773,279
Vehicles, net	84,143	-	84,143
Right-to-use lease asset, net	2,065,809	-	2,065,809
Furniture and equipment, net	10,308,162	200,584	10,508,746
TOTAL ASSETS	122,049,486	360,916	122,410,402
DEFERRED OUTFLOWS OF RESOURCES:			
Bond refunding	54,113	-	54,113
Deferred outflows relating to pension	32,400,941	-	32,400,941
Deferred outflows relating to OPEB	2,601,674	-	2,601,674
TOTAL DEFERRED OUTFLOWS OF RESOURCES	35,056,728	-	35,056,728
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 157,106,214	\$ 360,916	\$ 157,467,130
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)			
LIABILITIES:			
Due to other governments	\$ 1,355	\$ -	\$ 1,355
Accounts payable	11,497,016	4,220	11,501,236
Accrued salaries and benefits	7,835,154	-	7,835,154
Accrued interest	28,452	-	28,452
Unearned revenues	4,844,868	-	4,844,868
Other current liabilities	-	78,625	78,625
Long-term liabilities:			
Noncurrent liabilities:			
Due within one year	1,299,146	-	1,299,146
Due in more than one year	148,507,477	-	148,507,477
TOTAL LIABILITIES	174,013,468	82,845	174,096,313
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows relating to pension	22,114,523	-	22,114,523
Deferred inflows relating to OPEB	1,134,536	-	1,134,536
TOTAL DEFERRED INFLOWS OF RESOURCES	23,249,059	-	23,249,059
NET POSITION (DEFICIT):			
Investment in capital assets	32,576,101	200,584	32,776,685
Restricted for IDEA-B	5,895,798	-	5,895,798
Restricted for special education	9,090,923	-	9,090,923
Restricted for early intervention	175,443	-	175,443
Unrestricted (deficit)	(87,894,578)	77,487	(87,817,091)
TOTAL NET POSITION (DEFICIT)	(40,156,313)	278,071	(39,878,242)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 157,106,214	\$ 360,916	\$ 157,467,130

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES						
Instruction:						
Special programs	\$ 28,281,775	\$ 12,957,322	\$ 20,894,422	\$ 5,569,969	\$ -	\$ 5,569,969
Other instruction programs	3,606,800	1,720,832	1,430,689	(455,279)	-	(455,279)
Nonpublic school programs	10,887,562	381,734	18,918,686	8,412,858	-	8,412,858
Adult education programs	983,323	36,292	975,671	28,640	-	28,640
Pre-kindergarten programs	4,913,683	1,266,138	3,368,981	(278,564)	-	(278,564)
Support services:						
Pupil personnel	18,969,839	5,726,094	16,343,707	3,099,962	-	3,099,962
Instructional staff services	8,383,212	1,982,676	6,524,765	124,229	-	124,229
Administration services	13,605,077	2,644,226	9,899,136	(1,061,715)	-	(1,061,715)
Pupil health	6,377,571	1,663,069	5,550,031	835,529	-	835,529
Business services	3,448,918	2,248,890	503,665	(696,363)	-	(696,363)
Operation and maintenance of plant services	4,942,073	1,351,659	3,376,326	(214,088)	-	(214,088)
Student transportation services	14,906,704	2,137,512	7,983,923	(4,785,269)	-	(4,785,269)
Central and other support services	5,505,881	4,111,444	732,485	(661,952)	-	(661,952)
Other support services	19,241,196	410,564	19,030,246	199,614	-	199,614
Community services	4,615	7	4,724	116	-	116
Debt service	263,541	605,670	325,851	667,980	-	667,980
TOTAL GOVERNMENTAL ACTIVITIES	<u>144,321,770</u>	<u>39,244,129</u>	<u>115,863,308</u>	<u>10,785,667</u>	<u>-</u>	<u>10,785,667</u>
BUSINESS-TYPE ACTIVITIES						
Food service	478,266	-	539,515	-	61,249	61,249
TOTAL BUSINESS-TYPE ACTIVITIES	<u>478,266</u>	<u>-</u>	<u>539,515</u>	<u>-</u>	<u>61,249</u>	<u>61,249</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 144,800,036</u>	<u>\$ 39,244,129</u>	<u>\$ 116,402,823</u>	10,785,667	61,249	10,846,916
			GENERAL REVENUES			
			Investment earnings	71,721	-	71,721
			Insurance recoveries	77,500	-	77,500
			TOTAL GENERAL REVENUES	<u>149,221</u>	<u>-</u>	<u>149,221</u>
			CHANGE IN NET POSITION (DEFICIT)	10,934,888	61,249	10,996,137
			NET POSITION (DEFICIT), BEGINNING OF YEAR, RESTATED	<u>(51,091,201)</u>	<u>216,822</u>	<u>(50,874,379)</u>
			NET POSITION (DEFICIT), END OF YEAR	<u>\$ (40,156,313)</u>	<u>\$ 278,071</u>	<u>\$ (39,878,242)</u>

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds					Capital Projects Fund	Totals
	General Fund	Special Education Fund	Special Education Transportation Fund	Institutionalized Children Fund	Early Intervention Fund		
ASSETS							
Cash and cash equivalents	\$ 25,222,057	\$ 5,096,710	\$ -	\$ -	\$ 2,185,600	\$ 10,136,975	\$ 42,641,342
Investments	1,608,737	53,354	-	-	53,355	284,555	2,000,001
Due from other funds	4,370,849	-	-	-	-	-	4,370,849
Due from other governments	22,951,709	4,479,886	-	1,969	-	-	27,433,564
Inventory	7,655	-	-	-	-	-	7,655
Prepaid expenditures	95,219	85	-	-	-	-	95,304
TOTAL ASSETS	\$ 54,256,226	\$ 9,630,035	\$ -	\$ 1,969	\$ 2,238,955	\$ 10,421,530	\$ 76,548,715
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Due to other funds	\$ -	\$ -	\$ 4,306,466	\$ 2,606	\$ -	\$ -	\$ 4,309,072
Due to other governments	1,355	-	-	-	-	-	1,355
Accounts payable	8,291,182	492,237	606,341	-	2,063,512	32,649	11,485,921
Accrued salaries and benefits	7,835,154	-	-	-	-	-	7,835,154
Unearned revenues	4,798,078	46,790	-	-	-	-	4,844,868
Total Liabilities	20,925,769	539,027	4,912,807	2,606	2,063,512	32,649	28,476,370
FUND BALANCES:							
Nonspendable	102,874	85	-	-	-	-	102,959
Restricted	5,895,798	9,090,923	-	-	175,443	-	15,162,164
Committed	2,422,773	-	-	-	-	-	2,422,773
Assigned	21,559,155	-	-	-	-	10,388,881	31,948,036
Unassigned (deficit)	3,349,857	-	(4,912,807)	(637)	-	-	(1,563,587)
Total Fund Balances	33,330,457	9,091,008	(4,912,807)	(637)	175,443	10,388,881	48,072,345
TOTAL LIABILITIES AND FUND BALANCES	\$ 54,256,226	\$ 9,630,035	\$ -	\$ 1,969	\$ 2,238,955	\$ 10,421,530	\$ 76,548,715

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2022**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 48,072,345

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 590,000	
Construction-in-progress	207,271	
Right-to-use lease asset, net	2,065,809	
Buildings and building improvements, net	31,773,279	
Vehicles, net	84,143	
Furniture and equipment, net	<u>10,308,162</u>	45,028,664

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Accumulated compensated absences	(1,945,141)	
Accrued interest	(28,452)	
Bonds payable	(7,074,566)	
Lease liability	(2,182,614)	
Lease purchase obligations	(3,366,302)	
Net pension liability	(127,851,000)	
Net OPEB liability	<u>(7,387,000)</u>	(149,835,075)

Internal service funds are used by management to charge the costs of unemployment compensation claims and other postemployment benefits premiums to the governmental activities. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 4,709,278

Debt issuances resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights and/or obligations. 54,113

Deferred inflows and outflows of resources related to the MCIU's pension plan do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred outflows relating to pension	32,400,941	
Deferred outflows relating to OPEB	2,601,674	
Deferred inflows of resources:		
Deferred inflows relating to pension	(22,114,523)	
Deferred inflow relating to OPEB	<u>(1,134,536)</u>	11,753,556

Other postemployment benefits (OPEB) assets and lease receivable are not financial resources and, therefore, are not reported in the governmental funds. 60,806

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (40,156,313)

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds						Totals
	General Fund	Special Education Fund	Special Education Transportation Fund	Institutionalized Children Fund	Early Intervention Fund	Capital Projects Fund	
REVENUES:							
Local sources	\$ 17,048,616	\$ 22,195,143	\$ -	\$ 1,969	\$ 62,383	\$ 10,430	\$ 39,318,541
State sources	19,796,843	6,143,209	7,749,459	31,424	24,366,061	-	58,086,996
Federal sources	57,773,620	-	-	-	-	-	57,773,620
TOTAL REVENUES	<u>94,619,079</u>	<u>28,338,352</u>	<u>7,749,459</u>	<u>33,393</u>	<u>24,428,444</u>	<u>10,430</u>	<u>155,179,157</u>
EXPENDITURES:							
Instruction	30,458,043	12,902,594	-	31,656	13,073,615	-	56,465,908
Support services	65,654,736	8,237,075	11,852,760	-	9,647,716	-	95,392,287
Operation of non-instructional services	4,615	-	-	-	-	-	4,615
Capital outlays	-	-	-	-	-	325,231	325,231
Debt service and leases	1,233,767	321,258	-	-	-	-	1,555,025
TOTAL EXPENDITURES	<u>97,351,161</u>	<u>21,460,927</u>	<u>11,852,760</u>	<u>31,656</u>	<u>22,721,331</u>	<u>325,231</u>	<u>153,743,066</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,732,082)</u>	<u>6,877,425</u>	<u>(4,103,301)</u>	<u>1,737</u>	<u>1,707,113</u>	<u>(314,801)</u>	<u>1,436,091</u>
OTHER FINANCING SOURCES (USES):							
Insurance recoveries	-	-	-	-	77,500	-	77,500
Interfund transfers in	6,062,376	-	-	-	-	5,300,000	11,362,376
Interfund transfers out	(1,800,000)	(6,973,736)	(888,919)	(2,374)	(1,697,347)	-	(11,362,376)
Issuance of debt - leases	309,280	23,988	-	-	-	-	333,268
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,571,656</u>	<u>(6,949,748)</u>	<u>(888,919)</u>	<u>(2,374)</u>	<u>(1,619,847)</u>	<u>5,300,000</u>	<u>410,768</u>
NET CHANGE IN FUND BALANCES	1,839,574	(72,323)	(4,992,220)	(637)	87,266	4,985,199	1,846,859
FUND BALANCES, BEGINNING OF YEAR	<u>31,490,883</u>	<u>9,163,331</u>	<u>79,413</u>	<u>-</u>	<u>88,177</u>	<u>5,403,682</u>	<u>46,225,486</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 33,330,457</u>	<u>\$ 9,091,008</u>	<u>\$ (4,912,807)</u>	<u>\$ (637)</u>	<u>\$ 175,443</u>	<u>\$ 10,388,881</u>	<u>\$ 48,072,345</u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,846,859

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the period. 6,945,970

The issuance of long-term debt (e.g. bonds, notes, leases, lease purchase obligations) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 966,576

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, interest expense is recognized as interest accrues, regardless of when it is due. 1,138

The change in net position of the internal service fund is reported with governmental activities. 1,333,813

Pension and OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because pension and OPEB expenses are recognized on the statement of activities based on the MCIU's proportionate share of the expenses of the cost-sharing pension plan and changes in the actuarially determined net OPEB asset, whereas pension and OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (249,616)

In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) - 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).

Compensated absences 90,148

CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ 10,934,888

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 12,809,223	\$ 12,809,223	\$ 17,048,616	\$ 4,239,393
State sources	32,289,546	32,289,546	19,796,843	(12,492,703)
Federal sources	69,247,018	69,247,018	57,773,620	(11,473,398)
TOTAL REVENUES	<u>114,345,787</u>	<u>114,345,787</u>	<u>94,619,079</u>	<u>(19,726,708)</u>
EXPENDITURES				
Instruction:				
Special programs	1,442,423	1,442,423	3,279,896	(1,837,473)
Other instructional programs	2,795,295	2,795,295	3,179,715	(384,420)
Nonpublic school programs	30,856,192	30,856,192	18,043,357	12,812,835
Adult education programs	1,266,750	1,266,750	999,080	267,670
Pre-Kindergarten programs	5,376,062	5,376,062	4,955,995	420,067
Total Instruction	<u>41,736,722</u>	<u>41,736,722</u>	<u>30,458,043</u>	<u>11,278,679</u>
Support services:				
Pupil personnel services	9,064,574	9,064,574	8,826,029	238,545
Instructional staff services	7,913,645	7,913,645	8,132,702	(219,057)
Administrative services	10,523,847	10,523,847	13,246,363	(2,722,516)
Pupil health	292,982	292,982	232,534	60,448
Business services	3,172,624	3,172,624	3,439,583	(266,959)
Operation and maintenance of plant services	3,371,590	3,371,590	4,248,022	(876,432)
Student transportation services	1,632,200	1,632,200	3,105,428	(1,473,228)
Central and other support services	5,317,165	5,317,165	5,183,267	133,898
Other support services	33,620,427	33,620,427	19,240,808	14,379,619
Community services	48,030	48,030	4,615	43,415
Debt service and leases	589,006	589,006	1,233,767	(644,761)
Total Support Services	<u>75,546,090</u>	<u>75,546,090</u>	<u>66,893,118</u>	<u>8,652,972</u>
TOTAL EXPENDITURES	<u>117,282,812</u>	<u>117,282,812</u>	<u>97,351,161</u>	<u>19,931,651</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,937,025)</u>	<u>(2,937,025)</u>	<u>(2,732,082)</u>	<u>204,943</u>
OTHER FINANCING SOURCES (USES)				
Fund transfers	2,937,025	2,937,025	4,262,376	1,325,351
Issuance of debt	-	-	309,280	309,280
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,937,025</u>	<u>2,937,025</u>	<u>4,571,656</u>	<u>1,634,631</u>
NET CHANGE IN FUND BALANCE	-	-	1,839,574	1,839,574
FUND BALANCE, BEGINNING OF YEAR	<u>31,490,883</u>	<u>31,490,883</u>	<u>31,490,883</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 31,490,883</u>	<u>\$ 31,490,883</u>	<u>\$ 33,330,457</u>	<u>\$ 1,839,574</u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
BUDGETARY COMPARISON STATEMENT - SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 19,131,449	\$ 19,131,449	\$ 22,195,143	\$ 3,063,694
State sources	6,154,730	6,154,730	6,143,209	(11,521)
TOTAL REVENUES	<u>25,286,179</u>	<u>25,286,179</u>	<u>28,338,352</u>	<u>3,052,173</u>
EXPENDITURES				
Instruction:				
Special programs	13,197,508	13,197,508	12,442,815	754,693
Other instructional programs	299,580	299,580	296,134	3,446
Nonpublic school programs	-	-	163,645	(163,645)
Total Instruction	<u>13,497,088</u>	<u>13,497,088</u>	<u>12,902,594</u>	<u>594,494</u>
Support services:				
Pupil personnel services	5,813,654	5,813,654	5,460,280	353,374
Instructional staff services	431,490	431,490	382,050	49,440
Administrative services	385,740	385,740	434,568	(48,828)
Pupil health	1,446,089	1,446,089	1,566,624	(120,535)
Business services	11,550	11,550	3,236	8,314
Operation and maintenance	144,050	144,050	163,969	(19,919)
Central and other support services	243,983	243,983	216,850	27,133
Debt service and leases	351,395	351,395	330,756	20,639
Total Support Services	<u>8,827,951</u>	<u>8,827,951</u>	<u>8,558,333</u>	<u>269,618</u>
TOTAL EXPENDITURES	<u>22,325,039</u>	<u>22,325,039</u>	<u>21,460,927</u>	<u>864,112</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,961,140</u>	<u>2,961,140</u>	<u>6,877,425</u>	<u>3,916,285</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt - leases	-	-	23,988	23,988
Fund transfers	(2,961,140)	(2,961,140)	(6,973,736)	(4,012,596)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,961,140)</u>	<u>(2,961,140)</u>	<u>(6,949,748)</u>	<u>(3,988,608)</u>
NET CHANGE IN FUND BALANCE	-	-	(72,323)	(72,323)
FUND BALANCE, BEGINNING OF YEAR	<u>9,163,331</u>	<u>9,163,331</u>	<u>9,163,331</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,163,331</u>	<u>\$ 9,163,331</u>	<u>\$ 9,091,008</u>	<u>\$ (72,323)</u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
BUDGETARY COMPARISON STATEMENT - SPECIAL EDUCATION TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State sources	\$ 8,347,090	\$ 8,347,090	\$ 7,749,459	\$ (597,631)
TOTAL REVENUES	<u>8,347,090</u>	<u>8,347,090</u>	<u>7,749,459</u>	<u>(597,631)</u>
EXPENDITURES				
Support services:				
Business services	500	500	737	(237)
Student transportation services	7,762,235	7,762,235	11,852,023	(4,089,788)
Central and other support services	2,000	2,000	-	2,000
Total Support Services	<u>7,764,735</u>	<u>7,764,735</u>	<u>11,852,760</u>	<u>(4,088,025)</u>
TOTAL EXPENDITURES	<u>7,764,735</u>	<u>7,764,735</u>	<u>11,852,760</u>	<u>(4,088,025)</u>
EXCESS OF REVENUES OVER OVER EXPENDITURES	<u>582,355</u>	<u>582,355</u>	<u>(4,103,301)</u>	<u>(4,685,656)</u>
OTHER FINANCING SOURCES (USES)				
Fund transfers	(582,355)	(582,355)	(888,919)	(306,564)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(582,355)</u>	<u>(582,355)</u>	<u>(888,919)</u>	<u>(306,564)</u>
NET CHANGE IN FUND BALANCE	-	-	(4,992,220)	(4,992,220)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>79,413</u>	<u>79,413</u>	<u>79,413</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 79,413</u>	<u>\$ 79,413</u>	<u>\$ (4,912,807)</u>	<u>\$ (4,992,220)</u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
BUDGETARY COMPARISON STATEMENT - INSTITUTIONALIZED CHILDREN FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 17,000	\$ 17,000	\$ 1,969	\$ (15,031)
State sources	15,050	15,050	31,424	16,374
TOTAL REVENUES	<u>32,050</u>	<u>32,050</u>	<u>33,393</u>	<u>1,343</u>
EXPENDITURES				
Instruction:				
Special programs	32,050	32,050	31,656	394
Total Instruction	<u>32,050</u>	<u>32,050</u>	<u>31,656</u>	<u>394</u>
TOTAL EXPENDITURES	<u>32,050</u>	<u>32,050</u>	<u>31,656</u>	<u>394</u>
EXCESS OF REVENUES OVER OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,737</u>	<u>1,737</u>
OTHER FINANCING SOURCES (USES)				
Fund transfers	-	-	(2,374)	(2,374)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(2,374)</u>	<u>(2,374)</u>
NET CHANGE IN FUND BALANCE	-	-	(637)	(637)
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (637)</u>	<u>\$ (637)</u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
BUDGETARY COMPARISON STATEMENT - EARLY INTERVENTION FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 50,000	\$ 50,000	\$ 62,383	\$ 12,383
State sources	24,375,511	24,375,511	24,366,061	(9,450)
TOTAL REVENUES	<u>24,425,511</u>	<u>24,425,511</u>	<u>24,428,444</u>	<u>2,933</u>
EXPENDITURES				
Instruction:				
Special programs	12,849,724	12,849,724	13,073,615	(223,891)
Total Instruction	<u>12,849,724</u>	<u>12,849,724</u>	<u>13,073,615</u>	<u>(223,891)</u>
Support services:				
Pupil personnel services	4,968,329	4,968,329	4,717,951	250,378
Instructional staff services	3,156	3,156	431	2,725
Administrative services	130,854	130,854	56,881	73,973
Pupil health	4,592,670	4,592,670	4,573,406	19,264
Business services	9,495	9,495	4,531	4,964
Operation and maintenance of plant services	112,548	112,548	154,305	(41,757)
Central and other support services	227,355	227,355	140,211	87,144
Total Support Services	<u>10,044,407</u>	<u>10,044,407</u>	<u>9,647,716</u>	<u>396,691</u>
TOTAL EXPENDITURES	<u>22,894,131</u>	<u>22,894,131</u>	<u>22,721,331</u>	<u>172,800</u>
EXCESS OF REVENUES OVER OVER EXPENDITURES	<u>1,531,380</u>	<u>1,531,380</u>	<u>1,707,113</u>	<u>175,733</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	77,500	77,500
Fund transfers	(1,531,380)	(1,531,380)	(1,697,347)	(165,967)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,531,380)</u>	<u>(1,531,380)</u>	<u>(1,619,847)</u>	<u>(88,467)</u>
NET CHANGE IN FUND BALANCE	-	-	87,266	87,266
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>88,177</u>	<u>88,177</u>	<u>88,177</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 88,177</u>	<u>\$ 88,177</u>	<u>\$ 175,443</u>	<u>\$ 87,266</u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022**

	<u>Food Service Fund</u>	<u>Internal Service Fund</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ -	\$ 4,720,373
Other receivables	222,109	-
Total Current Assets	<u>222,109</u>	<u>4,720,373</u>
CAPITAL ASSETS:		
Furniture and equipment, net	<u>200,584</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 422,693</u></u>	<u><u>\$ 4,720,373</u></u>
LIABILITIES AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Due to other funds	\$ 61,777	\$ -
Accounts payable	4,220	11,095
Unearned revenues	78,625	-
Total Current Liabilities	<u>144,622</u>	<u>11,095</u>
NET POSITION (DEFICIT):		
Investment in capital assets	200,584	-
Unrestricted (deficit)	<u>77,487</u>	<u>4,709,278</u>
Total Net Position (Deficit)	<u>278,071</u>	<u>4,709,278</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u><u>\$ 422,693</u></u>	<u><u>\$ 4,720,373</u></u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Food Service Fund</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Charges for services	\$ -	\$ 10,540,365
Total Operating Revenues	<u>-</u>	<u>10,540,365</u>
OPERATING EXPENSES		
Salaries	31,428	-
Employee benefits	16,256	8,371,462
Purchased professional and technical services	419,404	835,090
Supplies	2,013	-
Depreciation	7,769	-
Dues and fees	842	-
Total Operating Expenses	<u>477,712</u>	<u>9,206,552</u>
OPERATING INCOME (LOSS)	<u>(477,712)</u>	<u>1,333,813</u>
NONOPERATING REVENUES (EXPENSES)		
State sources	76,569	-
Federal sources	462,392	-
Total Nonoperating Revenues	<u>538,961</u>	<u>-</u>
CHANGE IN NET POSITION	61,249	1,333,813
NET POSITION, BEGINNING OF YEAR	<u>216,822</u>	<u>3,375,465</u>
NET POSITION, END OF YEAR	<u>\$ 278,071</u>	<u>\$ 4,709,278</u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Food Service Fund</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 49,500	\$ -
Cash payments to employees for services	(47,684)	-
Cash payments to suppliers for goods and services	(615,623)	-
Cash received from assessment to other funds	-	10,540,365
Cash payments for insurance services	-	(9,195,457)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(613,807)</u>	<u>1,344,908</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	6,511	-
Federal sources	607,296	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>613,807</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	1,344,908
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>3,375,465</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 4,720,373</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (477,712)	\$ 1,333,813
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	7,769	-
Increase (Decrease) in due to other funds	(194,384)	-
Increase (Decrease) in accounts payable	1,020	11,095
Increase (Decrease) in unearned revenues	49,500	-
Total adjustments	<u>(136,095)</u>	<u>11,095</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (613,807)</u>	<u>\$ 1,344,908</u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2022**

	<u>OPEB Trust</u>
ASSETS	
Investments	<u>\$ 1,893,662</u>
 TOTAL ASSETS	 <u><u>\$ 1,893,662</u></u>
 LIABILITIES AND NET POSITION	
LIABILITIES:	
Accounts payable	\$ -
 NET POSITION:	
Held in trust for other postemployment benefits	<u>1,893,662</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 1,893,662</u></u>

The accompanying notes are an integral part of these financial statements.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	OPEB Trust
ADDITIONS	
Local sources	\$ (245,393)
Total Additions	(245,393)
DEDUCTIONS	
Support services	18,026
Total Deductions	18,026
CHANGE IN NET POSITION	(263,419)
NET POSITION, BEGINNING OF YEAR	2,157,081
NET POSITION, END OF YEAR	\$ 1,893,662

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Montgomery County Intermediate Unit #23 (the MCIU) was established on July 1, 1971, pursuant to Section 901-A of the Public School Code of 1949. The MCIU 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 has 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 service on the MCIU 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 financial statements of the MCIU have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) established the criteria for determining the activities, organization, and functions of government to be included in the financial statements of the reporting entity. In evaluating the MCIU as a reporting entity, management has addressed all potential component units which may or may not fall within the MCIU's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the MCIU's reporting entity are financial accountability and the nature and significance of the relationship. The MCIU is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the MCIU as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements include the financial activities of the primary government.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the MCIU and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the MCIU.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted." When both restricted and unrestricted resources are available for use, it is the MCIU's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund Financial Statements

During the school year, the MCIU segregates transactions related to certain MCIU functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the MCIU. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The nonmajor funds are presented in a single column on the governmental fund financial statements.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The MCIU reports the following major governmental funds:

The **General Fund** is the MCIU's primary operating fund. It accounts for all financial resources of the MCIU, except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition, construction, and renovation of major capital facilities and their related capital assets.

The **Special Education Fund** accounts for the expenditure of revenues received from the Commonwealth of Pennsylvania and the member school districts to support special education programs administered by the MCIU.

The **Special Education Transportation Fund** accounts for the expenditure of revenues received from the Commonwealth of Pennsylvania and the member school districts to support special education transportation.

The **Institutionalized Children Fund** accounts for the expenditure of revenues received from the Commonwealth of Pennsylvania and the member school districts to support institutionalized children.

The **Early Intervention Fund** accounts for the expenditure of revenues received from the Commonwealth of Pennsylvania and the member school districts to support special education programs for children between the ages of three and five.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 MCIU considers revenue streams to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific MCIU expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The MCIU does not attempt to allocate all building-wide costs to the proprietary funds.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the MCIU's proprietary funds are food service charges and rental income. Operating expenses for the MCIU's proprietary funds include food production costs, costs necessary to operate the facilities, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The internal service fund of the MCIU (which provides services primarily to other funds of the MCIU) is presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the MCIU's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the entity-wide level. The costs of these services are allocated to the appropriate function/program in the statement of activities.

The MCIU reports the following major proprietary funds:

The **Food Service Fund** accounts for the financial transactions related to the food service operations of the MCIU.

The **Self-insurance Fund (an internal service fund)** accounts for the financial resources set aside for MCIU's self-insurance program for unemployment compensation claims, prescriptions, vision, and health premiums of eligible retirees.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fiduciary Funds

The **OPEB Trust Fund** accounts for the contributions made to the Pennsylvania OPEB Trust. Disbursements from the trust are limited exclusively to payments and/or reimbursements on account of OPEB obligations. It is management's intention to continue paying retiree healthcare premiums out of the internal service fund disclosed above until the OPEB Trust Fund accumulates sufficient assets. The OPEB Trust Fund is accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical.

Cash and Cash Equivalents

The MCIU's cash and cash equivalents are considered to be cash on hand, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

All investments are reported at fair value per the requirements of the GASB Codification.

Fair Value Measurement

In establishing the fair value of investments, the MCIU uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

All inventories are valued at the lower of cost (first-in, first-out method) or market. Donated food from the U.S. Department of Agriculture is recorded at fair market value.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the MCIU as assets with an initial, individual cost of more than \$4,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of acquisition.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

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

Buildings and building improvements	25 - 40 years
Furniture and equipment	3 - 15 years
Vehicles	5 years
Right-to-use lease asset	life of lease

Compensated Absences

MCIU policies permit employees to accumulate earned but unused vacation and sick time. Employees are compensated for their vacation days based on their current pay rate, upon termination as stipulated in their collective bargaining agreements. Upon termination, employees are compensated for their sick days based on the rates stipulated in their collective bargaining agreement. The liability for these compensated absences is recorded as a long-term liability in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability only to the extent that it is payable from expendable available financial resources.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. 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. Pension and OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net pension and OPEB liabilities under full accrual basis reporting, are reported as deferred outflows of resources on the entity-wide statement of net position. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred inflows and outflows of resources on the entity-wide statement of net position.

Fund Equity

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – that portion of the fund balance that cannot be spent because it is either in a nonspendable form or legally or contractually required to be maintained intact.

Restricted – that portion of the fund balance that is constrained to be used for a specific purpose in accordance with an external party or law.

Committed – that portion of the balance that is to be used for a specific purpose in accordance with a Board of Directors' motion. These constraints can be removed or changed by equal level action. Action to constrain resources should occur prior to the fiscal year end. Direction from the Board of Directors can commit specific dollar amounts, percentages, or funds related to a specific activity.

Assigned – that portion of the fund balance that is intended to be used for a specific purpose in accordance with the Finance Committee, the Executive Director, or the Chief Financial and Operations Officer.

Unassigned – that portion of the fund balance that represents expendable available financial resources. It is the residual after the nonspendable, restricted, committed, and assigned portions are deducted from the total fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the MCIU considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the MCIU considers amounts to have been spent first out of committed funds, then

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

assigned funds and, finally, unassigned funds, as needed, unless the Board of Directors, Finance Committee, Executive Director, or Chief Financial and Operations Officer have provided otherwise in its commitment or assignment actions.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of GASB Statement

During the year ended June 30, 2022, the MCIU implemented GASB Statement No. 87, "Leases." GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the new guidance, governments leasing assets under lease agreements meeting certain criteria recognize a lease liability and an intangible right-to-use asset. The MCIU leases a building through lease agreements that are subject to the requirements of GASB Statement No. 87.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The MCIU is mandated by state law to adopt annual budgets for the general fund and the special revenue funds. Each budget is presented on the modified accrual basis of accounting, which maintains consistency with GAAP. The following timeline is followed in establishing the budgetary data reflected in the financial statements for the general fund:

- Prior to January 31, the MCIU prepares a tentative budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means to finance those expenditures.
- At the regular February meeting of the Board, the tentative budget is adopted.
- After 30 days (typically by the regular March meeting of the Board), the budget is legally adopted through passage of a Board Resolution.
- During the months of March and April, the adopted budget is distributed to member school intermediate units for their approval.
- The budget must be submitted to the Pennsylvania Department of Education by the July 31 deadline.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

The following timeline is followed in establishing the budgetary data reflected in the financial statements for the special revenue funds:

- Prior to February 28, the MCIU prepares a tentative budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means to finance those expenditures.
- At the regular June meeting of the Board, the tentative budget is adopted.
- The budget must be submitted to the Pennsylvania Department of Education by the June 30 deadline.

Once a budget has been approved, it can be amended at the function and object level only through approval of a majority of the Board. Budgetary transfers are presented to the Board during its regular meetings. Each revision of the budget must have the approval of the Board.

The budget is managed by the Chief Financial and Operations Officer at the revenue and expenditure function/object level. The Board is permitted to make transfers of funds appropriated to any specific item of expenditure through legislative action in accordance with the Pennsylvania School Code. Individual amendments to the budget are not in relation to the original budgetary appropriations. All budgetary appropriations lapse at year end.

Purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as assigned fund balance for expenditures made in the subsequent year. A reserve for encumbrances is not recognized on the entity-wide financial statements.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The MCIU does not have a policy for custodial credit risk. At June 30, 2022, the carrying amount of the MCIU's deposits was \$47,361,715, and the bank balance was \$48,624,910. Of the bank balance, \$276,563 was covered by federal depository insurance, and \$35,946,961 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured, and the collateral held by the depository's agent was not in the MCIU's name.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

The remaining cash deposits totaling \$12,401,386 are in the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of June 30, 2022, PLGIT had a Standard and Poor's rating of AAAM.

Investments

Statutes authorize the MCIU to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools, mutual funds, commercial paper, bankers' acceptances, and negotiable certificates of deposit highly rated by at least two national statistical rating agencies.

As of June 30, 2022, the MCIU had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Matures in Less Than One Year</u>
State investment pools	\$ 2,000,001	\$ -	\$ 2,000,001
<i>External investment pools measured at fair value:</i>			
Pennsylvania OPEB Trust Investment Pool	<u>-</u>	<u>1,893,662</u>	<u>1,893,662</u>
TOTAL	<u>\$ 2,000,001</u>	<u>\$ 1,893,662</u>	<u>\$ 3,893,663</u>

All investments are considered to be Level 1 investments as of June 30, 2022.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the MCIU will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The MCIU has no investments subject to custodial credit risk.

Investments in external investment pools such as the Pennsylvania OPEB Trust Investment Pool are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 590,000	\$ -	\$ -	\$ 590,000
Construction-in-progress	12,559,951	207,271	(12,559,951)	207,271
Total Capital Assets Not Being Depreciated/Amortized	<u>13,149,951</u>	<u>207,271</u>	<u>(12,559,951)</u>	<u>797,271</u>
Capital Assets Being Depreciated/Amortized:				
Buildings and building improvements	29,929,061	12,822,185	-	42,751,246
Vehicles	549,686	-	-	549,686
Right-to-use lease asset	4,481,808	333,268	-	4,815,076
Furniture and equipment	6,232,211	8,776,022	-	15,008,233
Total Capital Assets Being Depreciated/Amortized	<u>41,192,766</u>	<u>21,931,475</u>	<u>-</u>	<u>63,124,241</u>
Less Accumulated Depreciation/Amortization for:				
Buildings and building improvements	9,794,522	1,183,037	-	10,977,559
Vehicles	406,452	59,091	-	465,543
Right-to-use lease asset	2,135,241	614,026	-	2,749,267
Furniture and equipment	3,923,808	776,671	-	4,700,479
Total Accumulated Depreciation/Amortization	<u>16,260,023</u>	<u>2,632,825</u>	<u>-</u>	<u>18,892,848</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>24,932,743</u>	<u>19,298,650</u>	<u>-</u>	<u>44,231,393</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,082,694</u>	<u>\$ 19,505,921</u>	<u>\$(12,559,951)</u>	<u>\$ 45,028,664</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets Being Depreciated:				
Buildings	\$ 310,579	\$ -	\$ -	\$ 310,579
Total Capital Assets Being Depreciated	<u>310,579</u>	<u>-</u>	<u>-</u>	<u>310,579</u>
Less Accumulated Depreciation for:				
Buildings	102,226	7,769	-	109,995
Total Accumulated Depreciation	<u>102,226</u>	<u>7,769</u>	<u>-</u>	<u>109,995</u>
Total Capital Assets Being Depreciated, Net	<u>208,353</u>	<u>(7,769)</u>	<u>-</u>	<u>200,584</u>
Business-type Activities Capital Assets, Net	<u>\$ 208,353</u>	<u>\$ (7,769)</u>	<u>\$ -</u>	<u>\$ 200,584</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Depreciation/amortization expense was charged to functions/programs of the MCIU as follows:

GOVERNMENTAL ACTIVITIES

Instruction:

Special programs	\$ 174,105
Other instructional programs	345,113
Non-public school programs	25,103

Support Services:

Pupil personnel services	65,720
Administration services	68,564
Pupil health services	1,057
Business services	5,762
Operation and maintenance of plant services	1,786,396
Central and other support services	<u>161,005</u>

TOTAL \$ 2,632,825

BUSINESS-TYPE ACTIVITIES

Food service fund \$ 7,769

NOTE 5 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable to</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	<u>\$ 4,370,849</u>	Special Education	\$ 4,306,466
		Institutionalized Children	2,606
		Food Service	<u>61,777</u>
	<u>\$ 4,370,849</u>		<u>\$ 4,370,849</u>

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses.

Interfund transfers for the year ended June 30, 2022 are as follows:

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 5 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

<u>Transfer In</u>	<u>Amount</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	\$ 6,026,376	General Fund	\$ 1,800,000
Capital Projects Fund	<u>5,300,000</u>	Special Education	6,973,736
		Special Ed Transportation	888,919
		Institutionalized Children	2,374
		Early Intervention	<u>1,697,347</u>
	<u>\$ 11,362,376</u>		<u>\$ 11,362,376</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.

NOTE 6 FUND BALANCE

Transfers represent funds set aside for future capital needs, and to fund shortfalls in the funding for the acquisition and construction of major capital facilities.

As of June 30, 2022, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Special Education Fund	Special Education Transportation Fund	Institution- alized Children Fund	Early Intervention Fund	Totals
Restricted:							
Special Education	\$ -	\$ -	\$ 9,090,923	\$ -	\$ -	\$ -	\$ 9,090,923
Early Intervention	-	-	-	-	-	175,443	175,443
IDEA-B	5,895,798	-	-	-	-	-	5,895,798
Committed:							
Self-insured unemploy- ment compensation	2,089,446	-	-	-	-	-	2,089,446
Self-insured dental	333,326	-	-	-	-	-	333,326
Assigned:							
Capital projects	-	10,388,881	-	-	-	-	10,388,881
Project administration	14,502,383	-	-	-	-	-	14,502,383
Non-pub fee based	256,380	-	-	-	-	-	256,380
Pattan conferences	748,639	-	-	-	-	-	748,639
Facilities	2,916,996	-	-	-	-	-	2,916,996
Access	3,134,757	-	-	-	-	-	3,134,757
Nonspendable:							
Prepaid expenditures	95,219	-	85	-	-	-	95,304
Inventory	7,655	-	-	-	-	-	7,655
Unassigned (Deficit)	<u>3,349,857</u>	-	-	<u>(4,912,807)</u>	<u>(637)</u>	-	<u>(1,563,587)</u>
Total Fund Balances	<u>\$33,330,457</u>	<u>\$10,388,881</u>	<u>\$ 9,091,008</u>	<u>\$ (4,912,807)</u>	<u>\$ (637)</u>	<u>\$ 175,443</u>	<u>\$48,072,345</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN

Plan Description

The MCIU contributes to the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, and certain healthcare insurance premium assistance to plan members and beneficiaries. The Public School Employees Retirement Code (Act No. 96 of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues an annual comprehensive financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PSERS, P.O. Box 125, Harrisburg, PA 17108-0125. The publication is also available on the PSERS website at www.psers.pa.gov.

Benefits Provided

The 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 introduces benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new 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 of 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 2½%, depending upon the 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 may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2½%, depending upon the 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

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

for Class T-E and Class T-F members, or who has at least five years of credited service 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.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed 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.

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 service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Class T-E contribution rate to fluctuate between 7.50% and 9.50%, and Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The MCIU's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2022, the rate of the employer contributions was 33.99% for pension contributions, 0.15% to the Act 5 defined contribution plan, and 0.80% for healthcare contributions. The MCIU's contribution to PSERS for the year ended June 30, 2022 was \$15,922,921.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2022, the MCIU reported a liability of \$127,851,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The MCIU's proportion of the net pension liability was calculated utilizing the employer's one-year reported

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the MCIU's proportion was 0.3114%, which was an increase of 0.0077% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the MCIU recognized pension expense of \$15,849,571. At June 30, 2022, the MCIU 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>
Net difference between projected and actual investment earnings	\$ -	\$20,351,045
Change in assumptions	6,201,173	-
Changes in proportions	10,148,000	-
Difference between expected and actual experience	94,172	1,679,691
Difference between employer contributions and proportionate share of total contributions	34,675	83,787
Contributions subsequent to the date of measurement	<u>15,922,921</u>	<u>-</u>
	<u>\$32,400,941</u>	<u>\$22,114,523</u>

Change in Assumptions: The discount rate used to measure the total pension liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

An amount of \$15,922,921 is reported as deferred outflows of resources resulting from the MCIU's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ended June 30,

2023	\$ 917,724
2024	140,099
2025	(495,113)
2026	<u>(6,199,213)</u>
	<u>\$ (5,636,503)</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the system's total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.00%, including inflation of 2.50%
- Salary increases – effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth, and merit or seniority increases of 2.00%
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 24.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
(cont'd)		
Real estate	10.0%	5.5%
Cash	3.0%	0.1%
Leverage	(13.0%)	2.0%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount used to measure the total pension liability was 7.00%. 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 which are 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 MCIU'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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
MCIU's proportionate share of the net pension liability	\$ 167,809,000	\$ 127,851,000	\$ 94,144,000

Pension Plan Fiduciary Net Position

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

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The system provides premium assistance, which is a governmental cost sharing, multiple-employer other postemployment benefits 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, 2021, 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 24½ 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.

OPEB Plan Description

The MCIU contributes to the Public School Employees' Retirement System (PSERS), 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. The PSERS issues a publicly available annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

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

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The MCIU's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% 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 MCIU were \$373,121 for the year ended June 30, 2022.

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

At June 30, 2022, the MCIU reported a liability of \$7,387,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The MCIU'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 MCIU's proportion was 0.3117%, which was an increase of 0.008% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the MCIU recognized OPEB expense of \$627,182. At June 30, 2022, the MCIU 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>
Net difference between projected and actual investment earnings	\$ 14,570	\$ -
Change in the proportionate share of the net OPEB liability	824,000	4,000
Change in assumptions	786,794	98,513
Difference between employer contributions and proportionate share of total contributions	-	11,714
Net difference between projected and actual experience	69,453	-
Contributions subsequent to the date of measurement	373,121	-
	<u>\$ 2,067,938</u>	<u>\$ 114,227</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Change in Assumption: The discount rate used to measure the total OPEB liability decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.

An amount of \$373,121 is reported as deferred outflows of resources resulting from the MCIU's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ 305,013
2024	306,010
2025	354,808
2026	271,455
2027	221,645
Thereafter	<u>121,659</u>
	<u>\$1,580,590</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by rolling forward the system's total OPEB liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level percentage of pay
- Investment return – 2.18% – S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 4.50%, comprised of inflation of 2.50% and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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 #23

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- 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 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	79.8%	0.1%
U.S. core fixed income	17.5%	0.7%
Non-U.S. developed fixed	2.7%	(0.3)%
	<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, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%, a decrease from 2.66% in the prior year. 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

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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 2.18%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System's 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, 2021, 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, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 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's net OPEB liability for June 30, 2021, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ 7,386,000	\$ 7,387,000	\$ 7,388,000

Sensitivity of the MCIU's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.18%) or one percentage point higher (3.18%) than the current rate:

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
Proportionate share of the net OPEB liability	\$ 8,477,000	\$ 7,387,000	\$ 6,489,000

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

OPEB Plan Fiduciary Net Position

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

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The MCIU administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The MCIU's 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. Under the GASB Codification, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the MCIU office.

Participants

As of June 30, 2022, the plan had 533 participants (517 active, 16 retired).

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of the MCIU. The MCIU has \$1,893,662 accumulated in a trust for the purpose of administering the OPEB plan. 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 the MCIU. For fiscal year 2022, the MCIU contributed \$107,423 to the plan to cover current year benefit payments.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2022, rolled forward from the latest actuarial valuation completed as of July 1, 2021.

Discount Rate

The discount used to measure the total OPEB liability was 5.34%.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Salary Increases

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 by age from 0% to 2.75%.

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with 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>
25	2.57%	5.02%
30	2.57%	4.02%
35	1.50%	2.85%
40	1.34%	1.60%
45	1.37%	1.65%
50	1.92%	2.06%
55	3.38%	3.11%
60	5.57%	6.40%

Mortality Rates

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

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability

No disability was assumed.

Percent of Eligible Retirees Electing Coverage in Plan

One hundred percent of administrators are eligible for subsidy from the MCIU, forty-five percent of teachers and administrators who are only eligible for the Act 110/43 benefit, and thirty percent of support staff and part-time benefits employees are assumed to elect coverage.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Percent Married at Retirement

Twenty-five percent of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

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

Per Capita Claims Cost

The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Males</u>	<u>Females</u>
45 - 49	\$ 5,982	\$ 8,640
50 - 54	7,923	9,765
55 - 59	9,650	10,217
60 - 64	12,593	11,737
65+	6,180	6,180

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend

The healthcare cost trend is 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

The actuarial value of assets was equal to the market value of assets.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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 accrued asset.

Sensitivity Analysis

The following presents the net OPEB asset, calculated using the valuation discount rate, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 4.34%	Current Discount Rate 5.34%	1% Increase 6.34%
Net OPEB liability (asset)	<u>\$ 60,964</u>	<u>\$ (60,806)</u>	<u>\$ (173,836)</u>

The following presents the net OPEB asset, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB asset would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate	1% Increase
Net OPEB (asset) liability	<u>\$ (252,695)</u>	<u>\$ (60,806)</u>	<u>\$ 165,821</u>

Changes in Total OPEB Liability

Total OPEB liability - beginning	<u>\$ 1,684,042</u>
Service cost	193,579
Interest	92,245
Change in assumptions	(29,587)
Benefit payments	<u>(107,423)</u>
Net change	<u>148,814</u>
Total OPEB liability - ending	<u>\$ 1,832,856</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The amount of OPEB expense for the single employer plan recognized by the MCIU was \$176,328 for the year ended June 30, 2022. At June 30, 2022, the MCIU 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>
Change in assumptions	\$ 225,722	\$ 403,712
Differences between expected and actual experience	308,014	520,776
Net differences between expected and actual investment earnings	<u>-</u>	<u>95,821</u>
	<u>\$ 533,736</u>	<u>\$ 1,020,309</u>

Amounts that will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ 3,814
2024	7,584
2025	7,729
2026	38,318
2027	(38,686)
Thereafter	<u>(505,332)</u>
	<u>\$ (486,573)</u>

NOTE 10 NET OTHER POSTEMPLOYMENT BENEFITS BALANCES

The MCIU's aggregate net OPEB liability, net OPEB asset, deferred inflows, and outflows of resources are as follows:

	<u>Net OPEB Liability</u>	<u>Net OPEB Asset</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
MCIU Plan (see Note 9)	\$ -	\$ 60,806	\$ 533,736	\$ 1,020,309
PSERS Plan (see Note 8)	<u>7,387,000</u>	<u>-</u>	<u>2,067,938</u>	<u>114,227</u>
Total	<u>\$ 7,387,000</u>	<u>\$ 60,806</u>	<u>\$ 2,601,674</u>	<u>\$ 1,134,536</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The MCIU participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The MCIU is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

As of June 30, 2022, there was a balance of \$207,271 in construction-in-progress. No amounts included in construction-in-progress are under formal commitments at year end.

NOTE 12 RISK MANAGEMENT

The MCIU 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 MCIU retains risk of loss. For insured programs, there were no significant reductions in insurance coverage during the 2021 - 2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The general fund incurred expenditures in excess of appropriations in the following amount for the year ended June 30, 2022:

Special programs	\$ 1,837,473
Other instructional programs	\$ 384,420
Instructional staff services	\$ 219,057
Administrative services	\$ 2,722,516
Business services	\$ 266,959
Operation and maintenance of plant services	\$ 876,432
Student transportation services	\$ 1,473,228
Debt service	\$ 644,761

The excess of expenditures were covered by savings in other appropriations.

The special education fund incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2022:

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 13 EXCESS OF EXPENDITURES OVER APPROPRIATIONS (cont'd)

Nonpublic school programs	\$	163,645
Administrative services	\$	48,828
Pupil health	\$	120,535
Operation and maintenance	\$	19,919

The excess expenditures were covered by savings in other appropriations.

The special education transportation fund incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2022:

Business services	\$	237
Student transportation	\$	4,089,788

The excess expenditures led to a deficit fund balance in the current year.

The early intervention fund incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2022:

Special programs	\$	223,891
Operation and maintenance of plant services	\$	41,757

The excess expenditures were covered by savings in other appropriations.

NOTE 14 LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
<i>Governmental Activities:</i>					
Accumulated compensated absences	\$ 2,035,289	\$ -	\$ 90,148	\$ 1,945,141	\$ 70,435
Bonds payable, net	7,459,870	-	385,304	7,074,566	329,565
Lease liability	2,503,607	333,268	654,261	2,182,614	631,082
Lease purchase obligations	3,630,189	-	263,887	3,366,302	268,064
Net pension liability	149,539,000	-	21,688,000	127,851,000	-
Net OPEB liability	6,560,000	827,000	-	7,387,000	-
Total Governmental Activities	<u>\$171,727,955</u>	<u>\$1,160,268</u>	<u>\$23,081,600</u>	<u>\$149,806,623</u>	<u>\$1,299,146</u>

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 14 LONG-TERM LIABILITIES (cont'd)

Bonds payable, net consists of the following:

Bonds payable, at face	\$ 7,145,000
Bond discount	<u>(70,434)</u>
Bonds payable, net	<u>\$ 7,074,566</u>

Payments of long-term liabilities are expected to be funded by the general fund for governmental activities.

Revenue Bonds, Series of 2017

On December 19, 2017, the MCIU 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 MCIU'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 of \$3,296,499.

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
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	435,000	155,511	590,511
2028 - 2032	2,340,000	599,359	2,939,359
2033 - 2037	<u>2,725,000</u>	<u>222,603</u>	<u>2,947,603</u>
	<u>\$ 7,145,000</u>	<u>\$ 1,691,629</u>	<u>\$ 8,836,629</u>

Lease Purchase Obligations

On December 30, 2008, the MCIU entered into a \$5,911,981, 25-year 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 to \$5,321,981 to the building and \$590,000 to land. On November 26, 2013, the MCIU refinanced the 2008 lease for \$5,342,784 at a 1.95% interest rate. On March 15, 2019, the MCIU refinanced the 2013 lease for \$4,145,482 at a 3.17% interest rate. On March 11, 2021 the MCIU 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 #23

NOTES TO FINANCIAL STATEMENTS

NOTE 14 LONG-TERM LIABILITIES (cont'd)

The annual lease payments for the building are as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
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	285,442	33,597	319,039
2028 - 2032	1,496,323	98,871	1,595,194
2033 - 2034	486,683	6,532	493,215
	<u>\$ 3,366,302</u>	<u>\$ 317,301</u>	<u>\$ 3,683,603</u>

Leases Payable

The MCIU also leases building space expiring no later than June 2026 and office equipment expiring no later than April 2025.

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 631,082	\$ 5,551	\$ 636,633
2024	556,835	3,096	559,931
2025	514,540	651	515,191
2026	480,157	-	480,157
	<u>\$ 2,182,614</u>	<u>\$ 9,298</u>	<u>\$ 2,191,912</u>

NOTE 15 DEFERRED COMPENSATION PLANS

The MCIU 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 MCIU 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.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO FINANCIAL STATEMENTS

NOTE 15 DEFERRED COMPENSATION PLANS (cont'd)

The deferred compensation for both plans is not available to employees until termination, retirement, death, or an unforeseeable emergency. Employees contributions to the plan 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 MCIU and are not included in the financial statements.

NOTE 16 CHANGE IN ACCOUNTING PRINCIPLE

In accordance with the adoption of GASB Statement No. 87, as discussed in Note 1, the MCIU has restated its July 1, 2021 net position in its governmental activities to record the right-to-use assets and lease liabilities associated with the MCIU' leasing arrangements. The net result of this change is a decrease of \$157,040 in net position for its governmental activities.

NOTE 17 DEFICIT FUND BALANCE AND NET POSITION

For governmental activities, the unrestricted net deficit amount of \$87,894,578, includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the MCIU's share of its proportionate contributions to its pension and OPEB plan, and the deferred outflows resulting from the change in the MCIU's share of the net pension and OPEB liabilities. This is offset by the MCIU's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings and projected and actual experience.

MCIU's Special Education Transportation Fund and Institutionalized Children Fund in the Governmental Funds had deficits of \$4,912,807 and \$637, respectively. The Special Education Transportation Fund's deficit is a result of a lack in state funding in the current year and an increase in transportation related expenses as activities began to resume as COVID-19 restrictions began to ease. The Institutionalized Children Fund's deficit is a result of transfers to other funds in the current year. MCIU does not anticipate having a deficit fund balance in fiscal year 2023 for either fund.

NOTE 18 SUBSEQUENT EVENTS

On August 31, 2022, the MCIU finalized the purchase of a property for future educational services for \$6,750,000.

The MCIU has evaluated all subsequent events through February 24, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE INTERMEDIATE UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
MCIU's proportion of the net pension liability	0.3114%	0.3037%	0.2768%	0.2688%	0.2387%	0.2454%	0.2583%	0.2648%
MCIU's proportion of the net pension liability - dollar value	\$ 127,851,000	\$ 149,539,000	\$ 129,494,000	\$ 129,037,000	\$ 117,890,000	\$ 121,612,000	\$ 111,884,000	\$ 104,810,000
MCIU's covered employee payroll	\$ 43,595,976	\$ 42,617,880	\$ 38,167,202	\$ 36,201,461	\$ 33,177,621	\$ 31,779,127	\$ 29,410,257	\$ 33,790,906
MCIU's proportionate share of the net pension liability as a percentage of its covered employee payroll	293.26%	350.88%	339.28%	356.44%	355.33%	382.68%	380.43%	310.17%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	55.66%	54.00%	54.00%	51.84%	50.14%	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INTERMEDIATE UNIT PENSION CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 15,922,921	\$ 14,687,464	\$ 14,234,044	\$ 12,416,689	\$ 11,472,582	\$ 9,615,836	\$ 8,013,376	\$ 5,979,417
Contributions in relation to the contractually required contribution	<u>15,922,921</u>	<u>14,687,464</u>	<u>14,234,044</u>	<u>12,416,689</u>	<u>11,472,582</u>	<u>9,615,836</u>	<u>8,013,376</u>	<u>5,979,417</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MCIU's covered employee payroll	\$ 46,845,899	\$ 43,595,976	\$ 42,617,880	\$ 38,167,202	\$ 36,201,461	\$ 33,177,621	\$ 32,353,899	\$ 29,410,257
Contributions as a percentage of covered employee payroll	33.99%	33.69%	33.40%	32.53%	31.69%	28.98%	24.77%	20.33%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE INTERMEDIATE UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE					
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
MCIU's proportion of the net OPEB liability	0.3117%	0.3036%	0.2768%	0.2688%	0.2492%	0.2498%
MCIU's proportion of the net OPEB liability - dollar value	\$ 7,387,000	\$ 6,560,000	\$ 5,887,000	\$ 5,604,000	\$ 5,077,000	\$ 5,381,000
MCIU's covered employee payroll	43,595,976	42,617,880	38,167,202	36,201,461	33,177,621	32,353,899
MCIU's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	16.94%	15.39%	15.42%	15.48%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INTERMEDIATE UNIT OPEB CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 373,121	\$ 357,487	\$ 357,447	\$ 316,130	\$ 300,008	\$ 273,327
Contributions in relation to the contractually required contribution	<u>373,121</u>	<u>357,487</u>	<u>357,447</u>	<u>316,130</u>	<u>300,008</u>	<u>273,327</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MCIU's covered employee payroll	\$ 46,845,899	\$ 43,595,976	\$ 42,617,880	\$ 38,167,202	\$ 36,201,461	\$ 33,177,621
Contributions as a percentage of covered employee payroll	0.80%	0.82%	0.84%	0.83%	0.83%	0.82%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB ASSET AND RELATED RATIOS
Single Employer Plan**

	MEASUREMENT DATE					
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
TOTAL OPEB LIABILITY						
Service cost	\$ 193,579	\$ 249,416	\$ 244,375	\$ 169,243	\$ 113,173	\$ 108,873
Interest cost	92,245	101,217	94,070	108,606	110,861	105,094
Changes of benefit terms	-	(48,344)	-	53,303	-	-
Changes of assumptions	(29,587)	(283,164)	26,508	(196,033)	411,681	-
Differences between expected and actual experience	-	(485,257)	-	(150,331)	-	-
Benefit payments	(107,423)	(137,724)	(123,426)	(110,888)	(121,386)	(139,158)
NET CHANGE IN TOTAL OPEB LIABILITY	148,814	(603,856)	241,527	(126,100)	514,329	74,809
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	1,684,042	2,287,898	2,046,371	2,172,471	1,658,142	1,583,333
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 1,832,856</u>	<u>\$ 1,684,042</u>	<u>\$ 2,287,898</u>	<u>\$ 2,046,371</u>	<u>\$ 2,172,471</u>	<u>\$ 1,658,142</u>
PLAN FIDUCIARY NET POSITION						
Contributions - employers	\$ 107,423	\$ 137,724	\$ 123,426	\$ 110,888	\$ 121,386	\$ 139,158
Net investment income	(245,393)	275,788	117,046	127,876	64,355	94,582
Benefit payments	(107,423)	(137,724)	(123,426)	(110,888)	(121,386)	(139,158)
Administrative expense	(18,026)	(17,280)	(16,004)	(15,009)	(14,826)	(13,829)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(263,419)	258,508	101,042	112,867	49,529	80,753
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	2,157,081	1,898,573	1,797,531	1,684,664	1,635,135	1,554,382
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 1,893,662</u>	<u>\$ 2,157,081</u>	<u>\$ 1,898,573</u>	<u>\$ 1,797,531</u>	<u>\$ 1,684,664</u>	<u>\$ 1,635,135</u>
MCIU'S NET OPEB LIABILITY (ASSET)	<u>\$ (60,806)</u>	<u>\$ (473,039)</u>	<u>\$ 389,325</u>	<u>\$ 248,840</u>	<u>\$ 487,807</u>	<u>\$ 23,007</u>
Plan fiduciary net position as a percentage of total OPEB liability	103.32%	128.09%	82.98%	87.84%	77.55%	98.61%
Covered employee payroll	\$ 39,820,761	\$ 39,820,761	\$ 36,207,725	\$ 36,207,725	\$ 31,257,637	\$ 31,257,637
MCIU's net OPEB asset as a percentage of covered payroll	-0.15%	-1.19%	1.08%	0.69%	1.56%	0.07%
Expected average remaining service years of all participants	12	12	12	12	13	13

The requirement is to show information for 10 years; however, until a full 10-year trend is compiled, the Plan shall present information for the years for which information is available.

SINGLE AUDIT SUPPLEMENT



INDEPENDENT AUDITOR'S 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

February 24, 2023

Board of Directors
Montgomery County Intermediate Unit #23
Norristown, Pennsylvania

We have audited, in accordance with the 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 #23 (the MCIU), Norristown, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the MCIU's basic financial statements, and have issued our report thereon dated February 24, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MCIU's internal control over financial reporting (internal control) as a basis for designing 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 MCIU's internal control. Accordingly, we do not express an opinion on the effectiveness of the MCIU'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 MCIU'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.

Board of Directors
Montgomery County Intermediate Unit #23

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MCIU's basic 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 financial statements. 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 MCIU'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 MCIU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP



INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

February 24, 2023

Board of Directors
Montgomery County Intermediate Unit #23
Norristown, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Montgomery County Intermediate Unit #23's (the MCIU) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the MCIU's major federal programs for the year ended June 30, 2022. The MCIU's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the MCIU complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the MCIU and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the MCIU's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts, or grant agreements applicable to the MCIU's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the MCIU's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the MCIU's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the MCIU's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the MCIU's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the MCIU's internal control over compliance. Accordingly, no such opinion is expressed.

Board of Directors
Montgomery County Intermediate Unit #23

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Grantor Program Title	Source Code	Federal CFDA Number	Pass-through Grantor's Number	Grant Period Beginning - Ending	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue 07/01/2021	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue 06/30/2022	Passed Through to Subrecipients
U.S. Department of Education											
The Pennsylvania Deaf - Blind Profit	D	84.326T	H326T130083	10/01/13-09/30/18	\$ 371,952	\$ -	\$ 7,345	\$ (7,345)	\$ (7,345)	\$ -	\$ -
The Pennsylvania Deaf - Blind Profit 2.0	D	84.326T	H326T180047	10/15/18-10/14/23	350,893	-	104,619	-	-	104,619	-
The Pennsylvania Deaf - Blind Profit 2.0	D	84.326T	H326T180047	10/15/18-10/14/23	350,902	341,116	(70,745)	462,013	462,013	50,152	-
Total CFDA #84.326T						341,116	41,219	454,668	454,668	154,771	-
Passed through Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-21-0623	07/01/20-09/30/22	97,931	39,172	10,786	28,386	28,386	-	-
Title I - Improving Basic Programs	I	84.010	013-22-0623	07/01/21-09/30/23	105,742	28,131	-	34,493	34,493	6,362	-
Title I - Delinquent	I	84.010	013-20-0623	07/01/19-09/30/21	360,076	-	-	65,561	65,561	65,561	-
Title I - Delinquent	I	84.010	013-21-0623	07/01/20-09/30/22	311,282	-	76	(76)	(76)	-	-
Supports for Effective Standards Based Instruction	I	84.010	149-21-0623	07/01/20-09/30/21	12,500	16,989	35,310	-	-	18,321	-
Supports for Effective Standards Based Instruction	I	84.010	149-22-0623	07/01/21-06/30/22	35,310	14,713	-	35,310	35,310	20,597	-
Total CFDA #84.010						99,005	46,172	163,674	163,674	110,841	-
IDEA - B	I	84.027	062-20-0035	07/01/19-09/30/21	7,025,170	-	(640,834)	933,742	933,742	292,908	69,996
IDEA - B	I	84.027	062-21-0035	07/01/20-09/30/22	9,500,448	2,533,453	(1,015,538)	2,779,436	2,779,436	(769,555)	-
IDEA - B	I	84.027	062-22-0035	07/01/21-09/30/23	7,100,055	5,680,044	-	6,048,447	6,048,447	368,403	-
IDEA - B	I	84.027	062-19-0023	07/01/18-09/30/20	23,582,300	-	(1,494)	1,494	1,494	-	-
IDEA - B	I	84.027	062-20-0023	07/01/19-09/30/21	23,636,774	-	(209,035)	76,532	76,532	(132,503)	(132,503)
IDEA - B	I	84.027	062-21-0023	07/01/20-09/30/22	24,381,029	11,377,814	10,996,336	350,641	350,641	(30,837)	(135,054)
IDEA - B	I	84.027	062-22-0023	07/01/21-09/30/23	30,764,676	16,407,828	-	20,531,078	20,531,078	4,123,250	18,480,585
ARP - IDEA 611 COMP 1	I	84.027	232-21-0023	07/01/21-09/30/22	495,835	165,278	-	-	-	(165,278)	-
IDEA - B	I	84.027	131-21-0023	07/01/21-06/30/22	2,113,299	2,113,299	-	2,113,299	2,113,299	-	-
Total CFDA #84.027						38,277,716	9,129,435	32,834,669	32,834,669	3,686,388	18,283,024
IDEA Preschool	I	84.173	131-20-0023	07/01/19-06/30/20	447,353	-	-	(2,286)	(2,286)	(2,286)	(2,286)
IDEA Preschool	I	84.173	131-21-0023	07/01/20-06/30/21	24,530,021	-	-	(3,534)	(3,534)	(3,534)	(3,534)
IDEA Preschool	I	84.173	131-21-0023	07/01/21-06/30/22	457,636	457,636	-	436,742	436,742	(20,894)	53,978
ARP - IDEA 619	I	84.173	231-21-0023	07/01/21-06/30/22	313,987	104,662	-	-	-	(104,662)	-
Total CFDA #84.173						562,298	-	430,922	430,922	(131,376)	48,158
State Personnel Development Grant	I	84.323A	H323A170023	07/01/20-06/30/21	1,353,565	437,555	437,555	-	-	-	-
State Personnel Development Grant	I	84.323A	H323A170023	10/01/21-09/30/22	1,203,228	1,084,833	-	1,419,913	1,419,913	335,080	-
Total CFDA #84.323A						1,522,388	437,555	1,419,913	1,419,913	335,080	-
Support for Effective Standards Based Instruction	I	84.367	149-21-0623	07/01/20-06/20/22	20,800	5,547	20,800	-	-	15,253	-
Support for Effective Standards Based Instruction	I	84.367	149-22-0623	07/01/21-06/30/22	20,800	8,667	-	20,800	20,800	12,133	-
Safety Initiatives	I	84.367	156-21-0623	07/01/20-06/20/21	8,750	5,104	5,104	-	-	-	-
Safety Initiatives	I	84.367	156-22-0623	07/01/21-06/20/22	90,954	37,897	-	90,954	90,954	53,057	-
Total CFDA #84.367						57,215	25,904	111,754	111,754	80,443	-
Title III - Language Instruction	I	84.365	010-21-0623	07/01/20-09/30/22	199,118	66,373	48,883	17,502	17,502	12	-
Title III - Language Instruction	I	84.365	010-22-0623	07/01/21-09/30/23	212,759	168,754	-	158,161	158,161	(10,593)	-
Total CFDA #84.365						235,127	48,883	175,663	175,663	(10,581)	-
Support for Effective Standards Based Instruction	I	84.424	149-21-0623	07/01/20-06/20/22	12,500	15,833	12,500	-	-	(3,333)	-
Safety Initiatives	I	84.424	156-21-0623	07/01/20-06/20/21	32,000	18,667	18,667	-	-	-	-
Safety Initiatives	I	84.424	156-22-0623	07/01/21-06/20/22	163,599	68,166	-	163,599	163,599	95,433	-
Total CFDA #84.424						102,666	31,167	163,599	163,599	92,100	-
Elementary and Secondary School Emergency (ESSER) Fund	I	84.425	149-21-0625	07/01/20-06/20/22	115,000	23,093	115,000	-	-	91,907	-
Elementary and Secondary School Emergency (ESSER) Fund	I	84.425	157-21-0625	07/01/20-06/20/21	66,771	-	66,771	-	-	66,771	-
Elementary and Secondary School Emergency (ESSER) Fund	I	84.425	157-22-0625	07/01/21-06/20/22	66,771	27,821	-	66,771	66,771	38,950	-
Elementary and Secondary School Emergency (ESSER) Fund	I	84.425	163-19-0023	03/13/20-09/20/22	291,425	-	(291,425)	291,425	291,425	-	-
Elementary and Secondary School Emergency (ESSER) Fund	I	84.425	224-21-0623	03/13/21-09/30/24	1,092,895	59,612	-	358,552	358,552	298,940	-
Total CFDA #84.425						110,526	(109,654)	716,748	716,748	496,568	-
TOTAL U.S. DEPARTMENT OF EDUCATION						41,308,057	9,650,681	36,471,610	36,471,610	4,814,234	18,331,182

Continued on next page.

**MONTGOMERY COUNTY INTERMEDIATE UNIT #23
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Grantor Program Title	Source Code	Federal CFDA Number	Pass-through Grantor's Number	Grant Period Beginning - Ending	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue 07/01/2021	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue 06/30/2022	Passed Through to Subrecipients
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Education											
Child and Adult Care Food Program	I	10.558	N/A	07/01/21-06/30/22	N/A	596,400	296,955	437,733	437,733	138,288	-
National School Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	N/A	15,566	(4,050)	8,115	8,115	(11,501)	-
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	34,596	(10,993)	16,544	16,544	(29,045)	-
SNP Emergency Operating Cost	I	10.555	N/A	07/01/21-06/30/22	N/A	8,157	-	-	-	(8,157)	-
Summer Food Program	I	10.559	N/A	07/01/21-06/30/22	N/A	6,675	(14,082)	6,675	6,675	(14,082)	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/21-06/30/22	N/A	614	-	-	-	(614)	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						662,008	267,830	469,067	469,067	74,889	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Public Welfare											
Medical Assistance - Access	I	93.778	4100009941	07/01/21-06/30/22	90,000	192,922	154,577	29,353	29,353	(8,992)	-
Medical Assistance - Access	I	93.778	044-007523	07/01/21-06/30/22	1,086,235	500,000	(149,408)	1,340,496	1,340,496	691,088	-
Medical Assistance - Access Early Intervention	I	93.778	092-007523	07/01/21-06/30/22	746,338	875,000	(1,050,000)	675,239	675,239	(1,249,761)	-
Total CFDA #93.778						<u>1,567,922</u>	<u>(1,044,831)</u>	<u>2,045,088</u>	<u>2,045,088</u>	<u>(567,665)</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						1,567,922	(1,044,831)	2,045,088	2,045,088	(567,665)	-
U.S. Department of Health and Human Services											
Administration For Children and Families											
Head Start	D	93.600	03CH01153001	06/01/20-05/31/21	4,018,891	275,300	275,300	-	-	-	-
Head Start	D	93.600	03CH01153002	06/01/21-05/31/22	4,067,352	3,660,055	151,085	3,916,267	3,916,267	407,297	-
Head Start	D	93.600	03CH01153003	06/01/22-05/31/23	4,067,352	-	-	157,270	157,270	157,270	-
Head Start - ARP	D	93.600	03HE00785-01-01	04/01/21-03/31/23	538,425	-	3,711	158,011	158,011	161,722	-
Head Start - CRRSA	D	93.600	03HE00785-01-00	04/01/21-03/31/23	135,463	-	-	135,436	135,436	135,436	-
Total CFDA #93.600						<u>3,935,355</u>	<u>430,096</u>	<u>4,366,984</u>	<u>4,366,984</u>	<u>861,725</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION FOR CHILDREN AND FAMILIES						3,935,355	430,096	4,366,984	4,366,984	-	-
TOTAL FEDERAL AWARDS						\$ 47,473,342	\$ 9,303,776	\$ 43,352,749	\$ 43,352,749	\$ 4,321,458	\$ 18,331,182
TOTAL CFDA #84.027						\$ 38,277,716	\$ 9,129,435	\$ 32,834,669	\$ 32,834,669	\$ 3,686,388	\$ 18,283,024
SPECIAL EDUCATION (IDEA) CLUSTER (CFDAs #84.027 and #84.173)						\$ 38,840,014	\$ 9,129,435	\$ 33,265,591	\$ 33,265,591	\$ 3,555,012	\$ 18,331,182

Source Codes:
I - Indirect Funding
D - Direct Funding

MONTGOMERY COUNTY INTERMEDIATE UNIT #23

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

The MCIU uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C INDIRECT COST RATE

The MCIU did not use the federal de minimis indirect cost rate of 10% on their federal grants for the year ended June 30, 2022.

NOTE D SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ERROR

As a result of the information obtained during the year, the MCIU has concluded that the schedule of expenditures of federal awards was misstated in the previous year. The MCIU missed \$12,214 of awards related to CFDA #21.019 that was received from the Pennsylvania Commission on Crime and Delinquency.

NOTE E WORKFORCE INVESTMENT ACT

The Workforce Investment Act reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of Workforce Investment Act funding recognized for the year ended June 30, 2022 was \$922,414.

NOTE F EMERGENCY ASSISTANCE TO NON-PUBLIC SCHOOL ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF

The Emergency Assistance to Non-Public School Elementary and Secondary School Emergency Relief reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of Emergency Assistance to Non-Public School Elementary and Secondary School Emergency Relief funding recognized for the year ended June 30, 2022 was \$13,960,849.

MONTGOMERY COUNTY INTERMEDIATE UNIT #23
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes _____ No
- Significant deficiency(ies) identified? _____ Yes _____ X None reported
- Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes _____ X No
- Significant deficiency(ies) identified? _____ Yes _____ X None reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

_____ Yes _____ X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.323A
93.778

State Personnel Development Grant
Medicaid Cluster

84.425C / 84.425D
84.027, 84.173

Elementary and Secondary School
Emergency (ESSER) Fund
Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,297,431

Auditee qualified as low-risk auditee?

_____ X Yes _____ No

MONTGOMERY COUNTY INTERMEDIATE UNIT #23
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.