

**LANCASTER-LEBANON
INTERMEDIATE UNIT NO. 13**

YEAR ENDED JUNE 30, 2010

Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2010

TABLE of CONTENTS

	Page
Independent Auditors' Report	1 & 2
Supplementary Information	
Management's Discussion and Analysis	3 - 8
Financial Statements	
Statement of Net Assets	9 & 10
Statement of Activities	11
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Net Assets - Fiduciary Fund	19
Notes to Financial Statements	20 - 43

Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2010

TABLE of CONTENTS (Continued)

	Page
Supplementary Information	
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - General Fund	44
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - Special Education Fund	45
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - Special Education Transportation Fund	46
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - State Funded Early Intervention Fund	47
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - Institutionalized Children Fund	48
Notes to Required Supplementary Information	49
Schedule of Expenditures of Federal Awards	50 - 56
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	57 & 58
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	59 & 60
Schedule of Findings and Questioned Costs	61
Summary Schedule of Prior Audit Findings	62

INDEPENDENT AUDITORS' REPORT

To the Board of School Directors
Lancaster-Lebanon Intermediate Unit No. 13
Lancaster County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13** as of and for the year ended June 30, 2010, which collectively comprise the Intermediate Unit's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Lancaster-Lebanon Intermediate Unit No. 13's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13** as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2011, on our consideration of the **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 44 through 48 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Lancaster-Lebanon Intermediate Unit No. 13's** financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



January 12, 2011
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2010

The discussion and analysis of **Lancaster-Lebanon Intermediate Unit 13's** financial performance provides an overall review of the Intermediate Unit's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to show the Intermediate Unit's financial performance as a whole. It should be read in conjunction with the basic financial statements and the accompanying notes to enhance the understanding of the Intermediate Unit's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board (GASB) in the Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current year and prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the year ended June 30, 2010, are as follows:

- The Intermediate Unit's financial status as reflected in the total net assets increased \$3,952,409 from the prior year. This increase is reflected as an increase in net assets for governmental activities of \$1,861,373 and an increase in net assets for business-type activities of \$2,091,036.
- Revenues totaled \$148.1 million. General revenues accounted for \$1.0 million, or 0.7% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$147.1 million, or 99.3%, of total revenues.
- The Intermediate Unit had \$131.0 million in expenses related to governmental activities; \$130.6 million of these expenses were offset by program specific charges for services, operating grants, and contributions.
- As part of the fund financial statements, the general fund reports \$78.2 million in revenues, \$82.0 million in expenditures, and \$4.8 million in other financing sources. The general fund's fund balance increased by \$1,076,314 to \$6.26 million. The Intermediate Unit's current Business Plan adopted in May 2008 established a target fund balance of 8% of total expenditures. The total fund balance of all governmental funds is \$6.59 million which is 5.01% of the total governmental fund expenditures. The special education fund reports \$40.8 million in revenues, \$38.2 million in expenditures, and \$2.6 million in other financing uses.
- The \$1,076,314 increase in the general fund's fund balance included an over-recovery in indirect revenue for the Intermediate Unit's administration of the American Recovery and Reinvestment Act (ARRA) IDEA funds totaling \$19,775,235 for the period February 17, 2009 through September 30, 2011. The ARRA IDEA funds generated \$511,663 in indirect revenue in fiscal year 2009-10.

Reporting on the Intermediate Unit as a Whole

The government-wide statements report information about the Intermediate Unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2010

Reporting on the Intermediate Unit as a Whole (Continued)

The two government-wide statements report the Intermediate Unit's net assets and present information showing how the Intermediate Unit's net assets have changed. Net assets, the difference between the Intermediate Unit's assets and liabilities, are one way to measure the Intermediate Unit's financial health or position. Over time, increases or decreases in the Intermediate Unit's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To access the overall health of the Intermediate Unit, you need to consider additional non-financial factors, such as changes in the Intermediate Unit's grant funding and changes in services provided to our member school districts.

The government-wide financial statements of the Intermediate Unit are divided into two categories:

- **Governmental Activities** - All of the Intermediate Unit's basic services are included here, such as instruction, curriculum, management, administrative, and community services. School District special education contract, state grants/allocations and federal grants finance most of these activities.
- **Business-Type Activities** - The Intermediate Unit services for supplemental contracts, statewide sales, consortium services and fee-for-service programs are included in this category. The costs of these programs are supported through user charges for services and goods provided.

Fund Financial Statements

The Intermediate Unit's fund financial statements, which begin on Page 12, provide detailed information about the most significant funds and are not intended to present the Intermediate Unit as a whole. Some funds are established based on state reporting requirements.

- **Governmental Funds** - Most of the Intermediate Unit's activities are reported in the governmental funds, which focus on how money flows into and out of those funds, the balances left at year end and available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the Intermediate Unit's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance programs provided by the intermediate unit. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2010

Fund Financial Statements (Continued)

- Proprietary Funds** - The proprietary funds are used to account for the Intermediate Unit's activities that are similar to business operations in the private sector; and a significant portion of funding is obtained through user charges for services provided to outside customers or other programs of the Intermediate Unit. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.
- Fiduciary Funds** - The fiduciary funds are used to account for the assets held by the Intermediate Unit as a trustee or agent for the following activities and groups: the School-to-Work Program, special education activities fund, Lancaster Tax Collection Payroll and Lancaster-Lebanon Athletic Association Payroll. All of the Intermediate Unit's fiduciary activities are reported in a separate statement of fiduciary net assets on Page 19. We exclude these activities from the Intermediate Unit's government-wide financial statements because the Intermediate Unit cannot use these assets to finance its operations.

Financial Analysis of the Intermediate Unit as a Whole

Table 1 provides a summary of the Intermediate Unit's net assets for 2010 compared to 2009.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	36,798,115	28,300,279	2,475,040	1,742,449	39,273,155	30,042,728
Capital Assets	<u>8,185,376</u>	<u>8,630,621</u>	<u>427,247</u>	<u>314,535</u>	<u>8,612,623</u>	<u>8,945,156</u>
Total Assets	44,983,491	36,930,900	2,902,287	2,056,984	47,885,778	38,987,884
Liabilities						
Current and Other Liabilities	29,107,665	22,684,272	893,319	2,139,052	30,000,984	24,823,324
Long-Term Liabilities	<u>6,040,520</u>	<u>6,272,695</u>	<u>-0-</u>	<u>-0-</u>	<u>6,040,520</u>	<u>6,272,695</u>
Total Liabilities	35,148,185	28,956,967	893,319	2,139,052	36,041,504	31,096,019
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	6,744,369	6,366,181	427,247	314,535	7,171,616	6,680,716
Unrestricted	<u>3,090,937</u>	<u>1,607,752</u>	<u>1,581,721</u>	<u>(396,603)</u>	<u>4,672,658</u>	<u>1,211,149</u>
Total Net Assets	9,835,306	7,973,933	2,008,968	(82,068)	11,844,274	7,891,865

Table 2 shows the changes in net assets for 2010 compared to 2009.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2010

Financial Analysis of the Intermediate Unit as a Whole (Continued)

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Charges for Services	42,636,261	40,666,106	16,249,277	13,663,195	58,885,538	54,329,301
Operating Grants and Contributions	87,981,033	74,686,043	207,637	193,283	88,188,670	74,879,326
General Revenues						
Grants, Subsidies, and Contributions Not Restricted	824,362	969,643	-0-	-0-	824,362	969,643
Investment Earnings	34,867	274,331	-0-	-0-	34,867	274,331
Miscellaneous Income	215,545	184,421	-0-	-0-	215,545	184,421
Transfers	1,191,431	995,088	(1,191,431)	(995,088)	-0-	-0-
Total Revenues	132,883,499	117,775,632	15,265,483	12,861,390	148,148,982	130,637,022
Expenses						
Instruction	56,430,329	53,851,807	-0-	-0-	56,430,329	53,851,807
Instructional Student Support	32,501,653	31,248,985	-0-	-0-	32,501,653	31,248,985
Administrative and Financial Support Services	33,917,163	24,756,892	-0-	-0-	33,917,163	24,756,892
Operation and Maintenance of Plant Services	4,521,392	4,247,745	-0-	-0-	4,521,392	4,247,745
Pupil Transportation	3,650,999	3,440,345	-0-	-0-	3,650,999	3,440,345
Student Activities	590	456	-0-	-0-	590	456
Insurance Consortia Services	-0-	-0-	82,998	93,547	82,998	93,547
Management Services	-0-	-0-	1,472,573	1,937,505	1,472,573	1,937,505
Adult Education Services	-0-	-0-	287,100	142,468	287,100	142,468
Curriculum and Instruction Services	-0-	-0-	428,995	427,085	428,995	427,085
Special Education Administrative and Management Services	-0-	-0-	4,048,804	3,386,915	4,048,804	3,386,915
Technology Services	-0-	-0-	6,853,977	6,897,764	6,853,977	6,897,764
Total Expenses	131,022,126	117,546,230	13,174,447	12,885,284	144,196,573	130,431,514
Increase (Decrease) in Net Assets	1,861,373	229,402	2,091,036	(23,894)	3,952,409	205,508

The statement of activities shows the cost of program services and the charges for services and grants offsetting those costs. Table 3 shows, for governmental activities, the total cost of services and the net cost of services.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2010

Financial Analysis of the Intermediate Unit as a Whole (Continued)

Table 3
Governmental Activities

	Total Cost of Expenses		Net Cost of Expenses	
	2010	2009	2010	2009
Functions				
Instruction	56,430,329	53,851,807	2,674,479	2,634,415
Instructional Student Support	32,501,653	31,248,985	127,471	100,350
Administrative and Financial				
Support Services	33,917,163	24,756,892	(3,062,428)	(3,429,736)
Operation and Maintenance of				
Plant Services	4,521,392	4,247,745	(698,707)	(1,583,581)
Pupil Transportation	3,650,999	3,440,345	554,322	84,451
Student Activities	<u>590</u>	<u>456</u>	<u>31</u>	<u>20</u>
Total Expenses	131,022,126	117,546,230	(404,832)	(2,194,081)

Expenses for governmental activities are mainly offset by Intermediate Unit revenues related to special education contracts, state and federal grants and allocations restricted to specific activities and programs, and fee-for-service revenues. The majority of the remaining net cost of activities is supported through member School District contribution and interest earnings.

The Intermediate Unit's Funds

At June 30, 2010, the Intermediate Unit government funds reported a combined fund balance of \$6,592,040 which is an increase of \$1,482,783 from last year.

General Fund Budget

The Intermediate Unit's general fund budget is prepared according to Pennsylvania Law and is based on accounting for general operating, grant, and other program transactions. The Intermediate Unit's general fund budget is comprised of over 180 component program budgets financed through a variety of state, federal and local sources. During the course of the fiscal year as new initiatives are funded by the state or federal government, the Board of School Directors authorizes new program budgets as components of the general fund budget. Additionally, the Board of School Directors authorizes revisions to previously approved program budgets to accommodate differences from the original budget to the actual expenditures of the Intermediate Unit.

A statement showing the Intermediate Unit's original and final budget amounts compared with actual transactions for the period is provided on Pages 44 - 48.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2010

Strategic Planning

During 2009-2010, Intermediate Unit 13 has focused on strategic planning to set a positive, intentional direction for its organization and to fulfill its mission statement as “an education service agency dedicated to delivering irresistible services and programs to our school districts and communities across the state” and core compelling purpose to “improve student learning”.

During 2009-10, the Intermediate Unit focused on the following strategic priorities:

- **Information Systems** - Develop and use integrated data/information systems that provide accurate data to increase Intermediate Unit 13's effectiveness and efficiency.
- **Business Plan** - Develop and implement a Comprehensive Business Plan that results in competitive pricing of irresistible services; a framework for evaluating programs and delivery systems, pricing and marketing services; a strong financial position; increased revenue streams to support research and development, new initiatives, and strategic priorities; entrepreneurial/joint ventures; and strategic allocation and deployment of resources.
- **Leadership Development** - Invest in building leadership capacity in aspiring, new, and veteran leaders in order to support a viable leadership succession plan, promote the effectiveness and efficiency of the organization, increase student achievement, and develop leaders who will establish high expectations coupled with accountability for performance.
- **Special Education Planning** - Assess current programs and services, forecast future needs, and develop a comprehensive service delivery model.
- **Customer Service** - Build an organizational climate and culture that emphasizes and recognizes memorable, high-quality customer service.
- **Hiring and Retaining Quality Staff** - Develop a comprehensive employment and staff development plan that will attract, retain, and motivate the most qualified staff.
- **School Systems Improvement** - Develop and support standards-based aligned systems resulting in increased student achievement.

Contacting the Intermediate Unit's Financial Management

This financial report is designed to provide the citizens and taxpayers of Lancaster and Lebanon counties, the School District administrators and Boards of School Directors, investors and creditors with a general overview of the Intermediate Unit's finances and to show the Intermediate Unit's accountability for the money it receives. If you have questions about this report or to request additional information, please contact Gina L. Brillhart, CFO, at Lancaster-Lebanon Intermediate Unit 13, 1020 New Holland Avenue, Lancaster, PA 17601 or (717) 606-1766.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET ASSETS

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,465	\$ -0-	\$ 1,465
Investments, at Fair Value	17,543,628	-0-	17,543,628
Internal Balances	191,192	(191,192)	-0-
Due from Other Governments	16,389,144	2,352,038	18,741,182
Other Receivables	921,961	216,177	1,138,138
Inventories	89,417	-0-	89,417
Prepaid Expenses	1,657,517	98,017	1,755,534
Other Current Assets	3,791	-0-	3,791
Total Current Assets	36,798,115	2,475,040	39,273,155
Noncurrent Assets			
Building and Building Improvements, net of Accumulated Depreciation	3,613,769	-0-	3,613,769
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	4,394,940	427,247	4,822,187
Vehicles, net of Accumulated Depreciation	176,667	-0-	176,667
Total Noncurrent Assets	8,185,376	427,247	8,612,623
 TOTAL ASSETS	 \$ 44,983,491	 \$ 2,902,287	 \$ 47,885,778

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET ASSETS

(Continued)

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Due to Other Governments	\$ 3,369,605	\$ -0-	\$ 3,369,605
Accounts Payable	12,490,445	-0-	12,490,445
Accrued Salaries and Benefits	5,079,312	405,155	5,484,467
Payroll Deductions and Withholdings	1,187,602	-0-	1,187,602
Deferred Revenues	5,722,354	488,164	6,210,518
Retirement Bonus Due Within			
One Year	57,642	-0-	57,642
Compensated Absences Due			
Within One Year	67,358	-0-	67,358
Financing Payable Due Within			
One Year	823,433	-0-	823,433
Other Current Liabilities	309,914	-0-	309,914
Total Current Liabilities	29,107,665	893,319	30,000,984
Noncurrent Liabilities			
Other Postemployment Benefit			
Obligation	890,210	-0-	890,210
Long-Term Portion of			
Retirement Bonus	2,184,511	-0-	2,184,511
Long-Term Portion of			
Compensated Absences	2,348,225	-0-	2,348,225
Long-Term Portion of			
Financing Payable	617,574	-0-	617,574
Total Noncurrent Liabilities	6,040,520	-0-	6,040,520
TOTAL LIABILITIES	35,148,185	893,319	36,041,504
NET ASSETS			
Invested in Capital Assets, net of Related Debt	6,744,369	427,247	7,171,616
Unrestricted	3,090,937	1,581,721	4,672,658
TOTAL NET ASSETS	\$ 9,835,306	\$ 2,008,968	\$ 11,844,274

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of ACTIVITIES

Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total Government
Governmental Activities:							
Instruction	\$ 56,430,329	\$ 34,461,935	\$ 24,642,873	\$ -0-	\$ 2,674,479	-0-	\$ 2,674,479
Instructional Student Support	32,501,653	6,818,205	25,810,919	-0-	127,471	-0-	127,471
Administrative and Financial Support Services	33,917,163	1,063,656	29,791,079	-0-	(3,062,428)	-0-	(3,062,428)
Operation and Maintenance of Plant Services	4,521,392	292,465	3,530,220	-0-	(698,707)	-0-	(698,707)
Pupil Transportation	3,650,999	-0-	4,205,321	-0-	554,322	-0-	554,322
Student Activities	590	-0-	621	-0-	31	-0-	31
Total Governmental Activities	131,022,126	42,636,261	87,981,033	-0-	(404,832)	-0-	(404,832)
Business-Type Activities:							
Insurance Consortia Services	82,998	106,003	2,433	-0-	-0-	25,438	25,438
Management Services	1,472,573	1,673,160	23,517	-0-	-0-	224,104	224,104
Adult Education Services	287,100	677,116	9,144	-0-	-0-	399,160	399,160
Curriculum and Instruction Services	428,995	1,525,359	5,252	-0-	-0-	1,101,616	1,101,616
Special Education Administrative and Management Services	4,048,804	4,562,501	150,725	-0-	-0-	664,422	664,422
Technology Services	6,853,977	7,705,138	16,566	-0-	-0-	867,727	867,727
Total Business-type Activities	13,174,447	16,249,277	207,637	-0-	-0-	3,282,467	3,282,467
Total Primary Government	\$ 144,196,573	\$ 58,885,538	\$ 88,188,670	\$ -0-	(404,832)	3,282,467	2,877,635
General Revenues:							
Grants, Subsidies, and Contributions Not Restricted					824,362	-0-	824,362
Investment Earnings					34,867	-0-	34,867
Miscellaneous Income					215,545	-0-	215,545
Transfers					1,191,431	(1,191,431)	-0-
Total General Revenues					2,266,205	(1,191,431)	1,074,774
CHANGES in NET ASSETS					1,861,373	2,091,036	3,952,409
NET ASSETS							
Beginning					7,973,933	(82,068)	7,891,865
Ending					\$ 9,835,306	\$ 2,008,968	\$ 11,844,274

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

BALANCE SHEET - GOVERNMENTAL FUNDS

Year Ended June 30, 2010

	Major Funds					Total Governmental Funds
	General Fund	Special Education Fund	Special Education Transportation Fund	State Funded Early Intervention Fund	Institutionalized Children Fund	
ASSETS						
Cash and Cash Equivalents	\$ 1,465	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,465
Investments	17,543,628	-0-	-0-	-0-	-0-	17,543,628
Due from Other Funds	-0-	4,957,448	288,134	8,187	-0-	5,253,769
Due from Other Governments	14,141,979	2,201,153	-0-	-0-	36,417	16,379,549
Other Receivables	195,838	-0-	-0-	-0-	-0-	195,838
Inventories	83,835	-0-	-0-	-0-	-0-	83,835
Prepaid Expenditures	215,342	3,548	-0-	4,800	-0-	223,690
Other Current Assets	541	1,500	-0-	-0-	-0-	2,041
TOTAL ASSETS	32,182,628	7,163,649	288,134	12,987	36,417	39,683,815
LIABILITIES and FUND BALANCES						
LIABILITIES						
Due to Other Funds	6,889,158	-0-	-0-	-0-	36,417	6,925,575
Due to Other Governments	36,712	3,332,893	-0-	-0-	-0-	3,369,605
Accounts Payable	10,731,828	-0-	-0-	-0-	-0-	10,731,828
Accrued Salaries and Benefits	1,287,284	3,775,036	-0-	12,987	-0-	5,075,307
Payroll Deductions and Withholdings	1,187,602	-0-	-0-	-0-	-0-	1,187,602
Deferred Revenues	5,663,823	2,429	-0-	-0-	-0-	5,666,252
Compensated Absences Payable	125,000	-0-	-0-	-0-	-0-	125,000
Other Current Liabilities	4,185	6,421	-0-	-0-	-0-	10,606
TOTAL LIABILITIES	25,925,592	7,116,779	-0-	12,987	36,417	33,091,775
FUND BALANCES						
Reserve for Inventories	83,835	-0-	-0-	-0-	-0-	83,835
Reserve for Prepaid Expenses	215,342	-0-	-0-	-0-	-0-	215,342
Reserve for Encumbrances	6,087	-0-	-0-	-0-	-0-	6,087
Unreserved - Designated	5,356,595	-0-	288,134	-0-	-0-	5,644,729
Unreserved - Undesignated	595,177	46,870	-0-	-0-	-0-	642,047
TOTAL FUND BALANCES	6,257,036	46,870	288,134	-0-	-0-	6,592,040
TOTAL LIABILITIES and FUND BALANCES	\$ 32,182,628	\$ 7,163,649	\$ 288,134	\$ 12,987	\$ 36,417	\$ 39,683,815

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13
 RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
 to the STATEMENT of NET ASSETS
 June 30, 2010

Total fund balance - governmental funds \$ 6,592,040

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$15,718,994, and the accumulated depreciation is \$12,130,893. 3,588,101

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Other Postemployment Benefit Obligation	(890,210)	
Retirement Bonus	(2,184,511)	
Compensated Absences	<u>(2,348,225)</u>	
		(5,422,946)

Internal service fund balances are not reported in governmental funds. Internal service fund balances allocated to governmental funds at year end consist of:

Internal Balance	1,915,990	
Intergovernmental Receivable	9,595	
Other Receivables	673,131	
Inventories	5,582	
Prepaid Expenses	1,433,827	
Other Current Assets	1,750	
Leasehold Improvements, net of Accumulated Depreciation	3,252,679	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	1,344,596	
Accounts Payable	(1,758,617)	
Accrued Salaries and Benefits	(4,005)	
Deferred Revenue	(56,102)	
Long-Term Payable Due Within One Year	(823,433)	
Other Current Liabilities	(299,308)	
Long-Term Portion of Financing Payable	<u>(617,574)</u>	
		<u>5,078,111</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 9,835,306**

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13
STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General Fund	Special Education Fund	Special Education Transportation Fund	State Funded Early Intervention Fund	Institutionalized Children Fund	Total Governmental Funds
REVENUES						
Local Sources	\$ 8,443,144	\$ 37,059,402	\$ -0-	\$ -0-	\$ -0-	\$ 45,502,546
State Sources	14,744,607	3,756,473	4,046,494	8,526,395	-0-	31,073,969
Federal Sources	55,006,464	-0-	-0-	-0-	-0-	55,006,464
Total Revenues	78,194,215	40,815,875	4,046,494	8,526,395	-0-	131,582,979
EXPENDITURES						
Instructional Services	17,529,896	32,256,028	-0-	6,258,008	-0-	56,043,932
Support Services	64,395,069	5,944,542	3,493,178	1,706,511	-0-	75,539,300
Noninstructional Services	590	-0-	-0-	-0-	-0-	590
Receipt of Prior Years Refund	31,574	-0-	-0-	-0-	-0-	31,574
Total Expenditures	81,957,129	38,200,570	3,493,178	7,964,519	-0-	131,615,396
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	(3,762,914)	2,615,305	553,316	561,876	-0-	(32,417)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	4,841,872	-0-	-0-	-0-	-0-	4,841,872
Operating Transfers Out	(2,644)	(2,551,563)	(210,589)	(561,876)	-0-	(3,326,672)
NET OTHER FINANCING SOURCES (USES)	4,839,228	(2,551,563)	(210,589)	(561,876)	-0-	1,515,200
NET CHANGES in FUND BALANCES	1,076,314	63,742	342,727	-0-	-0-	1,482,783
FUND BALANCES						
Beginning	5,180,722	(16,872)	(54,593)	-0-	-0-	5,109,257
Ending	\$ 6,257,036	\$ 46,870	\$ 288,134	\$ -0-	\$ -0-	\$ 6,592,040

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13
 RECONCILIATION of the GOVERNMENTAL FUNDS
 STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES
 to the STATEMENT of ACTIVITIES
 Year Ended June 30, 2010

Net changes in fund balances - total governmental funds \$ 1,482,783

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 allocated over their estimated useful lives as depreciation expense. The net effect of depreciation expense and capital outlays is as follows:

Depreciation Expense	(1,306,789)
Capital Outlays	999,924

The long-term portions of compensated absences, retirement bonuses, and other postemployment obligations are not due and payable in the current period and, therefore, are not reported as a liability in the funds. In the funds, expenditures are recorded when they are paid, whereas expenses are recorded when due in the statement of activities. (591,258)

Internal service fund transactions are not reported in governmental funds. However, in the statement of activities, the balance of the internal service fund is included in governmental activities. The internal service fund change in net assets is allocated to governmental activities. 1,276,713

CHANGE in NET ASSETS of GOVERNMENTAL ACTIVITIES \$ 1,861,373

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET ASSETS -

PROPRIETARY FUNDS

June 30, 2010

	Major Fund	
	Enterprise Fund	Internal Service Fund
ASSETS		
Current Assets		
Due from Other Funds	\$ -0-	\$ 1,915,990
Due from Other Governments	2,352,038	9,595
Other Receivables	216,177	673,131
Inventories	-0-	5,582
Prepaid Expenses	98,017	1,433,827
Other Current Assets	-0-	1,750
Total Current Assets	2,666,232	4,039,875
Noncurrent Assets		
Leasehold Improvements, net of Accumulated Depreciation	-0-	3,252,679
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	427,247	1,344,596
Total Noncurrent Assets	427,247	4,597,275
TOTAL ASSETS	3,093,479	8,637,150
LIABILITIES		
Current Liabilities		
Due to Other Funds	191,192	-0-
Accounts Payable	-0-	1,758,617
Accrued Salaries and Benefits	405,155	4,005
Deferred Revenue	488,164	56,102
Long-Term Payable Due Within One Year	-0-	823,433
Other Current Liabilities	-0-	299,308
Total Current Liabilities	1,084,511	2,941,465
Noncurrent Liabilities		
Long-Term Portion of Financing Payable	-0-	617,574
TOTAL LIABILITIES	1,084,511	3,559,039
NET ASSETS		
Invested in Capital Assets, net of Related Debt	427,247	4,597,275
Unrestricted	1,581,721	480,836
TOTAL NET ASSETS	\$ 2,008,968	\$ 5,078,111

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS -
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Major Fund		Internal Service Fund
	Enterprise Fund		Fund
OPERATING REVENUES			
Local Sources:			
Charges for Services	\$ 16,249,280	\$	23,754,394
OPERATING EXPENSES			
Salaries	3,474,292		1,958,933
Employee Benefits	1,687,426		14,342,199
Purchased Professional and Technical Service	462,529		227,761
Purchased Property Services	769,428		4,035,493
Other Purchased Services	569,136		497,520
Supplies	6,100,089		334,271
Depreciation	79,063		843,617
Amortization	30,943		20,678
Dues and Fees	1,545		2,529
Total Operating Expenses	13,174,451		22,263,001
OPERATING INCOME	3,074,829		1,491,393
NONOPERATING REVENUES			
State Sources	207,638		107,889
CHANGES in NET ASSETS Before TRANSFERS	3,282,467		1,599,282
TRANSFERS			
Transfers In	-0-		93,324
Transfers Out	(1,191,431)		(415,893)
CHANGES in NET ASSETS	2,091,036		1,276,713
NET ASSETS			
Beginning	(82,068)		3,801,398
Ending	\$ 2,008,968	\$	5,078,111

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 2010

	Major Fund	Internal Service Fund
	Enterprise Fund	Fund
CASH FLOWS from OPERATING ACTIVITIES		
Cash Received from Users	\$ 15,538,464	\$ 21,914,943
Cash Payments to Employees for Services	(5,092,466)	(16,301,116)
Cash Payments to Suppliers for Goods and Services	(9,239,487)	(3,849,799)
Net Cash Provided by Operating Activities	1,206,511	1,764,028
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
State Sources	207,638	107,889
Transfers In	-0-	93,324
Transfers Out	(1,191,431)	(415,893)
Net Cash Used by Noncapital Financing Activities	(983,793)	(214,680)
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES		
Capital Outlay	(222,718)	(725,915)
Repayment of Financing Payable	-0-	(823,433)
Net Cash Used by Capital and Related Financing Activities	(222,718)	(1,549,348)
CASH FLOWS from INVESTING ACTIVITIES	-0-	-0-
INCREASE in CASH and CASH EQUIVALENTS	-0-	-0-
CASH and CASH EQUIVALENTS		
Beginning of Year	-0-	-0-
End of Year	-0-	-0-
RECONCILIATION of OPERATING INCOME		
to NET CASH PROVIDED by OPERATING ACTIVITIES		
Operating Income	3,074,829	1,491,393
ADJUSTMENTS to RECONCILE OPERATING INCOME		
to NET CASH PROVIDED by OPERATING ACTIVITIES:		
Depreciation	79,063	843,617
Amortization	30,943	20,678
Increase in Due from Other Funds	-0-	(1,761,597)
Decrease in Due from Other Governments	571,440	60,990
Increase in Other Receivables	9,248	(122,780)
Increase in Inventories	-0-	(5,582)
(Increase) Decrease in Prepaid Expenses	(7,234)	20,725
Decrease in Due to Other Funds	(1,306,045)	-0-
Increase (Decrease) in Accounts Payable	(23,481)	1,012,107
Increase in Accrued Salaries and Benefits	69,252	16
Decrease in Deferred Revenues	(1,291,504)	(16,064)
Increase in Other Current Liabilities	-0-	220,525
Total Adjustments	(1,868,318)	272,635
Net Cash Provided by Operating Activities	\$ 1,206,511	\$ 1,764,028

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET ASSETS -

FIDUCIARY FUND

June 30, 2010

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 28,851
Due from Other Governments	58,673
TOTAL ASSETS	<u>87,524</u>
 LIABILITIES	
Due to Other Funds	52,992
Accrued Salaries and Benefits	4,241
Deferred Revenues	30,038
Other Current Liabilities	253
TOTAL LIABILITIES	<u>87,524</u>
 NET ASSETS	
Restricted	<u>\$ -0-</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

The **Lancaster-Lebanon Intermediate Unit No. 13** (Intermediate Unit) provides a full range of educational services for school districts within Lancaster and Lebanon Counties. These include special education programs for students with disabilities, alternative education, adult education, and a variety of support and staff development services. The governing body of the Intermediate Unit is a board of school directors with a representative from each school district within the two counties, with two districts serving in an associate capacity each year. The daily operation and management of the Intermediate Unit is carried out by its administrative staff, headed by an Executive Director who is appointed by the Board of School Directors (Board).

The accounting policies of the **Lancaster-Lebanon Intermediate Unit No. 13** conform to accounting principles generally accepted in the United States of America as applicable 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. The following is a summary of significant accounting policies:

Reporting Entity

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, the criteria used by the Intermediate Unit to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Intermediate Unit reviews the applicability of the following criteria:

The Intermediate Unit is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if Intermediate Unit officials appoint a voting majority of the organization's governing body and the Intermediate Unit is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Intermediate Unit as defined below.

Impose its Will - If the Intermediate Unit can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden - If the Intermediate Unit (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

3. Organizations that are fiscally dependent on the Intermediate Unit. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the Intermediate Unit.

Based on the foregoing criteria, no additional entities are included in the accompanying general purpose financial statements.

Basis of Presentation - Fund Accounting

The accounts of the Intermediate Unit are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Basis of Presentation - Financial Statements

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Intermediate Unit as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the Intermediate Unit that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. 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 prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the Intermediate Unit’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Intermediate Unit, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Intermediate Unit.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Fiduciary funds are reported using the economic resources measurement focus.

The Intermediate Unit reports the following major governmental funds:

General Fund - The general fund is the principal operating fund of the Intermediate Unit. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Education Fund - This fund accounts for the administration of special education services and programs.

Special Education Transportation Fund - This fund accounts for specialized transportation services for school-age and preschool children.

State Funded Early Intervention Fund - This fund accounts for a variety of early intervention services provided by Intermediate Unit personnel and by contracts with local agencies.

Institutionalized Children Fund - This fund accounts for educational programs for students adjudicated to the Summit Quest Academy residential program. This program ended during the 2008-09 fiscal year. However, there are still accounts receivable invoices outstanding as of June 30, 2010.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The Intermediate Unit reports the following proprietary funds:

Enterprise Fund - This fund is used to account for the Intermediate Unit's operations that are financed and operated in a manner similar to the private business enterprises, where the intent of the governing body is that the cost of providing goods or services to school districts on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans. This fund includes the following programs: ECSES Initiatives, Supplemental Contracts, Staff Development and Training, Statewide Software, Technology Solutions, Wide Area Network Consortium, Additional Title II Funds, Literacy Programs, Project SAIL, Instructional Services Initiatives, Virtual Education, English as a Second Language Certification Courses, CPE and Teacher Induction, Math/Science Consortium, Social Studies, Lancaster-Lebanon Adult Education Local Program, Wal-Mart Foundation, International English Training, GED Test Administration, ACCESS Billing Services, Joint Purchasing, Business Services Initiatives, Lancaster-Lebanon Public School Insurance Pool - Worker's Compensation, Lancaster-Lebanon Public School Insurance Pool - Property Casualty, Fiscal Information Systems, Tax Collection Systems, Imaging, Conference & Training Center, Guest Teacher Training and Employee Health Care Cooperative.

Internal Service Fund - This fund is used to account for services provided to various programs of the Intermediate Unit on a user charge basis. This fund includes the research and development fund, fund development program, duplication/copy center fund, telecommunications fund, computer refresh plan fund, technology infrastructure fund, desktop support fund, courier fund, retirement stabilization fund, mailroom fund, warehouse services fund, facility fund, substitute dispatch fund, hospitalization, workers' compensation, and unemployment self-insurance costs.

The agency fund accounts for assets held by the Intermediate Unit as agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. This fund includes the school-to-work program, special education activities fund, programs for the tax collection bureau payroll, and the Lancaster-Lebanon athletic association payroll.

Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the Intermediate Unit is considered to be 60 days after fiscal year end. Revenue from federal, state, and other grants designated for payment of specific Intermediate Unit expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service and compensated absence payments which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: tuition, grants and entitlements, student fees, and interest on investments.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, The Intermediate Unit follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Intermediate Unit receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Intermediate Unit must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Intermediate Unit on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Proprietary 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 fund's principal ongoing operations. The principal operating revenues of the Intermediate Unit's enterprise fund are charges for goods or services provided to school districts. Operating expenses include the costs to provide these goods and services to school districts. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Encumbrances

Encumbrances at year end, to be paid out of revenue already recognized, are reported as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of June 30, 2010, the Intermediate Unit has \$6,087 of these encumbrances.

Encumbrances associated with grant programs for which the associated revenue has not been recorded due to not meeting revenue recognition criteria are not recorded as reservations of fund balance. These encumbrances total \$664,129 at June 30, 2010.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits carried at cost plus accrued interest, which approximates fair value.

Investments

Investments are recorded at fair value.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in/first-out basis and are expensed when used.

Inventories in the general fund represent the estimated cost using the first-in/first-out basis for materials and supplies on hand in the warehouse at June 30, 2010. The expenditures for these materials and supplies are recognized when the items are transferred out of the warehouse.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Prepaid expenses represent the cost of goods and services that has been paid for in advance of receipt. The consumption method is used to account for prepaid expenses in all fund types. Under the consumption method, prepaid expenses are recorded as assets and expended or expensed as the goods or services are received.

Capital Assets and Depreciation

The Intermediate Unit's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The Intermediate Unit generally capitalizes assets with a cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

Buildings and Improvements	40 Years
Furniture, Fixtures, and Equipment	5-15 Years
Vehicles	5 Years

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

Compensated Absences

The Intermediate Unit accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the Intermediate Unit has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in the Intermediate Unit's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The Intermediate Unit has accrued the employer's share of social security and medicare taxes.

Pension Plan

Substantially all full-time and part-time employees of the Intermediate Unit participate in a cost-sharing multiple employer defined benefit pension plan. The Intermediate Unit recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources). The Intermediate Unit made all required contributions for the year ended June 30, 2010, and has recognized them as expenditures or expenses in the various funds of the Intermediate Unit.

Interfund Activity

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as interfund receivables and payables. Interfund balances within governmental activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. Those amounts are reflected as "internal balances."

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Unreserved fund balance for governmental fund types represents the amount available for budgeting future operations. Reserved fund balances for governmental fund types represent the amounts that have been identified for specific expenditures. Unreserved net assets for proprietary fund types represent the net assets available for future operations or distribution.

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the Intermediate Unit is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The deposit and investments policy of the Intermediate Unit adheres to state statutes. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Intermediate Unit.

Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Intermediate Unit's deposits may not be returned to it. The Intermediate Unit does not have a policy for custodial credit risk although the public school code requires that all deposits of the Intermediate Unit which are not insured are collateralized by the depository institution. As of June 30, 2010, \$-0- of the Intermediate Unit's bank balance of \$38,411 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the Intermediate Unit's Name	-0-
	-0-

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Cash and Cash Equivalents - Custodial Credit Risk (Continued)

Reconciliation of Cash and Cash Equivalents to the Financial Statement

Uninsured Amount Above	-0-
Insured Amount	<u>38,411</u>
Bank Balance	38,411
Less: Outstanding Checks	(4,563,201)
Add: Deposits in Transit	<u>4,553,641</u>
Carrying Amount - Bank Balances	28,851
Plus: Petty Cash	<u>1,465</u>
Total Cash and Cash Equivalents Per Financial Statement	30,316

Investments

The Intermediate Unit invests in the Pennsylvania Local Government Investment Trust. The Pennsylvania Local Government Investment Trust (PLGIT) insures that it will not place deposits with any single issuing institution if the largest participant's pro rata share of such deposits exceeds \$250,000, unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. PLGIT funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. The fair value of the Intermediate Unit's position in these investment pools is equivalent to the value of pool shares. The National Association of Securities Dealers act as the formal external regulatory oversight for the investment pools.

The Intermediate Unit also invests in securities of GS Financial Square Federal Money Market.

As of June 30, 2010, the Intermediate Unit had the following investments:

Investments	Maturity	Fair Value
PLGIT		8,721,997
GS Financial Square Federal Money Market		<u>13,375,272</u>
		22,097,269
Less: Outstanding Transfer		<u>(4,553,641)</u>
Total Investments Per Financial Statement		17,543,628

Interest Rate Risk

The Intermediate Unit does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Intermediate Unit has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2010, the Intermediate Unit investments were rated as:

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Credit Risk (Continued)

Investments	Standard & Poor's
PLGIT	AAAm
GS Financial Square Treasury Obligations	AAAm

Concentration of Credit Risk

The Intermediate Unit places no limit on the amount the Intermediate Unit can invest in any one issuer. Investments that represent 5% or more of a reporting unit's total investments are as follows:

Governmental Activities:	
PLGIT	39%
GS Financial Square Treasury Obligations	61%
General Fund:	
PLGIT	39%
GS Financial Square Treasury Obligations	61%

Custodial Credit Risk

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

NOTE 3 - DUE from OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the Intermediate Unit. At June 30, 2010, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	7,661,147	4,935,524	1,545,308	14,141,979
Special Education Fund	-0-	-0-	2,201,153	2,201,153
Institutionalized Children Fund	-0-	-0-	36,417	36,417
Enterprise Fund	-0-	-0-	2,352,038	2,352,038
Internal Service Fund	-0-	-0-	9,595	9,595
Agency Fund	-0-	-0-	58,673	58,673
	7,661,147	4,935,524	6,203,184	18,799,855

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2010, were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	-0-	6,889,158
Special Education Fund	4,957,448	-0-
Special Education		
Transportation Fund	288,134	-0-
State Funded Early		
Intervention Fund	8,187	-0-
Institutionalized Children Fund	-0-	36,417
Enterprise Fund	-0-	191,192
Internal Service Fund	1,915,990	-0-
Agency Fund	<u>-0-</u>	<u>52,992</u>
	7,169,759	7,169,759

Interfund receivables and payables result from having cash consolidated in the general fund and from services provided between funds.

Interfund transfers for indirect costs for the year ended June 30, 2010, were as follows:

Fund	Transfers In	Transfers Out
General Fund	4,841,872	2,644
Special Education Fund	-0-	2,551,563
Special Education		
Transportation Fund	-0-	210,589
State Funded Early		
Intervention Fund	-0-	561,876
Enterprise Fund	-0-	1,191,431
Internal Service Fund	93,324	415,893
Agency Fund	<u>-0-</u>	<u>1,200</u>
	4,935,196	4,935,196

Transfers are made from the special education fund, special education transportation fund, state funded early intervention fund, enterprise fund, internal service fund and agency fund to the general fund for indirect costs. Transfers are also made from the general fund, special education fund and enterprise fund to the internal service fund for research and development costs.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Historical Cost:				
Capital Assets Being Depreciated:				
Building and Building Improvements	5,068,237	12,626	-0-	5,080,863
Furniture, Fixtures, and Equipment	15,040,438	1,639,604	-0-	16,680,042
Vehicles	<u>899,985</u>	<u>73,609</u>	<u>-0-</u>	<u>973,594</u>
Total Capital Assets Being Depreciated	21,008,660	1,725,839	-0-	22,734,499
Accumulated Depreciation:				
Building and Building Improvements	1,117,398	349,696	-0-	1,467,094
Furniture, Fixtures, and Equipment	10,498,260	1,786,842	-0-	12,285,102
Vehicles	<u>762,381</u>	<u>34,546</u>	<u>-0-</u>	<u>796,927</u>
Total Accumulated Depreciation	<u>12,378,039</u>	<u>2,171,084</u>	<u>-0-</u>	<u>14,549,123</u>
Net Capital Assets Being Depreciated	<u>8,630,621</u>	<u>(445,245)</u>	<u>-0-</u>	<u>8,185,376</u>
Net Capital Assets	8,630,621	(445,245)	-0-	8,185,376

Depreciation expenses were charged to governmental functions as follows:

Instruction	48,225
Instructional Student Support	1,005,235
Administrative and Financial Support Services	768,680
Operation and Maintenance of Plant Services	342,112
Pupil Transportation	<u>6,832</u>
	2,171,084

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - CHANGES in CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	885,105	305,429	103,390	1,087,144
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>570,570</u>	<u>110,006</u>	<u>20,679</u>	<u>659,897</u>
Net Capital Assets Being Depreciated	314,535	195,423	82,711	427,247
Net Capital Assets	314,535	195,423	82,711	427,247

Depreciation expenses were charged to business-type functions as follows:

Administrative and Financial Support Services	110,006
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NOTE 6 - COMPENSATED ABSENCES

A summary of the amount recorded as a liability in the governmental activities for compensated absences was as follows for June 30, 2010.

Accumulated Sick Leave	1,254,823
Accumulated Vacation Leave	1,071,768
Employer Social Security and Medicare Share on Above	<u>88,992</u>
	2,415,583

Compensated absences activity can be summarized as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
	2,260,110	302,053	146,580	2,415,583

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - RETIREMENT BONUSES

Employees who retire and meet certain length of service criteria will receive retirement bonuses of \$-0- to \$9,000, depending on job classification. A summary of the amount recorded as a liability in the governmental activities for the retirement bonus was as follows for June 30, 2010.

Estimated Accrued Retirement Bonuses	2,159,550
Employer Social Security and Medicare Share on Above	<u>82,603</u>
	2,242,153

Retirement bonuses activity can be summarized as follows:

Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
2,168,801	259,352	186,000	2,242,153

NOTE 8 - REVENUE ANTICIPATION NOTE

The Intermediate Unit issued Revenue Anticipation Note, Series of 2009 in the amount of \$25,000,000 with a variable interest rate equal to 60% of the Fulton Prime Rate but in no event less than 2.40% per annum on August 24, 2009, and an expiration date of December 31, 2009. The balance at June 30, 2010 was \$-0-.

NOTE 9 - LONG-TERM PAYABLE

The Intermediate Unit has a long-term payable to the Lancaster-Lebanon Joint Authority for leasehold improvements made at the Lancaster facility complex. The term for the payable is 60 months with monthly payments in the amount of \$68,619. A summary of the amount recorded as a liability in the governmental activities for the financing payable was as follows for June 30, 2010.

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
2,264,440	-0-	(823,433)	1,441,007

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - OPERATING LEASES

The Intermediate Unit leases facilities under operating leases expiring in various years through 2018.

Some of these operating lease agreements are lease and sublease agreements with the Lancaster-Lebanon Joint Authority (the Authority). The Authority incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P.L. 382, as amended by the Boards of School Directors of twenty-two school districts located in Lancaster and Lebanon counties. The school districts established the Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the **Lancaster-Lebanon Intermediate Unit No. 13**.

The lease and sublease agreements with the Authority provide for minimum annual rentals ranging from \$403 to \$813,835 and expiring in various years through 2018.

The following is a schedule of future minimum rentals on noncancelable operating leases as of June 30, 2010:

	2011	1,960,391
	2012	1,460,995
	2013	1,349,963
	2014	1,078,832
	2015	1,101,530
	2016 - 2018	<u>1,326,964</u>
	Total Minimum Future Rentals Payable	8,278,675

There are no contingent rentals stipulated in any of the lease contracts.

The total rental expenditures on noncancelable operating leases for the year ended June 30, 2010, were \$2,181,713.

NOTE 11 - SPECIFIC RESERVED FUND BALANCES

Specific reserves represent portions of fund balances that are legally segregated for a specific future use or are not appropriable for expenditure. At June 30, 2010, the Intermediate Unit has included the following amounts as specific reserved fund balances:

General Fund - Reserve for Inventories	83,835
General Fund - Reserve for Prepaid Expenses	215,342
General Fund - Reserve for Encumbrances	6,087

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - POSTEMPLOYMENT HEALTH CARE and LIFE INSURANCE BENEFITS and LIABILITIES

Description

Effective July 1, 2008, the Intermediate Unit adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability of \$890,210 resulting from the adoption.

Under provisions of collective bargaining and other employment-related agreements, the Intermediate Unit permits certain retirees to continue group medical coverage and life insurance coverage, as follows:

Medical Coverage - All Personnel

Retiree Eligibility	Employees who retire from active service and meet the qualifications for retirement benefits under "normal" PSERS retirement.
Period of Coverage	
Retiree	Until age 65 or Medicare eligibility.
Spouse	Until retiree reaches age 65 or Medicare eligibility.
Medical Benefits	Medical coverage of an active employee at retirement will be continued at the direction and expense of eligible retirees to age 65 or Medicare eligibility.
Retiree Contributions	Except for three retirees, there are no employer contributions. Retiree pays 100% of the full active premium for coverage.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - POSTEMPLOYMENT HEALTH CARE and LIFE INSURANCE BENEFITS and LIABILITIES (Continued)

Description (Continued)

	Life Insurance Coverage	
	Administrative and Confidential	Leadership Team Members
Description	\$15,000 from retirement to age 70, \$7,500 from age 70 to age 75, cancellation at age 75.	\$50,000 from retirement to age 65, \$25,000 from age 65 to age 70, \$5,000 from age 70 to 75, cancellation at age 75.
Retiree Eligibility	Administrative and confidential employees who meet the qualifications for retirement benefits under “normal” PSERS retirement.	Leadership team members who meet the qualifications for retirement benefits under “normal” PSERS retirement.
Period of Coverage		
Retiree	Until age 75.	Until age 75.

The plan is governed by the Intermediate Unit which may amend the benefit provisions and contribution requirements by action of its Board of Directors, subject to collective bargaining where applicable. The plan does not issue financial statements.

Funding Policy

The Intermediate Unit has elected to finance postemployment benefits on a pay-as-you-go basis. The Intermediate Unit recognizes expenditures for postemployment group insurance when claims are filed with the plan administrator. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

The Intermediate Unit’s annual cost for other postemployment retirement benefits (OPEB) is calculated based on the annual required contribution (ARC) of the Intermediate Unit, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - POSTEMPLOYMENT HEALTH CARE and LIFE INSURANCE BENEFITS and LIABILITIES (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following illustrates the components of the Intermediate Unit's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Intermediate Unit's net OPEB obligation:

Annual Required Contribution	946,445
Interest on OPEB Obligation	-0-
Adjustment to Annual Required Contribution	<u>-0-</u>
Annual OPEB Cost	946,445
Contributions Made	<u>584,012</u>
Estimated Increase in Net OPEB Obligation	362,433
Net OPEB Obligation - Beginning of Year	<u>527,777</u>
Net OPEB Obligation - End of Year	890,210

The Intermediate Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation- End of Year
6/30/2010	\$946,445	62%	\$890,210
6/30/2009	\$1,008,306	48%	\$527,777

Because the year ended June 30, 2010, is only the second year of the GASB 45 implementation, the above illustration only reflects similar information respective of one preceding year instead of two as required.

Funding Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits equaled \$6,475,146, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,475,146. The covered payroll (annual payroll of active employees covered by the plan) equaled \$56,808,320, and the ratio of the UAAL to the covered payroll equaled 11.40%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - POSTEMPLOYMENT HEALTH CARE and LIFE INSURANCE BENEFITS and LIABILITIES (Continued)

Funding Status and Funding Progress (Continued)

The schedule of funding progress is to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Intermediate Unit maintains no plan assets, information relative to plan asset required disclosures is not applicable. Additionally, because the year ended June 30, 2009, was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively, therefore, the RSI does not reflect similar information respective of the two preceding years.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the Intermediate Unit and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Intermediate Unit and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated July 1, 2008, the unit credit cost method was used. Because the Intermediate Unit funds its OPEB on a pay-as-you-go basis, the Plan has no assets (investments) legally held exclusively for paying the postretirement medical benefits. Actuarial assumptions included a discount rate of 4.0% per annum, health care cost trend rate of 10.0% in the first year gradually decreasing by 1.0% per year to an ultimate rate of 5% in 2013 and later.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Intermediate Unit contributes to a governmental cost-sharing multiple employer defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability, and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to PSERS, P.O. Box 125, Harrisburg, PA 17108-0125.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

The contribution policy is set by the Code and requires contributions by active employees and by participating employers. Plan members may belong to two membership classes. Class TC and Class TD are available to plan members. Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class TC or 6.50% for Class TD. Members who joined on or after July 22, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class TC or 7.50% for Class TD. Members who joined the plan after June 30, 2001, are automatically in Class TD and are required to contribute 7.50%. The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For fiscal year ended June 30, 2010, the rate of employer contribution was 4.78% of covered payroll. The 4.78% rate is comprised of a pension contribution rate of 4.00% for pension benefits and 0.78% for health insurance premium assistance.

The Intermediate Unit is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

The Intermediate Unit's contributions to PSERS for the years ended June 30, 2010, 2009, and 2008, were \$2,658,572, \$2,555,927 and \$3,646,945, respectively. Those amounts are equal to the required contribution for each year.

NOTE 14 - RISK MANAGEMENT

Hospitalization

The Intermediate Unit is participating in the insurance consortium with member school districts to provide for the medical care for eligible employees and their dependents. The Intermediate Unit remits funds to the third-party administrators who process and pay the claims. The Intermediate Unit was limited in liability for claims to \$125,000 per individual per year and \$13,328,498 in total per year.

A liability for claims incurred prior to June 30, 2010, and subsequently paid is recorded in the amount of \$1,758,657 in accounts payable in the internal service fund.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - RISK MANAGEMENT (Continued)

Changes in the balances of claims liabilities during the past two years were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
Medical				
2008 - 2009	725,643	9,075,494	(9,054,627)	746,510
2009 - 2010	746,510	11,410,531	(10,398,424)	1,758,617

Property and Liability

For losses incurred prior to July 1, 1999, and subsequent to June 30, 2002, the Intermediate Unit joined together with other school districts in the area to form the Lancaster-Lebanon Public Schools Insurance Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for eleven member school districts, Lancaster-Lebanon Intermediate Unit, the Lancaster County Academy, and the Lancaster County Career and Technical Center. This agreement states that the Intermediate Unit pays an annual premium to the Pool for the purpose of seeking the prevention or lessening of casualty losses to members from injuries to persons or property which might result in claims being made against members and to pool the insurance risks, reserves, claims, and losses, and providing self-insurance and reinsurance thereof. It is the intent of the members of the Pool that the Pool will utilize funds contributed by the members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each member of the Pool in accordance with the agreement against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance for claims greater than \$75,000 per occurrence.

For the period July 1, 1999 to June 30, 2002, the Pool purchased property and liability insurance to cover all claims of the member school districts.

As of June 30, 2010, the Intermediate Unit is not aware of any additional assessments relating to the Pool.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - RISK MANAGEMENT (Continued)

Workers' Compensation

The Intermediate Unit is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund which is a cooperative voluntary trust arrangement for nineteen member school districts and the Lancaster-Lebanon Intermediate Unit. This agreement states that the Intermediate Unit pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses, and providing self-insurance and reinsurance thereof. It is the intent of the members of the Fund that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance.

As of June 30, 2010, the Intermediate Unit is not aware of any additional assessments relating to the Fund.

Other Risks

The Intermediate Unit is exposed to other risks of loss related to theft of, damage to, and destruction of assets; errors and emissions; and natural disasters. The Intermediate Unit has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2010, and the two previous years, no settlements exceeded insurance coverage.

NOTE 15 - CONTINGENT LIABILITIES

Guarantee of Debt

The Intermediate Unit has guaranteed a bank loan of the Lancaster-Lebanon Joint Authority with a balance of \$1,165,000 at June 30, 2010.

Grant Programs

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

Legal Matters

The Intermediate Unit is involved in various claims and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 16 - UNRESERVED FUND BALANCE

A policy has been placed in effect that designates 90% of the unreserved fund balance for a reserve account. These designated funds are for the purpose of implementing a management procedure to provide funds to preserve and maintain the Intermediate Unit's assets and financial stability. However, the executive director reserves the right, from year to year, to adjust this 90% level to create more or less undesignated, unreserved fund balance for special projects or initiatives that the Intermediate Unit management deems necessary.

NOTE 17 - SUBSEQUENT EVENT

The Intermediate Unit adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. Financial statements issued for future periods will reflect certain reclassifications of the Intermediate Unit's fund balance components in accordance with the standard.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGE in FUND BALANCE -
 BUDGET and ACTUAL -
 GENERAL FUND
 Year Ended June 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 8,650,708	\$ 8,805,325	\$ 8,443,144	\$ (362,181)
State Sources	17,874,126	17,740,546	14,744,607	(2,995,939)
Federal Sources	71,652,466	71,119,008	55,006,464	(16,112,544)
Total Revenues	98,177,300	97,664,879	78,194,215	(19,470,664)
EXPENDITURES				
Instructional Services:				
Special Programs	9,843,344	9,577,495	9,547,227	30,268
Vocational Education Programs	1,016,250	1,016,250	934,046	82,204
Nonpublic School Programs	5,435,009	5,435,009	5,342,357	92,652
Adult Education Programs	1,674,870	1,734,763	1,706,266	28,497
Support Services:				
Pupil Personnel Services	3,696,157	3,661,637	1,615,588	2,046,049
Instructional Staff Services	30,565,060	28,254,948	25,610,064	2,644,884
Administrative Services	1,471,687	1,471,960	1,163,212	308,748
Pupil Health	5,250	3,310	571	2,739
Business Services	1,584,749	2,473,869	2,381,613	92,256
Operation and Maintenance of Plant Services	3,555,636	4,028,836	3,973,933	54,903
Student Transportation Services	125,000	175,000	149,854	25,146
Central	4,187,265	5,024,495	4,994,093	30,402
Other Support Services	35,693,295	35,718,952	24,506,141	11,212,811
Operation of Noninstructional Services:				
Student Activities	1,141	1,141	590	551
Refund of Prior Year Receipts	-0-	-0-	31,574	(31,574)
Total Expenditures	98,854,713	98,577,665	81,957,129	16,620,536
(DEFICIENCY) of REVENUES over EXPENDITURES	(677,413)	(912,786)	(3,762,914)	(2,850,128)
OTHER FINANCING SOURCES				
Operating Transfers In	677,413	912,786	4,841,872	3,929,086
Operating Transfers Out	-0-	-0-	(2,644)	(2,644)
NET CHANGE in FUND BALANCE	\$ -0-	\$ -0-	1,076,314	\$ 1,076,314
FUND BALANCE				
Beginning			5,180,722	
Ending			\$ 6,257,036	

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGE in FUND BALANCE -
 BUDGET and ACTUAL -
 SPECIAL EDUCATION FUND
 Year Ended June 30, 2010

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Sources	\$ 38,224,915	\$ 37,991,758	\$ 37,059,402	\$ (932,356)
State Sources	3,523,318	3,756,473	3,756,473	-0-
Total Revenues	41,748,233	41,748,231	40,815,875	(932,356)
EXPENDITURES				
Instructional Services:				
Special Programs	29,939,375	29,939,373	29,349,534	589,839
Vocational Education Programs	2,803,113	2,803,113	2,906,494	(103,381)
Support Services:				
Pupil Personnel Services	425,375	625,375	596,774	28,601
Instructional Staff Services	456,975	456,975	380,991	75,984
Administrative Services	1,790,795	1,790,795	1,780,140	10,655
Pupil Health	2,744,274	2,544,274	2,290,820	253,454
Business Services	66,063	66,063	63,680	2,383
Operation and Maintenance				
of Plant Services	906,621	906,621	832,137	74,484
Total Expenditures	39,132,591	39,132,589	38,200,570	932,019
EXCESS of REVENUES over EXPENDITURES	2,615,642	2,615,642	2,615,305	(337)
OTHER FINANCING (USES)				
Operating Transfers Out	(2,615,642)	(2,615,642)	(2,551,563)	64,079
NET CHANGE in FUND BALANCE	\$ -0-	\$ -0-	63,742	\$ 63,742
FUND BALANCE				
Beginning			(16,872)	
Ending			\$ 46,870	

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGE in FUND BALANCE -
 BUDGET and ACTUAL -
 SPECIAL EDUCATION TRANSPORTATION FUND
 Year Ended June 30, 2010

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
State Sources	\$ 3,793,286	\$ 3,793,286	\$ 4,046,494	\$ 253,208
EXPENDITURES				
Operation and Maintenance of Plant Services	2,775	2,775	-0-	2,775
Student Transportation Services	3,574,839	3,574,839	3,493,178	81,661
Total Expenditures	3,577,614	3,577,614	3,493,178	84,436
EXCESS of REVENUES over EXPENDITURES	215,672	215,672	553,316	337,644
OTHER FINANCING (USES)				
Operating Transfers Out	(215,672)	(215,672)	(210,589)	5,083
NET CHANGE in FUND BALANCE	\$ -0-	\$ -0-	342,727	\$ 342,727
FUND BALANCE				
Beginning			(54,593)	
Ending			\$ 288,134	

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGE in FUND BALANCE -
 BUDGET and ACTUAL -
 STATE FUNDED EARLY INTERVENTION FUND
 Year Ended June 30, 2010

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
State Sources	\$ 8,537,750	\$ 8,533,226	\$ 8,526,395	\$ (6,831)
EXPENDITURES				
Instructional Services:				
Special Programs	6,140,526	6,258,036	6,258,008	28
Support Services:				
Pupil Personnel Services	698,434	573,051	566,300	6,751
Pupil Health	1,115,234	1,140,263	1,140,211	52
Total Expenditures	7,954,194	7,971,350	7,964,519	6,831
EXCESS of REVENUES over EXPENDITURES	583,556	561,876	561,876	-0-
OTHER FINANCING (USES)				
Operating Transfers Out	(583,556)	(561,876)	(561,876)	-0-
NET CHANGE in FUND BALANCE	\$ -0-	\$ -0-	-0-	\$ -0-
FUND BALANCE				
Beginning			-0-	
Ending			\$ -0-	

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGE in FUND BALANCE -
 BUDGET and ACTUAL -
 INSTITUTIONALIZED CHILDREN FUND
 Year Ended June 30, 2010

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES	-0-	-0-	-0-	-0-
EXPENDITURES	-0-	-0-	-0-	-0-
EXCESS of REVENUES over EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING (USES) Operating Transfers Out	-0-	-0-	-0-	-0-
NET CHANGE in FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
FUND BALANCE Beginning			-0-	
Ending			<u>\$ -0-</u>	

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

Lancaster-Lebanon Intermediate Unit No. 13 follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for the development of the annual budget under Act 1. Management submits to the Board, for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1.
2. Management submits prior to May 31 to the Intermediate Unit Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
3. If the Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance to the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
4. Prior to June 30, the budget is legally enacted through passage of a resolution.
5. Legal budgetary control is maintained by the Intermediate Unit Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
6. Budgetary data is included in the Intermediate Unit's management information system and is employed as a management control device during the year.
7. Unused appropriations lapse at the end of each fiscal year; however, the Intermediate Unit increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount.
8. The budgets for the general fund and all special revenue funds are adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.
9. Where applicable, unbudgeted federal and state revenue and expenditures have been added to the original budgeted revenue and expenditures.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 Year Ended June 30, 2010

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2009	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2010
U.S. Department of Agriculture									
Passed Through Pennsylvania									
Department of Education:									
School Breakfast Program (Note 4)	I/F	10.553	365	07/01/09 - 06/30/10	N/A	\$ -0-	\$ 2,422	\$ 3,188	\$ 766
School Breakfast Program (Note 4)	I/F	10.553	365	07/01/08 - 06/30/09	N/A	284	284	-0-	-0-
National School Lunch Program (Note 4)	I/F	10.555	362	07/01/09 - 06/30/10	N/A	-0-	5,121	6,823	1,702
National School Lunch Program (Note 4)	I/F	10.555	362	07/01/08 - 06/30/09	N/A	607	607	-0-	-0-
Child and Adult Care Food Program	I/F	10.558	164	10/01/09 - 09/30/10	N/A	-0-	166,825	188,934	22,109
Child and Adult Care Food Program	I/F	10.558	164	10/01/08 - 09/30/09	N/A	<u>8,815</u>	<u>24,142</u>	<u>15,327</u>	<u>-0-</u>
Total U.S. Department of Agriculture						9,706	199,401	214,272	24,577
U.S. Department of Labor									
Passed Through Lancaster County									
Workforce Investment Board:									
Workforce Investment Act Youth Activities (Note 4)	I/F	17.259	09-ISY-1	07/01/09 - 06/30/10	40,000	-0-	40,000	40,000	-0-
Workforce Investment Act Youth Activities (Notes 3 and 4)	I/F	17.259	P8-433-180-08-3991-01	05/01/09 - 06/30/11	177,766	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Passed Through Lancaster County						-0-	40,000	40,000	-0-
Passed Through South Central									
Workforce Investment Board:									
Workforce Investment Act Youth Activities (Note 4)	I/F	17.259	P9-433-180-09-3301-01	07/01/09 - 06/30/10	80,000	-0-	35,196	79,582	44,386
Workforce Investment Act Youth Activities (Note 4)	I/F	17.259	P8-433-180-08-3301-01	10/01/08 - 06/30/09	52,350	<u>17,387</u>	<u>17,553</u>	<u>166</u>	<u>-0-</u>
Total Passed Through South Central						17,387	52,749	79,748	44,386
Total U.S. Department of Labor						17,387	92,749	119,748	44,386
U.S. Department of Education									
Safe and Drug-Free Schools and Communities - National Programs	D/F	84.184	Q184E090068	08/1/09 - 01/31/11	488,556	-0-	105,618	130,220	24,602
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	D/F	84.326C	H326C080007-09	10/01/09 - 09/30/10	371,952	\$ -0-	\$ 264,427	\$ 251,023	\$ (13,404)

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2010

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2009	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2010
U.S. Department of Education (Continued)									
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	D/F	84.326C	H326C080007	10/01/08 - 09/30/09	371,952	\$ 137,215	\$ 217,506	\$ 80,291	\$ -0-
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	D/F	84.326C	H326C030034-07	10/01/07 - 09/30/10	371,952	-0-	5,068	62,095	57,027
Early Reading First	D/F	84.359B	S359B060043	10/01/09 - 09/30/10	249,025	-0-	161,109	193,457	32,348
Early Reading First	D/F	84.359B	S359B060043	10/01/08 - 09/30/09	986,689	425,720	642,934	217,214	-0-
Special Education - Technical Assistance on State Data Collection	D/F	84.373X	H373X070027-09	11/01/09 - 10/31/10	300,000	-0-	80,990	175,350	94,360
Special Education - Technical Assistance on State Data Collection	D/F	84.373X	H373X070027-08	11/01/08 - 10/31/09	405,045	198,650	350,564	151,914	-0-
Total Direct Funding from U.S. Department of Education						761,585	1,828,216	1,261,564	194,933
Passed Through Pennsylvania									
Department of Education:									
Adult Education - State Grant Program	I/F	84.002	041-100054	07/01/09 - 06/30/10	881,358	-0-	881,358	881,354	(4)
Adult Education - State Grant Program	I/F	84.002	061-100016	07/01/09 - 06/30/10	110,000	-0-	73,333	108,966	35,633
Adult Education - State Grant Program	I/F	84.002	091-100021	07/01/09 - 06/30/10	52,500	-0-	43,750	87,500	43,750
Adult Education - State Grant Program	I/F	84.002	099-100005	07/01/09 - 06/30/10	240,000	-0-	240,000	238,158	(1,842)
Adult Education - State Grant Program	I/F	84.002	041-099048	07/01/08 - 06/30/09	917,299	74,012	76,442	2,430	-0-
Adult Education - State Grant Program	I/F	84.002	061-099017	07/01/08 - 06/30/09	125,000	31,250	31,250	-0-	-0-
Adult Education - State Grant Program	I/F	84.002	091-099029	07/01/08 - 06/30/09	50,000	4,167	4,167	-0-	-0-
Adult Education - State Grant Program	I/F	84.002	099-099004	07/01/08 - 06/30/09	260,000	21,667	21,667	-0-	-0-
Title I Grants to Local Educational Agencies	I/F	84.010	013-100613	10/01/09 - 09/30/10	200,000	\$ -0-	\$ -0-	\$ 200,000	\$ 200,000

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2010

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2009	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2010
U.S. Department of Education (Continued)									
Passed Through Pennsylvania									
Department of Education (Continued):									
Title I Grants to Local Educational Agencies (Notes 2 and 4)	I/F	84.010	107-090613	08/11/08 - 09/30/09	129,230	\$ (55,384)	\$ -0-	\$ -0-	\$ (55,384)
Title I Grants to Local Educational Agencies (Notes 2 and 4)	I/F	84.010	107-080613	09/06/07 - 09/30/09	103,678	(5,511)	-0-	-0-	(5,511)
Special Education - Grants to States (Note 4)	I/F	84.027	062-100013	07/01/09 - 06/30/10	18,902,076	-0-	18,902,076	18,899,467	(2,609)
Special Education - Grants to States (Note 4)	I/F	84.027	062-100033	07/01/09 - 06/30/10	14,315,392	-0-	13,122,441	13,604,189	481,748
Special Education - Grants to States (Note 4)	I/F	84.027	062-100037	07/01/09 - 06/30/10	210,000	-0-	210,000	206,524	(3,476)
Special Education - Grants to States (Note 4)	I/F	84.027	062-090013	07/01/08 - 06/30/09	17,950,384	1,492,811	1,495,865	3,054	-0-
Special Education - Grants to States (Notes 2 and 4)	I/F	84.027	062-090033	07/01/08 - 06/30/09	14,410,000	(846,846)	-0-	358,354	(488,492)
Special Education - Grants to States (Notes 2 and 4)	I/F	84.027	062-090037	07/01/08 - 06/30/09	210,000	(1,635)	-0-	-0-	(1,635)
Special Education - Preschool Grants (Note 4)	I/F	84.173	131-090013	07/01/09 - 06/30/10	481,012	-0-	481,012	481,012	-0-
Safe and Drug-Free Schools and Communities - State Grants	I/F	84.186	100-100613	08/05/09 - 03/31/11	27,207	-0-	11,660	9,193	(2,467)
Safe and Drug-Free Schools and Communities - State Grants	I/F	84.186	100-090613	09/02/08 - 03/31/10	27,339	(866)	16,824	17,690	-0-
Rehabilitation Services Demonstration and Training Programs	I/F	84.235	N/A	07/01/09 - 06/30/10	40,231	-0-	33,325	38,108	4,783
Educational Technology State Grants (Note 4)	I/F	84.318	055-100613	09/30/09 - 09/30/10	70,700	-0-	-0-	822	822
Educational Technology State Grants (Note 4)	I/F	84.318	055-090613	08/11/08 - 09/30/10	43,983	(5,738)	28,275	33,854	(159)
English Language Acquisition Grants	I/F	84.365	010-100613	12/23/09 - 09/30/10	258,510	-0-	103,404	-0-	(103,404)
English Language Acquisition Grants	I/F	84.365	010-090613	07/01/09 - 09/30/10	175,000	-0-	110,922	151,088	40,166
English Language Acquisition Grants	I/F	84.365	010-090613	05/13/09 - 09/30/10	239,101	-0-	153,179	127,489	(25,690)
English Language Acquisition Grants	I/F	84.365	010-080613	01/31/08 - 09/30/09	194,705	30,420	55,630	25,210	-0-
Mathematics and Science Partnerships	I/F	84.366	075-100613	06/17/10 - 09/30/11	587,925	-0-	-0-	2,625	2,625
Improving Teacher Quality State Grants	I/F	84.367	020-100613	09/30/09 - 09/30/10	44,011	-0-	16,927	13,361	(3,566)
Improving Teacher Quality State Grants	I/F	84.367	020-100613	10/01/09 - 09/30/10	450,000	\$ -0-	\$ -0-	\$ 450,000	\$ 450,000

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2010

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2009	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2010
U.S. Department of Education (Continued)									
Passed Through Pennsylvania									
Department of Education (Continued):									
Improving Teacher Quality State Grants	I/F	84.367	020-090613	08/11/08 - 09/30/10	44,011	\$ (5,663)	\$ 22,006	\$ 27,669	\$ -0-
Improving Teacher Quality State Grants	I/F	84.367	PO 4300201547	01/04/10 - 09/30/10	500,000	-0-	10,300	10,300	-0-
Improving Teacher Quality State Grants	I/F	84.367	071-500003	10/01/07 - 09/30/09	1,493,120	27,593	218,058	190,465	-0-
Grants for State Assessments and Related Activities	I/F	84.369	PO 4300177622	07/16/09 - 06/30/10	177,500	-0-	149,602	149,602	-0-
Grants for State Assessments and Related Activities	I/F	84.369	PO 4300022414	07/01/09 - 06/30/10	138,000	-0-	138,000	111,375	(26,625)
Grants for State Assessments and Related Activities	I/F	84.369	PO 4300022414	07/01/08 - 06/30/09	138,000	(268)	-0-	268	-0-
School Improvement Grants (Note 4)	I/F	84.377	PO 4300201547	01/04/10 - 09/30/10	807,884	-0-	40,800	40,800	-0-
School Improvement Grants (Note 4)	I/F	84.377	013-090613	08/11/08 - 09/30/09	1,200,000	503,272	771,429	268,157	-0-
ARRA - Title I Grants to Local Educational Agencies Recovery Act (Note 4)	I/F	84.389	013-100613	09/30/09 - 09/30/10	1,000,000	-0-	1,000,000	891,944	(108,056)
ARRA - Special Education Grants to States, Recovery Act (Note 4)	I/F	84.391	128-100013	02/17/09 - 09/30/11	19,775,235	-0-	8,630,816	8,982,908	352,092
ARRA - Special Education Grants to States, Recovery Act (Note 4)	I/F	84.391	132-090013	07/01/09 - 06/30/10	1,042,748	-0-	1,042,748	1,042,748	-0-
ARRA - Special Education Grants to States, Recovery Act (Note 4)	I/F	84.391	132-090013	02/17/09 - 06/30/09	744,087	744,087	744,087	-0-	-0-
ARRA - Special Education Preschool Grants, Recovery Act (Note 4)	I/F	84.392	137-090013	09/15/09 - 06/30/10	207,859	-0-	145,501	185,293	39,792
Total Passed Through Pennsylvania Department of Education						\$ 2,007,368	\$ 49,026,854	\$ 47,841,977	\$ 822,491

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2010

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2009	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2010
Passed Through The Pennsylvania State University:									
Adult Education - State Grant Program	I/F	84.002	N/A	01/01/10 -06/30/10	11,550	\$ -0-	\$ 12,050	\$ 12,050	\$ -0-
Passed Through Tuscarora Intermediate Unit No. 11:									
Special Education - Preschool Grants (Note 4)	I/F	84.173	N/A	07/01/09 - 06/30/10	146,907	-0-	142,718	142,718	-0-
Special Education - Preschool Grants (Note 4)	I/F	84.173	N/A	07/01/09 - 06/30/10	33,500	-0-	32,348	32,348	-0-
Total Passed Through Tuscarora Intermediate Unit No. 11						-0-	175,066	175,066	-0-
Special Education - Technical Assistance on State Data Collection	I/F	84.373	T3039213301	10/01/09 - 09/30/10	75,000	-0-	32,401	32,401	-0-
Special Education - Technical Assistance on State Data Collection	I/F	84.373	T3039213301	10/01/07 - 09/30/09	58,162	-0-	10,000	10,000	-0-
Total Passed Through University of Minnesota						-0-	42,401	42,401	-0-
Total U.S. Department of Education						2,768,953	51,084,587	49,333,058	1,017,424
U.S. Department of Health and Human Services									
Head Start (Note 4)	D/F	93.600	03CH0167/32	01/01/10 - 12/31/10	1,541,272	-0-	315,689	763,301	447,612
Head Start (Notes 2 and 4)	D/F	93.600	03CH0167	01/01/09 - 12/31/09	1,570,906	388,524	1,223,219	779,329	(55,366)
ARRA - Head Start, Recovery Act (Note 4)	D/F	93.708	03-SE0167/01	07/01/09 - 09/30/10	167,092	-0-	100,406	114,737	14,331
Total Direct Funding from U.S. Department of Health and Human Services						388,524	1,639,314	1,657,367	406,577
Passed Through South Central Workforce Investment Board									
Temporary Assistance for Needy Families (Note 4)	I/F	93.558	P9-433-180-09-3361-02	07/01/09 - 06/30/10	106,150	\$ -0-	\$ 44,892	\$ 104,038	\$ 59,146

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2010

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2009	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2010
Passed Through Pennsylvania									
Department of Education:									
Temporary Assistance for Needy Families (Note 4)	I/F	93.558	091-100021	07/01/09 - 06/30/10	210,000	\$ -0-	\$ 175,000	\$ 170,716	\$ (4,284)
Temporary Assistance for Needy Families (Note 4)	I/F	93.558	091-099029	07/01/08 - 06/30/09	200,000	12,427	16,667	4,240	-0-
ARRA - Head Start, Recovery Act (Note 4)	I/F	93.708	N/A	01/01/10 - 06/30/10	114,000	-0-	-0-	109,187	109,187
ARRA - Head Start, Recovery Act (Note 4)	I/F	93.708	N/A	01/01/10 - 06/30/10	132,561	-0-	-0-	134,387	134,387
Medical Assistance Program (Note 4)	I/F	93.778	092-007513	07/01/09 - 06/30/10	N/A	-0-	50,112	67,882	17,770
Medical Assistance Program (Note 4)	I/F	93.778	044-007513	07/01/07 - 06/30/08	N/A	-0-	135,000	162,236	27,236
Total Passed Through Pennsylvania Department of Education						<u>12,427</u>	<u>376,779</u>	<u>648,648</u>	<u>284,296</u>
Total U.S. Department of Health and Human Services						400,951	2,060,985	2,410,053	750,019
Corporation for National and Community Service									
Passed Through Pennsylvania									
Department of Education:									
Learn and Serve America - School and Community Based Programs	I/F	94.004	019-092056	10/13/09 - 06/30/10	3,000	-0-	1,667	-0-	(1,667)
TOTAL EXPENDITURES of FEDERAL AWARDS						<u>\$ 3,196,997</u>	<u>\$ 53,439,389</u>	<u>\$ 52,077,131</u>	<u>\$ 1,834,739</u>

Legend

D = Direct Funding

I = Indirect Funding

F = Federal Share

CFDA = Catalog of Federal Domestic Assistance

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2010

NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting

NOTE 2 - Returned Money

For the grants on the preceding schedule which designate that this note applies, the amounts listed in the last column on the schedule represent funds which were returned to the grantor agency

NOTE 3 - Accrual (Deferral) Adjustment at June 30, 2009

Project Title	Federal CFDA Number	Grantor Number	Accrual (Deferral) Shown at June 30, 2009	Correct Accrual (Deferral) at June 30, 2009
Workforce Investment Act Youth Activities	17.259	P8-433-180-08-3991-01	2,819	-0-

NOTE 4 - Cluster Identification

Project Title	Federal CFDA Number	Cluster
School Breakfast Program	10.553	Child Nutrition Cluster
National School Lunch Program	10.555	Child Nutrition Cluster
Workforce Investment Act Youth Activities	17.259	WIA Cluster
Title I Grants to Local Educational Agencies	84.010	Title I, Part A Cluster
Special Education - Grants to States	84.027	Special Education Cluster
Special Education - Preschool Grants	84.173	Special Education Cluster
Educational Technology State Grants	84.318	Educational Technology State Grants Cluster
School Improvement Grants	84.377	School Improvements Grants Cluster
ARRA - Title I Grants to Local Educational Agencies Recovery Act	84.389	Title I, Part A Cluster
ARRA - Special Education Grants to States, Recovery Act	84.391	Special Education Cluster
ARRA - Special Education Preschool Grants, Recovery Act	84.392	Special Education Cluster
Temporary Assistance for Needy Families	93.558	TANF Cluster
Head Start	93.600	Head Start Cluster
ARRA - Head Start, Recovery Act	93.708	Head Start Cluster
Medical Assistance Program	93.778	Medicaid Cluster

NOTE 5 - ACCESS

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal money but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2010, was \$1,327,000 and \$837,301 which is listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

See auditors' report.

**REPORT on INTERNAL CONTROL over FINANCIAL REPORTING and on COMPLIANCE
and OTHER MATTERS BASED on an AUDIT of FINANCIAL STATEMENTS PERFORMED in
ACCORDANCE with *GOVERNMENT AUDITING STANDARDS***

To the Board Officers and Members
Lancaster-Lebanon Intermediate Unit No. 13
Lancaster County, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13**, as of and for the year ended June 30, 2010, which collectively comprise **Lancaster-Lebanon Intermediate Unit No. 13's** basic financial statements and have issued our report thereon dated January 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Lancaster-Lebanon Intermediate Unit No. 13's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Intermediate Unit board officers and members, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



January 12, 2011
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT on COMPLIANCE with
REQUIREMENTS that COULD HAVE a DIRECT and MATERIAL EFFECT
on each MAJOR PROGRAM and on INTERNAL CONTROL over
COMPLIANCE in ACCORDANCE with OMB CIRCULAR A-133**

To the Board Officers and Members
Lancaster-Lebanon Intermediate Unit No. 13
Lancaster County, Pennsylvania

Compliance

We have audited **Lancaster-Lebanon Intermediate Unit No. 13's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Lancaster-Lebanon Intermediate Unit No. 13's** major federal programs for the year ended June 30, 2010. **Lancaster-Lebanon Intermediate Unit No. 13's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Lancaster-Lebanon Intermediate Unit No. 13's** management. Our responsibility is to express an opinion on **Lancaster-Lebanon Intermediate Unit No. 13's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Lancaster-Lebanon Intermediate Unit No. 13's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **Lancaster-Lebanon Intermediate Unit No. 13's** compliance with those requirements.

In our opinion, **Lancaster-Lebanon Intermediate Unit No. 13** complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

Management of **Lancaster-Lebanon Intermediate Unit No. 13** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Intermediate Unit board officers and members, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



January 12, 2011
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2010

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of **Lancaster-Lebanon Intermediate Unit No. 13**.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **Lancaster-Lebanon Intermediate Unit No. 13** were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for **Lancaster-Lebanon Intermediate Unit No. 13** expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for **Lancaster-Lebanon Intermediate Unit No. 13** are reported in part C of this schedule.
7. The programs tested as major programs are: Special Education - Grants to States - CFDA #84.027, Special Education - Preschool Grants - CFDA #84.173, Special Education - Grants to States, Recovery Act - CFDA #84.391, Special Education - Preschool Grants, Recovery Act - CFDA #84.392, Head Start - CFDA #93.600, and Head Start, Recovery Act - CFDA # 93.708.
8. The threshold for distinguishing type A and B programs was \$1,562,314.
9. **Lancaster-Lebanon Intermediate Unit No. 13** was not determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

None

Lancaster-Lebanon Intermediate Unit No. 13

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

There are no prior audit findings.