

Lancaster-Lebanon Intermediate Unit No. 13

Year Ended June 30, 2011



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Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2011

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Financial Statements with Supplementary Information

Year Ended June 30, 2011

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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, 2011, 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, 2011, 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.

As described in Note 1 to the financial statements, the Intermediate Unit adopted the provisions of Governmental Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 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 42 through 46 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** basic financial statements. 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 basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.



December 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, 2011

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, 2011. 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 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, 2011 are as follows:

- The Intermediate Unit's financial status as reflected in the total net assets increased \$1,169,228 from the prior year. This increase is reflected as an increase in net assets for governmental activities of \$409,542 and an increase in net assets for business-type activities of \$759,686.
- Revenues totaled \$146.9 million. General revenues accounted for \$891,499, or 0.6% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$146.0 million, or 99.4%, of total revenues.
- The Intermediate Unit had \$130.6 million in expenses related to governmental activities; \$128.8 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 \$75.1 million in revenues, \$80.1 million in expenditures, and \$4.98 million in other financing sources. The General Fund's fund balance decreased by \$33,161 to \$6.22 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 the Intermediate unit, including the Enterprise Fund's fund balance of \$2.77 million, is \$8.81 million, which is 6.02% of total expenditures. The Special Education Fund reports \$42.4 million in revenues, \$39.4 million in expenditures, and \$2.99 million in other financing uses.

Reporting on the Intermediate Unit as a Whole

Government-Wide Statements

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.

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.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2011

Reporting on the Intermediate Unit as a Whole (Continued)

Government-Wide Statements (Continued)

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. 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.
- **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 other financial statement because the Intermediate Unit cannot use these assets to finance its operations.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2011

Financial Analysis of the Intermediate Unit as a Whole

Table 1 provides a summary of the Intermediate Unit's net assets for 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	35,109,389	36,798,115	3,336,069	2,475,040	38,445,458	39,273,155
Capital Assets	<u>7,642,215</u>	<u>8,185,376</u>	<u>428,949</u>	<u>427,247</u>	<u>8,071,164</u>	<u>8,612,623</u>
Total Assets	42,751,604	44,983,491	3,765,018	2,902,287	46,516,622	47,885,778
Liabilities						
Current and Other Liabilities	27,105,859	29,107,665	996,364	893,319	28,102,223	30,000,984
Long-Term Liabilities	<u>5,400,897</u>	<u>6,040,520</u>	<u>-0-</u>	<u>-0-</u>	<u>5,400,897</u>	<u>6,040,520</u>
Total Liabilities	32,506,756	35,148,185	996,364	893,319	33,503,120	36,041,504
Net Assets						
Invested in Capital Assets, Net of Related Debt	7,642,215	6,744,369	428,949	427,247	8,071,164	7,171,616
Restricted	-0-	-0-	-0-	-0-	-0-	-0-
Unrestricted	<u>2,602,633</u>	<u>3,090,937</u>	<u>2,339,705</u>	<u>1,581,721</u>	<u>4,942,338</u>	<u>4,672,658</u>
Total Net Assets	10,244,848	9,835,306	2,768,654	2,008,968	13,013,502	11,844,274

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2011

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

Table 2 shows the changes in net assets for 2011 compared to 2010.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Charges for Services	48,250,737	42,636,261	16,953,045	16,249,277	65,203,782	58,885,538
Operating Grants and Contributions	80,580,872	87,981,033	255,368	207,637	80,836,240	88,188,670
General Revenues						
Grants, Subsidies and Contributions Not Restricted	842,377	824,362	-0-	-0-	842,377	824,362
Investment Earnings	17,852	34,867	-0-	-0-	17,852	34,867
Miscellaneous Income	31,270	215,545	-0-	-0-	31,270	215,545
Transfers	<u>1,274,243</u>	<u>1,191,431</u>	<u>(1,274,243)</u>	<u>(1,191,431)</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	130,997,351	132,883,499	15,934,170	15,265,483	146,931,521	148,148,982
Expenses						
Instruction	57,968,964	56,430,329	-0-	-0-	57,968,964	56,430,329
Instructional Student Support	29,972,953	32,501,653	-0-	-0-	29,972,953	32,501,653
Administrative and Financial Support Services	34,133,022	33,917,163	-0-	-0-	34,133,022	33,917,163
Operation and Maintenance of Plant Services	4,735,586	4,521,392	-0-	-0-	4,735,586	4,521,392
Pupil Transportation	3,777,284	3,650,999	-0-	-0-	3,777,284	3,650,999
Student Activities	-0-	590	-0-	-0-	-0-	590
Insurance Consortia Services	-0-	-0-	92,487	82,998	92,487	82,998
Management Services	-0-	-0-	1,366,991	1,472,573	1,366,991	1,472,573
Adult Education Services	-0-	-0-	473,242	287,100	473,242	287,100
Curriculum and Instruction Services	-0-	-0-	382,547	428,995	382,547	428,995
Special Education						
Administrative and Management Services	-0-	-0-	4,594,591	4,048,804	4,594,591	4,048,804
Technology Services	<u>-0-</u>	<u>-0-</u>	<u>8,264,626</u>	<u>6,853,977</u>	<u>8,264,626</u>	<u>6,853,977</u>
Total Expenses	<u>130,587,809</u>	<u>131,022,126</u>	<u>15,174,484</u>	<u>13,174,447</u>	<u>145,762,293</u>	<u>144,196,573</u>
Increase in Net Assets	409,542	1,861,373	759,686	2,091,036	1,169,228	3,952,409

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2011

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

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.

Table 3
Governmental Activities

	Total Cost of Expenses		Net Cost of Expenses	
	2011	2010	2011	2010
Functions				
Instruction	57,968,964	56,430,329	3,491,747	2,674,479
Instructional Student Support	29,972,953	32,501,653	298,694	127,471
Administrative and Financial Support Services	34,133,022	33,917,163	(4,624,199)	(3,062,428)
Operation and Maintenance of Plant and Svcs	4,735,586	4,521,392	(609,320)	(698,707)
Pupil Transportation	3,777,284	3,650,999	(313,122)	554,322
Student Activities	<u>-0-</u>	<u>590</u>	<u>-0-</u>	<u>31</u>
Total Expenses	130,587,809	131,022,126	(1,756,200)	(404,832)

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, 2011, the Intermediate Unit government funds reported a combined fund balance of \$6,037,770 which is a decrease of \$554,270 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 42 - 46.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2011

Strategic Planning

During 2010-2011, 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 2010-11, the Intermediate Unit focused on the following strategic priorities:

- **Information Systems** - Develop and use integrated data/information systems that provide accurate data to increase IU 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.
- **Fund Development** - Conduct fund development activities necessary to ensure the long-term vitality of the organization and increase its capacity to develop and sustain reliable sources of income in support of the IU 13 mission and vision.
- **Cyber Solutions** - Invest in researching and building capacity to design and deliver curriculum, instruction, and assessment services via cyber solutions to: provide cost savings alternatives to member school districts, respond to the increased needs of educational opportunities to be 24/7, and bring added cyber educational solutions to area students, schools, and districts.

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, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,315	\$ -0-	\$ 1,315
Investments, at Fair Value	18,249,708	-0-	18,249,708
Internal Balances	559,882	(559,882)	-0-
Due from Other Governments	13,373,857	3,571,897	16,945,754
Other Receivables	460,403	280,368	740,771
Inventories	100,157	-0-	100,157
Prepaid Expenses	2,358,629	43,686	2,402,315
Other Current Assets	5,438	-0-	5,438
Total Current Assets	35,109,389	3,336,069	38,445,458
Noncurrent Assets			
Building and Building Improvements, net of Accumulated Depreciation	3,304,863	-0-	3,304,863
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	4,093,015	428,949	4,521,964
Vehicles, net of Accumulated Depreciation	244,337	-0-	244,337
Total Noncurrent Assets	7,642,215	428,949	8,071,164
TOTAL ASSETS	\$ 42,751,604	\$ 3,765,018	\$ 46,516,622

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET ASSETS

(Continued)

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Due to Other Governments	\$ 5,790,335	\$ -0-	\$ 5,790,335
Accounts Payable	9,661,517	-0-	9,661,517
Accrued Salaries and Benefits	5,114,284	408,706	5,522,990
Payroll Deductions and Withholdings	1,380,702	-0-	1,380,702
Deferred Revenues	4,146,405	294,171	4,440,576
Retirement Bonus Due Within			
One Year	57,642	-0-	57,642
Compensated Absences Due			
Within One Year	67,358	-0-	67,358
Financing Payable	409,472	-0-	409,472
Other Current Liabilities	478,144	293,487	771,631
Total Current Liabilities	27,105,859	996,364	28,102,223
Noncurrent Liabilities			
Other Postemployment Benefit			
Obligation	1,236,130	-0-	1,236,130
Long-term Portion of			
Retirement Bonus	1,959,708	-0-	1,959,708
Long-term Portion of			
Compensated Absences	2,205,059	-0-	2,205,059
Total Noncurrent Liabilities	5,400,897	-0-	5,400,897
 TOTAL LIABILITIES	 32,506,756	 996,364	 33,503,120
NET ASSETS			
Invested in Capital Assets, net of Related Debt	7,642,215	428,949	8,071,164
Unrestricted	2,602,633	2,339,705	4,942,338
 TOTAL NET ASSETS	 \$ 10,244,848	 \$ 2,768,654	 \$ 13,013,502

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of ACTIVITIES

Year Ended June 30, 2011

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	\$ 57,968,964	\$ 37,162,406	\$ 24,298,305	\$ -0-	\$ 3,491,747	-0-	\$ 3,491,747
Instructional Student Support	29,972,953	9,874,949	20,396,698	-0-	298,694	-0-	298,694
Administrative and Financial Support Services	34,133,022	844,477	28,664,346	-0-	(4,624,199)	-0-	(4,624,199)
Operation and Maintenance of Plant Services	4,735,586	368,905	3,757,361	-0-	(609,320)	-0-	(609,320)
Pupil Transportation	3,777,284	-0-	3,464,162	-0-	(313,122)	-0-	(313,122)
Total Governmental Activities	130,587,809	48,250,737	80,580,872	-0-	(1,756,200)	-0-	(1,756,200)
Business-type Activities:							
Insurance Consortia Services	92,487	121,344	3,124	-0-	-0-	31,981	31,981
Management Services	1,366,991	1,563,800	29,543	-0-	-0-	226,352	226,352
Adult Education Services	473,242	712,910	16,670	-0-	-0-	256,338	256,338
Curriculum and Instruction Services	382,547	490,730	9,517	-0-	-0-	117,700	117,700
Special Education Administrative and Management Services	4,594,591	5,188,641	178,032	-0-	-0-	772,082	772,082
Technology Services	8,264,626	8,875,620	18,482	-0-	-0-	629,476	629,476
Total Business-type Activities	15,174,484	16,953,045	255,368	-0-	-0-	2,033,929	2,033,929
Total Primary Government	145,762,293	65,203,782	80,836,240	-0-	(1,756,200)	2,033,929	277,729
General Revenues:							
Grants, Subsidies, and Contributions							
Not Restricted					842,377	-0-	842,377
Investment Earnings					17,852	-0-	17,852
Miscellaneous Income					31,270	-0-	31,270
Transfers					1,274,243	(1,274,243)	-0-
Total General Revenues					2,165,742	(1,274,243)	891,499
CHANGES in NET ASSETS					409,542	759,686	1,169,228
NET ASSETS							
Beginning					9,835,306	2,008,968	11,844,274
Ending					\$ 10,244,848	\$ 2,768,654	\$ 13,013,502

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

BALANCE SHEET - GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	Institutionalized Children	
ASSETS						
Cash and Cash Equivalents	\$ 1,315	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,315
Investments	18,249,708	-0-	-0-	-0-	-0-	18,249,708
Due from Other Funds	-0-	5,718,407	-0-	135,235	-0-	5,853,642
Due from Other Governments	11,845,984	1,489,150	-0-	-0-	36,417	13,371,551
Other Receivables	81,930	-0-	-0-	-0-	-0-	81,930
Inventories	96,925	-0-	-0-	-0-	-0-	96,925
Prepaid Expenditures	157,402	3,118	-0-	-0-	-0-	160,520
Other Current Assets	2,188	1,500	-0-	-0-	-0-	3,688
TOTAL ASSETS	<u>30,435,452</u>	<u>7,212,175</u>	<u>-0-</u>	<u>135,235</u>	<u>36,417</u>	<u>37,819,279</u>
LIABILITIES and FUND BALANCES						
LIABILITIES						
Due to Other Funds	6,550,814	-0-	244,292	-0-	36,417	6,831,523
Due to Other Governments	2,450,656	3,217,804	-0-	121,875	-0-	5,790,335
Accounts Payable	8,327,865	-0-	-0-	-0-	-0-	8,327,865
Accrued Salaries and Benefits	1,168,382	3,926,407	-0-	13,360	-0-	5,108,149
Payroll Deductions and Withholdings	1,380,702	-0-	-0-	-0-	-0-	1,380,702
Deferred Revenues	4,076,163	1,482	-0-	-0-	-0-	4,077,645
Compensated Absences Payable	125,000	-0-	-0-	-0-	-0-	125,000
Other Current Liabilities	131,995	8,295	-0-	-0-	-0-	140,290
TOTAL LIABILITIES	<u>24,211,577</u>	<u>7,153,988</u>	<u>244,292</u>	<u>135,235</u>	<u>36,417</u>	<u>31,781,509</u>
FUND BALANCES						
Nonspendable	254,327	3,118	-0-	-0-	-0-	257,445
Committed	500,000	-0-	-0-	-0-	-0-	500,000
Assigned	307,829	55,069	-0-	-0-	-0-	362,898
Unassigned	5,161,719	-0-	(244,292)	-0-	-0-	4,917,427
TOTAL FUND BALANCES	<u>6,223,875</u>	<u>58,187</u>	<u>(244,292)</u>	<u>-0-</u>	<u>-0-</u>	<u>6,037,770</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 30,435,452</u>	<u>\$ 7,212,175</u>	<u>\$ -0-</u>	<u>\$ 135,235</u>	<u>\$ 36,417</u>	<u>\$ 37,819,279</u>

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, 2011

Total fund balance - governmental funds \$ 6,037,770

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 \$16,839,398, and the accumulated depreciation is \$13,404,816. 3,434,582

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	(1,236,130)	
Retirement Bonus	(1,959,708)	
Compensated Absences	<u>(2,205,059)</u>	
		(5,400,897)

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	1,597,870	
Intergovernmental Receivable	2,306	
Other Receivables	318,366	
Inventories	3,232	
Prepaid Expenses	2,198,109	
Other Current Assets	1,750	
Building and Building Improvements, net of Accumulated Depreciation	2,969,960	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	1,237,673	
Accounts Payable	(1,333,652)	
Accrued Salaries and Benefits	(6,135)	
Deferred Revenue	(68,760)	
Financing Payable Due Within One Year	(409,472)	
Other Current Liabilities	<u>(337,854)</u>	
		<u>6,173,393</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 10,244,848**

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, 2011

	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	Institutionalized Children	Total Governmental Funds
REVENUES						
Local Sources	\$ 10,345,381	\$ 38,510,580	\$ -0-	\$ -0-	\$ -0-	\$ 48,855,961
State Sources	11,268,426	3,927,921	3,277,563	8,703,369	-0-	27,177,279
Federal Sources	53,458,790	-0-	-0-	-0-	-0-	53,458,790
Total Revenues	75,072,597	42,438,501	3,277,563	8,703,369	-0-	129,492,030
EXPENDITURES						
Instructional Services	18,038,469	33,748,985	-0-	6,152,905	-0-	57,940,359
Support Services	62,052,257	5,694,693	3,594,412	1,951,494	-0-	73,292,856
Total Expenditures	80,090,726	39,443,678	3,594,412	8,104,399	-0-	131,233,215
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	(5,018,129)	2,994,823	(316,849)	598,970	-0-	(1,741,185)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	4,987,343	-0-	-0-	-0-	-0-	4,987,343
Operating Transfers Out	(2,375)	(2,983,506)	(215,577)	(598,970)	-0-	(3,800,428)
NET OTHER FINANCING SOURCES (USES)	4,984,968	(2,983,506)	(215,577)	(598,970)	-0-	1,186,915
NET CHANGES in FUND BALANCES	(33,161)	11,317	(532,426)	-0-	-0-	(554,270)
FUND BALANCES						
Beginning	6,257,036	46,870	288,134	-0-	-0-	6,592,040
Ending	\$ 6,223,875	\$ 58,187	\$ (244,292)	\$ -0-	\$ -0-	\$ 6,037,770

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, 2011

Net changes in fund balances - total governmental funds \$ (554,270)

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	(1,273,924)
Capital Outlays	1,120,404

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. 22,049

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. 1,095,283

CHANGE in NET ASSETS of GOVERNMENTAL ACTIVITIES **\$ 409,542**

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET ASSETS -

PROPRIETARY FUNDS

June 30, 2011

	Major Fund		Enterprise	Internal Service
ASSETS				
Current Assets				
Due from Other Funds	\$	-0-	\$	1,597,870
Due from Other Governments		3,571,897		2,306
Other Receivables		280,368		318,366
Inventories		-0-		3,232
Prepaid Expenses		43,686		2,198,109
Other Current Assets		-0-		1,750
Total Current Assets		3,895,951		4,121,633
Noncurrent Assets				
Leasehold Improvements, net of Accumulated Depreciation		-0-		2,969,960
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation		428,949		1,237,673
Total Noncurrent Assets		428,949		4,207,633
TOTAL ASSETS		4,324,900		8,329,266
LIABILITIES				
Current Liabilities				
Due to Other Funds		559,882		-0-
Accounts Payable		-0-		1,333,652
Accrued Salaries and Benefits		408,706		6,135
Deferred Revenue		294,171		68,760
Financing Payable		-0-		409,472
Other Current Liabilities		293,487		337,854
TOTAL LIABILITIES		1,556,246		2,155,873
NET ASSETS				
Invested in Capital Assets, net of Related Debt		428,949		4,207,633
Unrestricted		2,339,705		1,965,760
TOTAL NET ASSETS		\$ 2,768,654		\$ 6,173,393

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, 2011

	Major Fund		Internal Service
	Enterprise		Service
OPERATING REVENUES			
Local Sources:			
Charges for Services	\$ 16,953,045		\$ 24,077,727
 OPERATING EXPENSES			
Salaries	3,975,287		1,863,542
Employee Benefits	1,947,930		14,640,743
Purchased Professional and Technical Service	376,680		800,995
Purchased Property Services	730,713		3,892,678
Other Purchased Services	965,611		432,910
Supplies	7,044,772		336,442
Depreciation	131,018		1,060,266
Amortization	-0-		29,865
Dues and Fees	2,473		241
Total Operating Expenses	15,174,484		23,057,682
OPERATING INCOME	1,778,561		1,020,045
 NONOPERATING REVENUES			
Investment Earnings	-0-		-0-
State Sources	255,368		115,761
Total Nonoperating Revenues	255,368		115,761
 NONOPERATING EXPENSES			
Loss on Disposal of Assets	-0-		129,052
CHANGE in NET ASSETS Before TRANSFERS	2,033,929		1,006,754
 TRANSFERS			
Transfers In	-0-		112,000
Transfers Out	(1,274,243)		(23,472)
CHANGE in NET ASSETS	759,686		1,095,282
 NET ASSETS			
Beginning	2,008,968		5,078,111
Ending	\$ 2,768,654		\$ 6,173,393

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 2011

	Major Fund		Internal Service
	Enterprise		Service
CASH FLOWS from OPERATING ACTIVITIES			
Cash Received from Users	15,475,002		24,770,559
Cash Payments to Employees for Services	(5,919,666)		(16,502,155)
Cash Payments to Suppliers for Goods and Services	(8,403,741)		(6,611,617)
Net Cash Provided by Operating Activities	1,151,595		1,656,787
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES			
State Sources	255,368		115,761
Transfers In	-0-		112,000
Transfers Out	(1,274,243)		(23,472)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,018,875)		204,289
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES			
Capital Outlay	(132,720)		(559,553)
Repayment of Financing Payable	-0-		(1,301,523)
Net Cash Used by Capital and Related Financing Activities	(132,720)		(1,861,076)
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	1,778,561		1,020,045
ADJUSTMENTS to RECONCILE OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES:			
Depreciation	131,018		1,060,266
Amortization	-0-		29,865
(Increase) Decrease in Due from Other Funds	-0-		318,120
(Increase) Decrease in Due from Other Governments	(1,219,859)		7,289
(Increase) Decrease in Other Receivables	(64,191)		354,765
(Increase) Decrease in Inventories	-0-		2,350
(Increase) Decrease in Prepaid Expenses	54,331		(764,282)
(Increase) Decrease in Other Current Assets	-0-		-0-
Increase (Decrease) in Due to Other Funds	368,690		-0-
Increase (Decrease) in Accounts Payable	-0-		(424,965)
Increase (Decrease) in Accrued Salaries and Benefits	3,551		2,130
Increase (Decrease) in Deferred Revenues	(193,993)		12,658
Increase (Decrease) in Other Current Liabilities	293,487		38,546
Total Adjustments	(626,966)		636,742
Net Cash Provided by Operating Activities	\$ 1,151,595		\$ 1,656,787

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET ASSETS -

FIDUCIARY FUND

June 30, 2011

	Agency
ASSETS	
Cash and Cash Equivalents	\$ 30,628
Due from Other Governments	<u>73,634</u>
TOTAL ASSETS	<u>104,262</u>
LIABILITIES	
Due to Other Funds	60,107
Accrued Salaries and Benefits	12,424
Deferred Revenues	31,518
Other Current Liabilities	<u>213</u>
TOTAL LIABILITIES	<u>104,262</u>
NET ASSETS	<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.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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)

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

Institutionalized Children - 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, 2011.

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, Marketplace Fund Development, Statewide Software, Technology Solutions, Wide Area Network Consortium, Title I Nonpublic Initiatives, Additional Title II Funds, Literacy Programs, Project SAIL, Instructional Services Initiatives, Virtual Solutions, PA IU Technology Integration Mentors, English as a Second Language Certification Courses, CPE and Teacher Induction, Math/Science Consortium, Social Studies, Lancaster Career and Technology Center, Lancaster Workforce Investment Board, Vocational English as a Second Language, Lancaster-Lebanon Adult Education Local Program, Wal-Mart Foundation, International English Training, GED Test Administration, Local Early Intervention, ACCESS Billing Services, Collaborative Services, Joint Purchasing, Business Services Initiatives, Tax Collection Systems, Imaging, Conference & Training Center, Guest Teacher Training, Human Resources Initiatives and Employee Health Care Cooperative.

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)

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, duplication/copy center fund, telecommunications fund, computer refresh plan fund, technology infrastructure fund, desktop support fund, retirement stabilization 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. 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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

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 assigned fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of June 30, 2011, the Intermediate Unit has \$1,271 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 assigned fund balance. These encumbrances total \$1,319,014 at June 30, 2011.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011. The expenditures for these materials and supplies are recognized when the items are transferred out of the warehouse.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, where applicable.

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, 2011, 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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011.

Fund Balance Classification

The Intermediate Unit adopted Governmental Accounting Standards Board Statements No. 54, *Fund Balance Reporting and Governmental Type Definitions*, effective July 1, 2010.

Fund balance for the governmental funds can be classified in five different categories: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Intermediate Unit. Commitments may be changed only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Intermediate Unit, Executive Director or CFO/Director of Business Services.

In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are available for any purpose.

The Intermediate Unit considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The Intermediate Unit considers committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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 investment policy of the Intermediate Unit adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either 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, 2011, \$315,358 of the Intermediate Unit's bank balance of \$565,358 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	<u>315,358</u>
	315,358

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	315,358
Insured Amount	<u>250,000</u>
Bank Balance	565,358
Less: Outstanding Checks	(2,918,111)
Add: Deposits in Transit	<u>2,382,981</u>
Carrying Amount - Bank Balances	30,228
Plus: Petty Cash	<u>1,715</u>
Total Cash and Cash Equivalents Per Financial Statements	31,943

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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

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, 2011, the Intermediate Unit had the following investments:

Investments	Maturity	Fair Value
PLGIT		8,733,391
GS Financial Square Federal Money Market		<u>11,899,298</u>
		20,632,689
Less: Outstanding Transfer		<u>(2,382,981)</u>
Total Investments Per Financial Statements		18,249,708

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, 2011, the Intermediate Unit investments were rated as:

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	42%
GS Financial Square Treasury Obligations	58%
General Fund:	
PLGIT	42%
GS Financial Square Treasury Obligations	58%

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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

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, 2011, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	6,317,569	3,830,761	1,697,654	11,845,984
Special Education Fund			1,489,150	1,489,150
Institutionalized Children			36,417	36,417
Enterprise Fund			3,571,897	3,571,897
Internal Service Fund			2,306	2,306
Agency Fund			<u>73,634</u>	<u>73,634</u>
	<u>6,317,569</u>	<u>3,830,761</u>	<u>6,871,058</u>	<u>17,019,388</u>

NOTE 4 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2011, were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund		6,550,814
Special Education Fund	5,718,407	
Special Education Transportation Fund		244,292
State Funded Early Intervention Fund	135,235	
Institutionalized Children Fund		36,417
Enterprise Fund		559,882
Internal Service Fund	1,597,870	
Agency Fund		<u>60,107</u>
	<u>7,451,512</u>	<u>7,451,512</u>

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - INTERFUND ACCOUNTS (Continued)

Interfund transfers for indirect costs for the year ended June 30, 2011, were as follows:

Fund	Transfers In	Transfers Out
General Fund	4,987,343	2,375
Special Education Fund		2,983,506
Special Education		
Transportation Fund		215,577
State Funded Early		
Intervention Fund		598,970
Enterprise Fund		1,274,243
Internal Service Fund	112,000	23,472
Agency Fund		1,200
	5,099,343	5,099,343

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.

NOTE 5 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Historical Cost:				
Capital Assets Being Depreciated:				
Building and Building Improvements	5,080,863	437,980	343,097	5,175,746
Furniture, Fixtures, and Equipment	16,680,042	2,081,448	502,963	18,258,527
Vehicles	973,594	101,038	-0-	1,074,632
Total Capital Assets Being Depreciated	22,734,499	2,620,466	846,060	24,508,905

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - CHANGES in CAPITAL ASSETS (Continued)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Accumulated Depreciation:				
Building and Building Improvements	1,467,094	403,789	-0-	1,870,883
Furniture, Fixtures, and Equipment	12,285,102	2,254,321	373,911	14,165,512
Vehicles	<u>796,927</u>	<u>33,368</u>	<u>-0-</u>	<u>830,295</u>
Total Accumulated Depreciation	<u>14,549,123</u>	<u>2,691,478</u>	<u>373,911</u>	<u>16,866,690</u>
Net Capital Assets Being Depreciated	<u>8,185,376</u>	<u>(71,012)</u>	<u>472,149</u>	<u>7,642,215</u>
Net Capital Assets	8,185,376	(71,012)	472,149	7,642,215

Depreciation expenses were charged to governmental functions as follows:

Instruction	40,927
Instructional Student Support	960,043
Administration and Financial Services	964,219
Operation and Maintenance of Plant	392,031
Pupil Transportation	<u>6,832</u>
	2,364,052

Capital asset activity for business-type activities for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	880,365	225,949	420,655	685,659
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>453,118</u>	<u>131,018</u>	<u>327,426</u>	<u>256,710</u>
Net Capital Assets Being Depreciated	<u>427,247</u>	<u>94,931</u>	<u>93,229</u>	<u>428,949</u>
Net Capital Assets	427,247	94,931	93,229	428,949

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - CHANGES in CAPITAL ASSETS (Continued)

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

Administration and Financial Services	131,018
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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, 2011.

Accumulated Sick Leave	1,168,724
Accumulated Vacation Leave	1,063,032
Employer Social Security and Medicare Share on Above	<u>40,661</u>
	2,272,417

Compensated absences activity can be summarized as follows:

Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
2,415,583	131,373	274,539	2,272,417

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. The amount recorded as a liability in the governmental activities for the retirement bonus at June 30, 2011 was \$2,017,350.

Retirement bonuses activity can be summarized as follows:

Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
2,242,153	153,197	378,000	2,017,350

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 8 - 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 through October 2011. A summary of the amount recorded as a liability in the governmental activities for the financing payable was as follows for June 30, 2011.

Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
1,441,007	-0-	(1,166,529)	274,478

The Intermediate Unit entered into an agreement with the Lancaster-Lebanon Joint Authority for additional leasehold improvements made at the Lancaster facility complex. The term for the payable is 24 months with monthly payments in the amount of \$11,250 through June 2012. A summary of the amount recorded as a liability in the governmental activities for the financing payable was as follows for June 30, 2011.

Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
269,988	-0-	(134,994)	134,994

NOTE 9 - OPERATING LEASES

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

Some of these operating lease agreements are 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 \$643 to \$787,011 and expiring in various years through 2018.

The following is a schedule of future minimum rentals on noncancelable operating leases as of June 30, 2011:

	2012	1,734,713
	2013	1,467,812
	2014	1,242,737
	2015	1,019,583
	2016	999,758
	2017 - 2018	<u>141,633</u>
Total Minimum Future Rentals Payable		6,606,236

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 9 - OPERATING LEASES (Continued)

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, 2011, were \$1,917,002.

NOTE 10 - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS AND LIABILITIES

Description

The Intermediate Unit has 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 and related expenses of \$1,236,130 in total liabilities 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 two retirees, there are no employer contributions. Retiree pays 100% of the full active premium for coverage.

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS AND LIABILITIES (Continued)

Description (Continued)

	Administrative and Confidential	Leadership Team Members
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.

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	854,467
Interest on OPEB Obligation	35,608
Adjustment to Annual Required Contribution	<u>(54,792)</u>
Annual OPEB Cost	835,283
Contributions Made	<u>489,363</u>
Estimated Increase in Net OPEB Obligation	345,920
Net OPEB Obligation – Beginning of Year	<u>890,210</u>
Net OPEB Obligation – End of Year	1,236,130

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS AND LIABILITIES (Continued)

The Intermediate Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
6/30/2011	835,283	59%	1,236,130
6/30/2010	946,445	62%	890,210
6/30/2009	1,008,306	48%	527,777

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits equaled \$5,928,730, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,928,730. The covered payroll (annual payroll of active employees covered by the plan) equaled \$59,452,933, and the ratio of the UAAL to the covered payroll equaled 9.97%.

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.

The Intermediate Unit is required 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.

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, 2010, 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 4% in 2015 and later.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - 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.

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, 2011, the rate of employer contribution was 5.64% of covered payroll. The 5.64% rate is comprised of a pension contribution rate of 5.00% for pension benefits and 0.64% 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, 2011, 2010, and 2009, were \$3,275,747, \$2,658,572 and \$2,555,927, respectively. Those amounts are equal to the required contribution for each year.

NOTE 12 - 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 \$14,400,484 in total per year.

A liability for claims incurred prior to June 30, 2011, and subsequently paid is recorded in the amount of \$1,333,652 in accounts payable in the internal service fund.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - 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
2009 - 2010	746,510	11,410,531	(10,398,424)	1,758,617
2010 - 2011	1,758,617	12,711,547	(13,136,512)	1,333,652

Property and Liability

The Intermediate Unit has 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.

As of June 30, 2011, the Intermediate Unit is not aware of any additional assessments relating to the Pool.

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, 2011, 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, 2011, and the two previous years, no settlements exceeded insurance coverage.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - CONTINGENT LIABILITIES

Guarantee of Debt

The Intermediate Unit has guaranteed a bank loan of the Lancaster-Lebanon Joint Authority with a balance of \$1,025,000 at June 30, 2011.

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.

NOTE 14 - DEFICIT FUND BALANCE

At June 30, 2011, the special education transportation fund had a deficit balance of \$244,292, principally relating to the actual cost of contracted carrier expenses exceeding the projected expenses. The deficit will be funded with future revenues.

NOTE 15 - FUND BALANCE CLASSIFICATIONS

Nonspendable fund balance consists of amounts that cannot be spent, either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At June 30, 2011, the Intermediate Unit has included the following as nonspendable fund balances:

General Fund - Inventories	96,925
General Fund - Prepaid Expenditures	157,402
Special Education Fund - Prepaid Expenditures	3,118

Committed fund balances represent fund balances that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. At June 30, 2011, the Intermediate Unit has included the following as committed fund balances:

General Fund - Committed for general operations as reflected in the 2011-12 General Operating Budget	500,000
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Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 15 - FUND BALANCE CLASSIFICATIONS (Continued)

Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2011, the Intermediate Unit has included the following as assigned fund balances:

General Fund - Assigned for program specific purposes	306,558
General Fund - Encumbrances	1,271
Special Education Fund - Assigned for program specific purposes	58,187

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of REVENUES, EXPENDITURES, and CHANGE in FUND BALANCE -

BUDGET and ACTUAL -

GENERAL FUND

Year Ended June 30, 2011

	<u>Budget Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local Sources	\$ 8,290,063	\$ 11,469,974	\$ 10,345,381	\$ (1,124,593)
State Sources	20,654,357	13,440,944	11,268,426	(2,172,518)
Federal Sources	<u>59,866,791</u>	<u>61,812,985</u>	<u>53,458,790</u>	<u>(8,354,195)</u>
Total Revenues	88,811,211	86,723,903	75,072,597	(11,651,306)
EXPENDITURES				
Instructional Services:				
Regular Programs	3,420	3,420	-0-	3,420
Special Programs	10,324,131	10,141,963	10,075,112	66,851
Other Instructional Programs	986,191	1,073,792	1,041,232	32,560
Nonpublic School Programs	5,502,042	5,247,700	5,230,590	17,110
Adult Education Programs	1,803,302	1,719,900	1,691,535	28,365
Support Services:				
Pupil Personnel Services	3,706,467	3,664,027	1,737,315	1,926,712
Instructional Staff Services	30,294,110	26,169,780	23,072,463	3,097,317
Administrative Services	1,520,582	1,600,927	1,095,673	505,254
Pupil Health	2,350	1,793	1,784	9
Business Services	1,687,757	2,778,777	2,673,282	105,495
Operation and Maintenance of Plant Services	3,596,739	4,198,256	4,097,757	100,499
Student Transportation Services Central	75,000	210,000	176,083	33,917
Other Support Services	<u>3,840,480</u>	<u>5,404,045</u>	<u>5,212,544</u>	<u>191,501</u>
Other Support Services	<u>27,011,919</u>	<u>27,059,025</u>	<u>23,985,356</u>	<u>3,073,669</u>
Total Expenditures	90,354,490	89,273,405	80,090,726	9,182,679
(DEFICIENCY) of REVENUES over EXPENDITURES	(1,543,279)	(2,549,502)	(5,018,129)	(2,468,627)
OTHER FINANCING SOURCES/(USES)				
Operating Transfers In	1,543,279	2,549,502	4,987,343	2,437,841
Operating Transfers Out	<u>-0-</u>	<u>-0-</u>	<u>(2,375)</u>	<u>(2,375)</u>
NET CHANGE in FUND BALANCE	\$ -0-	\$ -0-	(33,161)	\$ (33,161)
FUND BALANCE				
Beginning			<u>6,257,036</u>	
Ending			<u>\$ 6,223,875</u>	

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, 2011

	<u>Budget Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Sources	\$ 40,052,497	\$ 40,052,497	\$ 38,510,580	\$ (1,541,917)
State Sources	<u>3,925,363</u>	<u>3,925,363</u>	<u>3,927,921</u>	<u>2,558</u>
Total Revenues	43,977,860	43,977,860	42,438,501	(1,539,359)
EXPENDITURES				
Instructional Services:				
Special Programs	32,152,804	32,127,804	30,899,351	1,228,453
Vocational Education Programs	2,670,208	2,670,208	2,849,634	(179,426)
Support Services:				
Pupil Personnel Services	462,020	487,020	470,506	16,514
Instructional Staff Services	448,222	448,222	390,996	57,226
Administrative Services	1,738,255	1,738,255	1,634,464	103,791
Pupil Health	2,492,831	2,492,831	2,350,981	141,850
Business Services	66,872	66,872	65,521	1,351
Operation and Maintenance of Plant Services	<u>853,219</u>	<u>853,219</u>	<u>782,225</u>	<u>70,994</u>
Total Expenditures	40,884,431	40,884,431	39,443,678	1,440,753
EXCESS of REVENUES over EXPENDITURES	3,093,429	3,093,429	2,994,823	(98,606)
OTHER FINANCING (USES)				
Operating Transfers Out	<u>(3,093,429)</u>	<u>(3,093,429)</u>	<u>(2,983,506)</u>	<u>109,923</u>
NET CHANGE in FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>	11,317	<u>\$ 11,317</u>
FUND BALANCE				
Beginning			<u>46,870</u>	
Ending			<u>\$ 58,187</u>	

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, 2011

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
State Sources	\$ 4,064,724	\$ 4,064,724	\$ 3,277,563	\$ (787,161)
EXPENDITURES				
Support Services:				
Operation and Maintenance of Plant Services	2,775	2,775	-0-	2,775
Student Transportation Services	3,832,013	3,832,013	3,594,412	237,601
Total Expenditures	3,834,788	3,834,788	3,594,412	240,376
DEFICIENCY of REVENUES over EXPENDITURES	229,936	229,936	(316,849)	(546,785)
OTHER FINANCING (USES)				
Operating Transfers Out	(229,936)	(229,936)	(215,577)	14,359
NET CHANGE in FUND BALANCE	\$ -0-	\$ -0-	(532,426)	\$ (532,426)
FUND BALANCE				
Beginning			288,134	
Ending			\$ (244,292)	

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, 2011

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Sources	\$ 9,032,543	\$ 8,705,419	\$ 8,703,369	\$ (2,050)
EXPENDITURES				
Instructional Services:				
Special Programs	6,485,029	6,153,050	6,152,905	145
Support Services:				
Pupil Personnel Services	667,932	687,413	686,727	686
Administrative Services	1,000	500	112	388
Pupil Health	1,289,615	1,265,485	1,264,655	830
Operation and Maintenance of Plant Services	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>8,443,576</u>	<u>8,106,448</u>	<u>8,104,399</u>	<u>2,049</u>
EXCESS of REVENUES over EXPENDITURES	588,967	598,971	598,970	(1)
OTHER FINANCING (USES)				
Operating Transfers Out	<u>(588,967)</u>	<u>(598,971)</u>	<u>(598,970)</u>	<u>1</u>
NET CHANGE in FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
FUND BALANCE				
Beginning			<u>-0-</u>	
Ending			<u>\$ -0-</u>	

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, 2011

	<u>Budget Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -0-	\$ -0-	\$ -0-	\$ -0-
EXPENDITURES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXCESS of REVENUES over EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING (USES)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET CHANGE in FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
FUND BALANCE				
Beginning			<u>-0-</u>	
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 general purpose financial statements:

1. Under Act 1 requirements, management submits to the Intermediate Unit Board a preliminary budget for adoption 90 days prior to the primary election, and then a final budget for adoption on or before June 30, 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.
2. Prior to June 30, the budget is legally enacted through passage of a resolution.
3. 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.
4. Budgetary data is included in the Intermediate Unit's management information system and is employed as a management control device during the year.
5. Unused appropriations lapse at the end of each fiscal year.
6. 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.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

Year Ended June 30, 2011

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, 2010	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
U.S. Department of Agriculture Passed Through Pennsylvania Department of Education:									
School Breakfast Program (Note 4)	I/F	10.553	367	07/01/10 - 06/30/11	N/A	\$ -0-	\$ 2,332	\$ 2,332	\$ -0-
School Breakfast Program (Note 4)	I/F	10.553	365	07/01/09 - 06/30/10	N/A	766	766	-0-	-0-
National School Lunch Program (Note 4)	I/F	10.555	362	07/01/10 - 06/30/11	N/A	-0-	6,623	6,623	-0-
National School Lunch Program (Note 4)	I/F	10.555	362	07/01/09 - 06/30/10	N/A	1,702	1,702	-0-	-0-
Child and Adult Care Food Program	I/F	10.558	164	10/01/10 - 09/30/11	N/A	-0-	177,414	161,481	(15,933)
Child and Adult Care Food Program	I/F	10.558	164	10/01/09 - 09/30/10	N/A	<u>22,109</u>	<u>39,849</u>	<u>24,700</u>	<u>6,960</u>
Total U.S. Department of Agriculture						<u>24,577</u>	<u>228,686</u>	<u>195,136</u>	<u>(8,973)</u>
U.S. Department of Labor Passed Through South Central Workforce Investment Board:									
Workforce Investment Act Youth Activities (Note 4)	I/F	17.259	P10-433-180-10-3301	10/01/10 - 06/30/11	100,688	-0-	51,025	100,688	49,663
Workforce Investment Act Youth Activities (Note 4)	I/F	17.259	P10-433-180-08-3301-01	07/01/10 - 06/30/11	107,156	-0-	74,887	107,156	32,269
Workforce Investment Act Youth Activities (Notes 3 and 4)	I/F	17.259	P9-433-180-09-3301-01	07/01/09 - 06/30/10	80,000	35,894	21,053	398	15,239
Workforce Investment Act Youth Activities (Notes 3 and 4)	I/F	17.259	P8-433-180-08-3301-01	10/01/08 - 06/30/09	52,350	<u>4,196</u>	<u>-0-</u>	<u>-0-</u>	<u>4,196</u>
Total U.S. Department of Labor						<u>40,090</u>	<u>146,965</u>	<u>208,242</u>	<u>101,367</u>
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	\$ 24,602	\$ 234,848	\$ 247,706	\$ 37,460

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2011

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, 2010	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
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	10/01/10 - 09/30/11	371,952	\$ -0-	\$ 195,363	\$ 299,307	\$ 103,944
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	376,639	(13,404)	107,525	120,929	-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	57,027	60,079	3,052	-0-
Early Reading First	D/F	84.359B	S359B060043	10/01/09 - 09/30/10	249,025	32,348	121,933	89,585	-0-
Special Education - Technical Assistance on State Data Collection	D/F	84.373X	H373X070027-09	11/01/09 - 10/31/10	300,000	94,360	288,888	194,528	-0-
Total Direct Funding from U.S. Department of Education						194,933	1,008,636	955,107	141,404
Passed Through Pennsylvania Department of Education:									
Adult Education - State Grant Program	I/F	84.002	041-110050	07/01/10 - 06/30/11	837,290	-0-	837,290	837,222	(68)
Adult Education - State Grant Program	I/F	84.002	041-100054	07/01/09 - 06/30/10	881,358	(4)	-0-	4	-0-
Adult Education - State Grant Program	I/F	84.002	061-110008	07/01/10 - 06/30/11	49,090	-0-	40,908	49,090	8,182
Adult Education - State Grant Program	I/F	84.002	061-100016	07/01/09 - 06/30/10	110,000	35,633	36,667	1,034	-0-
Adult Education - State Grant Program	I/F	84.002	091-110010	07/01/10 - 06/30/11	61,250	-0-	56,146	61,205	5,059
Adult Education - State Grant Program (Note 3)	I/F	84.002	091-100021	07/01/09 - 06/30/10	52,500	8,750	8,750	-0-	-0-
Adult Education - State Grant Program	I/F	84.002	099-110005	07/01/10 - 06/30/11	290,000	\$ -0-	\$ 265,833	\$ 290,000	\$ 24,167

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2011

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, 2010	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
U.S. Department of Education (Continued)									
Passed Through Pennsylvania									
Department of Education: (Continued)									
Adult Education - State Grant Program	I/F	84.002	099-100005	07/01/09 - 06/30/10	240,000	\$ (1,842)	\$ -0-	\$ 1,842	\$ -0-
Adult Education - State Grant Program	I/F	84.002	GI 1053002	01/1/11 - 06/30/11	2,500	-0-	2,650	2,650	-0-
Title I Grants to Local Educational Agencies (Note 4)	I/F	84.010	013-11-0613	08/19/10 - 09/30/11	50,000	-0-	17,857	17,382	(475)
Title I Grants to Local Educational Agencies (Note 4)	I/F	84.010	013-10-0613	10/01/09 - 09/30/10	200,000	200,000	200,000	-0-	-0-
Special Education - Grants to States (Note 4)	I/F	84.027	031-100013	07/01/10 - 06/30/11	1,744,917	-0-	1,744,917	1,744,917	-0-
Special Education - Grants to States (Note 4)	I/F	84.027	062-110013	07/01/10 - 06/30/11	17,190,662	-0-	17,190,662	17,184,591	(6,071)
Special Education - Grants to States (Note 4)	I/F	84.027	062-110033	07/01/10 - 06/30/11	16,234,768	-0-	14,789,225	14,297,354	(491,871)
Special Education - Grants to States (Notes 2 and 4)	I/F	84.027	062-110037	07/01/10 - 06/30/11	210,000	-0-	210,000	209,331	(669)
Special Education - Grants to States (Note 4)	I/F	84.027	062-100013	07/01/09 - 06/30/10	18,902,076	(2,609)	-0-	2,609	-0-
Special Education - Grants to States (Note 4)	I/F	84.027	062-100033	07/01/09 - 06/30/10	14,315,392	481,748	729,033	247,285	-0-
Special Education - Grants to States (Notes 2 and 4)	I/F	84.027	062-100037	07/01/09 - 06/30/10	210,000	(3,476)	-0-	-0-	(3,476)
Special Education - Preschool Grants (Note 4)	I/F	84.173	131-100013	07/01/10 - 06/30/11	474,846	-0-	474,846	474,846	-0-
Safe and Drug-Free Schools and Communities - State Grants	I/F	84.186	100-100613	08/05/09 - 03/31/11	27,207	(2,467)	13,630	16,097	-0-
Rehabilitation Services Demonstration and Training Programs	I/F	84.235	N/A	07/01/10 - 06/30/11	48,076	-0-	42,076	48,076	6,000
Rehabilitation Services Demonstration and Training Programs	I/F	84.235	N/A	07/01/10 - 06/30/11	33,000	\$ -0-	\$ 18,100	\$ 33,000	\$ 14,900

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2011

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, 2010	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
U.S. Department of Education (Continued)									
Passed Through Pennsylvania									
Department of Education: (Continued)									
Rehabilitation Services Demonstration and Training Programs	I/F	84.235	N/A	07/01/09 - 06/30/10	40,231	\$ 4,783	\$ 4,975	\$ 192	\$ -0-
Education Technology State Grants (Note 4)	I/F	84.318	055-100613	09/30/09 - 09/30/11	70,700	822	70,700	58,987	(10,891)
Education Technology State Grants (Note 4)	I/F	84.318	055-090613	08/11/08 - 09/30/10	43,983	(159)	-0-	159	-0-
English Language Acquisition Grants	I/F	84.365	010-110613	10/29/10 - 09/30/11	167,533	-0-	55,844	-0-	(55,844)
English Language Acquisition Grants	I/F	84.365	010-100613	12/23/09 - 09/30/11	258,510	(103,404)	25,851	188,842	59,587
English Language Acquisition Grants	I/F	84.365	010-090613	07/01/09 - 09/30/10	175,000	40,166	64,078	23,912	-0-
English Language Acquisition Grants	I/F	84.365	010-090613	05/13/09 - 09/30/10	239,101	(25,690)	85,922	111,612	-0-
Mathematics and Science Partnerships	I/F	84.366	075-100613	06/14/10 - 09/30/11	587,925	2,625	440,944	497,960	59,641
Improving Teacher Quality State Grants	I/F	84.367	020-110613	08/19/10 - 09/30/11	44,011	-0-	15,718	7,913	(7,805)
Improving Teacher Quality State Grants	I/F	84.367	020-100613	09/30/09 - 09/30/11	44,011	(3,566)	27,084	22,721	(7,929)
Improving Teacher Quality State Grants	I/F	84.367	020-100613	10/01/09 - 09/30/10	450,000	450,000	450,000	-0-	-0-
Improving Teacher Quality State Grants	I/F	84.367	PO 4300201547	01/04/10 - 09/30/10	500,000	-0-	110,256	110,256	-0-
Grants for State Assessments and Related Activities	I/F	84.369	PO 4300022414	07/01/09 - 06/30/10	138,000	(26,625)	-0-	26,625	-0-
School Improvement Grants (Note 4)	I/F	84.377	PO 4300201547	01/04/10 - 09/30/10	807,884	-0-	48,197	48,197	-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	\$ (108,056)	\$ -0-	\$ 108,056	\$ -0-

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2011

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, 2010	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
U.S. Department of Education (Continued)									
Passed Through Pennsylvania									
Department of Education: (Continued)									
ARRA- Special Education Grants to States, Recovery Act (Note 4)	I/F	84.391	132-100013	07/01/10 - 06/30/11	567,734	\$ -0-	\$ 567,734	\$ 567,734	\$ -0-
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	352,092	8,048,747	8,220,330	523,675
ARRA -Special Education Preschool Grants, Recovery Act (Note 4)	I/F	84.392	137-100013	07/01/10 - 06/30/11	207,736	-0-	121,179	206,290	85,111
ARRA -Special Education Preschool Grants, Recovery Act (Note 4)	I/F	84.392	137-090013	09/15/09 - 06/30/10	207,859	<u>39,792</u>	<u>62,358</u>	<u>22,566</u>	<u>-0-</u>
Total Passed Through Pennsylvania Department of Education						1,338,513	46,878,177	45,740,887	201,223
Passed Through Lincoln Intermediate Unit No. 12:									
Adult Education - State Grant Program	I/F	84.002	N/A	07/01/10 - 06/30/11	27,500	-0-	27,500	27,500	-0-
Passed Through Tuscarora Intermediate Unit No. 11:									
Special Education - Preschool Grants (Note 4)	I/F	84.173	N/A	07/01/10 - 06/30/11	161,197	-0-	161,197	161,197	-0-
Special Education - Preschool Grants (Note 4)	I/F	84.173	N/A	07/01/10 - 06/30/11	75,000	-0-	75,000	75,000	-0-
Special Education - Preschool Grants (Note 4)	I/F	84.173	N/A	07/01/10 - 06/30/11	34,500	<u>-0-</u>	<u>33,563</u>	<u>33,563</u>	<u>-0-</u>
Total Passed Through Tuscarora Intermediate Unit No. 11						\$ -0-	\$ 269,760	\$ 269,760	\$ -0-

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2011

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, 2010	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
U.S. Department of Education (Continued)									
Passed Through University of Minnesota									
Special Education - Technical Assistance on State Data Collection	I/F	84.373	T3039213301	10/01/09 - 09/30/10	75,000	\$ -0-	\$ 2,516	\$ 2,516	\$ -0-
Total U.S. Department of Education						<u>1,533,446</u>	<u>48,186,589</u>	<u>46,995,770</u>	<u>342,627</u>
U.S. Department of Health and Human Services									
Head Start (Note 4)	D/F	93.600	03CH0167/33	01/01/11 - 12/31/11	1,568,152	-0-	377,542	818,629	441,087
Head Start (Note 4)	D/F	93.600	03CH0167/32	01/01/10 - 12/31/10	1,554,712	447,612	1,239,023	791,411	-0-
ARRA - Head Start, Recovery Act (Note 4)	D/F	93.708	03-SE0167/01	07/01/09 - 09/30/10	140,212	<u>14,331</u>	<u>66,686</u>	<u>52,355</u>	<u>-0-</u>
Total Direct Funding from U.S. Department of Health and Human Services						461,943	1,683,251	1,662,395	441,087
Passed Through South Central Workforce Investment Board									
Temporary Assistance for Needy Families (Note 4)	I/F	93.558	P10-433-180-10-3361-02	07/01/10 - 06/30/11	75,245	-0-	55,370	75,245	19,875
Temporary Assistance for Needy Families (Note 3 & 4)	I/F	93.558	P9-433-180-09-3361-02	07/01/09 - 06/30/10	106,150	<u>63,442</u>	<u>49,681</u>	<u>2,048</u>	<u>15,809</u>
Total Passed Through South Central Workforce Investment Board						63,442	105,051	77,293	35,684
Passed Through Pennsylvania Department of Education:									
Temporary Assistance for Needy Families (Note 4)	I/F	93.558	091-110010	07/01/10 - 06/30/11	245,000	-0-	224,583	244,819	20,236
Temporary Assistance for Needy Families (Notes 3 & 4)	I/F	93.558	091-100021	07/01/09 - 06/30/10	210,000	\$ 30,716	\$ 35,000	\$ 4,284	\$ -0-

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2011

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, 2010	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
U.S. Department of Health and Human Services (Continued)									
Passed Through Pennsylvania									
Department of Education (Continued):									
ARRA - Head Start, Recovery Act (Note 4)	I/F	93.708	N/A	01/01/10 - 06/30/10	114,000	\$ 109,187	\$ 110,751	\$ 1,564	\$ -0-
ARRA - Head Start, Recovery Act (Note 4)	I/F	93.708	N/A	01/01/10 - 06/30/10	132,561	134,387	135,810	1,423	-0-
Medical Assistance Program (Note 4)	I/F	93.778	044-007513	07/01/10 - 06/30/11	N/A	-0-	98,273	141,821	43,548
Medical Assistance Program (Note 4)	I/F	93.778	044-007513	07/01/07 - 06/30/08	N/A	27,236	27,236	-0-	-0-
Medical Assistance Program (Note 4)	I/F	93.778	092-007513	07/01/10 - 06/30/11	N/A	-0-	39,018	63,845	24,827
Medical Assistance Program (Note 4)	I/F	93.778	092-007513	07/01/09 - 06/30/10	N/A	<u>17,770</u>	<u>17,770</u>	<u>-0-</u>	<u>-0-</u>
Total Passed Through Pennsylvania Department of Education						<u>319,296</u>	<u>688,441</u>	<u>457,756</u>	<u>88,611</u>
Total U.S. Department of Health and Human Services						<u>844,681</u>	<u>2,476,743</u>	<u>2,197,444</u>	<u>565,382</u>
Corporation for National and Community Service									
Passed Through Pennsylvania									
Department of Education:									
Learn and Serve America - School and Community Based Programs (Note 2)	I/F	94.004	019-092056	10/13/09 - 06/30/10	3,000	<u>(1,667)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,667)</u>
U.S. Department of Homeland Security									
Citizenship Education and Training	D/F	97.010	2010-CS-010-000030	10/01/10 - 09/30/11	100,000	<u>\$ -0-</u>	<u>\$ 33,737</u>	<u>\$ 58,802</u>	<u>\$ 25,065</u>

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2011

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, 2010	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
TOTAL EXPENDITURES of FEDERAL AWARDS						<u>\$ 2,441,127</u>	<u>\$ 51,072,720</u>	<u>\$ 49,655,394</u>	<u>\$ 1,023,801</u>

Legend

D = Direct Funding

I = Indirect Funding

F = Federal Share

CFDA = Catalog of Federal Domestic Assistance

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

Year Ended June 30, 2011

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) Adjustments at June 30, 2010

Project Title	Federal CFDA Number	Grantor Number	Accrual (Deferral) Shown at June 30, 2010	Correct Accrual (Deferral) at June 30, 2010
Temporary Assistance for Needy Families	93.558	091-100021	(4,284)	30,716
Adult Education - State Grant Program	84.002	091-100021	43,750	8,750
Workforce Investment Act Youth Activities	17.259	P8-433-180-08-3301-01	0	4,196
Workforce Investment Act Youth Activities	17.259	P9-433-180-09-3301-01	44,386	35,894
Temporary Assistance for Needy Families	93.558	P9-433-180-09-3361-02	59,146	63,442

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
Education 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

See auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

Year Ended June 30, 2011

NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

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, 2011, was \$3,505,908 and \$1,390,287 which is listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

**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, 2011, which collectively comprise **Lancaster-Lebanon Intermediate Unit No. 13's** basic financial statements and have issued our report thereon dated December 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 controls 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*.

We noted certain other matters that we reported to management of **Lancaster-Lebanon Intermediate Unit No. 13** in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of the 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.



December 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, 2011. **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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 to determine the 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 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, 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.



December 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, 2011

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: Adult Education - State Grant Program – CFDA #84.002, Special Education - Grants to States - CFDA #84.027, Special Education - Preschool Grants - CFDA #84.173, ARRA Special Education - Grants to States, Recovery Act - CFDA #84.391, and ARRA Special Education - Preschool Grants, Recovery Act - CFDA #84.392.
8. The threshold for distinguishing type A and B programs was \$1,489,662.
9. **Lancaster-Lebanon Intermediate Unit No. 13** was 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, 2011

There are no prior audit findings.