

Lancaster-Lebanon Intermediate Unit No. 13

Year Ended June 30, 2012



TROUT, EBERSOLE & GROFF<sub>LLP</sub>

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# Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2012

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# Lancaster-Lebanon Intermediate Unit No. 13

## Financial Statements with Supplementary Information

Year Ended June 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 3, 2013, 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.

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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 43 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.

January 3, 2013  
Lancaster, Pennsylvania



TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2012

The discussion and analysis of **Lancaster-Lebanon Intermediate Unit No. 13's** financial performance provides an overall review of the Intermediate Unit's financial activities for the year ended June 30, 2012. 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, 2012 are as follows:

- The Intermediate Unit's financial status as reflected in the total net assets increased \$1,644,084 from the prior year. This increase is reflected as an increase in net assets for governmental activities of \$1,826,976 and a decrease in net assets for business-type activities of \$182,892.
- Revenues totaled \$134.7 million. General revenues accounted for \$657,895, or 0.5% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$134.1 million, or 99.5%, of total revenues.
- The Intermediate Unit had \$116.6 million in expenses related to governmental activities; \$116.1 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 \$63.3 million in revenues, \$67.6 million in expenditures, and \$5.12 million in other financing sources. The General Fund's fund balance increased by \$844,040 to \$7.07 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 balance of \$2.59 million, is \$9.77 million, which is 7.31% of total expenditures. The Special Education Fund reports \$40.2 million in revenues, \$37.4 million in expenditures, and \$2.8 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 No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

### 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 contracts, 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 statements because the Intermediate Unit cannot use these assets to finance its operations.

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

### Financial Analysis of the Intermediate Unit as a Whole

Table 1 provides a summary of the Intermediate Unit's net assets for 2012 compared to 2011.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	40,057,621	35,109,389	3,547,132	3,336,069	43,604,753	38,445,458
Capital Assets	<u>6,453,857</u>	<u>7,642,215</u>	<u>430,288</u>	<u>428,949</u>	<u>6,884,145</u>	<u>8,071,164</u>
<b>Total Assets</b>	<b>46,511,478</b>	<b>42,751,604</b>	<b>3,977,420</b>	<b>3,765,018</b>	<b>50,488,898</b>	<b>46,516,622</b>
<b>Liabilities</b>						
Current and Other Liabilities	28,804,553	27,105,859	1,391,658	996,364	30,196,211	28,102,223
Long-Term Liabilities	<u>5,635,101</u>	<u>5,400,897</u>	<u>-0-</u>	<u>-0-</u>	<u>5,635,101</u>	<u>5,400,897</u>
<b>Total Liabilities</b>	<b>34,439,654</b>	<b>32,506,756</b>	<b>1,391,658</b>	<b>996,364</b>	<b>35,831,312</b>	<b>33,503,120</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	6,453,857	7,642,215	430,288	428,949	6,884,145	8,071,164
Restricted	-0-	-0-	-0-	-0-	-0-	-0-
Unrestricted	<u>5,617,967</u>	<u>2,602,633</u>	<u>2,155,474</u>	<u>2,339,705</u>	<u>7,773,441</u>	<u>4,942,338</u>
<b>Total Net Assets</b>	<b>12,071,824</b>	<b>10,244,848</b>	<b>2,585,762</b>	<b>2,768,654</b>	<b>14,657,586</b>	<b>13,013,502</b>

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

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

Table 2 shows the changes in net assets for 2012 compared to 2011.

**Table 2**  
**Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Charges for Services	42,119,527	48,250,737	17,171,554	16,953,045	59,291,081	65,203,782
Operating Grants and Contributions	74,016,183	80,580,872	770,644	255,368	74,786,827	80,836,240
General Revenues						
Grants, Subsidies and Contributions Not Restricted	639,215	842,377	-0-	-0-	639,215	842,377
Investment Earnings	16,426	17,852	-0-	-0-	16,426	17,852
Miscellaneous Income	2,254	31,270	-0-	-0-	2,254	31,270
Transfers	<u>1,586,998</u>	<u>1,274,243</u>	<u>(1,586,998)</u>	<u>(1,274,243)</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Revenues</b>	<b>118,380,603</b>	<b>130,997,351</b>	<b>16,355,200</b>	<b>15,934,170</b>	<b>134,735,803</b>	<b>146,931,521</b>
<b>Expenses</b>						
Instruction	53,792,367	57,968,964	-0-	-0-	53,792,367	57,968,964
Instructional Student Support	25,038,131	29,972,953	-0-	-0-	25,038,131	29,972,953
Administrative and Financial Support Services	30,219,482	34,133,022	-0-	-0-	30,219,482	34,133,022
Operation and Maintenance of Plant Services	3,973,395	4,735,586	-0-	-0-	3,973,395	4,735,586
Pupil Transportation	3,530,252	3,777,284	-0-	-0-	3,530,252	3,777,284
Student Activities	-0-	-0-	-0-	-0-	-0-	-0-
Insurance Consortia Services	-0-	-0-	90,642	92,487	90,642	92,487
Management Services	-0-	-0-	1,447,837	1,366,991	1,447,837	1,366,991
Adult Education Services	-0-	-0-	692,190	473,242	692,190	473,242
Curriculum and Instruction Services	-0-	-0-	1,128,047	382,547	1,128,047	382,547
Special Education						
Administrative and Management Services	-0-	-0-	5,041,103	4,594,591	5,041,103	4,594,591
Technology Services	<u>-0-</u>	<u>-0-</u>	<u>8,138,273</u>	<u>8,264,626</u>	<u>8,138,273</u>	<u>8,264,626</u>
<b>Total Expenses</b>	<b><u>116,553,627</u></b>	<b><u>130,587,809</u></b>	<b><u>16,538,092</u></b>	<b><u>15,174,484</u></b>	<b><u>133,091,719</u></b>	<b><u>145,762,293</u></b>
<b>Increase/(Decrease) in Net Assets</b>	<b>1,826,976</b>	<b>409,542</b>	<b>(182,892)</b>	<b>759,686</b>	<b>1,644,084</b>	<b>1,169,228</b>

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

### 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	
	2012	2011	2012	2011
<b>Functions</b>				
Instruction	53,792,367	57,968,964	3,132,444	3,491,747
Instructional Student Support	25,038,131	29,972,953	(164,119)	298,694
Administrative and Financial Support Services	30,219,482	34,133,022	(3,485,989)	(4,624,199)
Operation and Maintenance of Plant and Svcs	3,973,395	4,735,586	(238,598)	(609,320)
Pupil Transportation	3,530,252	3,777,284	338,345	(313,122)
Student Activities	-0-	-0-	-0-	-0-
<b>Total Expenses</b>	<b>116,553,627</b>	<b>130,587,809</b>	<b>(417,917)</b>	<b>(1,756,200)</b>

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, 2012, the Intermediate Unit governmental funds reported a combined fund balance of \$7,097,432 which is an increase of \$1,059,662 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 43 - 46.

## Lancaster-Lebanon Intermediate Unit No. 13

### MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

#### Strategic Planning

During 2011-2012, the Intermediate Unit 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 2011-12, 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 No. 13**, 1020 New Holland Avenue, Lancaster, PA 17601 or (717) 606-1766.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of NET ASSETS

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,265	\$ -0-	\$ 1,265
Investments, at Fair Value	21,854,774	-0-	21,854,774
Internal Balances	515,761	(515,761)	-0-
Due from Other Governments	14,881,234	3,526,141	18,407,375
Other Receivables	728,427	464,740	1,193,167
Inventories	87,658	-0-	87,658
Prepaid Expenses	1,987,002	72,012	2,059,014
Other Current Assets	1,500	-0-	1,500
<b>Total Current Assets</b>	<b>40,057,621</b>	<b>3,547,132</b>	<b>43,604,753</b>
<b>Noncurrent Assets</b>			
Building and Building Improvements, net of Accumulated Depreciation	2,910,440	-0-	2,910,440
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	3,330,782	430,288	3,761,070
Vehicles, net of Accumulated Depreciation	212,635	-0-	212,635
<b>Total Noncurrent Assets</b>	<b>6,453,857</b>	<b>430,288</b>	<b>6,884,145</b>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 46,511,478</u></b>	 <b><u>\$ 3,977,420</u></b>	 <b><u>\$ 50,488,898</u></b>

See notes to financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of NET ASSETS

(Continued)

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Due to Other Governments	\$ 2,500,990	\$ -0-	\$ 2,500,990
Accounts Payable	15,661,448	18,898	15,680,346
Accrued Salaries and Benefits	4,936,053	428,384	5,364,437
Payroll Deductions and Withholdings	1,586,566	-0-	1,586,566
Deferred Revenues	3,505,706	530,453	4,036,159
Retirement Bonus Due Within			
One Year	57,642	-0-	57,642
Compensated Absences Due			
Within One Year	67,358	-0-	67,358
Other Current Liabilities	488,790	413,923	902,713
<b>Total Current Liabilities</b>	<b>28,804,553</b>	<b>1,391,658</b>	<b>30,196,211</b>
<b>Noncurrent Liabilities</b>			
Other Postemployment Benefit			
Obligation	1,489,782	-0-	1,489,782
Long-term Portion of			
Retirement Bonus	1,964,208	-0-	1,964,208
Long-term Portion of			
Compensated Absences	2,181,111	-0-	2,181,111
<b>Total Noncurrent Liabilities</b>	<b>5,635,101</b>	<b>-0-</b>	<b>5,635,101</b>
 <b>TOTAL LIABILITIES</b>	 <b>34,439,654</b>	 <b>1,391,658</b>	 <b>35,831,312</b>
 <b>NET ASSETS</b>			
Invested in Capital Assets, net of Related Debt	6,453,857	430,288	6,884,145
Unrestricted	5,617,967	2,155,474	7,773,441
 <b>TOTAL NET ASSETS</b>	 <b>\$ 12,071,824</b>	 <b>\$ 2,585,762</b>	 <b>\$ 14,657,586</b>

See notes to financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of ACTIVITIES

Year Ended June 30, 2012

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	\$ 53,792,367	\$ 35,090,578	\$ 21,834,233	\$ -0-	\$ 3,132,444	-0-	\$ 3,132,444
Instructional Student Support	25,038,131	6,264,557	18,609,455	-0-	(164,119)	-0-	(164,119)
Administrative and Financial Support Services	30,219,482	364,216	26,369,277	-0-	(3,485,989)	-0-	(3,485,989)
Operation and Maintenance of Plant Services	3,973,395	400,176	3,334,621	-0-	(238,598)	-0-	(238,598)
Pupil Transportation	3,530,252	-0-	3,868,597	-0-	338,345	-0-	338,345
<b>Total Governmental Activities</b>	<b>116,553,627</b>	<b>42,119,527</b>	<b>74,016,183</b>	<b>-0-</b>	<b>(417,917)</b>	<b>-0-</b>	<b>(417,917)</b>
Business-type Activities:							
Insurance Consortia Services	90,642	120,228	3,585	-0-	-0-	33,171	33,171
Management Services	1,447,837	1,637,745	72,964	-0-	-0-	262,872	262,872
Adult Education Services	692,190	616,056	34,085	-0-	-0-	(42,049)	(42,049)
Curriculum and Instruction Services	1,128,047	744,491	395,844	-0-	-0-	12,288	12,288
Special Education Administrative and Management Services	5,041,103	5,418,941	238,359	-0-	-0-	616,197	616,197
Technology Services	8,138,273	8,634,093	25,807	-0-	-0-	521,627	521,627
<b>Total Business-type Activities</b>	<b>16,538,092</b>	<b>17,171,554</b>	<b>770,644</b>	<b>-0-</b>	<b>-0-</b>	<b>1,404,106</b>	<b>1,404,106</b>
<b>Total Primary Government</b>	<b>\$ 133,091,719</b>	<b>\$ 59,291,081</b>	<b>\$ 74,786,827</b>	<b>-0-</b>	<b>(417,917)</b>	<b>1,404,106</b>	<b>986,189</b>
General Revenues:							
Grants, Subsidies, and Contributions							
Not Restricted					639,215	-0-	639,215
Investment Earnings					16,426	-0-	16,426
Miscellaneous Income					2,254	-0-	2,254
Transfers					1,586,998	(1,586,998)	-0-
<b>Total General Revenues and Transfers</b>					<b>2,244,893</b>	<b>(1,586,998)</b>	<b>657,895</b>
<b>CHANGES in NET ASSETS</b>					<b>1,826,976</b>	<b>(182,892)</b>	<b>1,644,084</b>
<b>NET ASSETS</b>							
Beginning					10,244,848	2,768,654	13,013,502
Ending					<b>\$ 12,071,824</b>	<b>\$ 2,585,762</b>	<b>\$ 14,657,586</b>

See notes to financial statements.

## Lancaster-Lebanon Intermediate Unit No. 13

### BALANCE SHEET - GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	Major Funds				Total Governmental Funds
	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,265	\$ -0-	\$ -0-	\$ -0-	\$ 1,265
Investments	21,854,774	-0-	-0-	-0-	21,854,774
Due from Other Funds	-0-	4,376,263	-0-	188,072	4,564,335
Due from Other Governments	13,153,350	1,727,044	-0-	-0-	14,880,394
Other Receivables	62,453	-0-	-0-	-0-	62,453
Inventories	86,705	-0-	-0-	-0-	86,705
Prepaid Expenditures	195,806	877	-0-	-0-	196,683
<b>TOTAL ASSETS</b>	<b><u>35,354,353</u></b>	<b><u>6,104,184</u></b>	<b><u>-0-</u></b>	<b><u>188,072</u></b>	<b><u>41,646,609</u></b>
<b>LIABILITIES and FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to Other Funds	7,353,045	-0-	81,828	-0-	7,434,873
Due to Other Governments	189,334	2,214,156	-0-	97,500	2,500,990
Accounts Payable	14,104,748	5,795	-0-	78,733	14,189,276
Accrued Salaries and Benefits	1,339,504	3,581,811	30	11,839	4,933,184
Payroll Deductions and Withholdings	1,586,566	-0-	-0-	-0-	1,586,566
Deferred Revenues	3,318,890	186,342	-0-	-0-	3,505,232
Compensated Absences Payable	125,000	-0-	-0-	-0-	125,000
Other Current Liabilities	269,351	4,705	-0-	-0-	274,056
<b>TOTAL LIABILITIES</b>	<b><u>28,286,438</u></b>	<b><u>5,992,809</u></b>	<b><u>81,858</u></b>	<b><u>188,072</u></b>	<b><u>34,549,177</u></b>
<b>FUND BALANCES</b>					
Nonspendable	282,511	877	-0-	-0-	283,388
Committed	500,000	-0-	-0-	-0-	500,000
Assigned	349,351	110,498	-0-	-0-	459,849
Unassigned	5,936,053	-0-	(81,858)	-0-	5,854,195
<b>TOTAL FUND BALANCES</b>	<b><u>7,067,915</u></b>	<b><u>111,375</u></b>	<b><u>(81,858)</u></b>	<b><u>-0-</u></b>	<b><u>7,097,432</u></b>
<b>TOTAL LIABILITIES and FUND BALANCES</b>	<b><u>\$ 35,354,353</u></b>	<b><u>\$ 6,104,184</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 188,072</u></b>	<b><u>\$ 41,646,609</u></b>

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, 2012

Total fund balance - governmental funds \$ 7,097,432

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 \$17,566,780, and the accumulated depreciation is \$14,596,100. 2,970,680

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	(1,489,782)	
Retirement Bonus	(1,964,208)	
Compensated Absences	<u>(2,181,111)</u>	
		(5,635,101)

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	3,519,255	
Intergovernmental Receivable	840	
Other Receivables	533,017	
Inventories	953	
Prepaid Expenses	1,790,320	
Other Current Assets	1,500	
Building and Building Improvements, net of Accumulated Depreciation	2,632,373	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	850,804	
Accounts Payable	(1,472,172)	
Accrued Salaries and Benefits	(2,869)	
Deferred Revenues	(474)	
Other Current Liabilities	<u>(214,734)</u>	
		<u>7,638,813</u>

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ 12,071,824**

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, 2012

	Major Funds				Total Governmental Funds
	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	
<b>REVENUES</b>					
Local Sources	\$ 6,864,966	\$ 35,862,056	\$ -0-	\$ -0-	\$ 42,727,022
State Sources	10,410,198	4,381,622	3,640,688	9,430,022	27,862,530
Federal Sources	46,025,108	-0-	-0-	-0-	46,025,108
<b>Total Revenues</b>	<b>63,300,272</b>	<b>40,243,678</b>	<b>3,640,688</b>	<b>9,430,022</b>	<b>116,614,660</b>
<b>EXPENDITURES</b>					
Instructional Services	14,788,899	32,133,495	-0-	6,691,055	53,613,449
Support Services	52,791,226	5,252,923	3,312,636	2,102,769	63,459,554
<b>Total Expenditures</b>	<b>67,580,125</b>	<b>37,386,418</b>	<b>3,312,636</b>	<b>8,793,824</b>	<b>117,073,003</b>
<b>EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES</b>	<b>(4,279,853)</b>	<b>2,857,260</b>	<b>328,052</b>	<b>636,198</b>	<b>(458,343)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	5,124,480	-0-	-0-	-0-	5,124,480
Operating Transfers Out	(587)	(2,804,072)	(165,618)	(636,198)	(3,606,475)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>5,123,893</b>	<b>(2,804,072)</b>	<b>(165,618)</b>	<b>(636,198)</b>	<b>1,518,005</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>844,040</b>	<b>53,188</b>	<b>162,434</b>	<b>-0-</b>	<b>1,059,662</b>
<b>FUND BALANCES</b>					
Beginning	6,223,875	58,187	(244,292)	-0-	6,037,770
<b>Ending</b>	<b>\$ 7,067,915</b>	<b>\$ 111,375</b>	<b>\$ (81,858)</b>	<b>\$ -0-</b>	<b>\$ 7,097,432</b>

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, 2012

Net changes in fund balances - total governmental funds \$ 1,059,662

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	(1,191,284)
Capital Outlays	727,382

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. (234,204)

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. 1,465,420

**CHANGE in NET ASSETS of GOVERNMENTAL ACTIVITIES** **\$ 1,826,976**

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of NET ASSETS -

### PROPRIETARY FUNDS

June 30, 2012

	<b>Major Fund</b>		<b>Internal Service</b>
	<b>Enterprise</b>		<b>Service</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Due from Other Funds	\$ -0-		\$ 3,519,255
Due from Other Governments	3,526,141		840
Other Receivables	464,740		533,017
Inventories	-0-		953
Prepaid Expenses	72,012		1,790,320
Other Current Assets	-0-		1,500
<b>Total Current Assets</b>	<b>4,062,893</b>		<b>5,845,885</b>
<b>Noncurrent Assets</b>			
Leasehold Improvements, net of Accumulated Depreciation	-0-		2,632,373
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	430,288		850,804
<b>Total Noncurrent Assets</b>	<b>430,288</b>		<b>3,483,177</b>
<b>TOTAL ASSETS</b>	<b>4,493,181</b>		<b>9,329,062</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Due to Other Funds	515,761		-0-
Accounts Payable	18,898		1,472,172
Accrued Salaries and Benefits	428,384		2,869
Deferred Revenues	530,453		474
Other Current Liabilities	413,923		214,734
<b>TOTAL LIABILITIES</b>	<b>1,907,419</b>		<b>1,690,249</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of Related Debt	430,288		3,483,177
Unrestricted	2,155,474		4,155,636
<b>TOTAL NET ASSETS</b>	<b>\$ 2,585,762</b>		<b>\$ 7,638,813</b>

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, 2012

	<b>Major Fund</b>		<b>Enterprise</b>	<b>Internal Service</b>
<b>OPERATING REVENUES</b>				
Local Sources:				
Charges for Services			<b>\$ 17,171,554</b>	<b>\$ 23,644,684</b>
 <b>OPERATING EXPENSES</b>				
Salaries			4,517,713	1,732,446
Employee Benefits			2,448,026	14,486,875
Purchased Professional and Technical Service			880,214	904,964
Purchased Property Services			633,781	3,599,892
Other Purchased Services			902,143	370,841
Supplies			6,979,450	256,733
Depreciation			152,326	1,021,490
Amortization			-0-	4,054
Dues and Fees			24,439	708
<b>Total Operating Expenses</b>			<b>16,538,092</b>	<b>22,378,003</b>
<b>OPERATING INCOME</b>			<b>633,462</b>	<b>1,266,681</b>
 <b>NONOPERATING REVENUES</b>				
State Sources			770,644	128,545
<b>Total Nonoperating Revenues</b>			<b>770,644</b>	<b>128,545</b>
<b>CHANGE in NET ASSETS Before TRANSFERS</b>			<b>1,404,106</b>	<b>1,395,226</b>
 <b>TRANSFERS</b>				
Transfers In			-0-	91,230
Transfers Out			(1,586,998)	(21,036)
<b>CHANGE in NET ASSETS</b>			<b>(182,892)</b>	<b>1,465,420</b>
 <b>NET ASSETS</b>				
Beginning			2,768,654	6,173,393
<b>Ending</b>			<b>\$ 2,585,762</b>	<b>\$ 7,638,813</b>

See notes to financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

Year Ended June 30, 2012

	<b>Major Fund</b>	
	<b>Enterprise</b>	<b>Internal Service</b>
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Cash Received from Users	\$ 17,269,220	\$ 21,441,828
Cash Payments to Employees for Services	(6,946,061)	(16,222,587)
Cash Payments to Suppliers for Goods and Services	(9,353,140)	(4,707,420)
<b>Net Cash Provided by Operating Activities</b>	<b>970,019</b>	<b>511,821</b>
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	770,644	128,545
Transfers In	-0-	91,230
Transfers Out	(1,586,998)	(21,036)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(816,354)</b>	<b>198,739</b>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>		
Capital Outlay	(153,665)	(301,088)
Repayment of Financing Payable	-0-	(409,472)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(153,665)</b>	<b>(710,560)</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		
	<b>-0-</b>	<b>-0-</b>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>		
	<b>-0-</b>	<b>-0-</b>
<b>CASH and CASH EQUIVALENTS</b>		
Beginning of Year	-0-	-0-
<b>End of Year</b>	<b>-0-</b>	<b>-0-</b>
 <b>RECONCILIATION of OPERATING INCOME</b>		
<b>to NET CASH PROVIDED by OPERATING ACTIVITIES</b>		
Operating Income	<b>633,462</b>	<b>1,266,681</b>
<b>ADJUSTMENTS to RECONCILE OPERATING INCOME</b>		
<b>to NET CASH PROVIDED by OPERATING ACTIVITIES:</b>		
Depreciation	152,326	1,021,490
Amortization	-0-	4,054
(Increase) Decrease in Due from Other Funds	-0-	(1,921,385)
(Increase) Decrease in Due from Other Governments	45,756	1,466
(Increase) Decrease in Other Receivables	(184,372)	(214,651)
(Increase) Decrease in Inventories	-0-	2,279
(Increase) Decrease in Prepaid Expenses	(28,326)	407,789
(Increase) Decrease in Other Current Assets	-0-	250
Increase (Decrease) in Due to Other Funds	(44,121)	-0-
Increase (Decrease) in Accounts Payable	18,898	138,520
Increase (Decrease) in Accrued Salaries and Benefits	19,678	(3,266)
Increase (Decrease) in Deferred Revenues	236,282	(68,286)
Increase (Decrease) in Other Current Liabilities	120,436	(123,120)
<b>Total Adjustments</b>	<b>336,557</b>	<b>(754,860)</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 970,019</b>	<b>\$ 511,821</b>

See notes to financial statements.

**Lancaster-Lebanon Intermediate Unit No. 13**

STATEMENT of NET ASSETS -

FIDUCIARY FUND

June 30, 2012

	<b>Agency</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 27,585
Due from Other Governments	<u>141,844</u>
<b>TOTAL ASSETS</b>	<b><u>169,429</u></b>
<b>LIABILITIES</b>	
Due to Other Funds	132,956
Accrued Salaries and Benefits	7,907
Deferred Revenues	28,348
Other Current Liabilities	<u>218</u>
<b>TOTAL LIABILITIES</b>	<b><u>169,429</u></b>
<b>NET ASSETS</b>	<b><u>\$ -0-</u></b>

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 reconciliations 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)

##### Fund 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 revenues, expenses, and changes in 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.

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, Fee For Service OVR, Staff Development and Training, Building Capacity Initiatives, Marketplace Fund Development, Statewide Software, Technology Initiatives, Wide Area Network Consortium, Nonpublic Initiatives, Additional Title II Funds, Literacy Programs, Project SAIL, Instructional Services Initiatives, On-line Professional Development, Virtual Solutions, 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, Organ Tissue Donation Awareness, 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)

##### Fund 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, 2012, the Intermediate Unit has \$3,271 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 \$101,353 at June 30, 2012.

#### Cash and Cash Equivalent

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, 2012. 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.

#### 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.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Compensated Absences (Continued)

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, 2012, and has recognized them as expenditures or expenses in the various funds of the Intermediate Unit.

#### Interfund Activity

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

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

#### Estimates

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

#### Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **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.

#### **Pending Changes in Accounting Principles**

In June 2011, GASB issued Statement No. 61, *The Financial Reporting Entity*. The objective of this statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The provisions of this statement are effective for the June 30, 2013 financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 63 provides guidance on reporting deferred inflows and outflows of resources which are distinctly different from assets and liabilities. As a result of reporting these additional elements, the residual balances will be considered as net position, rather than net assets. The provisions of this statement are effective for the June 30, 2013 financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Pending Changes in Accounting Principles (Continued)

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for the June 30, 2014 financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections, an Amendment of GASB Statements No. 10 and 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. The provisions of this statement are effective for the June 30, 2014 financial statements.

In June 2012, GASB Issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this statement are effective for the June 30, 2015 financial statements.

The effects of implementation of these standards has not yet been determined.

### 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.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Cash and Cash Equivalents - Custodial Credit Risk

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, 2012, \$-0- of the Intermediate Unit's bank balance of \$-0- 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>-0-</u>
	-0-

#### Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	-0-
Insured Amount	<u>-0-</u>
Bank Balance	(1,237,676)
Less: Outstanding Checks	(2,127,204)
Add: Deposits in Transit	<u>3,392,065</u>
Carrying Amount - Bank Balances	27,185
Plus: Petty Cash	<u>1,665</u>
<b>Total Cash and Cash Equivalents Per Financial Statements</b>	<b>28,850</b>

#### 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 acts 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, 2012, the Intermediate Unit had the following investments:

Investments	Maturity	Fair Value
PLGIT		8,759,654
PLGIT CD's	8-6-2012	2,984,193
GS Financial Square Federal Money Market		<u>13,502,992</u>
		25,246,839
Less: Outstanding Transfer		<u>(3,392,065)</u>
<b>Total Investments Per Financial Statements</b>		<b>21,854,774</b>

**Lancaster-Lebanon Intermediate Unit No. 13**

NOTES to FINANCIAL STATEMENTS

(Continued)

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

**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, 2012, 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	54%
GS Financial Square Treasury Obligations	46%
General Fund:	
PLGIT	54%
GS Financial Square Treasury Obligations	46%

**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, 2012, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	9,404,615	2,284,083	1,464,652	13,153,350
Special Education Fund		36,828	1,690,216	1,727,044
Enterprise Fund		217,191	3,308,950	3,526,141
Internal Service Fund			840	840
Agency Fund			141,844	141,844
	<u>9,404,615</u>	<u>2,538,102</u>	<u>6,606,502</u>	<u>18,549,219</u>

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### NOTE 4 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2012, were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund		7,353,045
Special Education Fund	4,376,263	
Special Education		
Transportation Fund		81,828
State Funded Early		
Intervention Fund	188,072	
Enterprise Fund		515,761
Internal Service Fund	3,519,255	
Agency Fund		<u>132,956</u>
	<u><b>8,083,590</b></u>	<u><b>8,083,590</b></u>

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

Interfund transfers for indirect costs for the year ended June 30, 2012, were as follows:

Fund	Transfers In	Transfers Out
General Fund	5,124,480	587
Special Education Fund		2,804,072
Special Education		
Transportation Fund		165,618
State Funded Early		
Intervention Fund		636,198
Enterprise Fund		1,586,998
Internal Service Fund	91,230	21,036
Agency Fund		<u>1,201</u>
	<u><b>5,215,710</b></u>	<u><b>5,215,710</b></u>

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

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 5 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Historical Cost:				
Capital Assets Being Depreciated:				
Building and Building Improvements	5,175,746	53,231	53,108	5,175,869
Furniture, Fixtures, and Equipment	18,258,527	1,028,347	-0-	19,286,874
Vehicles	<u>1,074,632</u>	<u>-0-</u>	<u>-0-</u>	<u>1,074,632</u>
<b>Total Capital Assets Being Depreciated</b>	<b>24,508,905</b>	<b>1,081,578</b>	<b>53,108</b>	<b>25,537,375</b>
Accumulated Depreciation:				
Building and Building Improvements	1,870,883	394,546	-0-	2,265,429
Furniture, Fixtures, and Equipment	14,165,512	1,790,580	-0-	15,956,092
Vehicles	<u>830,295</u>	<u>31,702</u>	<u>-0-</u>	<u>861,997</u>
<b>Total Accumulated Depreciation</b>	<b><u>16,866,690</u></b>	<b><u>2,216,828</u></b>	<b><u>-0-</u></b>	<b><u>19,083,518</u></b>
<b>Net Capital Assets Being Depreciated</b>	<b><u>7,642,215</u></b>	<b><u>(1,135,250)</u></b>	<b><u>53,108</u></b>	<b><u>6,453,857</u></b>
<b>Net Capital Assets</b>	<b>7,642,215</b>	<b>(1,135,250)</b>	<b>53,108</b>	<b>6,453,857</b>

Depreciation expenses were charged to governmental functions as follows:

Instruction	38,065
Instructional Student Support	949,851
Administration and Financial Services	849,935
Operation and Maintenance of Plant	378,368
Pupil Transportation	<u>609</u>
	<b>2,216,828</b>

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### NOTE 5 - CHANGES in CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	685,660	154,413	749	839,324
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>256,710</u>	<u>152,326</u>	<u>-0-</u>	<u>409,036</u>
<b>Net Capital Assets Being Depreciated</b>	<b><u>428,950</u></b>	<b><u>2,087</u></b>	<b><u>749</u></b>	<b><u>430,288</u></b>
<b>Net Capital Assets</b>	<b>428,950</b>	<b>2,087</b>	<b>749</b>	<b>430,288</b>

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

Management Services	6,564
Curriculum and Instructional Services	4,966
Special Education Administrative and Management Services	76,465
Technology Services	<u>64,331</u>
	<b>152,326</b>

#### NOTE 6 - DEFERRED REVENUES

Deferred revenues represents revenues collected but not earned as of June 30. This is primarily composed of revenues for various consortia, grant, and agency programs where excess revenue is recognized when expenditures are made in subsequent periods.

Deferred revenues balances at June 30, 2012, were as follows:

<u>Fund &amp; SBU</u>	<u>Amount</u>	<u>Purpose</u>
<u>General Fund</u>		
SBU 004 - Education Improvement Svcs	174,100	Used to offset future consortium expenses
SBU 005 - Early Learners	731,684	Reimbursable grant carryover funds
SBU 007 - Nonpublic School Svcs	4,850	Used to offset future consortium expenses
SBU 011 - Special Education Classroom Svcs	787	Reimbursable grant carryover funds
SBU 014 - Federal Pass Thru Funds Admin Svcs	397,493	Reimbursable grant carryover funds
SBU 015 - Statewide Initiatives	<u>2,009,976</u>	Reimbursable grant carryover funds
<b>General Fund Total</b>	<b><u>3,318,890</u></b>	

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 6 - DEFERRED REVENUES (Continued)

Special Education Fund

SBU 010 - Operations	<u>186,342</u>	Grant carryover funds
<b>Special Education Fund Total</b>	<b><u>186,342</u></b>	

Enterprise Fund

SBU 001 - Administrative & Management Svcs	3,519	Encumbrance adjustment
SBU 004 - Education Improvement Svcs	265,763	Used to offset future consortium expenses
SBU 007 - Nonpublic School Svcs	52,654	Used to offset future consortium expenses
SBU 016 - Regional Technology Solutions	<u>208,517</u>	Used to offset future consortium expenses
<b>Enterprise Fund Total</b>	<b><u>530,453</u></b>	

Internal Service Fund

SBU 017 - Technology Infrastructure	124	Encumbrance adjustment
SBU 019 - Facilities and Logistics	<u>350</u>	Encumbrance adjustment
<b>Internal Service Fund Total</b>	<b><u>474</u></b>	

Agency Funds

	<u><b>28,348</b></u>	Mini-business/Fundraiser balances - specific classes
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**Total Deferred Revenues at June 30, 2012      4,064,507**

### NOTE 7 - COMPENSATED ABSENCES

A summary of the amount recorded as a liability in the governmental activities for compensated absences was as follows for June 30, 2012:

Accumulated Sick Leave	1,179,374
Accumulated Vacation Leave	1,029,709
Employer Social Security and Medicare Share on Above	<u>39,386</u>
	<b><u>2,248,469</u></b>

Compensated absences activity can be summarized as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
	2,272,417	55,502	79,450	2,248,469

### NOTE 8 - 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 bonuses at June 30, 2012 was \$2,021,850.

**Lancaster-Lebanon Intermediate Unit No. 13**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 8 - RETIREMENT BONUSES (Continued)**

Retirement bonuses activity can be summarized as follows:

<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2012</b>
2,017,350	58,500	54,000	2,021,850

**NOTE 9 - LONG-TERM PAYABLE**

The Intermediate Unit has a long-term payable to the Lancaster-Lebanon Joint Authority for leasehold improvements made at the Lancaster facility complex. The term for the payable is 60 months with monthly payments in the amount of \$68,619 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, 2012:

<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2012</b>
274,478	-0-	(274,478)	-0-

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, 2012:

<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2012</b>
134,994	-0-	(134,994)	-0-

**NOTE 10 - REVENUE ANTICIPATION NOTE (LINE of CREDIT)**

On June 20, 2012, the Intermediate Unit Board of Directors approved the issuance of Revenue Anticipation Note, Series of 2012-2013, in the form of a line of credit, in an aggregate principal amount of \$7,500,000 with a variable interest rate equal to the LIBOR Rate plus 1.75% for fiscal year 2012-2013 with Fulton Bank. The line of credit will expire on June 30, 2013. On the expiration date, the Intermediate Unit shall pay to Fulton Bank the entire unpaid principal balance plus all accrued and outstanding interest owed on the line of credit without additional demand or notice from Fulton Bank. Payments of interest only shall be made quarterly during the term of the line of credit. There was no balance outstanding at June 30, 2012.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 11 - 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 \$803,516 and expiring in various years through 2018.

The following is a schedule of future minimum rentals on noncancelable operating leases as of June 30, 2012:

2013	1,765,566
2014	1,543,842
2015	1,298,549
2016	1,032,776
2017	130,600
2018	<u>21,767</u>
	<b>5,793,100</b>

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, 2012, were \$1,833,964.

### NOTE 12 - 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 Postemployment 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 \$1,489,782 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.



## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

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

##### Annual OPEB Cost and Net OPEB Obligation

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	820,006
Interest on OPEB Obligation	49,445
Adjustment to Annual Required Contribution	<u>(76,084)</u>
Annual OPEB Cost	793,367
Contributions Made	<u>539,715</u>
Estimated Increase in Net OPEB Obligation	253,652
Net OPEB Obligation - Beginning of Year	<u>1,236,130</u>
<b>Net OPEB Obligation - End of Year</b>	<b>1,489,782</b>

The Intermediate Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2011 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
6/30/2012	793,367	68%	1,489,782
6/30/2011	835,283	59%	1,236,130
6/30/2010	946,445	62%	890,210

##### 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 \$56,156,913, and the ratio of the UAAL to the covered payroll equaled 10.56%.

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.

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

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

##### **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 postemployment 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.

#### **NOTE 13 - DEFINED BENEFIT PENSION PLAN**

##### **Plan Description**

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

##### **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%. Members who joined the plan after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)

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, 2012, the rate of employer contribution was 8.65% of covered payroll. The 8.65% rate is comprised of a pension contribution rate of 8.00% for pension benefits and 0.65% 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, 2012, 2011, and 2010, were \$4,762,034, \$3,275,747 and \$2,658,572, respectively. Those amounts are equal to the required contribution for each year.

### NOTE 14 - RISK MANAGEMENT

#### Hospitalization

The Intermediate Unit is participating in the insurance consortium with member school districts to provide for the medical care for eligible employees and their dependents. The Intermediate Unit remits funds to the third-party administrators who process and pay the claims. The Intermediate Unit was limited in liability for claims to \$138,000 per individual per year and \$12,466,940 in total per year.

A liability for claims incurred prior to June 30, 2012, and subsequently paid is recorded in the amount of \$1,472,172 in accounts payable in the internal service fund.

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

Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2010 - 2011	1,758,617	12,711,547	(13,136,512)	1,333,652
2011 - 2012	1,333,652	14,131,281	(13,992,761)	1,472,172

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### **NOTE 14 - RISK MANAGEMENT (Continued)**

##### **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, 2012, 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 (the Fund), which is a cooperative voluntary trust arrangement for sixteen 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, 2012, 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, 2012, and the two previous years, no settlements exceeded insurance coverage.

#### **NOTE 15 - CONTINGENT LIABILITIES**

##### **Guarantee of Debt**

The Intermediate Unit has guaranteed a bank loan of the Lancaster-Lebanon Joint Authority with a balance of \$875,000 at June 30, 2012.

##### **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.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 15 - CONTINGENT LIABILITIES (Continued)

#### 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 16 - DEFICIT FUND BALANCE

At June 30, 2012, the special education transportation fund had a deficit balance of \$81,858, principally relating to the actual cost of contracted carrier expenses exceeding the projected expenses. The deficit will be funded with future revenues.

### NOTE 17 - FUND BALANCE CLASSIFICATIONS

Nonspendable fund balances 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, 2012, the Intermediate Unit has included the following as nonspendable fund balances:

General Fund - Inventories	86,705
General Fund - Prepaid Expenditures	195,806
Special Education Fund - Prepaid Expenditures	877

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, 2012, the Intermediate Unit has included the following as committed fund balances:

General Fund - Committed for General Operations	500,000
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Assigned fund balances 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, 2012, the Intermediate Unit has included the following as assigned fund balances:

General Fund - Assigned for Program Specific Purposes	346,080
General Fund - Encumbrances	3,271
Special Education Fund - Assigned for Program Specific Purposes	110,498

## Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of REVENUES, EXPENDITURES, and CHANGE in FUND BALANCE -  
BUDGET and ACTUAL -  
GENERAL FUND  
Year Ended June 30, 2012

	<b>Budget Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Local Sources	\$ 8,022,538	\$ 7,820,346	\$ 6,864,966	\$ (955,380)
State Sources	14,665,582	13,482,143	10,410,198	(3,071,945)
Federal Sources	47,432,288	46,621,452	46,025,108	(596,344)
<b>Total Revenues</b>	<b>70,120,408</b>	<b>67,923,941</b>	<b>63,300,272</b>	<b>(4,623,669)</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	15,077	15,077	-0-	15,077
Special Programs	7,425,273	7,209,043	6,393,642	815,401
Other Instructional Programs	1,088,659	1,088,659	956,115	132,544
Nonpublic School Programs	5,744,630	5,383,113	5,175,251	207,862
Adult Education Programs	1,800,446	1,389,564	1,272,459	117,105
Pre-Kindergarten	989,074	991,432	991,432	-0-
Support Services:				
Pupil Personnel Services	3,558,734	3,299,525	1,608,036	1,691,489
Instructional Staff Services	21,668,636	18,354,215	18,260,872	93,343
Administrative Services	4,225,849	5,059,916	5,036,991	22,925
Pupil Health	1,793	1,473	273	1,200
Business Services	4,338,196	2,827,476	2,447,170	380,306
Operation and Maintenance				
of Plant Services	3,955,769	3,619,795	3,576,740	43,055
Student Transportation Services	160,000	217,537	217,225	312
Central	3,736,451	3,405,606	3,401,729	3,877
Other Support Services	18,497,610	18,794,354	18,242,190	552,164
<b>Total Expenditures</b>	<b>77,206,197</b>	<b>71,656,785</b>	<b>67,580,125</b>	<b>4,076,660</b>
<b>(DEFICIENCY) of REVENUES over EXPENDITURES</b>	<b>(7,085,789)</b>	<b>(3,732,844)</b>	<b>(4,279,853)</b>	<b>(547,009)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	7,085,789	3,732,844	5,124,480	1,391,636
Operating Transfers Out	-0-	-0-	(587)	(587)
<b>NET CHANGE in FUND BALANCE</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>844,040</b>	<b>\$ 844,040</b>
<b>FUND BALANCE</b>				
Beginning			6,223,875	
Ending			<b>\$ 7,067,915</b>	

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, 2012

	<b>Budget Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Local Sources	\$ 36,308,759	\$ 36,308,759	\$ 35,862,056	\$ (446,703)
State Sources	4,120,069	4,358,753	4,381,622	22,869
<b>Total Revenues</b>	<b>40,428,828</b>	<b>40,667,512</b>	<b>40,243,678</b>	<b>(423,834)</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	29,555,796	29,919,121	29,914,933	4,188
Vocational Education Programs	2,551,887	2,218,562	2,218,562	-0-
Support Services:				
Pupil Personnel Services	544,158	575,158	574,218	940
Administrative Services	1,520,835	1,684,675	1,673,414	11,261
Pupil Health	2,639,726	2,578,726	2,298,598	280,128
Business Services	68,694	41,956	41,160	796
Operation and Maintenance of Plant Services	728,826	817,250	665,533	151,717
<b>Total Expenditures</b>	<b>37,609,922</b>	<b>37,835,448</b>	<b>37,386,418</b>	<b>449,030</b>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>2,818,906</b>	<b>2,832,064</b>	<b>2,857,260</b>	<b>25,196</b>
<b>OTHER FINANCING (USES)</b>				
Operating Transfers Out	<b>(2,818,906)</b>	<b>(2,832,064)</b>	<b>(2,804,072)</b>	<b>27,992</b>
<b>NET CHANGE in FUND BALANCE</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>53,188</b>	<b>\$ 53,188</b>
<b>FUND BALANCE</b>				
Beginning			58,187	
Ending			<b>\$ 111,375</b>	

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, 2012

	Budget Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
State Sources	\$ 3,587,900	\$ 3,587,900	\$ 3,640,688	\$ 52,788
<b>EXPENDITURES</b>				
Support Services:				
Operation and Maintenance of Plant Services	3,411	3,411	-0-	3,411
Student Transportation Services	3,413,696	3,413,696	3,312,636	101,060
<b>Total Expenditures</b>	<b>3,417,107</b>	<b>3,417,107</b>	<b>3,312,636</b>	<b>104,471</b>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>170,793</b>	<b>170,793</b>	<b>328,052</b>	<b>157,259</b>
<b>OTHER FINANCING (USES)</b>				
Operating Transfers Out	(170,793)	(170,793)	(165,618)	5,175
<b>NET CHANGE in FUND BALANCE</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>162,434</b>	<b>\$ 162,434</b>
<b>FUND BALANCE</b>				
Beginning			(244,292)	
Ending			<b>\$ (81,858)</b>	

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, 2012

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State Sources	<b>\$ 9,396,734</b>	<b>\$ 9,438,562</b>	<b>\$ 9,430,022</b>	<b>\$ (8,540)</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	6,738,741	6,699,062	6,691,055	8,007
Support Services:				
Pupil Personnel Services	678,316	669,633	669,482	151
Administrative Services	1,000	1,000	1,000	-0-
Pupil Health	1,337,652	1,300,064	1,299,679	385
Other Support Services	-0-	132,608	132,608	-0-
<b>Total Expenditures</b>	<b><u>8,755,709</u></b>	<b><u>8,802,367</u></b>	<b><u>8,793,824</u></b>	<b><u>8,543</u></b>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>641,025</b>	<b>636,195</b>	<b>636,198</b>	<b>3</b>
<b>OTHER FINANCING (USES)</b>				
Operating Transfers Out	<b><u>(641,025)</u></b>	<b><u>(636,195)</u></b>	<b><u>(636,198)</u></b>	<b><u>(3)</u></b>
<b>NET CHANGE in FUND BALANCE</b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b>-0-</b>	<b><u>\$ -0-</u></b>
<b>FUND BALANCE</b>				
Beginning			<u>-0-</u>	
Ending			<b><u>\$ -0-</u></b>	

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, 2012

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, 2011	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
<b>U.S. Department of Agriculture</b>									
<b>Passed Through Pennsylvania Department of Education:</b>									
School Breakfast Program (Note 4)	I/F	10.553	367	07/01/11 - 06/30/12	N/A	\$ -0-	\$ 3,292	\$ 3,835	\$ 543
National School Lunch Program (Note 4)	I/F	10.555	362	07/01/11 - 06/30/12	N/A	-0-	7,566	8,610	1,044
Child and Adult Care Food Program	I/F	10.558	164	10/01/11 - 09/30/12	N/A	-0-	195,058	180,309	(14,749)
Child and Adult Care Food Program (Note 3)	I/F	10.558	164	10/01/10 - 09/30/11	N/A	(8,973)	16,538	25,511	-0-
Child and Adult Care Food Program (Note 3)	I/F	10.558	164	10/01/10 - 09/30/11	N/A	-0-	-0-	-0-	-0-
<b>Total U.S. Department of Agriculture</b>						<b>(8,973)</b>	<b>222,454</b>	<b>218,265</b>	<b>(13,162)</b>
<b>U.S. Department of Labor</b>									
<b>Passed Through South Central Workforce Investment Board:</b>									
Workforce Investment Act Youth Activities (Note 4)	I/F	17.259	P11-433-180-11-3301-01	07/01/11 - 06/30/12	305,283	-0-	297,427	297,427	-0-
Workforce Investment Act Youth Activities (Note 4)	I/F	17.259	P10-433-180-10-3301	10/01/10 - 06/30/11	100,688	49,663	49,663	-0-	-0-
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	32,269	32,269	-0-	-0-
Workforce Investment Act Youth Activities (Notes 3 and 4)	I/F	17.259	P9-433-180-09-3301-01	07/09/09 - 06/30/10	80,000	-0-	-0-	-0-	-0-
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	-0-	-0-	-0-	-0-
<b>Total U.S. Department of Labor</b>						<b>81,932</b>	<b>379,359</b>	<b>297,427</b>	<b>-0-</b>
<b>U.S. Department of Education</b>									
Safe and Drug-Free Schools and Communities - National Programs	D/F	84.184	Q184E090068	08/01/09 - 09/30/12	488,556	\$ 37,460	\$ 106,525	\$ 93,047	\$ 23,982

See independent auditors' report.

## Lancaster-Lebanon Intermediate Unit No. 13

### SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2012

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, 2011	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
<b>U.S. Department of Education (Continued)</b>									
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	D/F	84.326C	H326C080007-11	10/01/11 - 09/30/12	371,952	\$ -0-	\$ 192,277	\$ 276,257	\$ 83,980
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (Note 3)	D/F	84.326C	H326C080007-10	10/01/10 - 09/30/11	371,952	<u>130,331</u>	<u>202,976</u>	<u>72,645</u>	<u>-0-</u>
<b>Total Direct Funding from U.S. Department of Education</b>						<b>167,791</b>	<b>501,778</b>	<b>441,949</b>	<b>107,962</b>
<b>Passed Through Pennsylvania Department of Education:</b>									
Adult Education - State Grant Program	I/F	84.002	041-120026	07/01/11 - 06/30/12	800,000	-0-	800,000	800,000	-0-
Adult Education - State Grant Program	I/F	84.002	061-120008	07/01/11 - 06/30/12	44,632	-0-	37,193	44,632	7,439
Adult Education - State Grant Program	I/F	84.002	041-110050	07/01/10 - 06/30/11	837,290	(68)	-0-	68	-0-
Adult Education - State Grant Program	I/F	84.002	061-110008	07/01/10 - 06/30/11	49,090	8,182	8,182	-0-	-0-
Adult Education - State Grant Program (Note 3)	I/F	84.002	091-110010	07/01/10 - 06/30/11	61,250	4,878	5,104	226	-0-
Adult Education - State Grant Program	I/F	84.002	099-110005	07/01/10 - 06/30/11	290,000	24,167	24,167	-0-	-0-
Title I Grants to Local Educational Agencies (Note 4)	I/F	84.010	013-120613	08/23/11 - 09/30/12	350,000	-0-	257,468	324,930	67,462
Title I Grants to Local Educational Agencies (Note 4)	I/F	84.010	013-110613	08/19/10 - 09/30/12	50,000	(475)	32,143	32,618	-0-
Special Education - Grants to States (Note 4)	I/F	84.027	062-120013	07/01/11 - 09/30/12	17,065,866	-0-	13,613,890	17,048,279	3,434,389
Special Education - Grants to States (Note 4)	I/F	84.027	062-120033	07/01/11 - 09/30/12	12,176,015	\$ -0-	\$ 10,552,546	\$ 11,653,406	\$ 1,100,860

See independent auditors' report.

## Lancaster-Lebanon Intermediate Unit No. 13

### SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2012

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, 2011	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
<b>U.S. Department of Education (Continued)</b>									
<b>Passed Through Pennsylvania</b>									
<b>Department of Education: (Continued)</b>									
Special Education - Grants to States (Note 4)	I/F	84.027	062-120037	07/01/11 - 09/30/12	210,000	\$ -0-	\$ 196,000	\$ 203,837	\$ 7,837
Special Education - Grants to States (Note 4)	I/F	84.027	131-110013	07/01/11 - 06/30/12	1,730,608	-0-	1,710,917	1,730,608	19,691
Special Education - Grants to States (Note 4)	I/F	84.027	062-110013	07/01/10 - 06/30/11	17,190,662	(6,071)	-0-	6,071	-0-
Special Education - Grants to States (Note 4)	I/F	84.027	062-110033	07/01/10 - 06/30/11	16,234,768	(491,871)	558,315	1,050,186	-0-
Special Education - Grants to States (Notes 2 and 4)	I/F	84.027	062-110037	07/01/10 - 06/30/11	210,000	(669)	-0-	-0-	(669)
Special Education - Preschool Grants (Note 4)	I/F	84.173	131-110013	07/01/11 - 06/30/12	473,554	-0-	473,554	473,554	-0-
Safe and Drug-Free Schools and Communities - State Grants (Note 2)	I/F	84.186	100-101610	06/10/11 - 09/30/11	21,901	-0-	16,426	16,246	(180)
Rehabilitation Services Demonstration and Training Programs	I/F	84.235	N/A	07/01/11 - 06/30/12	40,800	-0-	27,900	27,900	-0-
Rehabilitation Services Demonstration and Training Programs	I/F	84.235	N/A	07/01/11 - 06/30/12	31,200	-0-	34,500	34,500	-0-
Rehabilitation Services Demonstration and Training Programs	I/F	84.235	N/A	07/01/10 - 06/30/11	48,076	6,000	6,000	-0-	-0-
Rehabilitation Services Demonstration and Training Programs	I/F	84.235	N/A	07/01/10 - 06/30/11	33,000	14,900	14,900	-0-	-0-
Education Technology State Grants (Notes 2 and 4)	I/F	84.318	055-100613	09/30/09 - 09/30/11	70,700	(10,891)	-0-	4,732	(6,159)
English Language Acquisition Grants	I/F	84.365	010-120613	08/23/11 - 09/30/12	210,319	-0-	59,689	-0-	(59,689)
English Language Acquisition Grants	I/F	84.365	010-110613	10/29/10 - 09/30/12	167,533	(55,844)	41,883	118,898	21,171
English Language Acquisition Grants	I/F	84.365	010-100613	12/23/09 - 09/30/11	258,510	59,587	129,255	69,668	-0-
Mathematics and Science Partnerships	I/F	84.366	075-110613	06/21/11 - 09/30/12	543,049	\$ -0-	\$ 373,346	\$ 514,522	\$ 141,176

See independent auditors' report.

## Lancaster-Lebanon Intermediate Unit No. 13

### SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2012

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, 2011	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
<b>U.S. Department of Education (Continued)</b>									
<b>Passed Through Pennsylvania Department of Education: (Continued)</b>									
Mathematics and Science Partnerships	I/F	84.366	075-100613	06/14/10 - 09/30/11	587,925	\$ 59,641	\$ 146,981	\$ 87,340	\$ -0-
Improving Teacher Quality State Grants	I/F	84.367	020-120613	08/23/11 - 09/30/12	44,011	-0-	15,718	-0-	(15,718)
Improving Teacher Quality State Grants	I/F	84.367	020-110613	08/19/10 - 09/30/12	44,011	(7,805)	22,005	22,892	(6,918)
Improving Teacher Quality State Grants	I/F	84.367	020-100613	09/30/09 - 09/30/11	44,011	(7,929)	-0-	7,929	-0-
Striving Readers	I/F	84.371	4100059334	10/01/11 - 09/30/12	1,870,231	-0-	-0-	289,557	289,557
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	523,675	3,095,672	2,571,997	-0-
ARRA - Special Education Preschool Grants, Recovery Act (Note 4)	I/F	84.392	137-110013	07/01/11 - 09/30/11	117,655	-0-	117,655	117,655	-0-
ARRA - Special Education Preschool Grants, Recovery Act (Note 4)	I/F	84.392	137-100013	07/01/10 - 06/30/11	207,736	<u>85,111</u>	<u>86,557</u>	<u>1,446</u>	<u>-0-</u>
<b>Total Passed Through Pennsylvania Department of Education</b>						<b>204,518</b>	<b>32,457,966</b>	<b>37,253,697</b>	<b>5,000,249</b>
<b>Passed Through Tuscarora Intermediate Unit No. 11:</b>									
Special Education - Preschool Grants (Note 4)	I/F	84.173	N/A	07/01/11 - 06/30/12	35,150	-0-	28,937	35,028	6,091
Special Education - Preschool Grants (Note 4)	I/F	84.173	N/A	06/15/11 - 06/30/12	25,000	-0-	16,330	25,000	8,670
Special Education - Preschool Grants (Notes 3 and 4)	I/F	84.173	N/A	07/01/10 - 06/30/11	34,500	<u>5,575</u>	<u>5,575</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through Tuscarora Intermediate Unit No. 11</b>						<b>5,575</b>	<b>50,842</b>	<b>60,028</b>	<b>14,761</b>
<b>Total U.S. Department of Education</b>						<b>\$ 377,884</b>	<b>\$ 33,010,586</b>	<b>\$ 37,755,674</b>	<b>\$ 5,122,972</b>

See independent auditors' report.

## Lancaster-Lebanon Intermediate Unit No. 13

### SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2012

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, 2011	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
<b>U.S. Department of Health and Human Services</b>									
Head Start (Note 4)	D/F	93.600	03CH0167/00	01/01/12 - 12/31/12	1,568,152	\$ -0-	\$ 377,608	\$ 821,969	\$ 444,361
Head Start (Note 4)	D/F	93.600	03CH0167/33	01/01/11 - 12/31/11	1,568,152	<u>441,087</u>	<u>1,190,610</u>	<u>749,523</u>	<u>-0-</u>
<b>Total Direct Funding from U.S. Department of Health and Human Services</b>						<b>441,087</b>	<b>1,568,218</b>	<b>1,571,492</b>	<b>444,361</b>
<b>Passed Through South Central Workforce Investment Board:</b>									
Temporary Assistance for Needy Families (Note 4)	I/F	93.558	P10-433-180-10-3361-02	07/01/11 - 06/30/12	85,602	-0-	62,488	85,602	23,114
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	19,875	19,875	-0-	-0-
Temporary Assistance for Needy Families (Notes 3 and 4)	I/F	93.558	P9-433-180-09-3361-02	07/01/09 - 06/30/10	106,150	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through South Central Workforce Investment Board</b>						<b>19,875</b>	<b>82,363</b>	<b>85,602</b>	<b>23,114</b>
<b>Passed Through Pennsylvania Department of Education:</b>									
Temporary Assistance for Needy Families (Notes 3 and 4)	I/F	93.558	091-110010	07/01/10 - 06/30/11	245,000	20,417	20,417	-0-	-0-
Head Start (Note 4)	I/F	93.600	N/A	10/01/11 - 09/30/12	595,900	-0-	222,197	398,543	176,346
ARRA - Head Start, Recovery Act (Note 4)	I/F	93.708	4100051566	07/01/11 - 09/30/11	100,330	-0-	100,330	100,330	-0-
ARRA - Head Start, Recovery Act (Notes 3 and 4)	I/F	93.708	N/A	01/01/10 - 06/30/10	132,561	14,333	14,333	-0-	-0-
Medical Assistance Program (Note 4)	I/F	93.778	044-007513	07/01/11 - 06/30/12	N/A	-0-	75,273	96,840	21,567
Medical Assistance Program (Note 4)	I/F	93.778	092-007513	07/01/11 - 06/30/12	N/A	\$ -0-	\$ 47,182	\$ 57,365	\$ 10,183

See independent auditors' report.

## Lancaster-Lebanon Intermediate Unit No. 13

### SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2012

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, 2011	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
<b>U.S. Department of Health and Human Services (Continued)</b>									
<b>Passed Through Pennsylvania</b>									
<b>Department of Education: (Continued)</b>									
Medical Assistance Program (Note 4)	I/F	93.778	044-007513	07/01/10 - 06/30/11	N/A	\$ 43,548	\$ 43,548	\$ -0-	\$ -0-
Medical Assistance Program (Note 4)	I/F	93.778	092-007513	07/01/10 - 06/30/11	N/A	<u>24,827</u>	<u>24,827</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through Pennsylvania Department of Education</b>						<b><u>103,125</u></b>	<b><u>548,107</u></b>	<b><u>653,078</u></b>	<b><u>208,096</u></b>
<b>Total U.S. Department of Health and Human Services</b>						<b><u>564,087</u></b>	<b><u>2,198,688</u></b>	<b><u>2,310,172</u></b>	<b><u>675,571</u></b>
<b>U.S. Department of Homeland Security</b>									
Citizenship Education and Training	D/F	97.010	2010-CS-010-000030	10/01/10 - 09/30/11	100,000	25,065	66,263	41,198	-0-
Citizenship Education and Training	D/F	97.010	2010-CS-010-000030	10/01/11 - 09/30/13	200,000	<u>-0-</u>	<u>16,937</u>	<u>59,907</u>	<u>42,970</u>
<b>Total U.S. Department of Homeland Security</b>						<b><u>25,065</u></b>	<b><u>83,200</u></b>	<b><u>101,105</u></b>	<b><u>42,970</u></b>
<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>						<b><u>\$ 1,039,995</u></b>	<b><u>\$ 35,894,287</u></b>	<b><u>\$ 40,682,643</u></b>	<b><u>\$ 5,828,351</u></b>

Legend

D = Direct Funding

I = Indirect Funding

F = Federal Share

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

## Lancaster-Lebanon Intermediate Unit No. 13

### SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2012

#### 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 during the year ended June 30, 2012.

**NOTE 3 - ACCRUAL (DEFERRAL) ADJUSTMENTS at JUNE 30, 2011**

Project Title	Federal CFDA Number	Grantor Number	Accrual (Deferral) Shown at June 30, 2011	Correct Accrual (Deferral) at June 30, 2011
Child and Adult Care Food Program	10.558	164	(15,933)	(8,973)
Child and Adult Care Food Program	10.558	164	6,960	-0-
Workforce Investment Act Youth Activities (07/01/09 - 06/30/10)	17.259	P9-433-180-09-3301-01	15,239	-0-
Workforce Investment Act Youth Activities	17.259	P8-433-180-08-3301-01	4,196	-0-
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326C	H326C080007-10	103,944	130,331
Adult Education - State Grant Program	84.002	091-110010	5,059	4,878
Special Education - Preschool Grants	84.173	N/A	-0-	5,575
Temporary Assistance for Needy Families	93.558	P9-433-180-09-3361-02	15,809	-0-
Temporary Assistance for Needy Families	93.558	091-110010	20,236	20,417
ARRA - Head Start, Recovery Act	93.708	4100051566	-0-	14,333

See independent auditors' report.

## Lancaster-Lebanon Intermediate Unit No. 13

### SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2012

### NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

#### 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
ARRA - Special Education Grants to States, Recovery Act	84.391	Special Education Cluster
ARRA - Special Education Preschool Grants, Recovery Act	84.392	Special Education Cluster
Temporary Assistance for Needy Families	93.558	TANF Cluster
Head Start	93.600	Head Start Cluster
ARRA - Head Start, Recovery Act	93.708	Head Start Cluster
Medical Assistance Program	93.778	Medicaid Cluster

#### NOTE 5 - ACCESS

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal money but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2012, was \$3,776,367 and \$1,539,627 which is listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

See independent auditors' report.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13** as of and for the year ended June 30, 2012, which collectively comprise **Lancaster-Lebanon Intermediate Unit No. 13's** basic financial statements and have issued our report thereon dated January 3, 2013. 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**

Management of **Lancaster-Lebanon Intermediate Unit No. 13** is responsible for establishing and maintaining effective 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 previously.

## Compliance and Other Matters

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

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

January 3, 2013  
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, 2012. **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, 2012.

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**SERVICE | ANSWERS | TRUST**

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## 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of **Lancaster-Lebanon Intermediate Unit No. 13's** major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on **Lancaster-Lebanon Intermediate Unit No. 13's** compliance but not to provide an opinion on the effectiveness of **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Lancaster-Lebanon Intermediate Unit No. 13's** compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

January 3, 2013  
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, 2012

#### 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 material weaknesses or 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 material weaknesses or 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: Head Start - CFDA #93.600, ARRA - Head Start, Recovery Act - CFDA #93.708, 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 \$1,220,479.
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, 2012

There are no prior audit findings.