

Lancaster-Lebanon Intermediate Unit No. 13

Year Ended June 30, 2013



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, 2013

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Financial Statements with Supplementary Information

Year Ended June 30, 2013

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13**, Pennsylvania (the Intermediate Unit) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Intermediate Unit's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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.

### *Other Information*

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 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014, on our consideration of **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 and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over financial reporting and compliance.

January 7, 2014  
Lancaster, Pennsylvania



TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

# Lancaster-Lebanon Intermediate Unit 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2013

The discussion and analysis of **Lancaster-Lebanon Intermediate Unit 13's** financial performance provides an overall review of the Intermediate Unit's financial activities for the year ended June 30, 2013. 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, 2013, are as follows:

- The Intermediate Unit's financial status as reflected in the total net position increased \$2,798,044 from the prior year. This increase is reflected as an increase in net position for governmental activities of \$2,746,938 and an increase in net position for business-type activities of \$51,106.
- Revenues totaled \$127.2 million. General revenues accounted for \$460,376, or 0.4% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$126.7 million, or 99.6%, of total revenues.
- The Intermediate Unit had \$104.2 million in expenses related to governmental activities; \$104.0 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 \$54.1 million in revenues, \$58.8 million in expenditures, and \$5.6 million in other financing sources. The general fund's fund balance increased by \$858,092 to \$7.9 million.
- The special revenue fund, which includes the special education services programs, the special education transportation program and the state funded early intervention program, reports \$50.3 million in revenues, \$46.9 million in expenditures, and \$3.3 million in other financing uses. The special revenue fund's fund balance increased by \$137,002 to \$166,519.
- The enterprise fund reports \$22.7 million in revenues, \$20.2 million in expenditures, and \$2.5 million in other financing uses. The enterprise fund's fund balance increased by \$51,106 to \$2.6 million.
- The Intermediate Unit's current business plan adopted in May 2008 established a target fund balance of 8% of total expenditures. The combined fund balance of the Intermediate Unit, including general fund, special revenue fund, and enterprise fund is \$10.7 million, which is 8.51% of total expenditures.
- The internal service fund, which includes the research and development fund, the operating infrastructure programs, the retirement stabilization fund, the hospitalization fund, the worker's compensation fund and the unemployment fund, reports \$24.0 million in revenues, \$21.2 million in expenditures, and \$128,876 net in other financing sources. The internal service fund's fund balance increased by \$2.98 million to \$10,619,352.

# Lancaster-Lebanon Intermediate Unit 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2013

### 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 position 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 position and present information showing how the Intermediate Unit's net position have changed. Net position, 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 position are an indication of whether its financial health is improving or deteriorating, respectively.

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

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

- **Governmental Activities** - All of the Intermediate Unit's basic services are included here, such as instruction, curriculum, management, administrative and community services. School District special education contract, state grants/allocations and federal grants finance most of these activities.
- **Business-Type Activities** - The Intermediate Unit's 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 position and the statement of activities) and governmental funds is reconciled in the financial statements. Governmental funds include the general fund and the special revenue fund.

# Lancaster-Lebanon Intermediate Unit 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2013

### Reporting on the Intermediate Unit as a Whole (Continued)

#### Fund Financial Statements (Continued)

- **Proprietary Funds** - The proprietary funds are used to account for the Intermediate Unit's activities that are similar to business operations in the private sector; and a significant portion of funding is obtained through user charges for services provided to outside customers or other programs of the Intermediate Unit. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.
- **Fiduciary Funds** - The fiduciary funds are used to account for the assets held by the Intermediate Unit as a trustee or agent for the following activities and groups: the school-to-work program, special education activities fund, Lancaster tax collection payroll and Lancaster-Lebanon athletic association payroll. All of the Intermediate Unit's fiduciary activities are reported in a separate statement of net position - fiduciary fund on [Page 19](#). We exclude these activities from the Intermediate Unit's other financial statement because the Intermediate Unit cannot use these assets to finance its operations.

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

Table 1 provides a summary of the Intermediate Unit's net position for 2013 compared to 2012.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and Other Assets	36,883,698	40,057,622	3,509,509	3,547,132	40,393,207	43,604,754
Capital Assets	<u>4,927,457</u>	<u>6,453,856</u>	<u>731,972</u>	<u>430,288</u>	<u>5,659,429</u>	<u>6,884,144</u>
<b>Total Assets</b>	<b>41,811,155</b>	<b>46,511,478</b>	<b>4,241,481</b>	<b>3,977,420</b>	<b>46,052,636</b>	<b>50,488,898</b>
<b>Liabilities</b>						
Current and Other Liabilities	20,995,681	28,804,553	1,604,613	1,391,658	22,600,294	30,196,211
Long-Term Liabilities	<u>5,996,712</u>	<u>5,635,101</u>	<u>-0-</u>	<u>-0-</u>	<u>5,996,712</u>	<u>5,635,101</u>
<b>Total Liabilities</b>	<b>26,992,393</b>	<b>34,439,654</b>	<b>1,604,613</b>	<b>1,391,658</b>	<b>28,597,006</b>	<b>35,831,312</b>
<b>Net Position</b>						
Invested in Capital Assets, Net of Related Debt	4,927,457	6,453,856	731,972	430,288	5,659,429	6,884,144
Restricted	-0-	-0-	-0-	-0-	-0-	-0-
Unrestricted	<u>9,891,305</u>	<u>5,617,968</u>	<u>1,904,896</u>	<u>2,155,474</u>	<u>11,796,201</u>	<u>7,773,442</u>
<b>Total Net Position</b>	<b>14,818,762</b>	<b>12,071,824</b>	<b>2,636,868</b>	<b>2,585,762</b>	<b>17,455,630</b>	<b>14,657,586</b>



# Lancaster-Lebanon Intermediate Unit 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2013

### Reporting on the Intermediate Unit as a Whole (Continued)

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

Table 2 shows the changes in net position for 2013 compared to 2012.

**Table 2**  
**Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Charges for Services	36,359,507	42,119,527	21,794,850	17,171,554	58,154,357	59,291,081
Operating Grants and Contributions	67,644,172	74,016,183	949,053	770,644	68,593,225	74,786,827
General Revenues:						
Grants, Subsidies, and Contributions Not Restricted	639,215	639,215	-0-	-0-	639,215	639,215
Investment Earnings	15,266	16,426	-0-	-0-	15,266	16,426
Miscellaneous Income	8,835	2,254	-0-	-0-	8,835	2,254
Transfers	2,456,419	1,586,998	(2,456,419)	(1,586,998)	-0-	-0-
Loss on Disposal of Assets	<u>(202,940)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(202,940)</u>	<u>-0-</u>
<b>Total Revenues</b>	<b>106,920,474</b>	<b>118,380,603</b>	<b>20,287,484</b>	<b>16,355,200</b>	<b>127,207,958</b>	<b>134,735,803</b>
<b>Expenses</b>						
Instruction	50,383,678	53,792,367	-0-	-0-	50,383,678	53,792,367
Instructional Student Support	23,402,024	25,038,131	-0-	-0-	23,402,024	25,038,131
Administrative and Financial Support Services	23,725,773	30,219,482	-0-	-0-	23,725,773	30,219,482
Operation and Maintenance of Plant Services	3,766,866	3,973,395	-0-	-0-	3,766,866	3,973,395
Pupil Transportation	2,895,195	3,530,252	-0-	-0-	2,895,195	3,530,252
Student Activities	-0-	-0-	-0-	-0-	-0-	-0-
Insurance Consortia Services	-0-	-0-	101,547	90,642	101,547	90,642
Management Services	-0-	-0-	2,213,603	1,447,837	2,213,603	1,447,837
Adult Education Services	-0-	-0-	484,328	692,190	484,328	692,190
Curriculum and Instruction Services	-0-	-0-	2,809,599	1,128,047	2,809,599	1,128,047
Special Education Administrative and Management Services	-0-	-0-	5,778,473	5,041,103	5,778,473	5,041,103
Technology Services	<u>-0-</u>	<u>-0-</u>	<u>8,848,828</u>	<u>8,138,273</u>	<u>8,848,828</u>	<u>8,138,273</u>
<b>Total Expenses</b>	<b>104,173,536</b>	<b>116,553,627</b>	<b>20,236,378</b>	<b>16,538,092</b>	<b>124,409,914</b>	<b>133,091,719</b>
<b>Increase (Decrease) in Net Position</b>	<b>2,746,938</b>	<b>1,826,976</b>	<b>51,106</b>	<b>(182,892)</b>	<b>2,798,044</b>	<b>1,644,084</b>

# Lancaster-Lebanon Intermediate Unit 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2013

### Reporting on the Intermediate Unit as a Whole (Continued)

#### 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**

Functions	Total Cost of Expenses		Net Cost of Expenses	
	2013	2012	2013	2012
Instruction	50,383,678	53,792,367	2,778,971	3,132,444
Instructional Student Support	23,402,024	25,038,131	(894,169)	(164,119)
Administrative and Financial Support Services	23,725,773	30,219,482	(2,452,150)	(3,485,989)
Operation and Maintenance of Plant and Svcs	3,766,866	3,973,395	132,148	(238,598)
Pupil Transportation	<u>2,895,195</u>	<u>3,530,252</u>	<u>265,343</u>	<u>338,345</u>
<b>Total Expenses</b>	<b>104,173,536</b>	<b>116,553,627</b>	<b>(169,857)</b>	<b>(417,917)</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, 2013, the Intermediate Unit government funds reported a combined fund balance of \$8,092,526 which is an increase of \$995,094 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 - 47.

# Lancaster-Lebanon Intermediate Unit 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2013

### Strategic Planning

During 2012-2013, 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 2012-13, the Intermediate Unit focused on the following strategic priorities:

- **Information Systems** - Develop and use integrated data/information systems that provide accurate data to increase the Intermediate Unit'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 Intermediate Unit's mission and vision.
- **Cyber Solutions** - Invest in researching and building capacity to design and deliver curriculum, instruction, and assessment services via cyber solutions to: provide cost savings alternatives to member school districts, respond to the increased needs of educational opportunities to be 24/7, and bring added cyber educational solutions to area students, schools, and districts.

### Contacting the Intermediate Unit's Financial Management

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

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of NET POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 6,337,836	\$ -0-	\$ 6,337,836
Investments, at Fair Value	14,754,831	-0-	14,754,831
Internal Balances	1,664,058	(1,664,058)	-0-
Due from Other Governments	11,969,871	4,628,169	16,598,040
Other Receivables	389,139	267,426	656,565
Inventories	81,701	-0-	81,701
Prepaid Expenses	1,672,114	277,972	1,950,086
Other Current Assets	14,148	-0-	14,148
<b>Total Current Assets</b>	<b>36,883,698</b>	<b>3,509,509</b>	<b>40,393,207</b>
<b>Noncurrent Assets</b>			
Building and Building Improvements, net of Accumulated Depreciation	2,333,029	-0-	2,333,029
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	2,413,495	731,972	3,145,467
Vehicles, net of Accumulated Depreciation	180,933	-0-	180,933
<b>Total Noncurrent Assets</b>	<b>4,927,457</b>	<b>731,972</b>	<b>5,659,429</b>
<b>TOTAL ASSETS</b>	<b>\$ 41,811,155</b>	<b>\$ 4,241,481</b>	<b>\$ 46,052,636</b>

See notes to financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of NET POSITION

(Continued)

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Due to Other Governments	\$ 3,845,015	\$ -0-	\$ 3,845,015
Accounts Payable	5,409,198	-0-	5,409,198
Accrued Salaries and Benefits	4,673,402	452,355	5,125,757
Payroll Deductions and Withholdings	1,991,620	-0-	1,991,620
Deferred Revenues	3,950,579	738,956	4,689,535
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	1,000,867	413,302	1,414,169
<b>Total Current Liabilities</b>	<b><u>20,995,681</u></b>	<b><u>1,604,613</u></b>	<b><u>22,600,294</u></b>
<b>Noncurrent Liabilities</b>			
Other Postemployment Benefit			
Obligation	1,747,081	-0-	1,747,081
Long-Term Portion of			
Retirement Bonus	2,012,808	-0-	2,012,808
Long-Term Portion of			
Compensated Absences	2,236,823	-0-	2,236,823
<b>Total Noncurrent Liabilities</b>	<b><u>5,996,712</u></b>	<b><u>-0-</u></b>	<b><u>5,996,712</u></b>
 <b>TOTAL LIABILITIES</b>	 <b><u>26,992,393</u></b>	 <b><u>1,604,613</u></b>	 <b><u>28,597,006</u></b>
 <b>NET POSITION</b>			
Invested in Capital Assets, net of Related Debt	4,927,457	731,972	5,659,429
Unrestricted	9,891,305	1,904,896	11,796,201
 <b>TOTAL NET POSITION</b>	 <b><u>\$ 14,818,762</u></b>	 <b><u>\$ 2,636,868</u></b>	 <b><u>\$ 17,455,630</u></b>

See notes to financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of ACTIVITIES

Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total Government
Governmental Activities:							
Instruction	\$ 50,383,678	\$ 29,780,378	\$ 23,382,271	\$ -0-	\$ 2,778,971	-0-	\$ 2,778,971
Instructional Student Support	23,402,024	5,462,475	17,045,380	-0-	(894,169)	-0-	(894,169)
Administrative and Financial Support Services	23,725,773	727,243	20,546,380	-0-	(2,452,150)	-0-	(2,452,150)
Operation and Maintenance of Plant Services	3,766,866	389,411	3,509,603	-0-	132,148	-0-	132,148
Pupil Transportation	2,895,195	-0-	3,160,538	-0-	265,343	-0-	265,343
<b>Total Governmental Activities</b>	<b>104,173,536</b>	<b>36,359,507</b>	<b>67,644,172</b>	<b>-0-</b>	<b>(169,857)</b>	<b>-0-</b>	<b>(169,857)</b>
Business-Type Activities:							
Insurance Consortia Services	101,547	115,824	5,519	-0-	-0-	19,796	19,796
Management Services	2,213,603	3,286,778	128,906	-0-	-0-	1,202,081	1,202,081
Adult Education Services	484,328	497,299	25,497	-0-	-0-	38,468	38,468
Curriculum and Instruction Services	2,809,599	2,486,662	433,842	-0-	-0-	110,905	110,905
Special Education Administrative and Management Services	5,778,473	5,867,646	322,773	-0-	-0-	411,946	411,946
Technology Services	8,848,828	9,540,641	32,516	-0-	-0-	724,329	724,329
<b>Total Business-Type Activities</b>	<b>20,236,378</b>	<b>21,794,850</b>	<b>949,053</b>	<b>-0-</b>	<b>-0-</b>	<b>2,507,525</b>	<b>2,507,525</b>
<b>Total Primary Government</b>	<b>124,409,914</b>	<b>58,154,357</b>	<b>68,593,225</b>	<b>-0-</b>	<b>(169,857)</b>	<b>2,507,525</b>	<b>2,337,668</b>
General Revenues:							
Grants, Subsidies, and Contributions							
Not Restricted					639,215	-0-	639,215
Investment Earnings					15,266	-0-	15,266
Miscellaneous Income					8,835	-0-	8,835
Transfers					2,456,419	(2,456,419)	-0-
Loss on Disposal of Assets					(202,940)	-0-	(202,940)
<b>Total General Revenues</b>					<b>2,916,795</b>	<b>(2,456,419)</b>	<b>460,376</b>
<b>CHANGES in NET POSITION</b>					<b>2,746,938</b>	<b>51,106</b>	<b>2,798,044</b>
<b>NET POSITION</b>							
Beginning					12,071,824	2,585,762	14,657,586
Ending					<b>\$ 14,818,762</b>	<b>\$ 2,636,868</b>	<b>\$ 17,455,630</b>

See notes to financial statements.

## Lancaster-Lebanon Intermediate Unit No. 13

### BALANCE SHEET - GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	Major Funds				Total Governmental Funds
	General Fund	Special Education Fund	Special Education Transportation Fund	State Funded Early Intervention Fund	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,337,836	\$ -0-	\$ -0-	\$ -0-	\$ 6,337,836
Investments	14,754,831	-0-	-0-	-0-	14,754,831
Due from Other Funds	-0-	2,778,258	53,853	-0-	2,832,111
Due from Other Governments	9,099,239	1,501,483	-0-	1,330,000	11,930,722
Other Receivables	68,990	-0-	-0-	-0-	68,990
Inventories	80,834	-0-	-0-	-0-	80,834
Prepaid Expenditures	274,799	3,023	1,695	-0-	279,517
Other Current Assets	14,148	-0-	-0-	-0-	14,148
<b>TOTAL ASSETS</b>	<b><u>30,630,677</u></b>	<b><u>4,282,764</u></b>	<b><u>55,548</u></b>	<b><u>1,330,000</u></b>	<b><u>36,298,989</u></b>
<b>LIABILITIES and FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to Other Funds	7,183,828	-0-	-0-	1,315,432	8,499,260
Due to Other Governments	3,298,282	546,733	-0-	-0-	3,845,015
Accounts Payable	4,369,430	-0-	-0-	-0-	4,369,430
Accrued Salaries and Benefits	1,373,413	3,281,981	404	14,568	4,670,366
Payroll Deductions and Withholdings	1,991,620	-0-	-0-	-0-	1,991,620
Deferred Revenues	3,605,774	341,281	-0-	-0-	3,947,055
Compensated Absences Payable	125,000	-0-	-0-	-0-	125,000
Other Current Liabilities	757,323	1,394	-0-	-0-	758,717
<b>TOTAL LIABILITIES</b>	<b><u>22,704,670</u></b>	<b><u>4,171,389</u></b>	<b><u>404</u></b>	<b><u>1,330,000</u></b>	<b><u>28,206,463</u></b>
<b>FUND BALANCES</b>					
Nonspendable	355,633	3,023	1,695	-0-	360,351
Committed	1,000,000	-0-	-0-	-0-	1,000,000
Assigned	490,339	108,352	53,449	-0-	652,140
Unassigned	6,080,035	-0-	-0-	-0-	6,080,035
<b>TOTAL FUND BALANCES</b>	<b><u>7,926,007</u></b>	<b><u>111,375</u></b>	<b><u>55,144</u></b>	<b><u>-0-</u></b>	<b><u>8,092,526</u></b>
<b>TOTAL LIABILITIES and FUND BALANCES</b>	<b><u>\$ 30,630,677</u></b>	<b><u>\$ 4,282,764</u></b>	<b><u>\$ 55,548</u></b>	<b><u>\$ 1,330,000</u></b>	<b><u>\$ 36,298,989</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 POSITION  
 June 30, 2013

Total fund balance - governmental funds \$ 8,092,526

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$17,753,985, and the accumulated depreciation is \$15,650,389. 2,103,596

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	(1,747,081)	
Retirement Bonus	(2,012,808)	
Compensated Absences	<u>(2,236,823)</u>	
		(5,996,712)

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	7,452,683	
Intergovernmental Receivable	39,149	
Other Receivables	198,673	
Inventories	867	
Prepaid Expenses	1,392,597	
Building and Building Improvements, net of Accumulated Depreciation	2,109,568	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	714,293	
Accounts Payable	(1,039,768)	
Accrued Salaries and Benefits	(3,036)	
Deferred Revenue	(3,524)	
Other Current Liabilities	<u>(242,150)</u>	
		<u>10,619,352</u>

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 14,818,762**

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, 2013

	General Fund	Special Education Fund	Special Education Transportation Fund	State Funded Early Intervention Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources	\$ 5,142,165	\$ 31,803,646	\$ -0-	\$ -0-	\$ 36,945,811
State Sources	11,926,933	4,535,358	2,874,401	11,135,803	30,472,495
Federal Sources	<u>37,028,459</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>37,028,459</u>
<b>Total Revenues</b>	<b><u>54,097,557</u></b>	<b><u>36,339,004</u></b>	<b><u>2,874,401</u></b>	<b><u>11,135,803</u></b>	<b><u>104,446,765</u></b>
<b>EXPENDITURES</b>					
Instructional Services	13,492,091	28,438,575	-0-	8,209,486	50,140,152
Support Services	<u>45,344,846</u>	<u>5,398,252</u>	<u>2,620,382</u>	<u>2,275,582</u>	<u>55,639,062</u>
<b>Total Expenditures</b>	<b><u>58,836,937</u></b>	<b><u>33,836,827</u></b>	<b><u>2,620,382</u></b>	<b><u>10,485,068</u></b>	<b><u>105,779,214</u></b>
<b>EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES</b>	<b><u>(4,739,380)</u></b>	<b><u>2,502,177</u></b>	<b><u>254,019</u></b>	<b><u>650,735</u></b>	<b><u>(1,332,449)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	5,597,472	-0-	-0-	-0-	5,597,472
Operating Transfers Out	<u>-0-</u>	<u>(2,502,177)</u>	<u>(117,017)</u>	<u>(650,735)</u>	<u>(3,269,929)</u>
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b><u>5,597,472</u></b>	<b><u>(2,502,177)</u></b>	<b><u>(117,017)</u></b>	<b><u>(650,735)</u></b>	<b><u>2,327,543</u></b>
<b>NET CHANGES in FUND BALANCES</b>	<b><u>858,092</u></b>	<b><u>-0-</u></b>	<b><u>137,002</u></b>	<b><u>-0-</u></b>	<b><u>995,094</u></b>
<b>FUND BALANCES</b>					
Beginning	<u>7,067,915</u>	<u>111,375</u>	<u>(81,858)</u>	<u>-0-</u>	<u>7,097,432</u>
Ending	<b><u>\$ 7,926,007</u></b>	<b><u>\$ 111,375</u></b>	<b><u>\$ 55,144</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 8,092,526</u></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, 2013

Net changes in fund balances - total governmental funds \$ 995,094

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	(1,054,288)	
Capital Outlays	<u>187,206</u>	867,082

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. (361,613)

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. 2,980,539

**CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES \$ 4,481,102**

See notes to financial statements.

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

STATEMENT of NET POSITION -

PROPRIETARY FUNDS

June 30, 2013

	<u>Major Fund</u>	
	Enterprise Fund	Internal Service Fund
<b>ASSETS</b>		
<b>Current Assets</b>		
Due from Other Funds	\$ -0-	\$ 7,452,683
Due from Other Governments	4,628,169	39,149
Other Receivables	267,426	198,673
Inventories	-0-	867
Prepaid Expenses	277,972	1,392,597
Other Current Assets	-0-	-0-
<b>Total Current Assets</b>	<b><u>5,173,567</u></b>	<b><u>9,083,969</u></b>
<b>Noncurrent Assets</b>		
Leasehold Improvements, net of Accumulated Depreciation	-0-	2,109,568
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	731,972	714,293
<b>Total Noncurrent Assets</b>	<b><u>731,972</u></b>	<b><u>2,823,861</u></b>
<b>TOTAL ASSETS</b>	<b><u>5,905,539</u></b>	<b><u>11,907,830</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Due to Other Funds	1,664,058	-0-
Accounts Payable	-0-	1,039,768
Accrued Salaries and Benefits	452,355	3,036
Deferred Revenue	738,956	3,524
Other Current Liabilities	413,302	242,150
<b>TOTAL LIABILITIES</b>	<b><u>3,268,671</u></b>	<b><u>1,288,478</u></b>
<b>NET POSITION</b>		
Invested in Capital Assets, net of Related Debt	731,972	2,823,861
Unrestricted	1,904,896	7,795,491
<b>TOTAL NET POSITION</b>	<b><u>\$ 2,636,868</u></b>	<b><u>\$ 10,619,352</u></b>

See notes to financial statements.

**Lancaster-Lebanon Intermediate Unit No. 13**  
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	<b>Major Fund</b>		<b>Internal Service Fund</b>
	<b>Enterprise Fund</b>		<b>Fund</b>
<b>OPERATING REVENUES</b>			
Local Sources:			
Charges for Services	<b>\$ 21,794,850</b>		<b>\$ 23,867,776</b>
<b>OPERATING EXPENSES</b>			
Salaries	4,679,198		1,561,369
Employee Benefits	2,785,232		13,306,278
Purchased Professional and Technical Services	1,773,729		991,927
Purchased Property Services	642,089		3,463,907
Other Purchased Services	1,401,501		454,967
Supplies	8,403,907		351,629
Depreciation	519,342		821,512
Amortization	-0-		2,027
Dues and Fees	31,380		2,776
<b>Total Operating Expenses</b>	<b>20,236,378</b>		<b>20,956,392</b>
<b>OPERATING INCOME</b>	<b>1,558,472</b>		<b>2,911,384</b>
<b>NONOPERATING REVENUES</b>			
State Sources	<b>949,053</b>		<b>143,219</b>
<b>NONOPERATING EXPENSES</b>			
Loss on Disposal of Assets	-0-		<b>202,940</b>
<b>CHANGES in NET POSITION Before TRANSFERS</b>	<b>2,507,525</b>		<b>2,851,663</b>
<b>TRANSFERS</b>			
Transfers In	-0-		153,457
Transfers Out	(2,456,419)		(24,581)
<b>CHANGES in NET POSITION</b>	<b>51,106</b>		<b>2,980,539</b>
<b>NET POSITION</b>			
Beginning	2,585,762		7,638,813
<b>Ending</b>	<b>\$ 2,636,868</b>		<b>\$ 10,619,352</b>

See notes to financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

Year Ended June 30, 2013

	<b>Major Fund</b>		<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
<b>CASH FLOWS from OPERATING ACTIVITIES</b>				
Cash Received from Users		\$	21,098,639	\$ 20,233,433
Cash Payments to Employees for Services			(7,440,459)	(14,867,480)
Cash Payments to Suppliers for Goods and Services			(11,329,788)	(5,270,885)
<b>Net Cash Provided by Operating Activities</b>			<b>2,328,392</b>	<b>95,068</b>
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>				
State Sources			949,053	143,219
Transfers In			-0-	153,457
Transfers Out			(2,456,419)	(24,581)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>			<b>(1,507,366)</b>	<b>272,095</b>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>				
Capital Outlay			<b>(821,026)</b>	<b>(367,163)</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>				
			-0-	-0-
<b>INCREASE in CASH and CASH EQUIVALENTS</b>				
			-0-	-0-
<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>1,558,472</b>	<b>2,911,384</b>
<b>ADJUSTMENTS to RECONCILE OPERATING INCOME</b>				
<b>to NET CASH PROVIDED by OPERATING ACTIVITIES:</b>				
Depreciation			519,342	821,512
Amortization			-0-	2,027
Increase in Due from Other Funds			-0-	(3,933,428)
Increase in Due from Other Governments			(1,102,028)	(38,309)
Decrease in Other Receivables			197,314	334,344
Decrease in Inventories			-0-	86
(Increase) Decrease in Prepaid Expenses			(205,960)	397,723
Decrease in Other Current Assets			-0-	1,500
Increase in Due to Other Funds			1,148,297	-0-
Decrease in Accounts Payable			(18,898)	(432,404)
Increase in Accrued Salaries and Benefits			23,971	167
Increase in Deferred Revenues			208,503	3,050
Increase (Decrease) in Other Current Liabilities			(621)	27,416
<b>Total Adjustments</b>			<b>769,920</b>	<b>(2,816,316)</b>
<b>Net Cash Provided by Operating Activities</b>			<b>\$ 2,328,392</b>	<b>\$ 95,068</b>

See notes to financial statements.

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

STATEMENT of NET POSITION -

FIDUCIARY FUND

June 30, 2013

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 22,225
Due from Other Governments	<u>127,273</u>
<b>TOTAL ASSETS</b>	<b><u>149,498</u></b>
<b>LIABILITIES</b>	
Due to Other Funds	121,476
Accrued Salaries and Benefits	4,336
Deferred Revenues	23,561
Other Current Liabilities	<u>125</u>
<b>TOTAL LIABILITIES</b>	<b><u>149,498</u></b>
<b>NET POSITION</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 school 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 position and the statement of activities display information about the Intermediate Unit as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the Intermediate Unit that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

##### **Fund Financial Statements**

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

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



# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Basis of Presentation - Financial Statements (Continued)

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

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, Bus Driver Training, Building Capacity Initiatives, Marketplace Fund Development, Statewide Software, Technology Initiatives, Wide Area Network Consortium, Nonpublic Initiatives, Literacy Programs, Project SAIL, Instructional Services Initiatives, Hybrid Learning, On-line Professional Development, Virtual Solutions, English as a Second Language Certification Courses, CPE and Teacher Induction, Math/Science Consortium, Social Studies, Lancaster and Lebanon Counties Prison Programs, Highmark, Vocational English as a Second Language, Lancaster-Lebanon Adult Education Local Program, Wal-Mart Foundation, GED Test Administration, Organ Tissue Donation Awareness, Local Early Intervention, ACCESS Billing Services, Collaborative Services, Joint Purchasing, Business Services Initiatives, Benchmark, Tax Collection Systems, Imaging, Conference & Training Center, Guest Teacher Training, Human Resources Initiatives and Employee Health Care Cooperative.

**Internal Service Fund** - This fund is used to account for services provided to various programs of the Intermediate Unit on a user charge basis. This fund includes the research and development fund, operating infrastructure programs, the retirement stabilization fund, hospitalization, workers' compensation, and unemployment self-insurance costs.

# 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)

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 position (total assets less total liabilities) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

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.

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.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### **Basis of Accounting (Continued)**

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, 2013, the Intermediate Unit has \$58,026 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 \$180,967 at June 30, 2013.

#### **Cash and Cash Equivalents**

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

#### **Investments**

Investments are recorded at fair value.

#### **Inventories**

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

Inventories in the general fund represent the estimated cost using the first-in/first-out basis for materials and supplies on hand in the warehouse at June 30, 2013. 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.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### 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 position.

#### Compensated Absences

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

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

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

#### Pension Plan

Substantially all full-time and part-time employees of the Intermediate Unit participate in a cost-sharing multiple employer defined benefit pension plan. The Intermediate Unit recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources). The Intermediate Unit made all required contributions for the year ended June 30, 2013, and has recognized them as expenditures or expenses in the various funds of the Intermediate Unit.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### 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 position. The only interfund balances which remain on the government-wide statement of net position 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 2013.

#### Fund Balance Classification

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.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Fund Balance Classification (Continued)

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.

#### Current 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.

#### Pending Changes in Accounting Principles

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.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of governmental operations. The provisions of this statement are effective for the Intermediate Unit's June 30, 2015, 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 April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this statement are effective for the Intermediate Unit's June 30, 2014, 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.

#### 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, 2013, \$12,220,670 of the Intermediate Unit's bank balance of \$12,470,670 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>12,220,670</u>
	<b>12,220,670</b>

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

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

##### Cash and Cash Equivalents - Custodial Credit Risk (Continued)

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	12,220,670
Insured Amount	<u>250,000</u>
Bank Balance	12,470,670
Less: Outstanding Checks	(6,112,374)
Add: Deposits in Transit	<u>-0-</u>
Carrying Amount - Bank Balances	6,358,296
Plus: Petty Cash	<u>1,765</u>
<b>Total Cash and Cash Equivalents Per Financial Statements</b>	<b>6,360,061</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 act as the formal external regulatory oversight for the investment pools.

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

As of June 30, 2013, the Intermediate Unit had the following investments:

Investments	Maturity	Fair Value
PLGIT		9,288,796
PLGIT CD's	7-09-2013	1,987,401
PLGIT CD's	7-10-2013	496,813
PLGIT CD's	7-22-2013	496,761
PLGIT CD's	7-23-2013	248,376
PLGIT CD's	7-29-2013	248,416
PLGIT CD's	7-30-2013	248,423
PLGIT CD's	8-05-2013	248,350
PLGIT CD's	8-06-2013	248,342
PLGIT CD's	8-27-2013	248,297
PLGIT CD's	9-17-2013	248,381
PLGIT CD's	10-29-2013	248,143
PLGIT CD's	10-30-2013	248,140
PLGIT CD's	12-09-2013	248,045
GS Financial Square Federal Money Market		<u>2,147</u>
<b>Total Investments Per Financial Statements</b>		<b>14,754,831</b>

##### 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.



# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Credit Risk

The Intermediate Unit has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2013, 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	99.9%
General Fund:	
PLGIT	99.9%

#### 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, 2013, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	6,323,918	1,885,802	889,519	9,099,239
Special Education Fund	-0-	81	1,501,402	1,501,483
State Funded Early				
Intervention Fund	-0-	1,330,000	-0-	1,330,000
Enterprise Fund	-0-	404,258	4,223,911	4,628,169
Internal Service Fund	-0-	-0-	39,149	39,149
Agency Fund	-0-	-0-	127,273	127,273
	<b>6,323,918</b>	<b>3,620,141</b>	<b>6,781,254</b>	<b>16,725,313</b>

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### NOTE 4 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2013, were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	-0-	7,183,828
Special Education Fund	2,778,258	-0-
Special Education		
Transportation Fund	53,853	-0-
State Funded Early		
Intervention Fund	-0-	1,315,432
Enterprise Fund	-0-	1,664,058
Internal Service Fund	7,452,683	-0-
Agency Fund	<u>-0-</u>	<u>121,476</u>
	<b>10,284,794</b>	<b>10,284,794</b>

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, 2013, were as follows:

Fund	Transfers In	Transfers Out
General Fund	5,597,472	-0-
Special Education Fund	-0-	2,502,177
Special Education		
Transportation Fund	-0-	117,017
State Funded Early		
Intervention Fund	-0-	650,735
Enterprise Fund	-0-	2,456,419
Internal Service Fund	<u>153,457</u>	<u>24,581</u>
	<b>5,750,929</b>	<b>5,750,929</b>

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, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Historical Cost:				
Capital Assets Being Depreciated:				
Building and Building Improvements	5,175,869	4,473	202,940	4,977,402
Furniture, Fixtures, and Equipment	19,286,874	549,896	-0-	19,836,770
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>25,537,375</b>	<b>554,369</b>	<b>202,940</b>	<b>25,888,804</b>
Accumulated Depreciation:				
Building and Building Improvements	2,265,428	378,945	-0-	2,644,373
Furniture, Fixtures, and Equipment	15,956,093	1,467,182	-0-	17,423,275
Vehicles	<u>861,996</u>	<u>31,703</u>	<u>-0-</u>	<u>893,699</u>
<b>Total Accumulated Depreciation</b>	<b><u>19,083,517</u></b>	<b><u>1,877,830</u></b>	<b><u>-0-</u></b>	<b><u>20,961,347</u></b>
<b>Net Capital Assets Being Depreciated</b>	<b><u>6,453,858</u></b>	<b><u>(1,323,461)</u></b>	<b><u>202,940</u></b>	<b><u>4,927,457</u></b>
<b>Net Capital Assets</b>	<b>6,453,858</b>	<b>(1,323,461)</b>	<b>202,940</b>	<b>4,927,457</b>

Depreciation expenses were charged to governmental functions as follows:

Instruction	37,476
Instructional Student Support	864,603
Administrative and Financial Support Services	613,154
Operation and Maintenance of Plant Services	565,459
Pupil Transportation	<u>78</u>
	<b>2,080,770</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, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	839,324	821,026	-0-	1,660,350
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>409,036</u>	<u>519,342</u>	<u>-0-</u>	<u>928,378</u>
<b>Net Capital Assets Being Depreciated</b>	<b><u>430,288</u></b>	<b><u>301,684</u></b>	<b><u>-0-</u></b>	<b><u>731,972</u></b>
<b>Net Capital Assets</b>	<b>430,288</b>	<b>301,684</b>	<b>-0-</b>	<b>731,972</b>

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

Management Services	16,803
Curriculum and Instruction Services	37,785
Special Education Administrative and Management Services	359,027
Technology Services	<u>105,727</u>
	<b>519,342</b>

### NOTE 6 - DEFERRED REVENUES

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

Deferred Revenue balances at June 30, 2013, were as follows:

Fund & SBU	Amount	Purpose
<b>General Fund</b>		
SBU 002 - Adult Education	1,736	Encumbrance Adjustment
SBU 004 - Education Improvement Svcs	263,649	Used to Offset Future Consortium Expenses
SBU 005 - Early Learners	881,711	Reimbursable Grant Carryover Funds
SBU 007 - Nonpublic School Svcs	342,875	Used to Offset Future Consortium Expenses
SSU 010 - Operations	19,929	Used to Offset Future Consortium Expenses
SSU 010 - Operations	22,030	Encumbrance Adjustment
SBU 011 - Special Education Classroom Svcs	1,144	Used to Offset Future Consortium Expenses
SBU 015 - Statewide Initiatives	2,072,325	Reimbursable Grant Carryover Funds
SSU 017 - Technology Infrastructure	<u>375</u>	Encumbrance Adjustment
<b>General Fund Total</b>	<b><u>3,605,774</u></b>	

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 6 - DEFERRED REVENUES (Continued)

#### Special Education Fund

SSU 010 - Operations	<b>341,281</b>	Grant Carryover Funds
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#### Enterprise Fund

SBU 001 -Administrative and Management Svcs	14,107	CPASPA - Fiscal Agent Account
SBU 004 - Education Improvement Svcs	528,624	Used to Offset Future Consortium Expenses
SBU 004 - Education Improvement Svcs	1,652	Encumbrance Adjustment
SBU 016 - Regional Technology Solutions	19,429	Encumbrance Adjustment
SBU 016 - Regional Technology Solutions	<u>175,144</u>	Used to Offset Future Consortium Expenses
<b>Enterprise Fund Total</b>	<b>738,956</b>	

#### Internal Service Fund

SBU 017 - Technology Infrastructure	<b>3,524</b>	Encumbrance Adjustment
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#### Agency Funds

	<u><b>23,561</b></u>	Mini-Business/Fundraiser Balances - Specific Classes
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**Total Deferred Revenue at June 30, 2013 4,713,096**

### 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, 2013.

Accumulated Sick Leave	1,230,425
Accumulated Vacation Leave	1,034,198
Employer Social Security and Medicare Share on Above	<u>39,558</u>
	<b>2,304,181</b>

Compensated absences activity can be summarized as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
	2,248,468	132,538	76,825	2,304,181

### 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 bonus at June 30, 2013, was \$2,070,450.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 8 - RETIREMENT BONUSES (Continued)

Retirement bonuses activity can be summarized as follows:

Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
2,021,850	120,600	72,000	2,070,450

### NOTE 9 - OPERATING LEASES

The Intermediate Unit leases facilities under operating leases expiring in various years through 2017.

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 \$544 to \$756,646 and expiring in various years through 2018.

The following is a schedule of future minimum rentals on noncancelable operating leases as of June 30, 2013:

2014	1,666,126
2015	1,320,814
2016	1,051,149
2017	243,447
2018	<u>22,671</u>
<b>Total Minimum Future Rentals Payable</b>	<b>4,304,207</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, 2013, were \$1,727,754.

### NOTE 10 - POSTEMPLOYMENT HEALTH CARE and LIFE INSURANCE BENEFITS and LIABILITIES

#### Description

The Intermediate Unit has adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$1,747,081 in total liabilities resulting from the adoption.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

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

#### Medical Coverage - All Personnel

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

#### Life Insurance Coverage

	<b>Administrative and Confidential</b>	<b>Leadership Team Members</b>
Description	\$15,000 from retirement to age 70, \$7,500 from age 70 to age 75, cancellation at age 75	\$50,000 from retirement to age 65, \$25,000 from age 65 to age 70, \$5,000 from age 70 to 75, cancellation at age 75
	<b>Administrative and Confidential</b>	<b>Leadership Team Members</b>
Retiree Eligibility	Administrative and Confidential Employees who meet the qualifications for retirement benefits under “normal” PSERS retirement	Leadership Team Members who meet the qualifications for retirement benefits under “normal” PSERS retirement
Period of Coverage		
Retiree	Until age 75	Until age 75

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### **NOTE 10 - POSTEMPLOYMENT HEALTH CARE and LIFE INSURANCE BENEFITS and LIABILITIES (Continued)**

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

#### **Funding Policy**

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

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

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

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

Annual Required Contribution	884,997
Interest on OPEB Obligation	59,591
Adjustment to Annual Required Contribution	<u>(91,696)</u>
Annual OPEB Cost	852,892
Contributions Made	<u>595,593</u>
Estimated Increase in Net OPEB Obligation	257,299
Net OPEB Obligation - Beginning of Year	<u>1,489,782</u>
Net OPEB Obligation - End of Year	<b>1,747,081</b>

The Intermediate Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012, and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
6/30/2013	852,892	70%	1,747,081
6/30/2012	793,367	68%	1,489,782
6/30/2011	835,283	59%	1,236,130

#### **Funding Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits equaled \$6,848,635, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,848,635. The covered payroll (annual payroll of active employees covered by the plan) equaled \$53,397,029, and the ratio of the UAAL to the covered payroll equaled 12.83%.



## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### **NOTE 10 - POSTEMPLOYMENT HEALTH CARE and LIFE INSURANCE BENEFITS and LIABILITIES (Continued)**

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

The Intermediate Unit is required to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Intermediate Unit maintains no plan assets, information relative to plan asset required disclosures is not applicable.

#### **Actuarial Methods and Assumptions**

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

In the actuarial valuation dated July 1, 2012, the unit credit cost method was used. Because the Intermediate Unit funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) legally held exclusively for paying the postretirement medical benefits. Actuarial assumptions included a discount rate of 4.0% per annum, health care cost trend rate of 6.0% in the first year gradually decreasing by 1.0% per year to an ultimate rate of 4% in 2015 and later.

#### **NOTE 11 - DEFINED BENEFIT PENSION PLAN**

##### **Plan Description**

The Intermediate Unit contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability, and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and health care 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 Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The CAFR is also available on the publications page of the PSERS website.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

#### Funding Policy

The contribution policy is set by the Code and requires contributions by active members, participating employers, and the Commonwealth of Pennsylvania. Plan members may belong to four membership classes. Class TC, Class TD, Class TE, and Class TF 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 and before July 1, 2011, 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 TE rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class TF membership contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class TE and TF are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the membership Class TE contribution rate to fluctuate between 7.50% and 9.50% and membership Class TF contribution rate to fluctuate between 10.30% and 12.30%.

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, 2013, the rate of employer contribution was 12.36% of covered payroll. The 12.36% rate is comprised of a pension contribution rate of 11.50% for pension benefits and .86% 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, 2013, 2012, and 2011, were \$6,517,839, \$4,762,034 and \$3,275,747, respectively. Those amounts are equal to the required contribution for each year.

### NOTE 12 - RISK MANAGEMENT

#### Hospitalization

The Intermediate Unit is participating in the insurance consortium with member school districts to provide for the medical care for eligible employees and their dependents. The Intermediate Unit remits funds to the third-party administrators who process and pay the claims. The Intermediate Unit was limited in liability for claims to \$150,000 per individual per year and \$15,072,958 in total per year.

A liability for claims incurred prior to June 30, 2013, and subsequently paid is recorded in the amount of \$1,039,768 in accounts payable in the internal service fund.

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

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
Medical				
2011 - 2012	1,333,652	14,131,281	(13,992,761)	1,472,172
2012 - 2013	1,472,172	11,722,018	(12,154,422)	1,039,768

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 12 - 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 thirteen 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 \$100,000 per occurrence.

As of June 30, 2013, the Intermediate Unit is not aware of any additional assessments relating to the Pool.

#### Workers' Compensation

The Intermediate Unit is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund which is a cooperative voluntary trust arrangement for fifteen member school districts, the Lancaster-Lebanon Intermediate Unit, the Lancaster County Academy, and Spring Grove Area School District. 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, 2013, 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, 2013, and the two previous years, no settlements exceeded insurance coverage.

### NOTE 13 - CONTINGENT LIABILITIES

#### Guarantee of Debt

The Intermediate Unit has guaranteed a bank loan of the Lancaster-Lebanon Joint Authority with a balance of \$720,000 at June 30, 2013.

#### 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 13 - 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 14 - FUND BALANCE CLASSIFICATIONS

#### Governmental Funds

Nonspendable fund balance consists of amounts that cannot be spent, either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At June 30, 2013, the Intermediate Unit has included the following as nonspendable fund balances:

General Fund - Inventories	80,834
General Fund - Prepaid Expenditures	274,799
Special Education Fund - Prepaid Expenditures	3,023
Special Education Transportation Fund - Prepaid Expenditures	1,695

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, 2013, the Intermediate Unit has included the following as committed fund balances:

General Fund - Committed for General Operations	1,000,000
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Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2013, the Intermediate Unit has included the following as assigned fund balances:

General Fund - Assigned for Program Specific Purposes	432,313
General Fund - Encumbrances	58,026
Special Education Fund - Assigned for Program Specific Purposes	108,352
Special Education Transportation Fund - Assigned for Program Specific Purposes	53,449

#### Enterprise Funds

Strategic Business Unit (SBU) management teams are given discretion to use their marketplace program fund balances to support innovation and development of new SBU programs, services and products with the explicit intention to enrich and benefit the programs offered to our 22 member school districts. The fund balances are earmarked for this purpose.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 14 - FUND BALANCE CLASSIFICATIONS (Continued)

#### Internal Service Funds

The internal service fund includes the research and development fund, the operating infrastructure programs, the retirement stabilization fund, the hospitalization fund, the worker's compensation fund, and the unemployment fund. At June 30, 2013, the amounts in fund balance earmarked for these purposes are as follows:

Research and Development	429,490
Operating Infrastructure	185,853
Retirement Stabilization	2,128,440
Hospitalization	5,670,490
Worker's Compensation	1,010,118
Unemployment	<u>1,194,961</u>
	<b>10,619,352</b>

# Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
BUDGET and ACTUAL -  
GENERAL FUND  
Year Ended June 30, 2013

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Local Sources	\$ 5,588,084	\$ 4,724,213	\$ 5,142,165	\$ 417,952
State Sources	13,412,693	13,233,784	11,926,933	(1,306,851)
Federal Sources	46,766,735	47,954,522	37,028,459	(10,926,063)
<b>Total Revenues</b>	<b>65,767,512</b>	<b>65,912,519</b>	<b>54,097,557</b>	<b>(11,814,962)</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	22,405	18,985	25	18,960
Special Programs	6,897,323	6,364,688	5,373,872	990,816
Other Instructional Programs	1,083,907	1,083,907	556,086	527,821
Nonpublic School Programs	5,596,933	5,794,354	5,442,034	352,320
Adult Education Programs	1,441,362	1,449,285	1,157,669	291,616
Pre-Kindergarten	949,137	965,864	962,405	3,459
Support Services:				
Pupil Personnel Services	3,803,768	3,823,612	1,815,401	2,008,211
Instructional Staff Services	19,644,318	19,597,711	15,667,933	3,929,778
Administrative Services	4,509,377	3,303,634	1,415,062	1,888,572
Pupil Health	300	1,400	1,310	90
Business Services	2,643,560	3,045,625	3,043,557	2,068
Operation and Maintenance of Plant Services	3,724,300	4,084,035	3,876,582	207,453
Student Transportation Services Central	236,575	274,157	274,156	1
Other Support Services	2,412,565	3,275,973	3,275,100	873
Other Support Services	16,906,036	16,967,210	15,975,745	991,465
<b>Total Expenditures</b>	<b>69,871,866</b>	<b>70,050,440</b>	<b>58,836,937</b>	<b>11,213,503</b>
<b>(DEFICIENCY) of REVENUES over EXPENDITURES</b>	<b>(4,104,354)</b>	<b>(4,137,921)</b>	<b>(4,739,380)</b>	<b>(601,459)</b>
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	4,104,354	4,137,921	5,597,472	1,459,551
Operating Transfers Out	-0-	-0-	-0-	-0-
<b>Net Other Financing Sources</b>	<b>4,104,354</b>	<b>4,137,921</b>	<b>5,597,472</b>	<b>1,459,551</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 858,092</b>	<b>\$ 858,092</b>
<b>FUND BALANCES</b>				
Beginning			7,067,915	
Ending			<b>7,926,007</b>	
See auditors' report.				

## Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
BUDGET and ACTUAL -  
SPECIAL EDUCATION FUND  
Year Ended June 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 31,652,326	\$ 31,851,100	\$ 31,803,646	\$ (47,454)
State Sources	<u>4,472,870</u>	<u>4,472,870</u>	<u>4,535,358</u>	<u>62,488</u>
<b>Total Revenues</b>	<b>36,125,196</b>	<b>36,323,970</b>	<b>36,339,004</b>	<b>15,034</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	25,661,826	26,279,261	26,279,261	-0-
Vocational Education Programs	2,416,544	2,159,314	2,159,314	-0-
Support Services:				
Pupil Personnel Services	683,678	646,429	646,429	-0-
Instructional Staff Services	-0-	-0-	-0-	-0-
Administrative Services	1,724,205	1,761,833	1,761,833	-0-
Pupil Health	2,340,206	2,329,356	2,329,356	-0-
Business Services	1,850	1,850	-0-	1,850
Operation and Maintenance of Plant Services	<u>809,745</u>	<u>660,635</u>	<u>660,634</u>	<u>1</u>
<b>Total Expenditures</b>	<b><u>33,638,054</u></b>	<b><u>33,838,678</u></b>	<b><u>33,836,827</u></b>	<b><u>1,851</u></b>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>2,487,142</b>	<b>2,485,292</b>	<b>2,502,177</b>	<b>16,885</b>
<b>OTHER FINANCING (USES)</b>				
Operating Transfers Out	<u>(2,487,142)</u>	<u>(2,485,292)</u>	<u>(2,502,177)</u>	<u>(16,885)</u>
<b>NET CHANGES in FUND BALANCES</b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>-0-</u></b>	<b><u>\$ -0-</u></b>
<b>FUND BALANCES</b>				
Beginning			<u>111,375</u>	
Ending			<b><u>\$ 111,375</u></b>	

See auditors' report.

**Lancaster-Lebanon Intermediate Unit No. 13**  
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
 BUDGET and ACTUAL -  
 SPECIAL EDUCATION TRANSPORTATION FUND  
 Year Ended June 30, 2013

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State Sources	\$ 3,401,612	\$ 3,351,388	\$ 2,874,401	\$ (476,987)
<b>EXPENDITURES</b>				
Support Services:				
Operation and Maintenance of Plant Services	-0-	-0-	-0-	-0-
Student Transportation Services	<u>3,208,074</u>	<u>3,208,074</u>	<u>2,620,382</u>	<u>587,692</u>
<b>Total Expenditures</b>	<b><u>3,208,074</u></b>	<b><u>3,208,074</u></b>	<b><u>2,620,382</u></b>	<b><u>587,692</u></b>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>193,538</b>	<b>143,314</b>	<b>254,019</b>	<b>110,705</b>
<b>OTHER FINANCING USES</b>				
Operating Transfers Out	<u>(193,538)</u>	<u>(143,314)</u>	<u>(117,017)</u>	<u>26,297</u>
<b>NET CHANGES in FUND BALANCES</b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b>137,002</b>	<b><u>\$ 137,002</u></b>
<b>FUND BALANCES</b>				
Beginning			<u>(81,858)</u>	
<b>Ending</b>			<b><u>\$ 55,144</u></b>	

See auditors' report.



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

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
 BUDGET and ACTUAL -  
 STATE FUNDED EARLY INTERVENTION FUND  
 Year Ended June 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State Sources	\$ 9,721,786	\$ 11,144,840	\$ 11,135,803	\$ (9,037)
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	6,819,374	8,218,417	8,209,486	8,931
Support Services:				
Pupil Personnel Services	709,844	729,691	729,652	39
Administrative Services	1,000	250	225	25
Pupil Health	1,419,965	1,424,879	1,424,837	42
Other Support Services	120,868	120,868	120,868	-0-
<b>Total Expenditures</b>	<u>9,071,051</u>	<u>10,494,105</u>	<u>10,485,068</u>	<u>9,037</u>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>650,735</b>	<b>650,735</b>	<b>650,735</b>	<b>-0-</b>
<b>OTHER FINANCING (USES)</b>				
Operating Transfers Out	<u>(650,735)</u>	<u>(650,735)</u>	<u>(650,735)</u>	<u>-0-</u>
<b>NET CHANGES in FUND BALANCES</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>\$ -0-</u>
<b>FUND BALANCES</b>				
Beginning			<u>-0-</u>	
Ending			<u>\$ -0-</u>	

See auditors' report.

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

### NOTES to REQUIRED SUPPLEMENTARY INFORMATION

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

1. Under Act 1 requirements, management submits to the Intermediate Unit Board a preliminary budget for adoption 90 days prior to the primary election, and then a final budget for adoption on or before June 30, for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
2. Prior to June 30, the budget is legally enacted through passage of a resolution.
3. Legal budgetary control is maintained by the Intermediate Unit Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
4. Budgetary data is included in the Intermediate Unit's management information system and is employed as a management control device during the year.
5. Unused appropriations lapse at the end of each fiscal year.
6. The budgets for the general fund and all special revenue funds are adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

Year Ended June 30, 2013

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, 2012	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2013
<b>U.S. Department of Agriculture</b>									
<b>Passed Through Pennsylvania Department of Education:</b>									
School Breakfast Program (Note 2)	I	10.553	367	07/01/12 - 06/30/13	N/A	\$ -0-	\$ 520	\$ 634	\$ 114
School Breakfast Program (Note 2)	I	10.553	367	07/01/11 - 06/30/12	N/A	543	543	-0-	-0-
National School Lunch Program (Note 2)	I	10.555	362	07/01/12 - 06/30/13	N/A	-0-	1,751	2,088	337
National School Lunch Program (Note 2)	I	10.555	362	07/01/11 - 06/30/12	N/A	1,044	1,044	-0-	-0-
Child and Adult Care Food Program	I	10.558	164	10/01/12 - 09/30/13	N/A	-0-	189,724	193,215	3,491
Child and Adult Care Food Program	I	10.558	164	10/01/11 - 09/30/12	N/A	<u>(14,749)</u>	<u>16,731</u>	<u>31,480</u>	<u>-0-</u>
<b>Total U.S. Department of Agriculture</b>						<b>(13,162)</b>	<b>210,313</b>	<b>227,417</b>	<b>3,942</b>
<b>U.S. Department of Labor</b>									
<b>Passed Through Lancaster County Workforce Investment Board:</b>									
Workforce Investment Act Adult Program (Note 2)	I	17.258	N/A	07/01/12 - 06/30/13	16,786	-0-	16,786	16,786	-0-
Workforce Investment Act Youth Activities (Note 2)	I	17.259	N/A	07/01/12 - 06/30/13	40,578	-0-	40,578	40,578	-0-
Workforce Investment Act Dislocated Worker Formula Grants (Note 2)	I	17.278	N/A	07/01/12 - 06/30/13	31,159	<u>-0-</u>	<u>31,159</u>	<u>31,159</u>	<u>-0-</u>
<b>Total Passed Through Lancaster County Workforce Investment Board</b>						<b>-0-</b>	<b>88,523</b>	<b>88,523</b>	<b>-0-</b>
<b>Passed Through South Central Workforce Investment Board:</b>									
Workforce Investment Act Youth Activities (Note 2)	I	17.259	P12-433-180-12-3301-01	07/01/12 - 06/30/13	224,280	-0-	199,168	220,566	21,398
<b>Passed Through Employment Skills Center:</b>									
Workforce Investment Act Adult Program (Note 2)	I	17.258	N/A	07/01/12 - 06/30/13	14,062	<u>-0-</u>	<u>9,892</u>	<u>16,524</u>	<u>6,632</u>
<b>Total U.S. Department of Labor</b>						<b>\$ -0-</b>	<b>\$ 297,583</b>	<b>\$ 325,613</b>	<b>\$ 28,030</b>

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2013

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, 2012	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2013
<b>U.S. Department of Education</b>									
Safe and Drug-Free Schools and Communities - National Programs	D	84.184	Q184E090068	08/01/09 - 09/30/12	488,556	\$ 23,982	\$ 34,737	\$ 10,755	\$ -0-
Adult Education - National Leadership Activities	D	84.191C	V191C130040	03/19/13 - 07/31/15	272,032	-0-	-0-	2,395	2,395
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	D	84.326C	H326C080007-12	10/01/12 - 09/30/13	371,952	-0-	166,988	290,606	123,618
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	D	84.326C	H326C080007-11	10/01/11 - 09/30/12	371,952	<u>83,980</u>	<u>179,675</u>	<u>95,695</u>	<u>-0-</u>
<b>Total Direct Funding from U.S. Department of Education</b>						<b>107,962</b>	<b>381,400</b>	<b>399,451</b>	<b>126,013</b>
<b>Passed Through Pennsylvania Department of Education:</b>									
Adult Education - State Grant Program	I	84.002	041-130026	07/01/12 - 06/30/13	800,000	-0-	800,000	798,819	(1,181)
Adult Education - State Grant Program	I	84.002	061-130008	07/01/12 - 06/30/13	46,685	-0-	42,795	46,685	3,890
Adult Education - State Grant Program	I	84.002	061-120008	07/01/11 - 06/30/12	44,632	7,439	7,439	-0-	-0-
Title I Grants to Local Educational Agencies (Note 2)	I	84.010	107-130613	09/20/12 - 09/30/13	62,093	-0-	23,572	17,960	(5,612)
Title I Grants to Local Educational Agencies (Note 2)	I	84.010	013-12-0613	08/23/11 - 09/30/13	350,000	67,462	92,532	25,070	-0-
Title I Grants to Local Educational Agencies (Note 2)	I	84.010	013-130613	09/20/12 - 09/30/13	102,569	-0-	15,780	72,710	56,930
Special Education - Grants to States (Note 2)	I	84.027	062-130037	07/01/12 - 09/30/13	210,000	-0-	182,000	186,713	4,713
Special Education - Grants to States (Note 2)	I	84.027	062-120037	07/01/11 - 09/30/12	210,000	\$ 7,837	\$ 14,000	\$ 6,163	\$ -0-

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2013

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, 2012	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2013
<b>U.S. Department of Education (Continued)</b>									
<b>Passed Through Pennsylvania Department of Education (Continued):</b>									
Special Education - Grants to States (Note 2)	I	84.027	131-120013	07/01/12 - 06/30/13	1,803,226	\$ -0-	\$ 1,803,226	\$ 1,803,226	\$ -0-
Special Education - Grants to States (Note 2)	I	84.027	131-110013	07/01/11 - 06/30/12	1,730,608	19,691	19,691	-0-	-0-
Special Education - Grants to States (Note 2)	I	84.027	062-130013	07/01/12 - 09/30/13	17,295,752	-0-	13,836,602	17,275,524	3,438,922
Special Education - Grants to States (Note 2)	I	84.027	062-120013	07/01/11 - 09/30/12	17,065,866	3,434,389	3,451,976	17,587	-0-
Special Education - Grants to States (Note 2)	I	84.027	062-130033	07/01/12 - 09/30/13	12,176,015	-0-	9,740,812	10,612,641	871,829
Special Education - Grants to States (Note 2)	I	84.027	062-120033	07/01/11 - 09/30/12	12,176,015	1,100,860	1,623,469	522,609	-0-
Special Education - Preschool Grants (Note 2)	I	84.173	131-120013	07/01/12 - 06/30/13	409,656	-0-	409,656	409,656	-0-
English Language Acquisition State Grants	I	84.365	010-130613	09/20/12 - 09/30/13	159,600	-0-	61,385	-0-	(61,385)
English Language Acquisition State Grants	I	84.365	010-120613	08/23/11 - 09/30/13	210,319	(59,689)	50,210	175,317	65,418
English Language Acquisition State Grants	I	84.365	010-110613	10/29/10 - 09/30/12	167,533	21,171	69,805	48,624	(10)
Mathematics and Science Partnerships	I	84.366	075-110613	06/21/11 - 09/30/12	543,049	141,176	169,703	28,527	-0-
Mathematics and Science Partnerships	I	84.366B	075-120613	07/01/11 - 09/30/13	476,036	-0-	264,464	369,189	104,725
Improving Teacher Quality State Grants	I	84.367	020-130613	09/20/12 - 09/30/14	107,261	-0-	16,927	53,282	36,355
Improving Teacher Quality State Grants	I	84.367	020-120613	08/23/11 - 09/30/13	105,047	(15,718)	79,403	82,071	(13,050)
Improving Teacher Quality State Grants	I	84.367	020-110613	08/19/10 - 09/30/12	44,011	\$ 6,918)	\$ 6,287	\$ 13,205	\$ -0-

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2013

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, 2012	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2013
<b>U.S. Department of Education (Continued)</b>									
<b>Passed Through Pennsylvania Department of Education (Continued):</b>									
Race to the Top	I	84.413A	B413A120004	07/01/12 - 09/30/15	60,310	\$ -0-	\$ 4,078	\$ 11,739	\$ 7,661
<b>Total Passed Through Pennsylvania Department of Education</b>						<b>4,717,700</b>	<b>32,785,812</b>	<b>32,577,317</b>	<b>4,509,205</b>
<b>Passed Through Tuscarora Intermediate Unit No. 11:</b>									
Special Education - Preschool Grants (Note 2)	I	84.173	N/A	06/15/11 - 06/30/12	25,000	8,670	8,670	-0-	-0-
Special Education - Preschool Grants (Note 2)	I	84.173	N/A	07/01/12 - 06/30/13	39,007	-0-	32,098	38,514	6,416
Special Education - Preschool Grants (Note 2)	I	84.173	N/A	07/01/11 - 06/30/12	35,150	6,091	6,091	-0-	-0-
<b>Total Passed Through Tuscarora Intermediate Unit No. 11</b>						<b>14,761</b>	<b>46,859</b>	<b>38,514</b>	<b>6,416</b>
<b>Passed Through Montgomery County Intermediate Unit No. 23:</b>									
Special Education - Grants to States	I	84.027	Attempting to Obtain	07/01/12 - 06/30/13	3,000	-0-	3,000	3,000	-0-
<b>Total U.S. Department of Education</b>						<b>4,840,423</b>	<b>33,217,071</b>	<b>33,018,282</b>	<b>4,641,634</b>
<b>U.S. Department of Health and Human Services</b>									
Head Start	D	93.600	03CH0167/35	01/01/13 - 12/31/13	1,581,818	-0-	365,193	735,537	370,344
Head Start	D	93.600	03CH0167/00	01/01/12 - 12/31/12	1,568,152	444,361	1,201,577	757,216	-0-
<b>Total Direct Funding from U.S. Department of Health and Human Services</b>						<b>444,361</b>	<b>1,566,770</b>	<b>1,492,753</b>	<b>370,344</b>
<b>Passed Through Lancaster County Workforce Investment Board:</b>									
Temporary Assistance for Needy Families (Note 2)	I	93.558	N/A	07/01/12 - 06/30/13	27,581	\$ -0-	\$ 27,581	\$ 27,581	\$ -0-

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2013

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, 2012	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2013
<b>U.S. Department of Health and Human Services (Continued)</b>									
<b>Passed Through South Central Workforce Investment Board:</b>									
Temporary Assistance for Needy Families (Note 2)	I	93.558	P12-433-180-12-3361-02	07/01/12 - 06/30/13	63,669	\$ -0-	\$ 63,669	\$ 63,669	\$ -0-
Temporary Assistance for Needy Families (Note 2)	I	93.558	P10-433-180-10-3361-02	07/01/11 - 06/30/12	85,602	<u>23,114</u>	<u>23,114</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through South Central Workforce Investment Board</b>						<b>23,114</b>	<b>86,783</b>	<b>63,669</b>	<b>-0-</b>
<b>Passed Through Pennsylvania Department of Education:</b>									
Temporary Assistance for Needy Families (Note 2)	I	93.558	4100060960	07/01/12 - 06/30/13	275,000	-0-	147,249	266,924	119,675
Refugee and Entrant Assistance - Discretionary Grants	I	93.576	4100063749	03/01/13 - 08/14/13	72,542	-0-	-0-	22,429	22,429
Head Start	I	93.600	N/A	10/01/12 - 09/30/13	597,320	-0-	341,243	436,386	95,143
Head Start	I	93.600	N/A	10/01/11 - 09/30/12	595,900	176,346	373,703	197,357	-0-
Medical Assistance Program (Note 2)	I	93.778	092-007513	07/01/12 - 06/30/13	N/A	-0-	44,798	119,630	74,832
Medical Assistance Program (Note 2)	I	93.778	092-007513	07/01/11 - 06/30/12	N/A	10,183	10,183	-0-	-0-
Medical Assistance Program (Note 2)	I	93.778	044-007513	07/01/12 - 06/30/13	N/A	-0-	86,015	200,008	113,993
Medical Assistance Program (Note 2)	I	93.778	044-007513	07/01/11 - 06/30/12	N/A	<u>21,567</u>	<u>21,567</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through Pennsylvania Department of Education</b>						<b>208,096</b>	<b>1,024,758</b>	<b>1,242,734</b>	<b>426,072</b>
<b>Total U.S. Department of Health and Human Services</b>						<b>\$ 675,571</b>	<b>\$ 2,705,892</b>	<b>\$ 2,826,737</b>	<b>\$ 796,416</b>

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2013

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, 2012	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2013
<b>U.S. Department of Homeland Security</b>									
Citizenship Education and Training	D	97.010	2010-CS-010-000030	10/01/11 - 09/30/13	200,000	\$ 42,970	\$ 117,116	\$ 107,972	\$ 33,826
<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>						<b>\$ 5,545,802</b>	<b>\$ 36,547,975</b>	<b>\$ 36,506,021</b>	<b>\$ 5,503,848</b>

Legend

D = Direct Funding

I = Indirect Funding

CFDA = Catalog of Federal Domestic Assistance



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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2013

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 - CLUSTER IDENTIFICATION**

<b>Project Title</b>	<b>Federal CFDA Number</b>	<b>Cluster</b>
School Breakfast Program	10.553	Child Nutrition Cluster
National School Lunch Program	10.555	Child Nutrition Cluster
Workforce Investment Act Adult Program	17.258	WIA Cluster
Workforce Investment Act Youth Activities	17.259	WIA Cluster
Workforce Investment Act Dislocated Worker Formula Grants	17.278	WIA Cluster
Title I Grants to Local Educational Agencies	84.010	Title I, Part A Cluster
Special Education - Grants to States (IDEA, Part B)	84.027	Special Education Cluster (IDEA)
Special Education - Preschool Grants (IDEA Preschool)	84.173	Special Education Cluster (IDEA)
Temporary Assistance for Needy Families (TANF) State Programs	93.558	TANF Cluster
Medical Assistance Program	93.778	Medicaid Cluster

**NOTE 3 - 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, 2013, was \$2,744,187 and \$1,700,174 which is listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

See independent auditors' report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13**, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise **Lancaster-Lebanon Intermediate Unit No. 13's** basic financial statements, and have issued our report thereon dated January 7, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Lancaster-Lebanon Intermediate Unit No. 13's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Lancaster-Lebanon Intermediate Unit No. 13's** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 7, 2014  
Lancaster, Pennsylvania



TROUT, EBERSOLE, & GROFF, LLP  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT on COMPLIANCE for each MAJOR PROGRAM  
and on INTERNAL CONTROL over COMPLIANCE REQUIRED by OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

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, 2013. **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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of **Lancaster-Lebanon Intermediate Unit No. 13's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of **Lancaster-Lebanon Intermediate Unit No. 13's** compliance.

### Opinion on Each Major Federal Program

In our opinion, **Lancaster-Lebanon Intermediate Unit No. 13** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Lancaster-Lebanon Intermediate Unit No. 13's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

January 7, 2014  
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, 2013

### A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified 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 Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
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 for each Major Program and on Internal Control over Compliance Required by 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 unmodified opinion.
6. Audit findings relative to the major federal awards programs for **Lancaster-Lebanon Intermediate Unit No. 13** are reported in part C of this schedule.
7. The programs tested as major programs are: Special Education - Grants to States - CFDA #84.027, Special Education - Preschool Grants - CFDA #84.173, and Mathematics and Science Partnerships Grant - CFDA #84.366.
8. The threshold for distinguishing type A and B programs was \$1,095,181.
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, 2013

There are no prior audit findings.