

Lancaster-Lebanon Intermediate Unit No. 13

Year Ended June 30, 2015



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

CPAs | BUSINESS ADVISORS

SERVICE | ANSWERS | TRUST

# Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2015

## TABLE of CONTENTS

	Page
<b>Independent Auditors' Report</b>	1 - 3
<b>Supplementary Information</b>	
Management's Discussion and Analysis	4 - 10
<b>Financial Statements</b>	
Statement of Net Position	11 & 12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Net Position - Fiduciary Fund	21
Notes to Financial Statements	22 - 52

# Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2015

## TABLE of CONTENTS (Continued)

	Page
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Education Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Education Transportation Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - State Funded Early Intervention Fund	56
Notes to Required Supplementary Information	57
Schedule of Funding Progress - Other Postemployment Benefits (OPEB) - Postretirement Health Care Benefits Plan	58
Schedule of Employer Contributions - Other Postemployment Benefits (OPEB) - Postretirement Health Care Benefits Plan	59
Notes to Required Supplementary Information - Other Postemployment Benefits (OPEB) - Postretirement Health Care Benefits Plan	60
Schedule of Employer Contributions - Public Schools Employees' Retirement System	61
Schedule of Intermediate Unit's Proportionate Share of the Net Pension Liability - Public School Employees' Retirement System	62
Notes to Required Supplementary Information	63
Schedule of Employer Contributions - State Employees' Retirement System	64
Schedule of Intermediate Unit's Proportionate Share of the Net Pension Liability - State Employees' Retirement System	65
Notes to Required Supplementary Information	66

# Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2015

## TABLE of CONTENTS (Continued)

	Page
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards	67 - 73
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	74 & 75
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by OMB Circular A-133	76 & 77
Schedule of Findings and Questioned Costs	78
Summary Schedule of Prior Audit Findings	79
Independent Accountants' Report on Applying Agreed-Upon Procedures	80 & 81
Schedule of Contractual Service Activity for Early Head Start Grant #4100065777	82

## 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, 2015, 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.

**SERVICE | ANSWERS | TRUST**

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141  
CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002

## **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, 2015, 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.

## **Change in Accounting Principle**

As described in Note 12 to financial statements, the Intermediate Unit changed its method of accounting for pensions as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgetary comparison information on pages 53 through 56, the other postemployment benefits (OPEB) healthcare benefits plan information on pages 58 through 60 and pension liability and contributions information on pages 61 through 66 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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 5, 2016, 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 5, 2016  
Lancaster, Pennsylvania

  
TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2015

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, 2015. 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, 2015, are as follows:

- Total liabilities increased \$169,576,243, deferred outflows of resources increased \$8,421,020, and net position decreased by \$161,155,223 from the originally issued 2014 statements, as a result of the implementation of GASB Statement No. 68 to recognize the Intermediate Unit's share of the unfunded Public School Employees' Retirement System (PSERS) and State Employees' Retirement System (SERS) projected liability for pension costs.
- The Intermediate Unit's financial status as reflected in the total net position decreased \$1,722,988 from the prior year. This decrease is reflected as a decrease in net position for governmental activities of \$1,991,309 and an increase in net position for business-type activities of \$268,321.
- Revenues totaled \$134.7 million. General revenues accounted for \$697,978, or 0.52% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$134.0 million, or 99.48%, of total revenues.
- The Intermediate Unit had \$115.6 million in expenses related to governmental activities; revenue related to governmental activities totaled \$110.8 million stemming from program specific charges for services, operating grants, and contributions.
- As part of the fund financial statements, the general fund reports \$58.2 million in revenues, \$62.9 million in expenditures, and \$5.6 million in other financing sources. The general fund's fund balance increased by \$804,944 to \$9.5 million.
- The special revenue funds, which include the special education services programs, the special education transportation program and the state funded early intervention program, reports \$53.1 million in revenues, \$49.4 million in expenditures, and \$3.5 million in other financing uses. The special revenue funds' fund balance increased by \$167,254 to \$133,701.
- The enterprise fund reports \$23.2 million in revenues, \$20.8 million in expenditures, and \$2.2 million in other financing uses. The enterprise fund's fund balance increased by \$268,321 to (\$10.2) million (post GASB 68 prior period adjustment).



# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2015

### Financial Highlights (Continued)

- 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 funds, and enterprise fund (not including GASB 68 adjustments) is \$13.1 million, which is 9.83% 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 \$23.9 million in revenues, \$23.1 million in expenditures, and \$102,826 net in other financing sources. The internal service fund's fund balance increased by \$893,404 to \$14,861,169.

### 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 has changed. Net position is one way to measure the Intermediate Unit's financial health or position. Over time, increases or decreases in the Intermediate Unit's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess 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 contracts, 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.

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2015

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

#### Fund Financial Statements

The Intermediate Unit's fund financial statements, which begin on page 14, 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 funds.
- **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 21. We exclude these activities from the Intermediate Unit's other financial statement because the Intermediate Unit cannot use these assets to finance its operations.

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2015

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

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

Table 1 provides a summary of the Intermediate Unit's net position for 2015 compared to 2014.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and Other Assets	47,062,962	43,151,766	5,392,855	4,060,966	52,455,817	47,212,732
Capital Assets	<u>4,163,501</u>	<u>4,042,194</u>	<u>433,925</u>	<u>564,862</u>	<u>4,597,426</u>	<u>4,607,056</u>
<b>Total Assets</b>	<b>51,226,463</b>	<b>47,193,960</b>	<b>5,826,780</b>	<b>4,625,828</b>	<b>57,053,243</b>	<b>51,819,788</b>
<b>Deferred Outflow of Resources - Pension</b>	<b>10,147,081</b>	<b>7,723,688</b>	<b>915,646</b>	<b>697,332</b>	<b>11,062,727</b>	<b>8,421,020</b>
<b>Liabilities</b>						
Current and Other Liabilities	25,484,395	22,961,258	2,360,359	1,704,668	27,844,754	24,665,926
Long-Term Liabilities	<u>156,478,756</u>	<u>161,676,188</u>	<u>13,541,592</u>	<u>14,052,740</u>	<u>170,020,348</u>	<u>175,728,928</u>
<b>Total Liabilities</b>	<b>181,963,151</b>	<b>184,637,446</b>	<b>15,901,951</b>	<b>15,757,408</b>	<b>197,865,102</b>	<b>200,394,854</b>
<b>Deferred Inflow of Resources - Pension</b>	<b>11,121,500</b>	<b>-0-</b>	<b>1,006,402</b>	<b>-0-</b>	<b>12,127,902</b>	<b>-0-</b>
<b>Net Position</b>						
Net Investment in						
Capital Assets	4,163,501	4,042,194	433,925	564,862	4,597,426	4,607,056
Restricted	-0-	-0-	-0-	-0-	-0-	-0-
Unrestricted	<u>(135,874,608)</u>	<u>(133,761,992)</u>	<u>(10,599,852)</u>	<u>(10,999,110)</u>	<u>(146,474,460)</u>	<u>(144,761,102)</u>
<b>Total Net Position</b>	<b>(131,711,107)</b>	<b>(129,719,798)</b>	<b>(10,165,927)</b>	<b>(10,434,248)</b>	<b>(141,877,034)</b>	<b>(140,154,046)</b>

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2015

### 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 2015 compared to 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Charges for Services	34,932,636	34,625,249	21,960,987	20,682,779	56,893,623	55,308,028
Operating Grants and Contributions	75,831,347	72,068,407	1,283,022	1,467,016	77,114,369	73,535,423
General Revenues:						
Grants, Subsidies, and Contributions Not Restricted	639,215	639,215	-0-	-0-	639,215	639,215
Investment Earnings	34,099	27,046	-0-	-0-	34,099	27,046
Miscellaneous Income	13,051	22,507	-0-	-0-	13,051	22,507
Transfers	2,170,292	1,894,368	(2,170,292)	(1,894,368)	-0-	-0-
Gain on Disposal of Assets	<u>11,613</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,613</u>	<u>-0-</u>
<b>Total Revenues</b>	<b>113,632,253</b>	<b>109,276,792</b>	<b>21,073,717</b>	<b>20,255,427</b>	<b>134,705,970</b>	<b>129,532,219</b>
<b>Expenses</b>						
Instruction	56,443,332	50,681,365	-0-	-0-	56,443,332	50,681,365
Instructional Student Support	24,828,120	24,087,885	-0-	-0-	24,828,120	24,087,885
Administrative and Financial Support Services	27,424,913	25,004,086	-0-	-0-	27,424,913	25,004,086
Operation and Maintenance of Plant Services	3,869,901	3,304,507	-0-	-0-	3,869,901	3,304,507
Pupil Transportation	2,773,571	2,937,694	-0-	-0-	2,773,571	2,937,694
Non-instructional Services	283,725	-0-	-0-	-0-	283,725	-0-
Insurance Consortia Services	-0-	-0-	105,439	99,486	105,439	99,486
Management Services	-0-	-0-	1,781,368	2,023,191	1,781,368	2,023,191
Adult Education Services	-0-	-0-	273,301	297,434	273,301	297,434
Curriculum and Instruction Services	-0-	-0-	3,079,571	2,880,202	3,079,571	2,880,202
Special Education Administrative and Management Services	-0-	-0-	5,583,503	5,404,015	5,583,503	5,404,015
Technology Services	<u>-0-</u>	<u>-0-</u>	<u>9,982,214</u>	<u>9,266,807</u>	<u>9,982,214</u>	<u>9,266,807</u>
<b>Total Expenses</b>	<b>115,623,562</b>	<b>106,015,537</b>	<b>20,805,396</b>	<b>19,971,135</b>	<b>136,428,958</b>	<b>125,986,672</b>
<b>Increase (Decrease) in Net Position</b>	<b>(1,991,309)</b>	<b>3,261,255</b>	<b>268,321</b>	<b>284,292</b>	<b>(1,722,988)</b>	<b>3,545,547</b>

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2015

### 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 Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	56,443,332	50,681,365	736,625	2,749,615
Instructional Student Support	24,828,120	24,087,885	(1,080,480)	(41,487)
Administrative and Financial Support Services	27,424,913	25,004,086	(4,359,485)	(2,091,924)
Operation and Maintenance of Plant and Svcs	3,869,901	3,304,507	(532,584)	145,097
Pupil Transportation	2,773,571	2,937,694	375,060	(83,182)
Non-instructional Services	<u>283,725</u>	<u>-0-</u>	<u>1,285</u>	<u>-0-</u>
<b>Total Expenses</b>	<b>115,623,562</b>	<b>106,015,537</b>	<b>(4,859,579)</b>	<b>678,119</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, 2015, the Intermediate Unit governmental funds reported a combined fund balance of \$9,623,119 which is an increase of \$972,198 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 53 - 56.

# Lancaster-Lebanon Intermediate Unit No. 13

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2015

### Strategic Planning

During 2014-2015, 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 2014-15, the Intermediate Unit focused on the following strategic priorities and goals:

- **Priority 1 - Nurture relationships through servant leadership**  
Goal - Foster intentional relationships
- **Priority 2 - Increase achievement in Lancaster and Lebanon counties**  
Goal - Develop support for increased student achievement
- **Priority 3 - Increase efficiencies of programs and operations**  
Goal - Control escalation of benefit costs  
Goal - Apply a lean approach to IU systems
- **Priority 4 - Provide products and services that meet the needs of our customers now and in the future**  
Goal - Redesign special education services  
Goal - Establish a product life cycle support system
- **Priority 5 - Demonstrate accountability and transparency in all areas of our work**  
Goal - Increase communication and access to information

### 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, 2015

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 9,003,256	\$ -0-	\$ 9,003,256
Investments, at Fair Value	24,780,363	-0-	24,780,363
Internal Balances	(939,319)	939,319	-0-
Due from Other Governments	12,887,099	3,792,127	16,679,226
Other Receivables	328,352	355,391	683,743
Inventories	50,090	-0-	50,090
Prepaid Expenses	953,121	306,018	1,259,139
<b>Total Current Assets</b>	<b>47,062,962</b>	<b>5,392,855</b>	<b>52,455,817</b>
<b>Noncurrent Assets</b>			
Building and Building Improvements, net of Accumulated Depreciation	2,372,892	-0-	2,372,892
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	1,648,384	433,925	2,082,309
Vehicles, net of Accumulated Depreciation	142,225	-0-	142,225
<b>Total Noncurrent Assets</b>	<b>4,163,501</b>	<b>433,925</b>	<b>4,597,426</b>
<b>TOTAL ASSETS</b>	<b>51,226,463</b>	<b>5,826,780</b>	<b>57,053,243</b>
<b>DEFERRED OUTFLOW of RESOURCES - PENSION</b>	<b>\$ 10,147,081</b>	<b>\$ 915,646</b>	<b>\$ 11,062,727</b>

See notes to financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of NET POSITION

(Continued)

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Due to Other Governments	\$ 2,778,770	\$ -0-	\$ 2,778,770
Accounts Payable	8,263,891	-0-	8,263,891
Accrued Salaries and Benefits	4,881,579	476,453	5,358,032
Payroll Deductions and Withholdings	3,241,398	-0-	3,241,398
Unearned Revenues	-0-	418,462	418,462
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	6,193,757	1,465,444	7,659,201
<b>Total Current Liabilities</b>	<b>25,484,395</b>	<b>2,360,359</b>	<b>27,844,754</b>
<b>Noncurrent Liabilities</b>			
Other Postemployment Benefit			
Obligation	2,224,998	-0-	2,224,998
Long-Term Portion of			
Retirement Bonus	2,196,108	-0-	2,196,108
Long-Term Portion of			
Compensated Absences	2,162,011	-0-	2,162,011
Net Pension Liability	149,895,639	13,541,592	163,437,231
<b>Total Noncurrent Liabilities</b>	<b>156,478,756</b>	<b>13,541,592</b>	<b>170,020,348</b>
<b>TOTAL LIABILITIES</b>	<b>181,963,151</b>	<b>15,901,951</b>	<b>197,865,102</b>
<b>DEFERRED INFLOW of RESOURCES - PENSION</b>	<b>11,121,500</b>	<b>1,006,402</b>	<b>12,127,902</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,163,501	433,925	4,597,426
Unrestricted	(135,874,608)	(10,599,852)	(146,474,460)
<b>TOTAL NET POSITION</b>	<b>\$ (131,711,107)</b>	<b>\$ (10,165,927)</b>	<b>\$ (141,877,034)</b>

See notes to financial statements.



# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of ACTIVITIES

Year Ended June 30, 2015

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	\$ 56,443,332	\$ 30,698,420	\$ 26,481,537	\$ -0-	\$ 736,625	\$ -0-	\$ 736,625
Instructional Student Support	24,828,120	2,891,881	20,855,759	-0-	(1,080,480)	-0-	(1,080,480)
Administrative and Financial Support Services	27,424,913	1,176,750	21,888,678	-0-	(4,359,485)	-0-	(4,359,485)
Operation and Maintenance of Plant Services	3,869,901	164,092	3,173,225	-0-	(532,584)	-0-	(532,584)
Pupil Transportation	2,773,571	-0-	3,148,631	-0-	375,060	-0-	375,060
Non-instructional Services	283,725	1,493	283,517	-0-	1,285	-0-	1,285
<b>Total Governmental Activities</b>	<b>115,623,562</b>	<b>34,932,636</b>	<b>75,831,347</b>	<b>-0-</b>	<b>(4,859,579)</b>	<b>-0-</b>	<b>(4,859,579)</b>
Business-Type Activities:							
Insurance Consortia Services	105,439	106,040	7,857	-0-	-0-	8,458	8,458
Management Services	1,781,368	1,822,823	158,018	-0-	-0-	199,473	199,473
Adult Education Services	273,301	279,924	19,526	-0-	-0-	26,149	26,149
Curriculum and Instruction Services	3,079,571	3,376,572	644,086	-0-	-0-	941,087	941,087
Special Education Administrative and Management Services	5,583,503	5,740,530	408,469	-0-	-0-	565,496	565,496
Technology Services	9,982,214	10,635,098	45,066	-0-	-0-	697,950	697,950
<b>Total Business-Type Activities</b>	<b>20,805,396</b>	<b>21,960,987</b>	<b>1,283,022</b>	<b>-0-</b>	<b>-0-</b>	<b>2,438,613</b>	<b>2,438,613</b>
<b>Total Government</b>	<b>\$ 136,428,958</b>	<b>\$ 56,893,623</b>	<b>\$ 77,114,369</b>	<b>\$ -0-</b>	<b>(4,859,579)</b>	<b>2,438,613</b>	<b>(2,420,966)</b>
General Revenues:							
Grants, Subsidies, and Contributions							
Not Restricted					639,215	-0-	639,215
Investment Earnings					34,099	-0-	34,099
Miscellaneous Income					13,051	-0-	13,051
Transfers					2,170,292	(2,170,292)	-0-
Gain on Sale of Fixed Assets					11,613	-0-	11,613
<b>Total General Revenues and Transfers</b>					<b>2,868,270</b>	<b>(2,170,292)</b>	<b>697,978</b>
<b>CHANGES in NET POSITION</b>					<b>(1,991,309)</b>	<b>268,321</b>	<b>(1,722,988)</b>
<b>NET POSITION</b>							
Beginning, as Originally Stated					18,080,017	2,921,160	21,001,177
Cumulative Effect of Change in Accounting Principle (Note 12)					(147,799,815)	(13,355,408)	(161,155,223)
Beginning, as Restated					(129,719,798)	(10,434,248)	(140,154,046)
<b>Ending</b>					<b>\$ (131,711,107)</b>	<b>\$ (10,165,927)</b>	<b>\$ (141,877,034)</b>

See notes to financial statements.

## Lancaster-Lebanon Intermediate Unit No. 13

### BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	Major Funds				Total Governmental Funds
	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 9,003,256	\$ -0-	\$ -0-	\$ -0-	\$ 9,003,256
Investments	24,780,363	-0-	-0-	-0-	24,780,363
Due from Other Funds	-0-	4,963,477	94,538	-0-	5,058,015
Due from Other Governments	11,696,035	739,872	-0-	451,008	12,886,915
Other Receivables	60,697	6,533	150	-0-	67,380
Inventories	48,202	-0-	-0-	-0-	48,202
Prepaid Expenditures	203,942	4,465	-0-	-0-	208,407
<b>TOTAL ASSETS</b>	<b><u>45,792,495</u></b>	<b><u>5,714,347</u></b>	<b><u>94,688</u></b>	<b><u>451,008</u></b>	<b><u>52,052,538</u></b>
<b>LIABILITIES and FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to Other Funds	17,898,139	-0-	-0-	423,102	18,321,241
Due to Other Governments	674,681	2,104,089	-0-	-0-	2,778,770
Accounts Payable	6,995,157	-0-	-0-	-0-	6,995,157
Accrued Salaries and Benefits	1,435,995	3,414,075	-0-	27,906	4,877,976
Payroll Deductions and Withholdings	3,241,398	-0-	-0-	-0-	3,241,398
Compensated Absences Payable	125,000	-0-	-0-	-0-	125,000
Other Current Liabilities	5,932,707	157,170	-0-	-0-	6,089,877
<b>TOTAL LIABILITIES</b>	<b><u>36,303,077</u></b>	<b><u>5,675,334</u></b>	<b><u>-0-</u></b>	<b><u>451,008</u></b>	<b><u>42,429,419</u></b>
<b>FUND BALANCES</b>					
Nonspendable	252,144	4,465	-0-	-0-	256,609
Committed	712,947	-0-	-0-	-0-	712,947
Assigned	631,342	34,548	94,688	-0-	760,578
Unassigned	7,892,985	-0-	-0-	-0-	7,892,985
<b>TOTAL FUND BALANCES</b>	<b><u>9,489,418</u></b>	<b><u>39,013</u></b>	<b><u>94,688</u></b>	<b><u>-0-</u></b>	<b><u>9,623,119</u></b>
<b>TOTAL LIABILITIES and FUND BALANCES</b>	<b><u>\$ 45,792,495</u></b>	<b><u>\$ 5,714,347</u></b>	<b><u>\$ 94,688</u></b>	<b><u>\$ 451,008</u></b>	<b><u>\$ 52,052,538</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, 2015

Total fund balances - governmental funds \$ 9,623,119

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 \$10,352,364 and the accumulated depreciation is \$9,094,584. 1,257,780

Deferred Outflows - GASB 68 adjustment is not a financial resource and is therefore not reported as an asset in the governmental funds. 10,147,081

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	(2,224,998)	
Retirement Bonus	(2,196,108)	
Compensated Absences	(2,162,011)	
GASB 68 - Net Pension Liability	<u>(149,895,639)</u>	(156,478,756)

Deferred Inflows - GASB 68 adjustment is not due and payable in the current period and is therefore not reported as a liability in the governmental funds. (11,121,500)

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	12,382,142	
Intergovernmental Receivable	183	
Other Receivables	202,738	
Inventories	1,888	
Prepaid Expenses	744,714	
Building and Building Improvements, net of Accumulated Depreciation	2,257,062	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	648,659	
Accounts Payable	(1,268,734)	
Accrued Salaries and Benefits	(3,603)	
Other Current Liabilities	<u>(103,880)</u>	<u>14,861,169</u>

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (131,711,107)**

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, 2015

	Major Funds				Total Governmental Funds
	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	
<b>REVENUES</b>					
Local Sources	\$ 3,336,886	\$ 32,282,115	\$ -0-	\$ -0-	\$ 35,619,001
State Sources	14,358,043	5,385,028	2,807,483	12,578,707	35,129,261
Federal Sources	40,472,447	-0-	-0-	-0-	40,472,447
<b>Total Revenues</b>	<b>58,167,376</b>	<b>37,667,143</b>	<b>2,807,483</b>	<b>12,578,707</b>	<b>111,220,709</b>
<b>EXPENDITURES</b>					
Instructional Services	14,493,294	30,195,230	-0-	9,253,939	53,942,463
Support Services	47,861,201	4,993,478	2,441,407	2,517,053	57,813,139
Non-instructional Services	283,725	-0-	-0-	-0-	283,725
Refund of Prior Year Receipts	288,263	-0-	-0-	-0-	288,263
<b>Total Expenditures</b>	<b>62,926,483</b>	<b>35,188,708</b>	<b>2,441,407</b>	<b>11,770,992</b>	<b>112,327,590</b>
<b>EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES</b>	<b>(4,759,107)</b>	<b>2,478,435</b>	<b>366,076</b>	<b>807,715</b>	<b>(1,106,881)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Fixed Assets	11,613	-0-	-0-	-0-	11,613
Operating Transfers In	5,552,438	-0-	-0-	-0-	5,552,438
Operating Transfers Out	-0-	(2,550,797)	(126,460)	(807,715)	(3,484,972)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>5,564,051</b>	<b>(2,550,797)</b>	<b>(126,460)</b>	<b>(807,715)</b>	<b>2,079,079</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>804,944</b>	<b>(72,362)</b>	<b>239,616</b>	<b>-0-</b>	<b>972,198</b>
<b>FUND BALANCES</b>					
Beginning	8,684,474	111,375	(144,928)	-0-	8,650,921
<b>Ending</b>	<b>\$ 9,489,418</b>	<b>\$ 39,013</b>	<b>\$ 94,688</b>	<b>\$ -0-</b>	<b>\$ 9,623,119</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, 2015

Net changes in fund balances - governmental funds \$ 972,198

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	(533,290)	
Capital Outlays	<u>177,054</u>	
		(356,236)

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.

Compensated Absences	150,820	
Retirement Bonus	(222,900)	
Other Postemployment Benefit Obligation	<u>(358,352)</u>	
		(430,432)

In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - pension, and pension expense are recognized in conjunction with net pension liability. Whereas in the governmental funds, pension expense is recorded when required contributions are payable. This amount represents the current pension obligation expense. (3,070,243)

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. 893,404

**CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES \$ (1,991,309)**

See notes to financial statements.

# Lancaster-Lebanon Intermediate Unit No. 13

## STATEMENT of NET POSITION -

### PROPRIETARY FUNDS

June 30, 2015

	<b>Major Fund</b>	<b>Internal</b>
	<b>Enterprise</b>	<b>Service</b>
		<b>Fund</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Due from Other Funds	\$ 939,319	\$ 12,382,142
Due from Other Governments	3,792,127	183
Other Receivables	355,391	202,738
Inventories	-0-	1,888
Prepaid Expenses	306,018	744,714
<b>Total Current Assets</b>	<b>5,392,855</b>	<b>13,331,665</b>
<b>Noncurrent Assets</b>		
Leasehold Improvements, net of Accumulated Depreciation	-0-	2,257,062
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	433,925	648,659
<b>Total Noncurrent Assets</b>	<b>433,925</b>	<b>2,905,721</b>
<b>TOTAL ASSETS</b>	<b>5,826,780</b>	<b>16,237,386</b>
<b>DEFERRED OUTFLOW of RESOURCES - PENSION</b>	<b>915,646</b>	<b>-0-</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	-0-	1,268,734
Accrued Salaries and Benefits	476,453	3,603
Unearned Revenues	418,462	-0-
Other Current Liabilities	1,465,444	103,880
<b>Total Current Liabilities</b>	<b>2,360,359</b>	<b>1,376,217</b>
<b>Noncurrent Liabilities</b>		
Net Pension Liability	<b>13,541,592</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>15,901,951</b>	<b>1,376,217</b>
<b>DEFERRED INFLOW of RESOURCES - PENSION</b>	<b>1,006,402</b>	<b>-0-</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	433,925	2,905,721
Unrestricted	(10,599,852)	11,955,448
<b>TOTAL NET POSITION</b>	<b>\$ (10,165,927)</b>	<b>\$ 14,861,169</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, 2015

	<b>Major Fund</b>	<b>Internal</b>
	<b>Enterprise</b>	<b>Service</b>
		<b>Fund</b>
<b>OPERATING REVENUES</b>		
Local Sources:		
Charges for Services	<b>\$ 21,960,987</b>	<b>\$ 23,645,022</b>
<b>OPERATING EXPENSES</b>		
Salaries	4,388,244	1,679,858
Employee Benefits	3,385,045	15,456,385
Purchased Professional and Technical Service	1,806,519	890,921
Purchased Property Services	618,820	3,448,822
Other Purchased Services	1,359,264	381,297
Supplies	9,071,837	270,266
Depreciation	150,517	821,621
Noncapital Equipment	2,085	19,589
Dues and Fees	23,065	115,324
<b>Total Operating Expenses</b>	<b>20,805,396</b>	<b>23,084,083</b>
<b>OPERATING INCOME</b>	<b>1,155,591</b>	<b>560,939</b>
<b>NONOPERATING REVENUES</b>		
State Sources	<b>1,283,022</b>	<b>229,639</b>
<b>CHANGES in NET POSITION Before TRANSFERS</b>	<b>2,438,613</b>	<b>790,578</b>
<b>TRANSFERS</b>		
Transfers In	-0-	124,251
Transfers Out	(2,170,292)	(21,425)
<b>CHANGES in NET POSITION</b>	<b>268,321</b>	<b>893,404</b>
<b>NET POSITION</b>		
Beginning, as Originally Stated	2,921,160	13,967,765
Cumulative Effect of Change in Accounting Principle (Note 12)	(13,355,408)	-0-
Beginning, as Restated	(10,434,248)	13,967,765
<b>Ending</b>	<b>\$ (10,165,927)</b>	<b>\$ 14,861,169</b>

See notes to financial statements.

## Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of CASH FLOWS -  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2015

	<b>Major Fund</b>	<b>Internal Service Fund</b>
	<b>Enterprise</b>	<b>Fund</b>
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Cash Received from Users	\$ 20,260,229	\$ 22,248,797
Cash Payments to Employees for Services	(7,521,489)	(17,137,560)
Cash Payments to Suppliers for Goods and Services	<u>(11,831,890)</u>	<u>(4,144,538)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>906,850</b>	<b>966,699</b>
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	1,283,022	229,639
Transfers In	-0-	124,251
Transfers Out	<u>(2,170,292)</u>	<u>(21,425)</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(887,270)</b>	<b>332,465</b>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>		
Capital Outlay	<b>(19,580)</b>	<b>(1,299,164)</b>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>	<b>-0-</b>	<b>-0-</b>
<b>CASH and CASH EQUIVALENTS</b>		
Beginning of Year	<u>-0-</u>	<u>-0-</u>
End of Year	<u><b>-0-</b></u>	<u><b>-0-</b></u>
<b>RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES</b>		
Operating Income	<b>1,155,591</b>	<b>560,939</b>
<b>ADJUSTMENTS to RECONCILE OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES:</b>		
Depreciation	150,517	821,621
Pension Expense (GASB 68)	276,940	-0-
Increase in Due from Other Funds	(927,630)	(1,624,012)
Increase in Due from Other Governments	(188,581)	(183)
(Increase) Decrease in Other Receivables	(104,875)	229,238
Increase in Inventories	-0-	(1,498)
(Increase) Decrease in Prepaid Expenses	(110,803)	994,867
Increase (Decrease) in Accounts Payable	(17)	112,028
Decrease in Accrued Salaries and Benefits	(25,140)	(1,317)
Decrease in Unearned Revenues	(479,672)	(1,268)
Increase (Decrease) in Other Current Liabilities	<u>1,160,520</u>	<u>(123,716)</u>
<b>Total Adjustments</b>	<b>(248,741)</b>	<b>405,760</b>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 906,850</u></b>	<b><u>\$ 966,699</u></b>

See notes to financial statements.



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

STATEMENT of NET POSITION -

FIDUCIARY FUND

June 30, 2015

	<b>Agency</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 21,644
Due from Other Governments	61,077
Other Receivables	<u>2,000</u>
<b>TOTAL ASSETS</b>	<b><u>84,721</u></b>
<b>LIABILITIES</b>	
Due to Other Funds	58,235
Accounts Payable	4,434
Accrued Salaries and Benefits	952
Other Current Liabilities	<u>21,100</u>
<b>TOTAL LIABILITIES</b>	<b><u>84,721</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*, and as amended in Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*, 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 and have a financial benefit or burden as defined above. 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, deferred inflows and outflows, 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)

##### Fund Financial Statements (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities as well as deferred inflows and outflows of resources 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, Autism Solutions, Supplemental Contracts, Fee For Service OVR, Staff Development and Training, Bus Driver Training, Statewide Software, Technology Initiatives, Wide Area Network Consortium, Literacy Programs, Project SAIL, Instructional Services Initiatives, Hybrid Learning, On-line Professional Development, Virtual Solutions, Organ Tissue Donation Awareness, English as a Second Language Certification Courses, STEM Initiatives, Lancaster and Lebanon Counties Prison Programs, Vocational English as a Second Language, Lancaster-Lebanon Adult Education Local Program, English Language Learning, GED Test Administration, Local Early Intervention, Collaborative Services, Business Services Initiatives, Conference and Training Center, Guest Teacher Training, Human Resources Initiatives, Employee Health Care Cooperative and Statewide System of Support programs.

**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)

##### Fund 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, deferred inflows and outflows of resources, 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.

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 unearned revenues until earned. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service, compensated absence payments, retirement bonuses, and other postemployment benefits, 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 amounts are available in multiple fund balance classifications, it is the Intermediate Unit's policy to use funds in the following order: restricted, committed, assigned, and unassigned. The Intermediate Unit may elect to selectively spend unassigned balances first to defer the use of these classified balances.

#### **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, 2015, the Intermediate Unit has \$31,436 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 \$205,294 at June 30, 2015.

#### **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**

Inventories represent the cost of supplies on hand at June 30, 2015, using the first-in/first-out method.

#### **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 \$5,000 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 unused vacation and sick leave as a liability. Upon termination or retirement, employees will be paid for these accumulated absences in accordance with the Intermediate Unit policy. The Intermediate Unit also accrues retirement bonuses to be paid out at retirement in accordance with Intermediate Unit policy.

For governmental funds, that portion of unpaid compensated absences and retirement bonuses that are expected to be paid using expendable, available resources are reported as expenditures in the fund from which the individual earning the leave or bonus is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences and retirement bonuses 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.

#### Pensions

Substantially all full-time and qualifying part-time employees of the Intermediate Unit participate in a cost-sharing multiple-employer defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and State Employees' Retirement System (SERS) and additions to/deductions from PSERS's/SERS's fiduciary net position have been determined on the same basis as they are reported by PSERS/SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Interfund Activity

Exchange transactions between governmental funds are eliminated on the government-wide statements. 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. Significant estimates used in preparation of these financial statements include the allowance for uncollectible receivables, depreciation and amortization, compensated absences, pension related items, and other postemployment benefits. 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 2015.

#### 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.

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

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



# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Fund Balance Classification (Continued)

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

During the current year, the Intermediate Unit adopted GASB 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. As a result of implementation of this standard in 2015, the Intermediate Unit reports an actuarial calculation of its proportionate share of net pension liability. Disclosures and required supplementary information related to the pension plan have been expanded to improve decision usefulness, support assessments of accountability, and create additional transparency. Since this statement was implemented retroactively, the beginning net position of the governmental activities, the business-type activities, and proprietary funds financial statements have been restated, as discussed in Note 12, to account for the cumulative effect.

Commensurate with implementation of GASB Statement No. 68, the Intermediate Unit adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement amends GASB Statement No. 68 and requires that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. As a result of implementation of this standard in 2015, the Intermediate Unit recognizes a deferred outflow of resources for its pension contribution made after the measurement date of the beginning net pension liability.

During the current year, the Intermediate Unit adopted GASB 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 Intermediate Unit's beginning balances and current year results were not affected by the implementation of this new standard.

#### Pending Changes in Accounting Principles

In March 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The provisions of this statement are effective for the Intermediate Unit's June 30, 2016 financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making

# 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)

decisions and accountability. The provisions of this statement are effective for the Intermediate Unit's June 30, 2016, financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and accountability. The provisions of this statement are effective for the Intermediate Unit's June 30, 2017 financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of this statement is to improve accounting and financial reporting for state and local governments for postemployment benefits other than pensions (OPEB). The provisions of this statement are effective for the Intermediate Unit's June 30, 2018 financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify the hierarchy of generally accepted accounting principles (GAAP) in the context of the current governmental financial reporting environment. The provisions of this statement are effective for the Intermediate Unit's June 30, 2016 financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The provisions of this statement are effective for the Intermediate Unit's June 30, 2016 financial statements.

The effects of implementation of these standards have 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.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

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, 2015, \$14,210,757 of the Intermediate Unit's bank balance of \$14,460,757 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>14,210,757</u>
	<b>14,210,757</b>

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

Uninsured Amount Above	14,210,757
Insured Amount	<u>250,000</u>
Bank Balance	14,460,757
Less: Outstanding Checks	(4,939,916)
Add: Deposits in Transit	<u>-0-</u>
Carrying Amount - Bank Balances	9,520,841
Time Deposits Classified as Investments on Balance Sheet	(497,456)
Plus: Petty Cash	<u>1,515</u>
<b>Total Cash and Cash Equivalents Per Financial Statements</b>	<b>9,024,900</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.

As of June 30, 2015, the Intermediate Unit had the following investments:

Investments	Fair Value
PLGIT	24,282,907
Time Deposits Classified as Investments on Balance Sheet	<u>497,456</u>
<b>Total Investments per Financial Statements</b>	<b>24,780,363</b>

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

NOTES to FINANCIAL STATEMENTS

(Continued)

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

**Interest Rate Risk**

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

**Credit Risk**

The Intermediate Unit has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2015, the Intermediate Unit investments were rated as:

<b>Investments</b>	<b>Standard &amp; Poor's</b>
PLGIT	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	100%
General Fund:	
PLGIT	100%

**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, 2015, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	7,030,140	4,096,163	569,732	11,696,035
Special Education Fund			739,872	739,872
State Funded Early Intervention Fund		451,008		451,008
Enterprise Fund		203,624	3,588,503	3,792,127
Internal Service Fund			183	183
Agency Fund			61,077	61,077
	<u>7,030,140</u>	<u>4,750,795</u>	<u>4,959,367</u>	<u>16,740,302</u>

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 4 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2015, were as follows:

<b>Fund</b>	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
General Fund		17,898,139
Special Education Fund	4,963,477	
Special Education		
Transportation Fund	94,538	
State Funded Early		
Intervention Fund		423,102
Enterprise Fund	939,319	
Internal Service Fund	12,382,142	
Agency Fund		58,235
	<u>18,379,476</u>	<u>18,379,476</u>

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

Interfund transfers for indirect costs for the year ended June 30, 2015, were as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	5,552,438	
Special Education Fund		2,550,797
Special Education		
Transportation Fund		126,460
State Funded Early		
Intervention Fund		807,715
Enterprise Fund		2,170,292
Internal Service Fund	<u>124,251</u>	<u>21,425</u>
	<u>5,676,689</u>	<u>5,676,689</u>

Transfers are made from the special education fund, special education transportation fund, state funded early intervention fund, enterprise fund, and internal service fund to the general fund for indirect costs. Transfers are also made from the 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, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Historical Cost:				
Capital Assets Being Depreciated:				
Building and Building Improvements	4,944,252	727,263	9,711	5,661,804
Furniture, Fixtures, and Equipment	20,454,006	748,956	7,896,122	13,306,840
Vehicles	<u>1,095,395</u>	<u>-0-</u>	<u>-0-</u>	<u>1,095,395</u>
<b>Total Capital Assets Being Depreciated</b>	<b>26,493,653</b>	<b>1,476,219</b>	<b>7,905,833</b>	<b>20,064,039</b>
Accumulated Depreciation:				
Building and Building Improvements	2,966,311	332,312	9,711	3,288,912
Furniture, Fixtures, and Equipment	18,560,522	994,056	7,896,122	11,658,456
Vehicles	<u>924,626</u>	<u>28,544</u>	<u>-0-</u>	<u>953,170</u>
<b>Total Accumulated Depreciation</b>	<b>22,451,459</b>	<b>1,354,912</b>	<b>7,905,833</b>	<b>15,900,538</b>
<b>Net Capital Assets Being Depreciated</b>	<b><u>4,042,194</u></b>	<b><u>121,307</u></b>	<b><u>-0-</u></b>	<b><u>4,163,501</u></b>
<b>Net Capital Assets</b>	<b>4,042,194</b>	<b>121,307</b>	<b>-0-</b>	<b>4,163,501</b>

Depreciation expenses were charged to governmental functions as follows:

Instruction	48,220
Instructional Student Support	387,115
Administration and Financial Services	606,322
Operation and Maintenance of Plant	312,970
Pupil Transportation	<u>285</u>
	<b>1,354,912</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, 2015, was as follows:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	1,686,809	19,580	-0-	1,706,389
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>1,121,947</u>	<u>150,517</u>	<u>-0-</u>	<u>1,272,464</u>
<b>Net Capital Assets Being Depreciated</b>	<b><u>564,862</u></b>	<b><u>(130,937)</u></b>	<b><u>-0-</u></b>	<b><u>433,925</u></b>
<b>Net Capital Assets</b>	<b>564,862</b>	<b>(130,937)</b>	<b>-0-</b>	<b>433,925</b>

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

Management Services	23,332
Special Education Administrative and Management Services	7,194
Technology Services	<u>119,991</u>
	<b>150,517</b>

**NOTE 6 - UNEARNED REVENUES**

Unearned 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.

Unearned revenue balances at June 30, 2015, were as follows:

<u>Fund &amp; SBU/SSU</u>	<u>Amount</u>	<u>Purpose</u>
<b><u>Enterprise Fund</u></b>		
SBU 001 - Administrative and Management Svcs	16,489	CPASPA - Fiscal Agent Account
SBU 016 - Regional Technology Solutions	<u>401,973</u>	Used to Offset Future Consortium Expenses
<b>Enterprise Fund Total</b>	<b>418,462</b>	

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

NOTES to FINANCIAL STATEMENTS

(Continued)

**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, 2015.

Accumulated Sick Leave	1,182,651
Accumulated Vacation Leave	1,008,156
Employer Social Security and Medicare Share on Above	<u>38,562</u>
	<b>2,229,369</b>

Compensated absences activity can be summarized as follows:

<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
2,380,189	-0-	150,820	2,229,369

**NOTE 8 - RETIREMENT BONUSES**

Employees who retire and meet certain length of service criteria will receive retirement bonuses of \$-0- to \$10,000, depending on job classification. The amount recorded as a liability in the governmental activities for the retirement bonus at June 30, 2015 was \$2,253,750.

Retirement bonuses activity can be summarized as follows:

<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
2,030,850	271,900	49,000	2,253,750

**NOTE 9 - OPERATING LEASES**

The Intermediate Unit leases facilities under operating leases expiring in various years through 2021.

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 \$1,123 to \$602,143 and expiring in various years through 2021.



## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### NOTE 9 - OPERATING LEASES (Continued)

The following is a schedule of future minimum rentals on noncancelable operating leases as of June 30, 2015:

	2016	1,739,093
	2017	790,362
	2018	553,186
	2019	508,316
	2020	113,606
	Thereafter	<u>18,989</u>
<b>Total Minimum Future Rentals Payable</b>		<b>3,723,552</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, 2015, were \$1,769,829.

#### 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, the financial statements reflect a long-term liability of \$2,224,998 for the other postemployment benefit obligation.

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.

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

NOTES to FINANCIAL STATEMENTS

(Continued)

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

**Description (Continued)**

	<b>Life Insurance Coverage</b>	
	<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
Retiree Eligibility	Administrative and confidential employees who meet the qualifications for retirement benefits under "normal" PSERS retirement	Leadership team members who meet the qualifications for retirement benefits under "normal" PSERS retirement
Period of Coverage		
Retiree	Until age 75	Until age 75

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

**Funding Policy**

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

**Annual OPEB Cost and Net OPEB Obligation**

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

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to FINANCIAL STATEMENTS

(Continued)

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

##### Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual Required Contribution	1,027,271
Interest on OPEB Obligation	74,666
Adjustment to Annual Required Contribution	<u>(114,892)</u>
Annual OPEB Cost	987,045
Contributions Made	<u>628,693</u>
Estimated Increase in Net OPEB Obligation	358,352
Net OPEB Obligation - Beginning of Year	<u>1,866,646</u>
Net OPEB Obligation - End of Year	<b>2,224,998</b>

The Intermediate Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
6/30/2015	987,045	64%	2,224,998
6/30/2014	809,921	85%	1,866,646
6/30/2013	852,892	70%	1,747,081

##### Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits equaled \$8,589,938, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,589,938. The covered payroll (annual payroll of active employees covered by the plan) equaled \$53,685,923, and the ratio of the UAAL to the covered payroll equaled 16.00%.

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

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

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

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

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

In the actuarial valuation dated July 1, 2014, the unit credit cost method was used. Because the Intermediate Unit funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) legally held exclusively for paying the postretirement medical benefits. Actuarial assumptions included a discount rate of 4.0% per annum, health care cost trend rate of 10.0% in the first year gradually decreasing by 1.0% per year to an ultimate rate of 5% in 2020 and later.

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

#### **General Information about the Pension Plan**

##### **Plan Description**

The Intermediate Unit contributes to two governmental cost-sharing multi-employer defined benefit pension plans; one administered by PSERS the other by SERS.

##### **PSERS**

PSERS provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

##### **SERS**

SERS is the administrator of a cost-sharing multiple-employer defined benefit plan established by the Commonwealth of Pennsylvania to provide pension benefits for employees of state government and certain independent agencies. SERS is a component unit of the commonwealth and is included in the commonwealth's financial report as a pension trust fund. Administration costs are financed through contributions and investment earnings. Membership in SERS is mandatory for most state employees. Members and employees of the general assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option to participate.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Benefits Provided

##### PSERS

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

##### SERS

SERS provides retirement, death, and disability benefits. Cost of Living Adjustments (COLA) are provided ad hoc at the discretion of the general assembly. Article II of the commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the general assembly. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2%, multiplied by class of service multiplier.

Prior to Act 2010-120, employees who retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the general assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. Act 2010-120 preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2% of their final average salary instead of the previous 2.5%. The new vesting period changed from five to ten years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees, and age 55 for members of the general assembly and certain employees classified in hazardous duty positions.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Benefits Provided (Continued)

##### SERS (Continued)

Act 2010-120 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011 and December 1, 2010, for legislators newly elected in November 2010. Employees who enter SERS membership after the effective date of Act 2010-120 enter as members of the A-3 class with a 45-day window to elect membership in the optional A-4 class. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary times years of service while the Class A-4 benefit accrual rate is 2.5%.

According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the commonwealth should SERS terminate.

#### Contributions

##### PSERS

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 T-C, Class T-D, Class T-E, and Class T-F are available to plan members.

##### SERS

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. However, Act 2010-120 imposes rate increase collars (limits on annual rate increases) on employer contributions that keep the employer contribution rate below the rates established in accordance with actuarial parameters. The collar for commonwealth FY 11/12 was 3%. The commonwealth FY 12/13 collar was 3.5%. The collar for commonwealth FY 13/14 was 4.5% and will remain at that rate until no longer needed. At December 31, 2014, the statutorily required composite contribution rate as collared by Act 2010-120 including the Benefits Completion Plan (BCP) was 20.53% while the actuarially determined rate would have been 31.41%. As of December 31, 2013, the statutorily required composite contribution rate as collared by Act 2010-120 including BCP was 16.05% while the actuarially determined rate would have been 31.22%.

#### Member Contributions

##### PSERS

Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class T-C or 6.50% for Class T-D. 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 T-C or 7.50% for Class T-D. Members who joined the plan after June 30, 2001 and before July 1, 2011, are automatically in Class T-D and are required to contribute 7.50%.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Member Contributions (Continued)

##### PSERS (Continued)

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

##### SERS

The general membership contribution rate for all Class A and Class AA members is 5% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. The contribution rate for Class D-4 members is 7.5%. Judges and magisterial district Judges have the option of electing special membership classes requiring a contribution of 10% and 7.5%, respectively. All employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

#### Employer Contributions

##### PSERS

The Intermediate Units' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Intermediate Unit were \$10,876,801 for the year ended June 30, 2015.

##### SERS

Employer rates are computed based on SERS full year ended December 31 and applied to the commonwealth based on its fiscal year end of June 30; therefore, the employer contribution rates, in effect for SERS full year ended December 31, reflect a blended average of calculated rates. As of December 31, 2014 and 2013, the blended contribution rates, which include the BCP, were 18.29% and 13.82%, respectively. Contributions to the pension plan from the Intermediate Unit were \$23,194 for the year ended June 30, 2015.

#### Payable to the Pension Plan

##### PSERS

At June 30, 2015, the Intermediate Unit reported a payable of \$2,877,625 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2015. These amounts relate to the second quarter of 2015 and are payable to PSERS within five business days of the Intermediate Unit receiving its related retirement subsidy from the Commonwealth of Pennsylvania. In addition, the Intermediate Unit also reported a payable of \$338,519 for the employee contributions withheld during June 2015 which are payable to PSERS by July 10, 2015.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

##### PSERS

At June 30, 2015, the Intermediate Unit reported a liability of \$163,151,715 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2013 to June 30, 2014. The Intermediate Unit's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the Intermediate Unit's proportion was .4122 percent, which was a decrease of .0014 percent from its proportion measured as of June 30, 2013.

##### SERS

At June 30, 2015, the Intermediate Unit reported a liability of \$285,516 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward SERS's total pension liability as of December 31, 2013 to December 31, 2014. The Intermediate Unit's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At December 31, 2014, the Intermediate Unit's proportion was .0020 percent, which was an increase of .00005 percent from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the Intermediate Unit recognized pension expense of \$14,247,177. At June 30, 2015, the Intermediate Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	-0-	-0-
Changes in Assumptions	-0-	-0-
Net Difference between Projected and Actual Investment Earnings	-0-	11,666,077
Change in Proportions	17,706	461,825
Difference between Employer Contributions and Proportionate Share of Total Contributions	145,026	-0-
Contributions Subsequent to the Measurement Date	<u>10,899,995</u>	<u>-0-</u>
	<b>11,062,727</b>	<b>12,127,902</b>



# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$10,899,995 reported as deferred outflows of resources related to pensions resulting from the Intermediate Unit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Also, \$12,663 of other deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	(2,991,641)
2017	(2,991,641)
2018	(2,991,641)
2019	(2,991,641)
2020	(11,269)

#### Actuarial Assumptions

##### PSERS

The total pension liability as of June 30, 2014 was determined by rolling forward PSERS's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

**Actuarial Cost Method** - Entry age normal

**Investment Rate of Return** - 7.5 percent, including inflation at 3.0 percent

**Salary Increases** - Effective average of 5.5 percent, which reflects an allowance for inflation of 3.0 percent, real wage growth of 1.0 percent, and merit or seniority increases of 1.5 percent

**Mortality Rates** - Based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Actuarial Assumptions (Continued)

##### PSERS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Markets Global Equity	19%	5.0%
Private Markets (Equity)	21%	6.5%
Private Real Estate	13%	4.7%
Global Fixed Income	8%	2.0%
U.S. Long Treasuries	3%	1.4%
TIPS	12%	1.2%
High Yield Bonds	6%	1.7%
Cash	3%	0.9%
Absolute Return	10%	4.8%
Risk Parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	<u>(9%)</u>	1.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

##### SERS

The following methods and assumptions were used in the December 31, 2014 and 2013 actuarial valuations. These methods and assumptions were applied to all periods included in the measurement:

**Actuarial Cost Method** - Entry age normal

**Amortization Method** - Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Actuarial Assumptions (Continued)

#### SERS (Continued)

**Investment Rate of Return** - 7.5 percent net of expenses including inflation

**Salary Increases** - Average of 6.10 percent with range of 4.30 percent to 11.05 percent including inflation

**Asset Valuation Method** - Fair (market) value

**Mortality Rates** - Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement

**Cost of Living Adjustments (COLAs)** - Ad hoc

Some of the methods and assumptions mentioned above are based on the 17<sup>th</sup> Investigation of Actuarial Experience, which was published in January 2011, and analyzed experience from 2006 through 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alternative Investments	15%	8.50%
Global Public Equity	40%	5.40%
Real Assets	17%	4.95%
Diversifying Assets	10%	5.00%
Fixed Income	15%	1.50%
Liquidity Reserve	<u>3%</u>	0.00%
	100%	

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

NOTES to FINANCIAL STATEMENTS

(Continued)

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

**Discount Rate**

**PSERS**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SERS**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Intermediate Unit's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

**PSERS**

The following presents the net pension liability, as reported by PSERS, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Intermediate Unit's Proportionate Share of the Net Pension Liability	203,509,000	163,152,000	128,698,000

**SERS**

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Sensitivity of the Intermediate Unit's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)

##### SERS (Continued)

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Intermediate Unit's Proportionate Share of the Net Pension Liability	376,000	294,000	223,000

#### Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS' website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Detailed information about SERS' fiduciary net position is available in SERS Comprehensive Annual Financial Report which can be found on SERS' website at [www.sers.state.pa.us](http://www.sers.state.pa.us).

### NOTE 12 - CHANGE in ACCOUNTING PRINCIPLE

As part of the implementation of GASB Statement Nos. 68 and 71, the Intermediate Unit restated the beginning net position of the governmental activities, the business-type activities and proprietary funds.

In prior years, the Intermediate Unit did not record a net pension liability. GASB Statement No. 68 as amended by GASB Statement No. 71 requires the Intermediate Unit to recognize a liability for its proportionate share of the PSERS and SERS net pension liability. Therefore, net position as of July 1, 2014 has been restated as follows:

	Governmental Activities	Business-Type Activities and Proprietary Funds
<b>Net Position as Previously Reported at June 30, 2014:</b>	<b>18,080,017</b>	<b>2,921,160</b>
<b>Prior Period Adjustment:</b>		
Net Pension Liability (Measurement Date as of June 30, 2013)	(155,523,318)	(14,052,740)
<b>Deferred Outflows:</b>		
Intermediate Unit Contributions Made During Fiscal Year 2014	7,723,503	697,332
<b>Total Prior Period Adjustment</b>	<b>(147,799,815)</b>	<b>(13,355,408)</b>
<b>Net Position as Restated, July 1, 2014</b>	<b>(129,719,798)</b>	<b>(10,434,248)</b>

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 13 - 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 \$14,753,034 in total per year.

A liability for claims incurred prior to June 30, 2015, and subsequently paid is recorded in the amount of \$1,161,501 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				
2013 - 2014	1,039,768	11,818,233	(11,701,295)	1,156,706
2014 - 2015	1,156,706	13,245,813	(13,241,018)	1,161,501

#### Property and Liability

The Intermediate Unit is participating with other school districts in 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 twelve 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, 2015, the Intermediate Unit is not aware of any additional assessments relating to the Pool.

#### Workers' Compensation

The Intermediate Unit is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund), which is a cooperative voluntary trust arrangement for sixteen member school districts, the Lancaster-Lebanon Intermediate Unit and the Lancaster County Academy. 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, 2015, the Intermediate Unit is not aware of any additional assessments relating to the Fund.

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 13 - RISK MANAGEMENT (Continued)

#### 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, 2015, and the two previous years, no settlements exceeded insurance coverage.

### NOTE 14 - CONTINGENT LIABILITIES

#### Guarantee of Debt

In November 2001, by approval of the board of directors, the Intermediate Unit guaranteed a \$2,025,000 bank loan of the Lancaster-Lebanon Joint Authority (the Authority). See Note 9 for details of the Authority's relationship with the Intermediate Unit. The bank loan matures annually through September 2016 with semiannual interest payments. All required payments on the loan are guaranteed by the Intermediate Unit in the event that the Authority is unable to make required payments. The balance of the guaranteed loan was \$380,000 at June 30, 2015.

#### 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 of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Intermediate Unit expects such amounts, if any, to be immaterial.

#### Legal Matters

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

### NOTE 15 - 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, 2015, the Intermediate Unit has included the following as nonspendable fund balances:

General Fund - Inventories	48,202
General Fund - Prepaid Expenditures	203,942
Special Education Fund - Prepaid Expenditures	4,465

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, 2015, the Intermediate Unit has included the following as committed fund balances:

General Fund - Committed for General Operations	712,947
---	---------

# Lancaster-Lebanon Intermediate Unit No. 13

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 15 - FUND BALANCE CLASSIFICATIONS (Continued)

#### Governmental Funds (Continued)

Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2015, the Intermediate Unit has included the following as assigned fund balances:

General Fund - Assigned for Program Specific Purposes	599,906
General Fund - Encumbrances	31,436
Special Education Fund - Assigned for Program Specific Purposes	34,548
Special Education	
Transportation Fund - Assigned for Program Specific Purposes	94,688

#### 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.

#### 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, 2015, the amounts in fund balance earmarked for these purposes are as follows:

Research and Development	492,196
Operating Infrastructure	218,143
Retirement Stabilization	3,466,329
Hospitalization	8,439,801
Worker's Compensation	1,115,808
Unemployment	<u>1,128,892</u>
	<b>14,861,169</b>

### NOTE 16 - SUBSEQUENT EVENT

On November 13, 2015, the Intermediate Unit issued Line of Credit Revenue Anticipation Note, Series of 2015 in the amount of \$20,000,000 with a variable interest rate of 30 day LIBOR + 1.5% and expiration date of June 30, 2016.



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

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
BUDGET and ACTUAL -  
GENERAL FUND  
Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Local Sources	\$ 3,193,750	\$ 3,301,567	\$ 3,336,886	\$ 35,319
State Sources	16,210,758	16,467,973	14,358,043	(2,109,930)
Federal Sources	46,939,594	48,019,099	40,472,447	(7,546,652)
<b>Total Revenues</b>	<b>66,344,102</b>	<b>67,788,639</b>	<b>58,167,376</b>	<b>(9,621,263)</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	7,328	-0-	-0-	-0-
Special Programs	8,485,884	2,979,462	2,304,210	675,252
Other Instructional Programs	154,180	154,898	114,134	40,764
Nonpublic School Programs	6,090,257	6,073,019	5,959,136	113,883
Adult Education Programs	1,569,370	1,588,535	1,505,355	83,180
Pre-Kindergarten	975,097	4,611,490	4,610,459	1,031
Support Services:				
Pupil Personnel Services	3,812,055	4,194,731	4,194,231	500
Instructional Staff Services	20,000,862	19,321,102	14,269,677	5,051,425
Administrative Services	2,395,144	2,482,754	1,763,111	719,643
Pupil Health	1,500	1,200	774	426
Business Services	3,179,204	3,187,094	3,186,088	1,006
Operation and Maintenance of Plant Services	3,883,206	3,869,451	3,248,025	621,426
Student Transportation Services	240,850	325,857	324,916	941
Central	3,299,432	3,557,164	3,555,409	1,755
Other Support Services	16,526,831	18,786,915	17,318,970	1,467,945
Non-instructional Services:				
Food Services	-0-	285,000	283,725	1,275
Refund of Prior Year Receipts	-0-	290,000	288,263	1,737
<b>Total Expenditures</b>	<b>70,621,200</b>	<b>71,708,672</b>	<b>62,926,483</b>	<b>8,782,189</b>
<b>DEFICIENCY of REVENUES over EXPENDITURES</b>	<b>(4,277,098)</b>	<b>(3,920,033)</b>	<b>(4,759,107)</b>	<b>(839,074)</b>
<b>OTHER FINANCING SOURCES</b>				
Sale of Fixed Assets	-0-	7,563	11,613	4,050
Operating Transfers In	4,277,098	3,912,470	5,552,438	1,639,968
<b>Net Other Financing Sources</b>	<b>4,277,098</b>	<b>3,920,033</b>	<b>5,564,051</b>	<b>1,644,018</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>804,944</b>	<b>\$ 804,944</b>
<b>FUND BALANCES</b>				
Beginning			8,684,474	
Ending			<b>\$ 9,489,418</b>	

See independent 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, 2015

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 32,101,948	\$ 32,976,118	\$ 32,282,115	\$ (694,003)
State Sources	5,321,869	5,404,654	5,385,028	(19,626)
<b>Total Revenues</b>	<b>37,423,817</b>	<b>38,380,772</b>	<b>37,667,143</b>	<b>(713,629)</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	27,042,801	30,196,500	30,195,230	1,270
Vocational Education Programs	1,967,788	64,165	-0-	64,165
Support Services:				
Pupil Personnel Services	824,449	-0-	-0-	-0-
Instructional Staff Services	-0-	603,000	602,018	982
Administrative Services	2,099,816	1,964,670	1,567,787	396,883
Pupil Health	2,203,512	2,203,512	2,176,648	26,864
Operation and Maintenance of Plant Services	764,939	764,939	647,025	117,914
<b>Total Expenditures</b>	<b>34,903,305</b>	<b>35,796,786</b>	<b>35,188,708</b>	<b>608,078</b>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>2,520,512</b>	<b>2,583,986</b>	<b>2,478,435</b>	<b>(105,551)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-0-	1,142	-0-	(1,142)
Operating Transfers Out	(2,520,512)	(2,585,128)	(2,550,797)	34,331
<b>Net Other Financing Uses</b>	<b>(2,520,512)</b>	<b>(2,583,986)</b>	<b>(2,550,797)</b>	<b>33,189</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>(72,362)</b>	<b>\$ (72,362)</b>
<b>FUND BALANCES</b>				
Beginning			111,375	
Ending			<b>\$ 39,013</b>	

See independent 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, 2015

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
State Sources	\$ 2,887,667	\$ 2,885,211	\$ 2,807,483	\$ (77,728)
<b>EXPENDITURES</b>				
Support Services:				
Student Transportation Services	<u>2,743,045</u>	<u>2,743,045</u>	<u>2,441,407</u>	<u>301,638</u>
<b>EXCESS of REVENUES over EXPENDITURES</b>	144,622	142,166	366,076	223,910
<b>OTHER FINANCING (USES)</b>				
Operating Transfers Out	<u>(144,622)</u>	<u>(142,166)</u>	<u>(126,460)</u>	<u>15,706</u>
<b>NET CHANGES in FUND BALANCES</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	239,616	<u>\$ 239,616</u>
<b>FUND BALANCES</b>				
Beginning			<u>(144,928)</u>	
<b>Ending</b>			<u>\$ 94,688</u>	

See independent 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, 2015

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
State Sources	\$ 12,090,085	\$ 12,587,882	\$ 12,578,707	\$ (9,175)
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	8,835,205	9,261,692	9,253,939	7,753
Support Services:				
Pupil Personnel Services	771,903	800,480	800,001	479
Administrative Services	1,000	9,100	9,027	73
Pupil Health	1,674,262	1,708,895	1,708,025	870
<b>Total Expenditures</b>	<b>11,282,370</b>	<b>11,780,167</b>	<b>11,770,992</b>	<b>9,175</b>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>807,715</b>	<b>807,715</b>	<b>807,715</b>	<b>-0-</b>
<b>OTHER FINANCING (USES)</b>				
Operating Transfers Out	(807,715)	(807,715)	(807,715)	-0-
<b>NET CHANGES in FUND BALANCES</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>-0-</b>	<b>\$ -0-</b>
<b>FUND BALANCES</b>				
Beginning			-0-	
<b>Ending</b>			<b>\$ -0-</b>	

See independent 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 FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - POSTRETIREMENT HEALTH CARE BENEFITS PLAN

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b-a] / c)</b>
07/01/2010	-0-	5,928,730	5,928,730	0.00%	59,452,933	9.97%
07/01/2012	-0-	6,848,635	6,848,635	0.00%	53,174,539	12.87%
07/01/2014	-0-	8,589,938	8,589,938	0.00%	53,685,923	16.00%

See independent auditors' report.

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

SCHEDULE of EMPLOYER CONTRIBUTIONS -  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) -  
POSTRETIREMENT HEALTH CARE BENEFITS PLAN

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
June 30, 2013	884,997	67.30%
June 30, 2014	846,941	81.44%
June 30, 2015	1,027,271	61.20%

See independent auditors' report.

## Lancaster-Lebanon Intermediate Unit No. 13

### NOTES to REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - POSTRETIREMENT HEALTH CARE BENEFITS PLAN

The information presented on the required supplementary schedules on pages 58 and 59 was determined as part of the actuarial valuations at the dates indicated. Key factors used in the actuarial valuations are as follows:

Valuation Dates	<b>July 1, 2014</b>	<b>July 1, 2012</b>	<b>July 1, 2010</b>
Actuarial Cost Method	Unit Credit	Unit Credit	Unit Credit
Amortization Method	Level Dollar Method	Level Dollar Method	Level Dollar Method
Amortization Period	25 Years	25 Years	25 Years
Discount Rate	4.0%	4.0%	4.0%
Mortality	RP-2000 Mortality Table	RP-2000 Mortality Table	RP-2000 Mortality Table
Retirement	Retirement Rate Based on PSERS Plan Experience	Retirement Rate Based on PSERS Plan Experience	Retirement Rate Based on PSERS Plan Experience
Coverage Assumption			
Future Retirees	50%	50%	50%
Spouses	25%	25%	25%
Marriage Assumption	80%	80%	80%
Per Capital Claims Cost	\$11,739 - \$22,199	\$8,880 - \$17,316	\$7,392 - \$14,414
Demographic Information			
Active Participants	1,020	1,115	1,256
Retired Participants	<u>65</u>	<u>45</u>	<u>46</u>
Total Participants	<b>1,085</b>	<b>1,160</b>	<b>1,302</b>
Health Care Cost Trend Rate	10.0% decreasing to 9.0% in 2016 and to 5.0% in 2020+	7.0% decreasing to 6.0% in 2013 and to 4.0% in 2015+	9.0% decreasing to 8.0% in 2011 and to 4.0% in 2015+

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Accordingly, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective, and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. Actuarial calculations are based on the types of benefits provided under the terms of the plan and on the pattern of cost-sharing between the employer and plan members at the time of the valuations.

See independent auditors' report.



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

SCHEDULE of EMPLOYER CONTRIBUTIONS -  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years

	<b>Contractually Required Contribution</b>	<b>Contributions from Employer</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
<b>Defined Benefit Pension Plan:</b>					
2006	1,939,577	1,939,577	-0-	48,489,420	4.00%
2007	2,834,369	2,834,369	-0-	49,551,906	5.72%
2008	3,284,858	3,284,858	-0-	51,007,109	6.44%
2009	2,141,235	2,141,235	-0-	53,530,870	4.00%
2010	2,218,447	2,218,447	-0-	55,461,186	4.00%
2011	2,895,602	2,895,602	-0-	57,912,041	5.00%
2012	4,394,384	4,394,384	-0-	54,929,804	8.00%
2013	6,052,682	6,052,682	-0-	52,632,021	11.50%
2014	8,402,871	8,402,871	-0-	52,517,945	16.00%
2015	10,641,297	10,641,297	-0-	51,908,766	20.50%

See independent auditors' report.

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

SCHEDULE of INTERMEDIATE UNIT'S PROPORTIONATE SHARE of the NET PENSION LIABILITY -  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years

<b>For the Fiscal Year Ended June 30</b>	<b>Intermediate Unit's Proportion of the Net Pension Liability (Assets)</b>	<b>Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Intermediate Unit's Covered- Employee Payroll</b>	<b>Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2014	0.4122%	163,152,000	52,602,009	310.16%	57.24%

Note : This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based on the measurements date, which is the beginning of the Intermediate Unit's fiscal year.

See independent auditors' report.

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

NOTES to REQUIRED SUPPLEMENTARY INFORMATION

**Changes of Benefit Terms:**

None.

**Changes of Assumptions:**

None.

See independent auditors' report.

# Lancaster-Lebanon Intermediate Unit No. 13

## SCHEDULE of EMPLOYER CONTRIBUTIONS -

### STATE EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years

	<b>Contractually Required Contribution</b>	<b>Contributions from Employer</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
<b>Defined Benefit Pension Plan:</b>					
2006	10,407	10,407	-0-	221,891	4.69%
2007	7,412	7,412	-0-	229,501	3.23%
2008	9,157	9,157	-0-	279,314	3.28%
2009	6,603	6,603	-0-	203,467	3.25%
2010	6,299	6,299	-0-	199,964	3.15%
2011	8,429	8,429	-0-	205,173	4.11%
2012	9,809	9,809	-0-	149,228	6.57%
2013	11,650	11,650	-0-	110,948	10.50%
2014	17,204	17,204	-0-	113,786	15.12%
2015	23,194	23,194	-0-	126,812	18.29%

See independent auditors' report.

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

SCHEDULE of INTERMEDIATE UNIT'S PROPORTIONATE SHARE of the NET PENSION LIABILITY -  
STATE EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years

<b>For the Fiscal Year Ended June 30</b>	<b>Intermediate Unit's Proportion of the Net Pension Liability (Assets)</b>	<b>Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Intermediate Unit's Covered- Employee Payroll</b>	<b>Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2014	0.00197719%	294,000	115,110	255.41%	66.72%

Note : This schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.  
The data provided in the schedule is based on the measurements date,  
which is December 31, 2014.

See independent auditors' report.

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

**Changes of Benefit Terms:**

None.

**Changes of Assumptions:**

None.

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued	Total	Accrued		
						(Deferred) Revenue at July 1, 2014	Received for the Year	(Deferred) Revenue at June 30, 2015		
<b>U.S. Department of Agriculture</b>										
<b>Passed Through Pennsylvania Department of Education:</b>										
School Breakfast Program (Note 2)	I	10.553	365	07/01/14 - 06/30/15	N/A	\$ -0-	\$ 3,996	\$ 4,622	\$ 626	
School Breakfast Program (Note 2)	I	10.553	365	07/01/13 - 06/30/14	N/A	214	214	-0-	-0-	
National School Lunch Program (Note 2)	I	10.555	362	07/01/14 - 06/30/15	N/A	-0-	9,373	10,732	1,359	
National School Lunch Program (Note 2)	I	10.555	362	07/01/13 - 06/30/14	N/A	351	351	-0-	-0-	
Child and Adult Care Food Program	I	10.558	164	10/01/13 - 09/30/15	N/A	<u>5,203</u>	<u>234,453</u>	<u>241,325</u>	<u>12,075</u>	
<b>Total U.S. Department of Agriculture</b>						<b>5,768</b>	<b>248,387</b>	<b>256,679</b>	<b>14,060</b>	
<b>U.S. Department of Labor</b>										
<b>Passed Through Employment Skills Center:</b>										
Workforce Investment Act Adult Program (Note 2)	I	17.258	N/A	07/01/14 - 06/30/15	3,905	-0-	3,905	3,905	-0-	
Workforce Investment Act Adult Program (Note 2)	I	17.258	N/A	07/01/13 - 06/30/14	16,036	<u>3,369</u>	<u>3,369</u>	<u>-0-</u>	<u>-0-</u>	
<b>Total Passed Through Employment Skills Center</b>						<b>3,369</b>	<b>7,274</b>	<b>3,905</b>	<b>-0-</b>	
<b>Passed Through Lancaster County Workforce Investment Board:</b>										
Workforce Investment Act Adult Program (Note 2)	I	17.258	N/A	07/01/14 - 06/30/15	50,294	-0-	47,191	50,294	3,103	
Workforce Investment Act Youth Activities (Note 2)	I	17.259	N/A	07/01/14 - 06/30/15	42,289	-0-	39,680	42,289	2,609	
Workforce Investment Act Dislocated Workers Formula Grants (Note 2)	I	17.278	N/A	07/01/14 - 06/30/15	22,772	<u>-0-</u>	<u>21,367</u>	<u>22,772</u>	<u>1,405</u>	
<b>Total Passed Through Lancaster County Workforce Investment Board</b>						<b>\$ -0-</b>	<b>\$ 108,238</b>	<b>\$ 115,355</b>	<b>\$ 7,117</b>	

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2015

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, 2014	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>U.S. Department of Labor (Continued)</b>									
<b>Passed Through South Central Workforce Investment Board:</b>									
Workforce Investment Act Adult Program (Note 2)	I	17.258	P14-486-180-14-3011/4011	10/01/14 - 03/31/15	12,500	\$ -0-	\$ 12,500	\$ 12,500	\$ -0-
Workforce Investment Act Youth Activities (Note 2)	I	17.259	P14-433-180-12-3301-01	07/01/14 - 06/30/15	270,000	-0-	203,191	270,000	66,809
Workforce Investment Act Youth Activities (Note 2)	I	17.259	P12-433-180-12-3301-01	07/01/13 - 06/30/14	243,816	<u>23,578</u>	<u>23,578</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through South Central Workforce Investment Board</b>						<b><u>23,578</u></b>	<b><u>239,269</u></b>	<b><u>282,500</u></b>	<b><u>66,809</u></b>
<b>Total U.S. Department of Labor</b>						<b>26,947</b>	<b>354,781</b>	<b>401,760</b>	<b>73,926</b>
<b>U.S. Department of Education</b>									
Adult Education - National Leadership Activities	D	84.191C	V191C130040	03/19/13 - 07/31/15	272,032	<b>23,154</b>	<b>127,916</b>	<b>132,683</b>	<b>27,921</b>
<b>Passed Through Pennsylvania Department of Education:</b>									
Adult Education - Basic Grants to States	I	84.002	064-150026	07/01/14 - 06/30/15	810,000	-0-	810,000	810,000	-0-
Adult Education - Basic Grants to States	I	84.002	061-150008	07/01/14 - 06/30/15	59,757	-0-	59,757	59,757	-0-
Title I Grants to Local Educational Agencies (Note 2)	I	84.010	107-150613	09/30/14 - 09/30/15	86,112	-0-	31,197	32,018	821
Title I Grants to Local Educational Agencies (Note 2)	I	84.010	107-140613	10/02/13 - 09/30/15	76,325	20,573	76,325	55,752	-0-
Title I Grants to Local Educational Agencies (Note 2)	I	84.010	013-150613	10/01/14 - 09/30/15	101,920	-0-	-0-	71,412	71,412
Title I Grants to Local Educational Agencies (Note 2)	I	84.010	013-140613	10/02/13 - 09/30/14	114,725	(3,204)	28,681	41,446	9,561
Special Education - Grants to States (Note 2)	I	84.027	062-150037	07/01/14 - 09/30/15	371,800	-0-	223,080	243,565	20,485
Special Education - Grants to States (Note 2)	I	84.027	062-140037	07/01/13 - 09/30/14	340,000	\$ (17,508)	\$ 113,333	\$ 130,841	\$ -0-

See independent auditors' report.



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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2015

Federal Grantor Project Title	Source Code	Federal	Pass-Through	Grant Period Beginning/ Ending Date	Grant Amount	Accrued	Total	Expenditures	Accrued
		CFDA Number	Grantor's Number			(Deferred) Revenue at July 1, 2014			Received for the Year
<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	131-140013	07/01/14 - 06/30/15	1,786,298	\$ -0-	\$ 1,786,298	\$ 1,786,298	\$ -0-
Special Education - Grants to States (Note 2)	I	84.027	062-150013	07/01/14 - 09/30/15	16,978,326	-0-	13,582,661	16,961,568	3,378,907
Special Education - Grants to States (Note 2)	I	84.027	062-140013	07/01/13 - 09/30/14	16,216,171	3,224,107	3,243,733	19,626	-0-
Special Education - Grants to States (Note 2)	I	84.027	062-150033	07/01/14 - 09/30/15	15,303,201	-0-	10,792,411	12,542,742	1,750,331
Special Education - Grants to States (Note 2 and Note 4A)	I	84.027	062-140033	07/01/13 - 09/30/14	13,406,935	1,060,567	2,814,720	1,728,462	(25,691)
Special Education - Preschool Grants (Note 2)	I	84.173	131-140013	07/01/14 - 06/30/15	375,229	-0-	375,229	375,229	-0-
English Language Acquisition Grants	I	84.365	010-150613	10/01/14 - 09/30/16	167,447	-0-	50,536	-0-	(50,536)
English Language Acquisition Grants	I	84.365	010-140613	10/02/13 - 09/30/15	150,953	(35,638)	50,668	116,717	30,411
English Language Acquisition Grants	I	84.365	010-130613	09/20/12 - 09/30/14	159,600	33,201	61,384	28,183	-0-
Mathematics and Science Partnerships	I	84.366	075-140613	07/01/14 - 09/30/15	486,735	-0-	299,529	309,384	9,855
Mathematics and Science Partnerships	I	84.366	075-130613	05/02/13 - 09/30/14	537,829	23,793	189,822	166,029	-0-
Improving Teacher Quality State Grants	I	84.367	020-150613	10/01/14 - 09/30/15	44,011	-0-	16,927	-0-	(16,927)
Improving Teacher Quality State Grants	I	84.367	020-140613	10/02/13 - 09/30/15	44,011	(14,670)	7,335	15,704	(6,301)
Improving Teacher Quality State Grants	I	84.367	020-130613	09/20/12 - 09/30/14	107,261	(21,765)	-0-	21,765	-0-
Race to the Top	I/F	84.413A	B413A120004	07/01/12 - 06/30/16	65,214	-0-	17,867	21,007	3,140
<b>Total Passed Through Pennsylvania Department of Education</b>						<b>\$ 4,269,456</b>	<b>\$ 34,631,493</b>	<b>\$ 35,537,505</b>	<b>\$ 5,175,468</b>

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2015

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, 2014	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>U.S. Department of Education (Continued)</b>									
<b>Passed Through Child Care Consultants, Inc.:</b>									
Race to the Top - Early Learning Challenge (Note 4B)	I	84.412A	N/A	10/07/14 - 06/30/15	75,000	\$ -0-	\$ 75,000	\$ 61,430	\$ (13,570)
<b>Passed Through Conestoga Valley School District:</b>									
Striving Readers	I	84.371C	N/A	07/01/14 - 06/30/15	7,520	-0-	7,520	7,520	-0-
<b>Passed Through La Academia: The Partnership Charter School:</b>									
Twenty-First Century Community Learning Centers	I	84.287	N/A	11/01/14 - 06/30/15	14,868	-0-	14,868	14,868	-0-
Twenty-First Century Community Learning Centers	I	84.287	N/A	07/01/14 - 06/30/15	14,868	-0-	14,868	14,868	-0-
Twenty-First Century Community Learning Centers	I	84.287	N/A	07/01/13 - 06/30/14	14,868	4,956	4,956	-0-	-0-
<b>Total Passed Through La Academia: The Partnership Charter School</b>						<b>4,956</b>	<b>34,692</b>	<b>29,736</b>	<b>-0-</b>
<b>Passed Through Montgomery County Intermediate Unit No. 23:</b>									
Special Education - State Personnel Development	I	84.323A	N/A	07/01/14- 06/30/15	11,000	-0-	11,000	10,269	(731)
<b>Passed Through School District of Lancaster:</b>									
Twenty-First Century Community Learning Centers	I	84.287	N/A	11/03/14 - 09/30/15	39,520	-0-	35,400	36,264	864
<b>Passed Through Tuscarora Intermediate Unit No. 11:</b>									
Adult Education - Basic Grants to States	I	84.002	N/A	07/01/14 - 06/30/15	32,445	-0-	23,268	32,048	8,780
Special Education - Preschool Grants (Note 2)	I	84.173A	131-130037	04/01/14 - 09/30/14	7,951	3,203	7,951	4,748	-0-
Special Education - Preschool Grants (Note 2)	I	84.173	N/A	07/01/13 - 06/30/14	41,112	3,377	3,377	-0-	-0-
<b>Total Passed Through Tuscarora Intermediate Unit No. 11</b>						<b>\$ 6,580</b>	<b>\$ 34,596</b>	<b>\$ 36,796</b>	<b>\$ 8,780</b>

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2015

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, 2014	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>U.S. Department of Education (Continued)</b>									
<b>Total U.S. Department of Education</b>						<b>\$ 4,304,146</b>	<b>\$ 34,957,617</b>	<b>\$ 35,852,203</b>	<b>\$ 5,198,732</b>
<b>U.S. Department of Health and Human Services</b>									
Head Start	D	93.600	03CH3413	01/01/15 - 12/31/15	1,601,883	-0-	688,823	823,070	134,247
Head Start	D	93.600	03CH0167	01/01/14 - 12/31/14	1,601,883	<u>170,480</u>	<u>965,925</u>	<u>795,445</u>	<u>-0-</u>
<b>Total Direct Funding from U.S. Department of Health and Human Services</b>						<b>170,480</b>	<b>1,654,748</b>	<b>1,618,515</b>	<b>134,247</b>
<b>Passed Through Pennsylvania Department of Education:</b>									
Temporary Assistance for Needy Families (Note 2)	I	93.558	4100060960	07/01/14 - 06/30/15	275,000	-0-	35,551	275,000	239,449
Temporary Assistance for Needy Families (Note 2)	I	93.558	4100060960	07/01/13 - 06/30/14	275,000	89,275	89,275	-0-	-0-
Refugee and Entrant Assistance - Discretionary Grants	I	93.576	4100068854	12/01/14 - 08/14/15	72,300	-0-	17,129	50,729	33,600
Refugee and Entrant Assistance	I	93.576	4100063749	08/15/13 - 08/14/14	69,049	<u>30,592</u>	<u>58,980</u>	<u>28,388</u>	<u>-0-</u>
<b>Total Passed Through Pennsylvania Department of Education</b>						<b>119,867</b>	<b>200,935</b>	<b>354,117</b>	<b>273,049</b>
<b>Passed Through Berks County Intermediate Unit No. 14:</b>									
Head Start	I	93.600	EHS-CCP 6	05/01/15 - 07/31/16	1,222,500	-0-	<b>310,200</b>	<b>6,287</b>	<b>(303,913)</b>
<b>Passed Through Lancaster County Workforce Investment Board:</b>									
Temporary Assistance for Needy Families (Note 2)	I	93.558	N/A	07/01/14 - 06/30/15	4,311	-0-	4,045	4,053	8
Refugee and Entrant Assistance	I	93.576	N/A	07/01/14 - 06/30/15	4,689	<u>-0-</u>	<u>4,399</u>	<u>4,689</u>	<u>290</u>
<b>Total Passed Through Lancaster County Workforce Investment Board</b>						<b>\$ -0-</b>	<b>\$ 8,444</b>	<b>\$ 8,742</b>	<b>\$ 298</b>

See independent auditors' report.

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

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2015

Federal Grantor Project Title	Source Code	Federal	Pass-Through	Grant Period Beginning/ Ending Date	Grant Amount	Accrued	Total	Expenses	Accrued
		CFDA Number	Grantor's Number			(Deferred) Revenue at July 1, 2014			Revenue at June 30, 2015
<b>U.S. Department of Health and Human Services (Continued)</b>									
<b>Passed Through Pennsylvania Department of Human Services:</b>									
Head Start	I	93.600	4100065777	01/01/15 - 12/31/15	608,650	\$ -0-	\$ 304,325	\$ 316,190	\$ 11,865
Head Start	I	93.600	4100065777	01/01/14 - 12/31/14	608,650	(11,024)	323,991	335,015	-0-
Medical Assistance Program (Note 2)	I	93.778	092-007513	07/01/14 - 06/30/15	N/A	-0-	102,616	153,073	50,457
Medical Assistance Program (Note 2)	I	93.778	092-007513	07/01/13 - 06/30/14	N/A	45,350	45,350	-0-	-0-
Medical Assistance Program (Note 2)	I	93.778	044-007513	07/01/13 - 06/30/15	N/A	<u>(150,717)</u>	<u>219,538</u>	<u>10,888</u>	<u>(359,367)</u>
<b>Total Passed Through Pennsylvania Department of Human Services</b>						<b>(116,391)</b>	<b>995,820</b>	<b>815,166</b>	<b>(297,045)</b>
<b>Passed Through South Central Workforce Investment Board</b>									
Temporary Assistance for Needy Families (Note 2)	I	93.558	P14-433-180-12-3361-02	07/01/14 - 06/30/15	68,463	-0-	47,649	68,463	20,814
<b>Total U.S. Department of Health and Human Services</b>						<b><u>173,956</u></b>	<b><u>3,217,796</u></b>	<b><u>2,871,290</u></b>	<b><u>(172,550)</u></b>
<b>U.S. Department of Homeland Security</b>									
Citizenship Education and Training	D	97.010	2013-CS-010-000005	10/01/13 - 09/30/15	250,000	<u>29,005</u>	<u>115,669</u>	<u>92,301</u>	<u>5,637</u>
<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>						<b><u>\$ 4,539,822</u></b>	<b><u>\$ 38,894,250</u></b>	<b><u>\$ 39,474,233</u></b>	<b><u>\$ 5,119,805</u></b>

Legend

D = Direct Funding

F = Federal Share

I = Indirect Funding

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

# Lancaster-Lebanon Intermediate Unit No. 13

## SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2015

### 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**

Project Title	Federal CFDA Number	Cluster
School Breakfast Program	10.553	Child Nutrition Cluster
National School Lunch Program	10.555	Child Nutrition Cluster
Workforce Investment Act 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
Special Education - Grants to States	84.027	Special Education Cluster (IDEA)
Special Education - Preschool Grants	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, 2015, was \$1,457,259 and \$950,000 which was listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

**NOTE 4 - Returned Money**

A) The amount listed in the last column on the schedule represents funds which were returned to the grantor agency during the year ended June 30, 2015. The refund was recorded on the PDE 2013-2014 Audit Confirmation of Subsidy Payments as occurring in June 2014.

B) The amount listed in the last column on the schedule includes \$11,750 of funds which were returned to the grantor agency during the year ended June 30, 2015.

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, 2015, 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 5, 2016.

**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.

- 74 -

**SERVICE | ANSWERS | TRUST**

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141  
CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002

**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 5, 2016  
Lancaster, Pennsylvania



TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT on COMPLIANCE for EACH MAJOR PROGRAM  
and on INTERNAL CONTROL over COMPLIANCE as 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, 2015. **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.

- 76 -

**SERVICE | ANSWERS | TRUST**

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141  
CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002



### **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, 2015.

### **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 5, 2016  
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, 2015

### A. Summary of Auditors' Results

1. The auditors' report expresses unmodified opinions 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: Workforce Investment Act Adult Program - CFDA #17.258, Workforce Investment Act Youth Act - CFDA #17.259, Workforce Investment Act Dislocated Worker Formula - CFDA #17.278, Special Education - Grants to States - CFDA #84.027, Special Education - Preschool Grants - CFDA #84.173, and Head Start - CFDA #93.600.
8. The threshold for distinguishing type A and B programs was \$1,184,227.
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, 2015

There are no prior audit findings.

**INDEPENDENT ACCOUNTANTS' REPORT  
on APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors  
**Lancaster-Lebanon Intermediate Unit No. 13**  
and the Pennsylvania Department of Human Services

We have performed the procedures enumerated below, which were agreed to by **Lancaster-Lebanon Intermediate Unit No. 13** and the Commonwealth of Pennsylvania, Department of Human Services (DHS), solely to assist the Commonwealth of Pennsylvania Department of Human Services (DHS) with respect to the Schedule of Contractual Service Activity for Early Head Start Grant #4100065777 required by the Early Head Start grant agreement for the period January 01, 2014 to December 31, 2014. **Lancaster-Lebanon Intermediate Unit No. 13's** management is responsible for the Schedule of Contractual Service Activity for Early Head Start Grant #4100065777 required by the Early Head Start grant agreement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We have verified by comparison of the amounts and classifications that the supplemental schedule for the period January 01, 2014 to December 31, 2014 has been accurately compiled in accordance with the provisions of this agreement and reflects the audited books and records of **Lancaster-Lebanon Intermediate Unit No. 13**. We also have verified by comparison to the sample schedule that the schedule is presented, at a minimum, at the level of detail and in the format required by the agreement pertaining to this period.
  - a. Schedule of Contractual Service Activity for Early Head Start Grant #4100065777 for the following:
    - i. January 01, 2014 to December 31, 2014
2. We inquired of management regarding any adjustments to the reported information which should be made and/or were not reflected on the reports submitted to DHS for the periods in question.

- 80 -

**SERVICE | ANSWERS | TRUST**

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141  
CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002

[www.troutcpa.com](http://www.troutcpa.com)

Our findings are as follows:

The processes detailed in #1 and #2 above disclosed the following adjustments and/or findings:

None

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Schedule of Contractual Service Activity for Early Head Start Grant #4100065777 required by the Early Head Start grant agreement for the period January 01, 2014 to December 31, 2014. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of **Lancaster-Lebanon Intermediate Unit No. 13** and the Commonwealth of Pennsylvania Department of Human Services (DHS), and is not intended to be and should not be used by anyone other than these specified parties.

January 5, 2016  
Lancaster, Pennsylvania

*Trout, Ebersole + Groff, LLP*  
TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

## Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of CONTRACTUAL SERVICE ACTIVITY for EARLY HEAD START GRANT #4100065777

For the Period January 01, 2014 to December 31, 2014

	<b>Budget</b>	<b>Actual</b>
Personnel	\$ 287,000	\$ 289,563
Fringe Benefits	161,563	158,631
Travel	11,075	11,174
Equipment	-0-	-0-
Supplies	27,300	27,872
Contractual	18,100	17,917
Construction	-0-	-0-
Other	77,645	77,395
Indirect Charges - Administrative	11,803	11,934
T&TA - Administrative	14,164	14,164
Total	<b>\$ 608,650</b>	<b>\$ 608,650</b>