

Lancaster-Lebanon Intermediate Unit No. 13

Year Ended June 30, 2016



TROUT, EBERSOLE & GROFF_{LLP}

CPAs | BUSINESS ADVISORS

SERVICE | ANSWERS | TRUST

Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2016

TABLE of CONTENTS

	Page
Independent Auditors' Report	1 - 3
Required Supplementary Information	
Management's Discussion and Analysis	4 - 10
Financial Statements	
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 - 53

Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2016

TABLE of CONTENTS (Continued)

	Page
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Education Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Education Transportation Fund	56
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - State Funded Early Intervention Fund	57
Notes to Required Supplementary Information	58
Schedule of Funding Progress - Other Postemployment Benefits (OPEB) - Postretirement Health Care Benefits Plan	59
Schedule of Employer Contributions - Other Postemployment Benefits (OPEB) - Postretirement Health Care Benefits Plan	60
Notes to Required Supplementary Information - Other Postemployment Benefits (OPEB) - Postretirement Health Care Benefits Plan	61
Schedule of Employer Contributions - Public Schools Employees' Retirement System - Last 10 Fiscal Years	62
Schedule of Intermediate Unit's Proportionate Share of the Net Pension Liability - Public School Employees' Retirement System - Last 10 Fiscal Years	63
Notes to Required Supplementary Information	64
Schedule of Employer Contributions - State Employees' Retirement System - Last 10 Fiscal Years	65
Schedule of Intermediate Unit's Proportionate Share of the Net Pension Liability - State Employees' Retirement System - Last 10 Fiscal Years	66
Notes to Required Supplementary Information	67

Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2016

TABLE of CONTENTS (Continued)

	Page
Supplementary Information	
Schedule of Expenditures of Federal Awards	68 - 76
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 <i>Government Auditing Standards</i>	77 & 78
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by Uniform Guidance	79 & 80
Schedule of Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	82
Independent Accountants' Report on Applying Agreed-Upon Procedures	83 & 84
Schedule of Contractual Service Activity for Early Head Start Grant #4100065777	85

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** (the Intermediate Unit), as of and for the year ended June 30, 2016, 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.

Auditors' 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgetary comparison information on pages 54 through 58, the other postemployment benefits (OPEB) healthcare benefits plan information on pages 59 through 61 and pension liability and contributions information on pages 62 through 67 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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 December 6, 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.

December 6, 2016
Lancaster, Pennsylvania

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

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2016

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, 2016. 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, 2016, are as follows:

- The Intermediate Unit's financial status as reflected in the total net position increased \$322,800 from the prior year. This increase is reflected as a decrease in net position for governmental activities of \$(191,641) and an increase in net position for business-type activities of \$514,441.
- Revenues totaled \$143.3 million. General revenues accounted for \$781,113, or 0.55% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$142.5 million, or 99.45%, of total revenues.
- The Intermediate Unit had \$120.8 million in expenses related to governmental activities; revenue related to governmental activities totaled \$117.4 million stemming from program specific charges for services, operating grants, and contributions.
- As part of the fund financial statements, the general fund reports \$62.7 million in revenues, \$67.8 million in expenditures, and \$5.9 million in other financing sources. The general fund's fund balance increased by \$835,236 to \$10.3 million.
- The special revenue fund, which includes the special education services programs, the special education transportation program and the state funded early intervention program, reports \$55.2 million in revenues, \$51.6 million in expenditures, and \$3.3 million in other financing uses. The special revenue fund's fund balance increased by \$281,237 to \$414,938.
- The enterprise fund reports \$25.1 million in revenues, \$22.2 million in expenditures, and \$2.4 million in other financing uses. The enterprise fund's fund balance increased by \$514,441 to (\$9.7) million (post GASB 68 adjustments).
- 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 \$14.96 million, which is 10.47% of total expenditures.

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2016

Financial Highlights (Continued)

- The internal service fund, which includes the research and development fund, the operating infrastructure programs, the retirement stabilization fund, the hospitalization fund, the worker's compensation fund and the unemployment fund, reports \$24.2 million in revenues, \$23.5 million in expenditures, and \$216,435 net in other financing uses. The internal service fund's fund balance increased by \$523,743 to \$15,384,912.

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.

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.

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2016

Reporting on the Intermediate Unit as a Whole (Continued)

Fund Financial Statements (Continued)

- **Governmental Funds** - Most of the Intermediate Unit's activities are reported in the governmental funds, which focus on how money flows into and out of those funds, the balances left at year end and available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the Intermediate Unit's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance programs provided by the Intermediate Unit. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements. Governmental funds include the general fund and the special revenue fund.
- **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, 2016

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 2016 compared to 2015.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	52,753,149	47,062,962	5,780,283	5,392,855	58,533,432	52,455,817
Capital Assets	<u>4,159,420</u>	<u>4,163,501</u>	<u>375,028</u>	<u>433,925</u>	<u>4,534,448</u>	<u>4,597,426</u>
Total Assets	56,912,569	51,226,463	6,155,311	5,826,780	63,067,880	57,053,243
Deferred Outflow of						
Resources - Pension	12,936,175	10,147,081	1,610,308	915,646	14,546,483	11,062,727
Liabilities						
Current and Other Liabilities	29,264,336	25,484,395	1,930,351	2,360,359	31,194,687	27,844,754
Long-Term Liabilities	<u>170,762,832</u>	<u>156,478,756</u>	<u>15,362,115</u>	<u>13,541,592</u>	<u>186,124,947</u>	<u>170,020,348</u>
Total Liabilities	200,027,168	181,963,151	17,292,466	15,901,951	217,319,634	197,865,102
Deferred Inflow of Resources -						
Pension	1,724,324	11,121,500	124,639	1,006,402	1,848,963	12,127,902
Net Position						
Invested in Capital Assets, net of Related Debt	4,159,420	4,163,501	375,028	433,925	4,534,448	4,597,426
Unrestricted (Deficit)	<u>(136,062,168)</u>	<u>(135,874,608)</u>	<u>(10,026,514)</u>	<u>(10,599,852)</u>	<u>(146,088,682)</u>	<u>(146,474,460)</u>
Total Net Position	(131,902,748)	(131,711,107)	(9,651,486)	(10,165,927)	(141,554,234)	(141,877,034)

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2016

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 2016 compared to 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Charges for Services	35,437,374	34,932,636	23,861,302	21,960,987	59,298,676	56,893,623
Operating Grants and Contributions	81,947,172	75,831,347	1,244,264	1,283,022	83,191,436	77,114,369
General Revenues:						
Grants, Subsidies, and Contributions not Restricted	639,215	639,215	-0-	-0-	639,215	639,215
Investment Earnings	65,706	34,099	-0-	-0-	65,706	34,099
Miscellaneous Income	75,242	13,051	-0-	-0-	75,242	13,051
Transfers	2,434,592	2,170,292	(2,434,592)	(2,170,292)	-0-	-0-
Gain on Disposal of Assets	<u>950</u>	<u>11,613</u>	<u>-0-</u>	<u>-0-</u>	<u>950</u>	<u>11,613</u>
Total Revenues	<u>120,600,251</u>	<u>113,632,253</u>	<u>22,670,974</u>	<u>21,073,717</u>	<u>143,271,225</u>	<u>134,705,970</u>
Expenses						
Instruction	60,641,087	56,443,332	-0-	-0-	60,641,087	56,443,332
Instructional Student Support	25,511,977	24,828,120	-0-	-0-	25,511,977	24,828,120
Administrative and Financial Support Services	28,699,583	27,424,913	-0-	-0-	28,699,583	27,424,913
Operation and Maintenance of Plant Services	3,569,364	3,869,901	-0-	-0-	3,569,364	3,869,901
Pupil Transportation	2,054,692	2,773,571	-0-	-0-	2,054,692	2,773,571
Non-Instructional Services	297,041	283,725	-0-	-0-	297,041	283,725
Facilities Acquisition, Construction and Improvement Services	18,148	-0-	-0-	-0-	18,148	-0-
Insurance Consortia Services	-0-	-0-	116,172	105,439	116,172	105,439
Management Services	-0-	-0-	2,027,410	1,781,368	2,027,410	1,781,368
Adult Education Services	-0-	-0-	370,010	273,301	370,010	273,301
Curriculum and Instruction Services	-0-	-0-	3,052,506	3,079,571	3,052,506	3,079,571
Special Education Administrative and Management Services	-0-	-0-	6,397,785	5,583,503	6,397,785	5,583,503
Technology Services	<u>-0-</u>	<u>-0-</u>	<u>10,192,650</u>	<u>9,982,214</u>	<u>10,192,650</u>	<u>9,982,214</u>
Total Expenses	<u>120,791,892</u>	<u>115,623,562</u>	<u>22,156,533</u>	<u>20,805,396</u>	<u>142,948,425</u>	<u>136,428,958</u>
Increase (Decrease) in Net Position	(191,641)	(1,991,309)	514,441	268,321	322,800	(1,722,988)

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2016

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	
	2016	2015	2016	2015
Instruction	60,641,087	56,443,332	1,779,795	736,625
Instructional Student Support	25,511,977	24,828,120	(511,052)	(1,080,480)
Administrative and Financial Support Services	28,699,583	27,424,913	(4,515,769)	(4,359,485)
Operation and Maintenance of Plant and Services	3,569,364	3,869,901	(548,112)	(532,584)
Pupil Transportation	2,054,692	2,773,571	393,300	375,060
Non-instructional Services	297,041	283,725	1,429	1,285
Facilities Acquisition, Construction, and Improvement Services	<u>18,148</u>	<u>-0-</u>	<u>(6,937)</u>	<u>-0-</u>
Total Expenses	120,791,892	115,623,562	(3,407,346)	(4,859,579)

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 contributions and interest earnings.

The Intermediate Unit's Funds

At June 30, 2016, the Intermediate Unit government funds reported a combined fund balance of \$10,739,592 which is an increase of \$1,116,473 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 54 - 57.

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2016

Reporting on the Intermediate Unit as a Whole (Continued)

Strategic Planning

During 2015-2016, 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 2015-16, 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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 8,256,482	\$ -0-	\$ 8,256,482
Investments, at Fair Value	29,834,762	-0-	29,834,762
Internal Balances	(1,647,724)	1,647,724	-0-
Due from Other Governments	14,865,385	3,547,473	18,412,858
Other Receivables	585,214	412,561	997,775
Inventories	45,800	-0-	45,800
Prepaid Expenses	813,230	172,525	985,755
Total Current Assets	<u>52,753,149</u>	<u>5,780,283</u>	<u>58,533,432</u>
Noncurrent Assets			
Building and Building Improvements, net of Accumulated Depreciation	2,216,847	-0-	2,216,847
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	1,829,746	375,028	2,204,774
Vehicles, net of Accumulated Depreciation	112,827	-0-	112,827
Total Noncurrent Assets	<u>4,159,420</u>	<u>375,028</u>	<u>4,534,448</u>
TOTAL ASSETS	<u>56,912,569</u>	<u>6,155,311</u>	<u>63,067,880</u>
DEFERRED OUTFLOW of RESOURCES - PENSION	<u>\$ 12,936,175</u>	<u>\$ 1,610,308</u>	<u>\$ 14,546,483</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET POSITION

(Continued)

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Due to Other Governments	\$ 1,518,486	\$ -0-	\$ 1,518,486
Accounts Payable	11,847,783	37,182	11,884,965
Accrued Salaries and Benefits	5,260,001	554,711	5,814,712
Payroll Deductions and Withholdings	3,988,724	-0-	3,988,724
Unearned Revenues	-0-	479,280	479,280
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	6,524,342	859,178	7,383,520
Total Current Liabilities	29,264,336	1,930,351	31,194,687
Noncurrent Liabilities			
Other Postemployment Benefit			
Obligation	2,336,798	-0-	2,336,798
Long-term Portion of			
Retirement Bonus	2,312,808	-0-	2,312,808
Long-term Portion of			
Compensated Absences	2,526,661	-0-	2,526,661
Net Pension Liability	163,586,565	15,362,115	178,948,680
Total Noncurrent Liabilities	170,762,832	15,362,115	186,124,947
TOTAL LIABILITIES	200,027,168	17,292,466	217,319,634
DEFERRED INFLOW of RESOURCES - PENSION	1,724,324	124,639	1,848,963
NET POSITION			
Net Investment in Capital Assets	4,159,420	375,028	4,534,448
Unrestricted (Deficit)	(136,062,168)	(10,026,514)	(146,088,682)
TOTAL NET POSITION	\$ (131,902,748)	\$ (9,651,486)	\$ (141,554,234)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of ACTIVITIES

Year Ended June 30, 2016

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	\$ 60,641,087	\$ 32,027,175	\$ 30,393,707	\$ -0-	\$ 1,779,795	\$ -0-	\$ 1,779,795
Instructional Student Support	25,511,977	2,723,419	22,277,506	-0-	(511,052)	-0-	(511,052)
Administrative and Financial Support Services	28,699,583	643,796	23,540,018	-0-	(4,515,769)	-0-	(4,515,769)
Operation and Maintenance of Plant Services	3,569,364	39,749	2,981,503	-0-	(548,112)	-0-	(548,112)
Pupil Transportation	2,054,692	-0-	2,447,992	-0-	393,300	-0-	393,300
Non-instructional Services	297,041	3,235	295,235	-0-	1,429	-0-	1,429
Facilities Acquisition, Construction, and Improvement Services	18,148	-0-	11,211	-0-	(6,937)	-0-	(6,937)
Total Governmental Activities	120,791,892	35,437,374	81,947,172	-0-	(3,407,346)	-0-	(3,407,346)
Business-Type Activities:							
Insurance Consortia Services	116,172	119,337	8,981	-0-	-0-	12,146	12,146
Management Services	2,027,410	2,181,545	115,172	-0-	-0-	269,307	269,307
Adult Education Services	370,010	366,110	30,960	-0-	-0-	27,060	27,060
Curriculum and Instruction Services	3,052,506	3,503,157	513,325	-0-	-0-	963,976	963,976
Special Education Administrative and Management Services	6,397,785	6,660,747	522,736	-0-	-0-	785,698	785,698
Technology Services	10,192,650	11,030,406	53,090	-0-	-0-	890,846	890,846
Total Business-Type Activities	22,156,533	23,861,302	1,244,264	-0-	-0-	2,949,033	2,949,033
Total Primary Government	\$ 142,948,425	\$ 59,298,676	\$ 83,191,436	\$ -0-	(3,407,346)	2,949,033	(458,313)
General Revenues:							
Grants, Subsidies, and Contributions not Restricted					639,215	-0-	639,215
Investment Earnings					65,706	-0-	65,706
Miscellaneous Income					75,242	-0-	75,242
Transfers					2,434,592	(2,434,592)	-0-
Gain on Disposal of Fixed Assets					950	-0-	950
Total General Revenues and Transfers					3,215,705	(2,434,592)	781,113
CHANGES in NET POSITION					(191,641)	514,441	322,800
NET POSITION							
Beginning					(131,711,107)	(10,165,927)	(141,877,034)
Ending					\$ (131,902,748)	\$ (9,651,486)	\$ (141,554,234)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	Major Funds				Total Governmental Funds
	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	
ASSETS					
Cash and Cash Equivalents	\$ 8,256,482	\$ -0-	\$ -0-	\$ -0-	\$ 8,256,482
Investments	29,834,762	-0-	-0-	-0-	29,834,762
Due from Other Funds	-0-	3,941,176	377,488	-0-	4,318,664
Due from Other Governments	12,519,910	1,024,194	465	1,148,436	14,693,005
Other Receivables	410	6,330	-0-	-0-	6,740
Inventories	45,800	-0-	-0-	-0-	45,800
Prepaid Expenditures	132,209	6,832	-0-	-0-	139,041
TOTAL ASSETS	<u>50,789,573</u>	<u>4,978,532</u>	<u>377,953</u>	<u>1,148,436</u>	<u>57,294,494</u>
LIABILITIES and FUND BALANCES					
LIABILITIES					
Due to Other Funds	17,586,145	-0-	-0-	1,132,741	18,718,886
Due to Other Governments	611,340	907,146	-0-	-0-	1,518,486
Accounts Payable	10,535,299	-0-	-0-	-0-	10,535,299
Accrued Salaries and Benefits	1,543,703	3,692,046	161	15,695	5,251,605
Payroll Deductions and Withholdings	3,988,724	-0-	-0-	-0-	3,988,724
Compensated Absences Payable	125,000	-0-	-0-	-0-	125,000
Other Current Liabilities	6,074,708	342,194	-0-	-0-	6,416,902
TOTAL LIABILITIES	<u>40,464,919</u>	<u>4,941,386</u>	<u>161</u>	<u>1,148,436</u>	<u>46,554,902</u>
FUND BALANCES					
Nonspendable	178,009	6,832	-0-	-0-	184,841
Committed	752,770	-0-	-0-	-0-	752,770
Assigned	654,426	30,314	377,792	-0-	1,062,532
Unassigned	8,739,449	-0-	-0-	-0-	8,739,449
TOTAL FUND BALANCES	<u>10,324,654</u>	<u>37,146</u>	<u>377,792</u>	<u>-0-</u>	<u>10,739,592</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 50,789,573</u>	<u>\$ 4,978,532</u>	<u>\$ 377,953</u>	<u>\$ 1,148,436</u>	<u>\$ 57,294,494</u>

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, 2016

Total fund balance - governmental funds \$ 10,739,592

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 \$7,084,369 and the accumulated depreciation is \$5,560,640. 1,523,729

Deferred outflows - GASB 68 Adjustment is not a financial resource and is therefore not reported as an asset in the governmental funds. 12,936,175

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	(2,336,798)	
Retirement Bonus	(2,312,808)	
Compensated Absences	(2,526,661)	
GASB 68 - Net Pension Liability	<u>(163,586,565)</u>	(170,762,832)

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. (1,724,324)

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	12,806,208	
Intergovernmental Receivable	172,380	
Other Receivables	524,764	
Prepaid Expenses	674,189	
Building and Building Improvements, net of Accumulated Depreciation	1,806,759	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	828,932	
Accounts Payable	(1,312,484)	
Accrued Salaries and Benefits	(8,396)	
Other Current Liabilities	<u>(107,440)</u>	<u>15,384,912</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (131,902,748)

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, 2016

	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	Total Governmental Funds
REVENUES					
Local Sources	\$ 2,932,650	\$ 33,284,887	\$ -0-	\$ -0-	\$ 36,217,537
State Sources	16,115,025	6,014,245	2,020,372	13,841,194	37,990,836
Federal Sources	43,677,622	-0-	-0-	-0-	43,677,622
Total Revenues	62,725,297	39,299,132	2,020,372	13,841,194	117,885,995
EXPENDITURES					
Instructional Services	16,914,926	31,908,312	-0-	10,428,021	59,251,259
Support Services	50,219,147	4,914,437	1,645,437	2,656,506	59,435,527
Non-instructional Services	697,041	36,722	-0-	-0-	733,763
Total Expenditures	67,831,114	36,859,471	1,645,437	13,084,527	119,420,549
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	(5,105,817)	2,439,661	374,935	756,667	(1,534,554)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	5,941,053	201,709	1,011	81,845	6,225,618
Operating Transfers Out	-0-	(2,643,237)	(92,842)	(838,512)	(3,574,591)
NET OTHER FINANCING SOURCES (USES)	5,941,053	(2,441,528)	(91,831)	(756,667)	2,651,027
NET CHANGES in FUND BALANCES	835,236	(1,867)	283,104	-0-	1,116,473
FUND BALANCES					
Beginning	9,489,418	39,013	94,688	-0-	9,623,119
Ending	<u>\$ 10,324,654</u>	<u>\$ 37,146</u>	<u>\$ 377,792</u>	<u>\$ -0-</u>	<u>\$ 10,739,592</u>

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, 2016

Net changes in fund balances - total governmental funds \$ 1,116,473

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	(451,892)	
Capital Outlays	<u>717,841</u>	265,949

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	(364,650)	
Retirement Bonus	(116,700)	
Other Postemployment Benefit Obligation	<u>(111,800)</u>	(593,150)

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.

(1,504,656)

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.

523,743

CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES \$ (191,641)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET POSITION -

PROPRIETARY FUNDS

June 30, 2016

	Major Fund	
	Enterprise	Internal Service
ASSETS		
Current Assets		
Due from Other Funds	\$ 1,647,724	\$ 12,806,208
Due from Other Governments	3,547,473	172,380
Other Receivables	412,561	524,764
Prepaid Expenses	172,525	674,189
Total Current Assets	5,780,283	14,177,541
Noncurrent Assets		
Leasehold Improvements, net of Accumulated Depreciation	-0-	1,806,759
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	375,028	828,932
Total Noncurrent Assets	375,028	2,635,691
TOTAL ASSETS	6,155,311	16,813,232
DEFERRED OUTFLOW of RESOURCES - PENSION	1,610,308	-0-
LIABILITIES		
Current Liabilities		
Accounts Payable	37,182	1,312,484
Accrued Salaries and Benefits	554,711	8,396
Unearned Revenues	479,280	-0-
Other Current Liabilities	859,178	107,440
Total Current Liabilities	1,930,351	1,428,320
Noncurrent Liabilities		
Net Pension Liability	15,362,115	-0-
TOTAL LIABILITIES	17,292,466	1,428,320
DEFERRED INFLOW of RESOURCES - PENSION	124,639	-0-
NET POSITION		
Net Investment in Capital Assets	375,028	2,635,691
Unrestricted (Deficit)	(10,026,514)	12,749,221
TOTAL NET POSITION	\$ (9,651,486)	\$ 15,384,912

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, 2016

	Major Fund	
	Enterprise	Internal Service
OPERATING REVENUES		
Local Sources:		
Charges for Services	\$ 23,861,302	\$ 23,957,336
 OPERATING EXPENSES		
Salaries	4,862,823	1,760,200
Employee Benefits	3,994,033	15,570,055
Purchased Professional and Technical Service	1,966,362	1,351,293
Purchased Property Services	628,264	3,471,441
Other Purchased Services	1,241,862	298,865
Supplies	9,244,863	318,786
Depreciation	189,560	625,156
Noncapital Equipment	-0-	19,260
Dues and Fees	28,766	81,765
Total Operating Expenses	22,156,533	23,496,821
OPERATING INCOME	1,704,769	460,515
 NONOPERATING REVENUES		
Sale of Fixed Assets	-0-	950
State Sources	1,244,264	278,713
CHANGES in NET POSITION BEFORE TRANSFERS	2,949,033	740,178
 TRANSFERS IN (OUT)		
Transfers In	48,643	167,558
Transfers Out	(2,483,235)	(383,993)
CHANGES in NET POSITION	514,441	523,743
 NET POSITION		
Beginning	(10,165,927)	14,861,169
Ending	\$ (9,651,486)	\$ 15,384,912

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 2016

	<u>Major Fund</u>	
	Enterprise	Internal Service
CASH FLOWS from OPERATING ACTIVITIES		
Cash Received from Users	\$ 23,401,199	\$ 23,039,047
Cash Payments to Employees for Services	(8,534,500)	(17,325,462)
Cash Payments to Suppliers for Goods and Services	<u>(13,545,708)</u>	<u>(5,421,687)</u>
Net Cash Provided by Operating Activities	1,320,991	291,898
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
State Sources	1,244,264	278,713
Transfers In	48,643	167,558
Transfers Out	<u>(2,483,235)</u>	<u>(383,993)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	(1,190,328)	62,278
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES		
Capital Outlay	<u>(130,663)</u>	<u>(354,176)</u>
INCREASE in CASH and CASH EQUIVALENTS	-0-	-0-
CASH and CASH EQUIVALENTS		
Beginning of Year	<u>-0-</u>	<u>-0-</u>
End of Year	<u>-0-</u>	<u>-0-</u>
RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES		
Operating Income	1,704,769	460,515
ADJUSTMENTS to RECONCILE OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES:		
Depreciation	189,560	625,156
Pension Expense (GASB 68)	244,098	-0-
(Increase) in Due from Other Funds	(708,405)	(424,066)
(Increase) Decrease in Due from Other Governments	244,654	(172,197)
(Increase) in Other Receivables	(57,170)	(322,026)
Decrease in Inventories	-0-	1,888
Decrease in Prepaid Expenses	133,493	70,525
Increase in Accounts Payable	37,182	43,750
Increase in Accrued Salaries and Benefits	78,258	4,793
Increase in Unearned Revenues	60,818	-0-
Increase (Decrease) in Other Current Liabilities	<u>(606,266)</u>	<u>3,560</u>
Total Adjustments	<u>(383,778)</u>	<u>(168,617)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,320,991</u>	<u>\$ 291,898</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET POSITION -

FIDUCIARY FUND

June 30, 2016

	Agency
ASSETS	
Cash and Cash Equivalents	\$ 22,952
Due from Other Governments	<u>58,196</u>
TOTAL ASSETS	<u>81,148</u>
LIABILITIES	
Due to Other Funds	53,710
Accounts Payable	4,859
Accrued Salaries and Benefits	822
Unearned Revenues	21,579
Other Current Liabilities	<u>178</u>
TOTAL LIABILITIES	<u>81,148</u>
NET POSITION	<u>\$ -0-</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the **Lancaster-Lebanon Intermediate Unit No. 13** conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

Reporting Entity

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, as amended, 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)

Joint Ventures

Lancaster-Lebanon Public Schools Employees' Health Care Consortium (EHCC)

The Intermediate Unit participates with 14 other school districts in a self-insured stop-loss pool. The Intermediate Unit is self-insured for claims up to \$175,000. The pool reimburses monies to the Intermediate Unit for individual claims above \$175,000 up to \$300,000. The pool has commercial insurance for claims greater than \$300,000. The Intermediate Unit's contribution to the pool for the year ended June 30, 2016, was approximately \$426,129 for excess loss insurance coverage.

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.

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities 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 Fund - 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.

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)

Enterprise Fund (Continued)

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, Student Activities and Events, Hybrid Learning, Virtual Solutions, Organ Tissue Donation Awareness, English as a Second Language Certification Courses, STEM Initiatives, Literacy Conference, Lancaster and Lebanon Counties Prison Programs, Vocational English as a Second Language, Lancaster-Lebanon Adult Education Local Program, Lancaster-Lebanon Foundation Pass-Thru, English Language Learning, LCCF Grant, GED Test Administration, United Way Collective Impact, Local Early Childhood, Collaborative Services, Business Services Initiatives, Conference & 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.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

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, 2016, the Intermediate Unit has \$54,519 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 \$109,235 at June 30, 2016.

Cash and Cash Equivalents

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

Inventories

Inventories represent the cost of supplies on hand at June 30, 2016, using the first-in/first-out method.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Intermediate Unit categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a-7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

Prepaid Expenses

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

Capital Assets and Depreciation

The Intermediate Unit's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The Intermediate Unit generally capitalizes assets with a cost of \$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 Building 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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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 School District 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.

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, other postemployment benefits, and provision for hospitalization fund accounts payable. 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 2016.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

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.

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.

Accounting Standards Adopted in the Year Ended June 30, 2016

During the current year, the Intermediate Unit adopted GASB 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. As a result of implementation of this standard in 2016, the Intermediate Unit has revised the disclosures regarding investments.

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

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Adopted in the Year Ended June 30, 2016 (Continued)

During the current year, the Intermediate Unit adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this statement is to enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. 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 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 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 OPEB. The provisions of this statement are effective for the Intermediate Unit's June 30, 2018 financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this statement are effective for the Intermediate Unit's June 30, 2017 financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The statement amends GASB Statement No. 14, *The Financial Reporting Entity*, by specifying that a component unit should be included in the reporting entity using the blending method if the component unit is organized as a not-for-profit corporation, the primary government is the sole corporate member, and the component unit is included in the financial reporting entity pursuant to the provisions of paragraphs 21 through 37 of GASB Statement No. 14. The provisions of this statement are effective for the Intermediate Unit's June 30, 2017 financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this statement are effective for the Intermediate Unit's June 30, 2018 financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Changes in Accounting Principles

guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this statement are effective for the Intermediate Unit's June 30, 2017 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.

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, 2016, \$2,676 of the Intermediate Unit's bank balance of \$252,676 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>2,676</u>
	2,676

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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

Cash and Cash Equivalents - Custodial Credit Risk (Continued)

Reconciliation of Cash and Cash Equivalents to the Financial Statements	
Uninsured Amount Above	2,676
Insured Amount	<u>250,000</u>
Bank Balance	252,676
Less: Outstanding Checks	<u>(3,204,879)</u>
Carrying Amount - Bank Balances	(2,952,203)
Plus: Petty Cash	1,465
Plus: Repurchase Agreements Classified as Cash and Cash Equivalents	<u>11,230,172</u>
Total Cash and Cash Equivalents Per Financial Statements	8,279,434

Investments

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a-7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

Investments recorded at amortized cost at June 30, 2016, are as follows:

Investments Recorded at Amortized Cost	Recorded Value	Maturity
Repurchased Agreements	11,230,172	1 day
PLGIT Class	690,435	<=397 days
PLGIT I Class	28,575,763	<=397 days
PLGIT Plus	<u>568,564</u>	<=397 days
Total Investments	41,064,934	
Less: Repurchase Agreements Classified as Cash and Cash Equivalents	<u>(11,230,172)</u>	
Total Investments per the Financial Statements	29,834,762	

The Pennsylvania Local Government Investment Pool (PLGIT) is a 2a-7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The Intermediate Unit has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP, an independently elected public official.

Restrictions on Qualified Investment Pool Withdrawals

The Intermediate Unit investments in the PLGIT account are subject to a one-day holding period. The Intermediate Unit is limited to two withdrawals per calendar month from the PLGIT I - Class account. Investments in the PLGIT Plus account are subject to a 30-day holding period for each deposit, and to a penalty for early withdrawal.

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 has a formal policy but it does not directly limit investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. Investments shall remain sufficiently liquid to meet all operating and cash requirements that are reasonably anticipated.

Credit Risk

As of June 30, 2016, the Intermediate Unit investments were rated as:

Investments	Standard & Poor's
PLGIT (Class, I-Class, and Plus)	AAAm

Concentration of Credit Risk

The Intermediate Unit has a formal investment policy that does not limit its investment choices to certain credit ratings. However, safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk.

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, 2016, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	6,914,656	5,022,828	582,426	12,519,910
Special Education Fund			1,024,194	1,024,194
Special Education Transportation Fund		465		465
State Funded Early Intervention Fund		1,148,436		1,148,436
Enterprise Fund		101,004	3,446,469	3,547,473
Internal Service Fund			172,380	172,380
Agency Fund			58,196	58,196
	6,914,656	6,272,733	5,283,665	18,471,054

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2016, were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund		17,586,145
Special Education Fund	3,941,176	
Special Education		
Transportation Fund	377,488	
State Funded Early		
Intervention Fund		1,132,741
Enterprise Fund	1,647,724	
Internal Service Fund	12,806,208	
Agency Fund		53,710
	<u>18,772,596</u>	<u>18,772,596</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, 2016, were as follows:

Fund	Transfers In	Transfers Out
General Fund	5,941,053	
Special Education Fund	201,709	2,643,237
Special Education		
Transportation Fund	1,011	92,842
State Funded Early		
Intervention Fund	81,845	838,512
Enterprise Fund	48,643	2,483,235
Internal Service Fund	<u>167,558</u>	<u>383,993</u>
	6,441,819	6,441,819

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. During the 2015-2016 fiscal year transfers were also made from the internal service fund to all other funds in an amount equal to 1% of salary costs in state and local programs to help off-set the high PSERS rate incurred by the programs.

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, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Historical Cost:				
Capital Assets Being Depreciated:				
Building and Building Improvements	5,661,804	665,058	675,407	5,651,455
Furniture, Fixtures, and Equipment	13,306,840	807,909	3,201,502	10,913,247
Vehicles	<u>1,095,395</u>	<u>-0-</u>	<u>508,928</u>	<u>586,467</u>
Total Capital Assets Being Depreciated	20,064,039	1,472,967	4,385,837	17,151,169
Accumulated Depreciation:				
Building and Building Improvements	3,288,912	421,103	275,407	3,434,608
Furniture, Fixtures, and Equipment	11,658,456	626,547	3,201,502	9,083,501
Vehicles	<u>953,170</u>	<u>29,398</u>	<u>508,928</u>	<u>473,640</u>
Total Accumulated Depreciation	<u>15,900,538</u>	<u>1,077,048</u>	<u>3,985,837</u>	<u>12,991,749</u>
Net Capital Assets Being Depreciated	<u>4,163,501</u>	<u>395,919</u>	<u>400,000</u>	<u>4,159,420</u>
Net Capital Assets	4,163,501	395,919	400,000	4,159,420

Depreciation expenses were charged to governmental functions as follows:

Instruction	44,700
Instructional Student Support	275,853
Administration and Financial Services	390,977
Operation and Maintenance of Plant	347,348
Pupil Transportation	22
Facilities Acquisition, Construction, and Improvement Services	<u>18,148</u>
	1,077,048

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, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	1,706,389	130,663	-0-	1,837,052
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>1,272,464</u>	<u>189,560</u>	<u>-0-</u>	<u>1,462,024</u>
Net Capital Assets Being Depreciated	<u>433,925</u>	<u>(58,897)</u>	<u>-0-</u>	<u>375,028</u>
Net Capital Assets	433,925	(58,897)	-0-	375,028

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

Management Services	24,989
Special Education Administrative and Management Services	20,785
Technology Services	<u>143,786</u>
	189,560

NOTE 6 - UNEARNED REVENUES

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

Unearned revenues balances at June 30, 2016, were as follows:

Fund & SBU/SSU	Amount	Purpose
<u>Enterprise Fund</u>		
SBU 001 - Administrative & Management Svcs	17,004	CPASPA - Fiscal Agent Account
SBU 016 - Regional Technology Solutions	<u>462,276</u>	Used to Offset Future Consortium Expenses
Enterprise Fund Total	<u>479,280</u>	
<u>Agency Funds</u>	<u>21,579</u>	Mini-business/Fundraiser Balances - Specific Classes
Total Unearned Revenue at June 30, 2016	500,859	

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, 2016:

Accumulated Sick Leave	1,311,834
Accumulated Vacation Leave	1,234,948
Employer Social Security and Medicare Share on Above	<u>47,237</u>
	2,594,019

Compensated absences activity can be summarized as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
2,229,369	450,175	85,525	2,594,019

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, 2016 was \$2,370,450.

Retirement bonuses activity can be summarized as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
2,253,750	203,925	87,225	2,370,450

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 \$619,090 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, 2016:

	2017	1,782,922
	2018	1,431,754
	2019	1,383,016
	2020	1,000,714
	2021	<u>929,783</u>
Total Minimum Future Rentals Payable		6,528,189

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, 2016, were \$1,718,792.

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 \$2,336,798 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)

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 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	986,006
Interest on OPEB Obligation	89,000
Adjustment to Annual Required Contribution	<u>(136,948)</u>
Annual OPEB Cost	938,058
Contributions Made	<u>826,258</u>
Estimated Increase in Net OPEB Obligation	111,800
Net OPEB Obligation - Beginning of Year	<u>2,224,998</u>
Net OPEB Obligation - End of Year	2,336,798

The Intermediate Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
6/30/2016	938,058	88%	2,336,798
6/30/2015	987,045	64%	2,224,998
6/30/2014	809,921	85%	1,866,646

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 schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Intermediate Unit maintains no plan assets, information relative to plan asset required disclosures is not applicable. Additionally, because 2009 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore the RSI does not reflect similar information for 2008.

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.

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 employers. The collar for commonwealth FY 14/15 was 4.5 percent and will remain at that rate until no longer needed.

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, 2016, was 25.00% 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 \$13,734,226 for the year ended June 30, 2016.

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, 2015 and 2014, the blended contribution rates, which include the BCP, were 22.77% and 18.29%, respectively. Contributions to the pension plan from the Intermediate Unit were \$29,635 for the year ended June 30, 2016.

Payable to the Pension Plan

PSERS

At June 30, 2016, the Intermediate Unit reported a payable of \$3,556,482 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2016. These amounts relate to the second quarter of 2016 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 \$347,668 for the employee contributions withheld during June 2016 which are payable to PSERS by July 10, 2016.

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, 2016, the Intermediate Unit reported a liability of \$178,589,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, the Intermediate Unit's proportion was .4123 percent, which was an increase of .0001 percent from its proportion measured as of June 30, 2014.

SERS

At June 30, 2016, the Intermediate Unit reported a liability of \$359,680 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, 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, 2014 to December 31, 2015. 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, 2015, the Intermediate Unit's proportion was .0020 percent, which was an increase of .0000 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Intermediate Unit recognized pension expense of \$15,497,797.

At June 30, 2016, 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-
Changes in Allocation Percentage		
Between Opinion Units	400,000	400,000
Net Difference between Projected and Actual Investment Earnings	-0-	1,448,963
Change in Proportions	91,292	-0-
Difference between Employer Contributions and Proportionate Share of Total Contributions	306,147	-0-
Contributions Subsequent to the Measurement Date	<u>13,749,044</u>	<u>-0-</u>
	14,546,483	1,848,963

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)

SERS (Continued)

\$13,749,044 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, 2017. 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:

2017	(1,007,153)
2018	(1,007,153)
2019	(1,007,153)
2020	1,969,935

Actuarial Assumptions

PSERS

The total pension liability as of June 30, 2015, was determined by rolling forward PSERS's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method - Entry age normal - level percentage of pay

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, 2014, 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	22.5%	4.8%
Private Markets (Equity)	15.0%	6.6%
Private Real Estate	12.0%	4.5%
Global Fixed Income	7.5%	2.4%
U.S. Long Treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High Yield Bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute Return	10.0%	4.9%
Risk Parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	1.1%
	100.0%	

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, 2015.

SERS

The following methods and assumptions were used in the actuarial valuation for the December 31, 2015, measurement date:

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

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

SERS (Continued)

Projected Salary Increases - Average of 5.70 percent with range of 3.85 percent to 9.05 percent including inflation

Asset Valuation Method - Fair (market) value

Inflation - 2.75 percent

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

Cost of Living Adjustments (COLAs) - Ad hoc

The board adopted the actuarial assumptions mentioned above in the *18th Investigation of Actuarial Experience* at its March 2016 meeting. The study can be viewed at www.sers.pa.gov.

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. Best estimates of arithmetic real rates of return for each major asset class included in SERS current and target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alternative Investments	15.00%	8.50%
Global Public Equity	40.00%	5.40%
Real Assets	17.00%	4.95%
Diversifying Assets	10.00%	5.00%
Fixed Income	15.00%	1.50%
Liquidity Reserve	<u>3.00%</u>	0.00%
	100.00%	

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.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Intermediate Unit's Proportionate Share of the Net Pension Liability	220,128,000	178,589,000	143,675,000

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	446,790	359,680	284,990

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.

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.

NOTE 12 - RISK MANAGEMENT

Hospitalization

The Intermediate Unit is participating in the insurance consortium with member school districts to provide for the medical care for eligible employees and their dependents. The Intermediate Unit remits funds to the third-party administrators who process and pay the claims. The Intermediate Unit was limited in liability for claims to \$175,000 per individual per year and \$16,557,676 in total per year.

A liability for claims incurred prior to June 30, 2016, and subsequently paid is recorded in the amount of \$1,267,175 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				
2014 - 2015	1,156,706	13,245,813	(13,241,018)	1,161,501
2015 - 2016	1,161,501	12,250,744	(12,145,070)	1,267,175

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - RISK MANAGEMENT (Continued)

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, 2016, 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 fifteen member school districts, two non-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, 2016, the Intermediate Unit is not aware of any additional assessments relating to the Fund.

Other Risks

The Intermediate Unit is exposed to other risks of loss related to theft of, damage to, and destruction of assets; errors and emissions; and natural disasters. The Intermediate Unit has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2016, and the two previous years, no settlements exceeded insurance coverage.

NOTE 13 - 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 \$195,000 at June 30, 2016.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - CONTINGENT LIABILITIES (Continued)

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 14 - FUND BALANCE CLASSIFICATIONS

Governmental Funds

Nonspendable fund balance consists of amounts that cannot be spent, either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At June 30, 2016, the Intermediate Unit has included the following as nonspendable fund balances:

General Fund - Inventories	45,800
General Fund - Prepaid Expenditures	132,209
Special Education Fund - Prepaid Expenditures	6,832

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, 2016, the Intermediate Unit has included the following as committed fund balances:

General Fund - Committed for General Operations	752,770
---	---------

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, 2016, the Intermediate Unit has included the following as assigned fund balances:

General Fund - Assigned for Program Specific Purposes	599,907
General Fund - Encumbrances	54,519
Special Education Fund - Assigned for Program Specific Purposes	30,314
Special Education Transportation Fund - Assigned for Program Specific Purposes	377,792

Enterprise Funds

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - FUND BALANCE CLASSIFICATIONS (Continued)

Internal Service Funds

The Internal Service Fund includes the Research and Development Fund, the Operating Infrastructure programs, the Retirement Stabilization Fund, the Hospitalization Fund, the Worker's Compensation Fund and the Unemployment Fund. At June 30, 2016 the amounts in fund balance earmarked for these purposes are as follows:

Research and Development	382,294
Operating Infrastructure	267,164
Retirement Stabilization	3,334,469
Hospitalization	9,677,677
Worker's Compensation	903,057
Unemployment	<u>820,251</u>
	15,384,912

Lancaster-Lebanon Intermediate Unit No. 13
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
 BUDGET and ACTUAL -
 GENERAL FUND
 Year Ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 3,144,455	\$ 3,331,466	\$ 2,932,650	\$ (398,816)
State Sources	17,875,230	18,450,554	16,115,025	(2,335,529)
Federal Sources	50,229,369	49,122,400	43,677,622	(5,444,778)
Total Revenues	71,249,054	70,904,420	62,725,297	(8,179,123)
EXPENDITURES				
Instructional Services:				
Special Programs	4,794,784	2,477,070	2,454,027	23,043
Other Instructional Programs	134,359	134,359	124,948	9,411
Nonpublic School Programs	6,498,985	6,551,761	6,503,117	48,644
Adult Education Programs	1,691,474	1,744,522	1,559,287	185,235
Pre-Kindergarten	6,401,282	7,477,016	6,273,547	1,203,469
Support Services:				
Pupil Personnel Services	6,407,071	6,172,516	4,684,164	1,488,352
Instructional Staff Services	17,862,619	18,571,254	15,164,592	3,406,662
Administrative Services	2,373,549	2,391,704	1,821,408	570,296
Pupil Health	110	1,537	1,529	8
Business Services	2,983,580	3,041,417	2,940,539	100,878
Operation and Maintenance of Plant Services	3,649,109	3,384,434	2,946,229	438,205
Student Transportation Services Central	311,350	405,500	405,461	39
Other Support Services	3,065,477	3,553,034	3,552,592	442
Other Support Services	19,415,001	18,922,554	18,702,633	219,921
Non-instructional Services:				
Food Services	25,799	297,799	297,041	758
Construction Services	400,000	400,000	400,000	-0-
Refund of Prior Year Receipts	300,000	-0-	-0-	-0-
Total Expenditures	76,314,549	75,526,477	67,831,114	7,695,363
DEFICIENCY of REVENUES over EXPENDITURES	(5,065,495)	(4,622,057)	(5,105,817)	(483,760)
OTHER FINANCING SOURCES				
Operating Transfers In	5,065,495	4,622,057	5,941,053	1,318,996
NET CHANGES in FUND BALANCES	\$ -0-	\$ -0-	835,236	\$ 835,236
FUND BALANCES				
Beginning			9,489,418	
Ending			10,324,654	

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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 33,697,350	\$ 34,237,601	\$ 33,284,887	\$ (952,714)
State Sources	5,860,949	5,920,356	6,014,245	93,889
Total Revenues	39,558,299	40,157,957	39,299,132	(858,825)
EXPENDITURES				
Instructional Services:				
Special Programs	30,067,094	30,557,681	30,229,545	328,136
Vocational Education Programs	1,792,826	1,792,826	1,678,767	114,059
Support Services:				
Instructional Staff Services	444,933	456,822	456,804	18
Administrative Services	1,825,607	1,863,577	1,793,756	69,821
Pupil Health	2,162,089	2,165,635	2,024,129	141,506
Operation and Maintenance of Plant Services	773,582	758,431	639,748	118,683
Non-instructional Services:				
Food Services	-0-	37,000	36,722	278
Total Expenditures	37,066,131	37,631,972	36,859,471	772,501
EXCESS of REVENUES over EXPENDITURES	2,492,168	2,525,985	2,439,661	(86,324)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	157,429	164,494	201,709	37,215
Operating Transfers Out	(2,649,597)	(2,690,479)	(2,643,237)	47,242
NET CHANGES in FUND BALANCES	\$ -0-	\$ -0-	(1,867)	\$ (1,867)
FUND BALANCES				
Beginning			39,013	
Ending			\$ 37,146	

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, 2016

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
State Sources	\$ 2,827,715	\$ 1,787,151	\$ 2,020,372	\$ 233,221
EXPENDITURES				
Support Services:				
Student Transportation Services	<u>2,677,222</u>	<u>1,692,644</u>	<u>1,645,437</u>	<u>47,207</u>
EXCESS of REVENUES over EXPENDITURES	150,493	94,507	374,935	280,428
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,010	1,010	1,011	1
Operating Transfers Out	<u>(151,503)</u>	<u>(95,517)</u>	<u>(92,842)</u>	<u>2,675</u>
NET CHANGES in FUND BALANCES	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	283,104	<u><u>\$ 283,104</u></u>
FUND BALANCES				
Beginning			<u>94,688</u>	
Ending			<u><u>\$ 377,792</u></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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Sources	\$ 12,587,515	\$ 13,849,027	\$ 13,841,194	\$ (7,833)
EXPENDITURES				
Instructional Services:				
Special Programs	9,190,011	10,434,762	10,428,021	6,741
Support Services:				
Pupil Personnel Services	840,892	841,906	840,977	929
Administrative Services	1,000	15,475	15,475	-0-
Pupil Health	1,796,145	1,800,056	1,800,054	2
Total Expenditures	<u>11,828,048</u>	<u>13,092,199</u>	<u>13,084,527</u>	<u>7,672</u>
EXCESS of REVENUES over EXPENDITURES	759,467	756,828	756,667	(161)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	74,349	81,684	81,845	161
Operating Transfers Out	<u>(833,816)</u>	<u>(838,512)</u>	<u>(838,512)</u>	<u>-0-</u>
NET CHANGES in FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>\$ -0-</u>
FUND BALANCES				
Beginning			<u>-0-</u>	
Ending			<u>\$ -0-</u>	

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
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

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2014	846,941	81.44%
June 30, 2015	1,027,271	61.20%
June 30, 2016	986,006	83.80%

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 59 and 60 was determined as part of the actuarial valuations at the dates indicated. Key factors used in the actuarial valuations are as follows:

Valuation Dates	July 1, 2014	July 1, 2012	July 1, 2010
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	1,085	1,160	1,302
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

SCHEDULES of EMPLOYER CONTRIBUTIONS -
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM -
Last 10 Fiscal Years

	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Defined Benefit Pension Plan:					
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%
2016	13,510,678	13,510,678	-0-	54,769,332	25.00%

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

For the Fiscal Year Ended June 30	Intermediate Unit's Proportion of the Net Pension Liability (Assets)	Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset)	Intermediate Unit's Covered- Employee Payroll	Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.4122%	163,152,000	52,602,009	310.16%	57.24%
2015	0.4123%	178,589,000	53,047,126	336.66%	54.36%

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 measurement 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

	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Defined Benefit					
Pension Plan:					
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%
2016	29,635	29,635	-0-	119,508	24.80%

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

For the Plan Year Ended December 31	Intermediate Unit's Proportion of the Net Pension Liability (Assets)	Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset)	Intermediate Unit's Covered- Employee Payroll	Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.00197719%	294,000	115,110	255.41%	66.72%
2015	0.00197802%	359,680	117,822	305.27%	58.90%

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 measurement date of December 31, which is the middle 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 EXPENDITURES of FEDERAL AWARDS

Year Ended June 30, 2016

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2015	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Passed Through to Subrecipients
Child Nutrition Cluster												
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	365	07/01/15 - 06/30/16	N/A	\$ -0-	\$ 5,673	\$ 6,571	\$ 898	\$ -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	365	07/01/14 - 06/30/15	N/A	626	626	-0-	-0-	-0-
			Total	10.553				626	6,299	6,571	898	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	362	07/01/15 - 06/30/16	N/A	-0-	11,792	13,666	1,874	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	362	07/01/14 - 06/30/15	N/A	1,359	1,359	-0-	-0-	-0-
			Total	10.555				1,359	13,151	13,666	1,874	-0-
			Total Child Nutrition Cluster					1,985	19,450	20,237	2,772	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	Child and Adult Care Food Program	I	10.558	164	10/01/14 - 9/30/16	233,724	12,075	248,383	240,632	4,324	-0-
WIA/WIOA Cluster												
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Adult Program	I	17.258	N/A	07/01/15 - 06/30/16	46,818	-0-	32,078	45,878	13,800	-0-
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Adult Program	I	17.258	N/A	07/01/14 - 06/30/15	50,294	3,103	3,103	-0-	-0-	-0-
			Total	17.258				3,103	35,181	45,878	13,800	-0-
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Youth Activities	I	17.259	N/A	07/01/15 - 06/30/16	43,653	-0-	29,910	43,653	13,743	-0-
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Youth Activities	I	17.259	N/A	07/01/14 - 06/30/15	42,289	\$ 2,609	\$ 2,609	\$ -0-	\$ -0-	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2016

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2015	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Passed Through to Subrecipients
WIA/WIOA Cluster (Continued)												
U.S. Department of Labor	South Central Workforce Investment Board	Workforce Investment Act Youth Activities	I	17.259	P15-433-180-15-3301-01	07/01/15 - 06/30/16	229,500	\$ -0-	\$ 149,904	\$ 229,500	\$ 79,596	\$ -0-
U.S. Department of Labor	South Central Workforce Investment Board	Workforce Investment Act Youth Activities	I	17.259	P14-433-180-12-3301-01	07/01/14 - 06/30/15	270,000	66,809	66,809	-0-	-0-	-0-
			Total	17.259				69,418	249,232	273,153	93,339	-0-
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Dislocated Worker Formula Grants	I	17.278	N/A	07/01/15 - 06/30/16	20,552	-0-	14,082	20,552	6,470	-0-
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Dislocated Worker Formula Grants	I	17.278	N/A	07/01/14 - 06/30/15	22,772	1,405	1,405	-0-	-0-	-0-
			Total	17.278				1,405	15,487	20,552	6,470	-0-
			Total WIA/WIC					73,926	299,900	339,583	113,609	-0-
U.S. Department of Labor	Pennsylvania Department of Education	Incentive Grants - WIA Section 503	I	17.267	AET-16-0015	09/01/15 - 06/30/16	44,921	-0-	-0-	44,921	44,921	-0-
Special Education Cluster												
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-160013	07/01/15 - 09/30/16	17,108,737	-0-	13,686,990	17,088,909	3,401,919	15,538,070
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-150013	07/01/14 - 09/30/15	16,978,326	3,378,907	3,395,665	16,758	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-160032	09/01/15 - 09/30/16	1,500	-0-	-0-	433	433	-0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-160033	07/01/15 - 09/30/16	15,321,773	\$ -0-	\$ 12,257,418	\$ 13,213,738	\$ 956,320	\$ 4,800,793

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2016

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2015	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Passed Through to Subrecipients
Special Education Cluster (Continued)												
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-150033	07/01/14 - 09/30/16	15,303,201	\$ 1,750,331	\$ 4,510,789	\$ 2,760,458	\$ -0-	\$ 1,369,115
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-160037	07/01/15- 09/30/16	371,800	-0-	322,227	355,562	33,335	-0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States (Note 4)	I	84.027	062-150037	07/01/14- 09/30/15	371,800	20,485	233,955	43,000	(170,470)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	131-150013	07/01/15-06/30/16	1,827,790	-0-	1,827,790	1,826,471	(1,319)	-0-
		Total		84.027				5,149,723	36,234,834	35,305,329	4,220,218	21,707,978
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Preschool Grants	I	84.173	131-150013	07/01/15 - 06/30/16	360,172	-0-	360,172	360,172	-0-	77,153
		Total Special Education Center						5,149,723	36,595,006	35,665,501	4,220,218	21,785,131
U.S. Department of Education	Pennsylvania Department of Education	Adult Education - Basic Grants to States	I	84.002	064-160026	07/01/15 - 06/30/16	741,367	-0-	722,914	741,367	18,453	-0-
U.S. Department of Education	Pennsylvania Department of Education	Adult Education - Basic Grants to States	I	84.002	061-160008	07/01/15 - 06/30/16	46,685	-0-	42,795	46,685	3,890	-0-
U.S. Department of Education	Tuscarora Intermediate Unit No. 11	Adult Education - Basic Grants to States	I	84.002	N/A	07/01/14 - 06/30/15	32,445	8,780	8,780	-0-	-0-	-0-
		Total		84.002				8,780	774,489	788,052	22,343	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	147-160007	10/01/15 - 09/30/16	16,000	-0-	12,000	11,246	(754)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	148-160006	10/01/15 - 09/30/16	7,822	\$ -0-	\$ 3,911	\$ 5,351	\$ 1,440	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2016

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2015	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	149-150005	10/01/15 - 09/30/16	83,107	\$ -0-	\$ 62,330	\$ 70,706	\$ 8,376	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	107-160613	10/01/15 - 09/30/16	95,658	-0-	31,886	35,536	3,650	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	107-150613	09/30/14 - 09/30/16	86,112	821	54,915	54,094	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-150613	10/01/14 - 09/30/15	101,920	71,412	101,920	30,508	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-140613	10/02/13 - 09/30/14	114,725	9,561	9,561	-0-	-0-	-0-
			Total	84.010				81,794	276,523	207,441	12,712	-0-
U.S. Department of Education	N/A	Adult Education - National Leadership Activities	D	84.191C	V191D150016	09/25/15 - 09/26/16	350,000	-0-	136,361	192,892	56,531	-0-
U.S. Department of Education	N/A	Adult Education - National Leadership Activities	D	84.191C	V191C130040	03/19/13 - 07/31/15	272,032	27,921	31,697	3,776	-0-	-0-
			Total	84.191C				27,921	168,058	196,668	56,531	-0-
U.S. Department of Education	School District of Lancaster	Twenty-First Century Community Learning Centers	I	84.287	N/A	10/01/15 - 9/30/16	118,300	-0-	57,881	92,710	34,829	-0-
U.S. Department of Education	La Academia: The Partnership Charter School	Twenty-First Century Community Learning Centers	I	84.287	N/A	07/01/15 - 06/30/16	14,868	-0-	9,912	14,868	4,956	-0-
U.S. Department of Education	School District of Lancaster	Twenty-First Century Community Learning Centers	I	84.287	N/A	11/03/14 - 09/30/15	41,592	864	6,191	5,327	-0-	-0-
			Total	84.287				\$ 864	\$ 73,984	\$ 112,905	\$ 39,785	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2016

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2015	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Passed Through to Subrecipients
U.S. Department of Education	Montgomery County Intermediate Unit No. 23	Special Education - State Personnel Development	I	84.323A	N/A	07/01/15- 06/30/16	5,000	\$ -0-	\$ 5,000	\$ 5,000	\$ -0-	\$ -0-
U.S. Department of Education	Montgomery County Intermediate Unit No. 23	Special Education - State Personnel Development	I	84.323A	N/A	07/01/14- 06/30/15	11,000	(731)	-0-	731	-0-	-0-
		Total		84.323A				(731)	5,000	5,731	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-160613	10/01/15 - 09/30/16	172,518	-0-	57,506	-0-	(57,506)	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-150613	10/01/14 - 09/30/16	167,447	(50,536)	91,573	147,131	5,022	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-140613	10/02/13 - 09/30/15	150,953	30,411	64,647	34,236	-0-	-0-
		Total		84.365				(20,125)	213,726	181,367	(52,484)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Mathematics and Science Partnerships	I	84.366	075-150613	04/15/15 - 09/30/16	512,289	-0-	394,069	371,344	(22,725)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Mathematics and Science Partnerships	I	84.366	075-140613	04/15/14 - 09/30/15	486,735	9,855	187,206	177,351	-0-	-0-
		Total		84.366				9,855	581,275	548,695	(22,725)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Improving Teacher Quality State Grants	I	84.367	020-160613	10/01/15 - 09/30/16	44,011	-0-	14,670	-0-	(14,670)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Improving Teacher Quality State Grants	I	84.367	020-150613	09/30/14 - 09/30/15	44,011	(16,927)	16,927	18,943	(14,911)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Improving Teacher Quality State Grants	I	84.367	020-140613	10/02/13 - 09/30/15	44,011	(6,301)	22,006	28,307	-0-	-0-
		Total		84.367				\$ (23,228)	\$ 53,603	\$ 47,250	\$ (29,581)	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2016

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2015	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Passed Through to Subrecipients
U.S. Department of Education	Conestoga Valley School District	Striving Readers	I	84.371C	N/A	07/01/15 - 06/30/16	19,680	\$ -0-	\$ 13,470	\$ 19,470	\$ 6,000	\$ -0-
U.S. Department of Education	Berks County Intermediate Unit	Race to the Top - Early Learning Challenge	I	84.412A	N/A	07/01/15 - 06/30/16	86,750	-0-	86,750	83,941	(2,809)	-0-
U.S. Department of Education	Berks County Intermediate Unit	Race to the Top - Early Learning Challenge (Note 4)	I	84.412A	N/A	10/07/14 - 06/30/15	75,000	(13,570)	-0-	1,820	(11,750)	-0-
		Total		84.412A				(13,570)	86,750	85,761	(14,559)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Race to the Top	I/F	84.413A	B413A120004	07/01/12 - 06/30/16	65,214	3,140	3,140	2,477	2,477	1,045
TANF Cluster												
U.S. Department of Health and Human Services	South Central Workforce Investment Board	Temporary Assistance for Needy Families	I	93.558	N/A	05/01/16 - 06/30/17	79,200	-0-	-0-	2,236	2,236	-0-
U.S. Department of Health and Human Services	Lancaster County Workforce Investment Board	Temporary Assistance for Needy Families	I	93.558	N/A	07/01/15 - 06/30/16	2,050	-0-	1,404	2,050	646	-0-
U.S. Department of Health and Human Services	Lancaster County Workforce Investment Board	Temporary Assistance for Needy Families	I	93.558	N/A	07/01/14 - 06/30/15	4,311	8	266	258	-0-	-0-
U.S. Department of Health and Human Services	South Central Workforce Investment Board	Temporary Assistance for Needy Families	I	93.558	P15-433-180-15-3361-02	07/01/15 - 06/30/16	95,310	-0-	65,310	95,310	30,000	-0-
U.S. Department of Health and Human Services	South Central Workforce Investment Board	Temporary Assistance for Needy Families	I	93.558	P14-433-180-12-3361-02	07/01/14 - 06/30/15	68,463	20,814	20,814	-0-	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Education	Temporary Assistance for Needy Families	I	93.558	4100060960	07/01/15 - 06/30/16	275,000	\$ -0-	\$ -0-	\$ 275,000	\$ 275,000	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2016

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2015	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Passed Through to Subrecipients
TANF Cluster (Continued)												
U.S. Department of Health and Human Services	Pennsylvania Department of Education	Temporary Assistance for Needy Families	I	93.558	4100060960	07/01/14 - 06/30/15	275,000	\$ 239,449	\$ 239,449	\$ -0-	\$ -0-	\$ -0-
Total TANF Cluster								260,271	327,243	374,854	307,882	-0-
Medicaid Cluster												
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Medical Assistance Program	I	93.778	044-007513	07/01/13 - 06/30/16	N/A	(359,367)	106,950	23,439	(442,878)	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Medical Assistance Program	I	93.778	092-007513	07/01/15 - 06/30/16	N/A	-0-	28,060	102,007	73,947	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Medical Assistance Program	I	93.778	092-007513	07/01/14 - 06/30/15	N/A	50,457	50,457	-0-	-0-	-0-
Total Medicaid Cluster								(308,910)	185,467	125,446	(368,931)	-0-
U.S. Department of Health and Human Services	Lancaster County Workforce Investment Board	Refugee and Entrant Assistance - Discretionary Grants	I	93.576	N/A	07/01/14 - 06/30/15	4,689	290	290	-0-	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Refugee and Entrant Assistance - Discretionary Grants	I	93.576	FC4100068854	08/15/15 - 08/14/16	71,373	-0-	27,951	50,195	22,244	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Education	Refugee and Entrant Assistance - Discretionary Grants	I	93.576	4100068854	12/01/14 - 08/14/15	72,300	33,600	55,171	21,571	-0-	-0-
Total								\$ 33,890	\$ 83,412	\$ 71,766	\$ 22,244	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2016

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2015	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Passed Through to Subrecipients
U.S. Department of Health and Human Services	N/A	Head Start	D	93.600	03CH3413	01/01/16 - 12/31/16	1,630,026	\$ -0-	\$ -0-	\$ 752,924	\$ 752,924	\$ -0-
U.S. Department of Health and Human Services	N/A	Head Start	D	93.600	03CH3413	01/01/15 - 12/31/15	1,601,883	134,247	913,060	778,813	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Head Start	I	93.600	41000065777	01/01/16 - 12/31/16	620,497	-0-	304,325	299,448	(4,877)	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Head Start	I	93.600	41000065777	01/01/15 - 12/31/15	608,650	11,865	304,325	292,460	-0-	-0-
U.S. Department of Health and Human Services	Berks County Intermediate Unit	Head Start	I	93.600	EHS-CCP 6	05/01/15 - 07/31/16	1,779,850	(303,913)	1,175,844	1,242,945	(236,812)	842,014
Total				93.600				(157,801)	2,697,554	3,366,590	511,235	842,014
U.S. Department of Homeland Security	N/A	Citizenship Education and Training	D	97.010	2013-CS-010-000005	10/01/13 - 09/30/15	250,000	5,637	75,992	70,355	-0-	-0-
TOTAL EXPENDITURES of FEDERAL AWARDS								\$ 5,145,496	\$ 42,782,425	\$ 42,515,702	\$ 4,878,773	\$ 22,628,190

Legend
D = Direct Funding
F = Federal Share
I = Indirect Funding
CFDA = Catalog of Federal Domestic Assistance

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2016

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 - DE MINIMIS INDIRECT COST RATE

The Intermediate Unit did not elect to use the 10% de minimis indirect cost rate.

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, 2016, was \$1,042,465 and \$670,500 which was listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

NOTE 4 - RETURNED MONEY

A) The amount listed as accrued (deferred) revenue at June 30, 2016, on the schedule of expenditures of federal awards represents funds which were returned to the grantor agency during the year ended June 30, 2016. The refund was recorded on the PDE 2015-2016 Audit Confirmation of Subsidy Payments as occurring in June 2016.

B) The amount listed as accrued (deferred) revenue at June 30, 2016, on the schedule of expenditures of federal awards includes \$11,750 and \$25,691 for funds which were returned to the grantor agency during the year ended June 30, 2016.

NOTE 5 - COST PRINCIPLES

Expenditures are recognized as following, as applicable, either the cost principles in OMB Circular A-87, cost principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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, 2016, 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 December 6, 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.

- 77 -

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.

December 6, 2016
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP
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 the UNIFORM GUIDANCE**

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 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, 2016. **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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Lancaster-Lebanon Intermediate Unit No. 13's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Lancaster-Lebanon Intermediate Unit No. 13's** compliance.

Opinion on Each Major Federal Program

In our opinion, **Lancaster-Lebanon Intermediate Unit No. 13** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

December 6, 2016
Lancaster, Pennsylvania

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

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2016

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 the Uniform Guidance.
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: Adult Education - Basic Grants to States - CFDA #84.002, Special Education - Grants to States - CFDA #84.027, and Special Education - Preschool Grants - CFDA #84.173.
8. The threshold for distinguishing type A and B programs was \$1,275,471.
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, 2016

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 Commonwealth of 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 1, 2015 to December 31, 2015. **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 1, 2015 to December 31, 2015, 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 this 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 1, 2015 to December 31, 2015
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.

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 1, 2015 to December 31, 2015. 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.

December 6, 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 1, 2015 to December 31, 2015

	Budget	Actual
Personnel	\$ 295,408	\$ 295,408
Fringe Benefits	164,556	164,556
Travel	14,423	14,423
Supplies	21,798	21,798
Contractual	7,231	7,231
Other	61,976	61,976
Indirect Charges - Administrative	29,094	29,094
T&TA - Administrative	14,164	14,164
Total	<u>\$ 608,650</u>	<u>\$ 608,650</u>