

Lancaster-Lebanon Intermediate Unit No. 13

Year Ended June 30, 2017



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Lancaster-Lebanon Intermediate Unit No. 13

Financial Statements with Supplementary Information

Year Ended June 30, 2017

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Financial Statements with Supplementary Information

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Financial Statements with Supplementary Information

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13** (the Intermediate Unit), as of and for the year ended June 30, 2017, 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13**, as of June 30, 2017, 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 1, 2017, 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 1, 2017
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, 2017

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, 2017. 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, 2017, are as follows:

- The Intermediate Unit's financial status as reflected in the total net position decreased \$3,014,753 from the prior year. This decrease is reflected as a decrease in net position for governmental activities of \$3,021,766 and an increase in net position for business-type activities of \$7,013.
- Revenues totaled \$153.7 million. General revenues accounted for \$857,397, or 0.56% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$152.8 million, or 99.44%, of total revenues.
- The Intermediate Unit had \$132.5 million in expenses related to governmental activities; revenue related to governmental activities totaled \$126.2 million stemming from program specific charges for services, operating grants, and contributions.
- As part of the fund financial statements, the general fund reports \$69.4 million in revenues, \$75.1 million in expenditures, and \$6.8 million in other financing sources. The general fund's fund balance increased by \$1,025,153 to \$11.3 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 \$57.3 million in revenues, \$54.0 million in expenditures, and \$3.5 million in other financing uses. The special revenue fund's fund balance decreased by \$208,540 to \$206,398.
- The enterprise fund reports \$26.7 million in revenues, \$24.2 million in expenditures, and \$2.4 million in other financing uses. The enterprise fund's fund balance increased by \$7,013 to (\$9.6) 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 \$16.35 million, which is 10.69% of total expenditures.

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2017

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 \$26.5 million in revenues, \$24.9 million in expenditures, and \$906,978 net in other financing uses. The internal service fund's fund balance increased by \$653,968 to \$16,038,880.

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, 2017

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, 2017

Financial Analysis of the Intermediate Unit as a Whole

Table 1 provides a summary of the Intermediate Unit's net position for 2017 compared to 2016.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	55,004,264	52,753,149	6,534,570	5,780,283	61,538,834	58,533,432
Capital Assets	<u>4,254,111</u>	<u>4,159,420</u>	<u>181,385</u>	<u>375,028</u>	<u>4,435,496</u>	<u>4,534,448</u>
Total Assets	59,258,375	56,912,569	6,715,955	6,155,311	65,974,330	63,067,880
Deferred Outflow of Resources						
	36,857,052	12,936,175	3,759,000	1,610,308	40,616,052	14,546,483
Liabilities						
Current and Other Liabilities	29,726,975	29,264,336	1,924,428	1,930,351	31,651,403	31,194,687
Long-Term Liabilities	<u>199,188,118</u>	<u>170,762,832</u>	<u>18,024,000</u>	<u>15,362,115</u>	<u>217,212,118</u>	<u>186,124,947</u>
Total Liabilities	228,915,093	200,027,168	19,948,428	17,292,466	248,863,521	217,319,634
Deferred Inflow of Resources						
	2,124,848	1,724,324	171,000	124,639	2,295,848	1,848,963
Net Position						
Invested in Capital Assets, Net of Related Debt	4,254,111	4,159,420	181,385	375,028	4,435,496	4,534,448
Unrestricted	<u>(139,178,625)</u>	<u>(136,062,168)</u>	<u>(9,825,858)</u>	<u>(10,026,514)</u>	<u>(149,004,483)</u>	<u>(146,088,682)</u>
Total Net Position	(134,924,514)	(131,902,748)	(9,644,473)	(9,651,486)	(144,568,987)	(141,554,234)

Commitments

The Lancaster-Lebanon Joint Authority entered into a lease addendum obligation for capital improvements to Burle Business Park in June 2017. The amount of this obligation that is reimbursable from the Lancaster-Lebanon Intermediate Unit to the Lancaster-Lebanon Joint Authority amounted to approximately \$750,000 which was approved by the IU13 Board as a sublease addendum obligation in September 2017.

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2017

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

Table 2 shows the changes in net position for 2017 compared to 2016.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Charges for Services	38,862,290	35,437,374	25,536,392	23,861,302	64,398,682	59,298,676
Operating Grants and Contributions	87,325,313	81,947,172	1,126,517	1,244,264	88,451,830	83,191,436
General Revenues:						
Grants, Subsidies, and Contributions Not Restricted	639,215	639,215	-0-	-0-	639,215	639,215
Investment Earnings	111,356	65,706	-0-	-0-	111,356	65,706
Miscellaneous Income	106,736	75,242	-0-	-0-	106,736	75,242
Transfers	2,406,145	2,434,592	(2,406,145)	(2,434,592)	-0-	-0-
Gain on Disposal of Assets	<u>90</u>	<u>950</u>	<u>-0-</u>	<u>-0-</u>	<u>90</u>	<u>950</u>
Total Revenues	129,451,145	120,600,251	24,256,764	22,670,974	153,707,909	143,271,225
Expenses						
Instruction	67,300,498	60,641,087	-0-	-0-	67,300,498	60,641,087
Instructional Student Support	28,448,614	25,511,977	-0-	-0-	28,448,614	25,511,977
Administrative and Financial Support Services	30,648,299	28,699,583	-0-	-0-	30,648,299	28,699,583
Operation and Maintenance of Plant Services	3,842,100	3,569,364	-0-	-0-	3,842,100	3,569,364
Pupil Transportation	1,917,448	2,054,692	-0-	-0-	1,917,448	2,054,692
Non-instructional Services	295,952	297,041	-0-	-0-	295,952	297,041
Facilities Acquisition, Construction & Improvement Services	20,000	18,148	-0-	-0-	20,000	18,148
Insurance Consortia Services	-0-	-0-	134,724	116,172	134,724	116,172
Management Services	-0-	-0-	2,117,410	2,027,410	2,117,410	2,027,410
Adult Education Services	-0-	-0-	464,253	370,010	464,253	370,010
Curriculum and Instruction Services	-0-	-0-	3,119,385	3,052,506	3,119,385	3,052,506
Special Education Administrative and Management Services	-0-	-0-	7,130,089	6,397,785	7,130,089	6,397,785
Technology Services	<u>-0-</u>	<u>-0-</u>	<u>11,283,890</u>	<u>10,192,650</u>	<u>11,283,890</u>	<u>10,192,650</u>
Total Expenses	<u>132,472,911</u>	<u>120,791,892</u>	<u>24,249,751</u>	<u>22,156,533</u>	<u>156,722,662</u>	<u>142,948,425</u>
Increase (Decrease) in Net Position	(3,021,766)	(191,641)	7,013	514,441	(3,014,753)	322,800

Lancaster-Lebanon Intermediate Unit No. 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2017

Reporting on the Intermediate Unit as a Whole (Continued)

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

The statement of activities shows the cost of program services and the charges for services and grants offsetting those costs. Table 3 shows, for governmental activities, the total cost of services and the net cost of services.

Table 3
Governmental Activities

Functions	Total Cost of Expenses		Net Cost of Expenses	
	2017	2016	2017	2016
Instruction	67,300,498	60,641,087	(108,646)	1,779,795
Instructional Student Support	28,448,614	25,511,977	(1,034,148)	(511,052)
Administrative and Financial Support Services	30,648,299	28,699,583	(4,410,767)	(4,515,769)
Operation and Maintenance of Plant and Svcs	3,842,100	3,569,364	(638,183)	(548,112)
Pupil Transportation	1,917,448	2,054,692	(75,834)	393,300
Non-instructional Services	295,952	297,041	2,270	1,429
Facilities Acquisition, Construction & Improvement Services	<u>20,000</u>	<u>18,148</u>	<u>(20,000)</u>	<u>(6,937)</u>
Total Expenses	132,472,911	120,791,892	(6,285,308)	(3,407,346)

Expenses for governmental activities are mainly offset by Intermediate Unit revenues related to special education contracts, state and federal grants and allocations restricted to specific activities and programs, and fee-for-service revenues. The majority of the remaining net cost of activities is supported through member School District contribution and interest earnings.

The Intermediate Unit's Funds

At June 30, 2017, the Intermediate Unit government funds reported a combined fund balance of \$11,556,205 which is an increase of \$816,613 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, 2017

Strategic Planning

During 2016-2017, 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 2016-17, the Intermediate Unit focused on the following strategic priorities and goals:

- **Priority 1 - Nurture relationships through our commitment to service**
 - Goal - Create greater awareness of the IU13 mission and vision
 - Goal - Increase and improve existing internal communications
 - Goal - Implement a building management systems support plan
- **Priority 2 - Maintain a strong financial position**
 - Goal - Revisit and update enterprise and SBU level business plans
 - Goal - Evaluate/establish a new corporate structure
 - Goal - Create a sales position/function
- **Priority 3 - Enhance the lives of students and educators in Lancaster and Lebanon counties**
 - Goal - Develop a prototype/pilot a data dashboard of student achievement data
 - Goal - Implement personalized learning to enrich student learning outcomes
 - Goal - Continue the refresh program for IU13 education centers
- **Priority 4 - Cultivate a culture of innovation that responds to district needs and market trends**
 - Goal - Using service design processes develop/launch new marketplace services
 - Literacy and STEM services and/or projects
 - “Therapy Connect” – a new business venture with Chester County Intermediate Unit
 - ACT 168 of 2014 Employee Background Check Services statewide
 - Goal - Continue the refresh program for Burle Business Park
 - Create a flexible environment that supports collaboration and innovation
 - Model use of the latest technologies
- **Priority 5 - Build a talented, service-oriented team**
 - Goal - Increase leadership capacity
 - Goal - Create an induction plan for new ACT 93 members
- **Priority 6 - Encourage the well-being and success of every employee**
 - Goal - Improve the efficiencies of staff in the course of their daily activities
 - Goal - Develop/implement an incentive program for innovation

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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 12,566,284	\$ -0-	\$ 12,566,284
Investments, at Fair Value	27,945,257	-0-	27,945,257
Internal Balances	(2,477,057)	2,477,057	-0-
Due from Other Governments	15,098,268	3,400,394	18,498,662
Other Receivables	654,073	564,740	1,218,813
Inventories	52,262	-0-	52,262
Prepaid Expenses	<u>1,165,177</u>	<u>92,379</u>	<u>1,257,556</u>
Total Current Assets	55,004,264	6,534,570	61,538,834
Noncurrent Assets			
Building and Building Improvements, net of Accumulated Depreciation	2,009,409	-0-	2,009,409
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	2,045,979	181,385	2,227,364
Vehicles, net of Accumulated Depreciation	<u>198,723</u>	<u>-0-</u>	<u>198,723</u>
Total Noncurrent Assets	<u>4,254,111</u>	<u>181,385</u>	<u>4,435,496</u>
TOTAL ASSETS	<u>59,258,375</u>	<u>6,715,955</u>	<u>65,974,330</u>
DEFERRED OUTFLOW of RESOURCES - PENSION	<u>\$ 36,857,052</u>	<u>\$ 3,759,000</u>	<u>\$ 40,616,052</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET POSITION

(Continued)

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Due to Other Governments	\$ 3,399,079	\$ -0-	\$ 3,399,079
Accounts Payable	10,720,266	296,133	11,016,399
Accrued Salaries and Benefits	5,441,710	517,026	5,958,736
Payroll Deductions and Withholdings	4,812,794	-0-	4,812,794
Unearned Revenues	-0-	402,108	402,108
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	5,228,126	709,161	5,937,287
	<u>29,726,975</u>	<u>1,924,428</u>	<u>31,651,403</u>
Total Current Liabilities	29,726,975	1,924,428	31,651,403
Noncurrent Liabilities			
Other Postemployment Benefit			
Obligation	2,291,596	-0-	2,291,596
Long-term Portion of			
Retirement Bonus	2,373,858	-0-	2,373,858
Long-term Portion of			
Compensated Absences	2,568,703	-0-	2,568,703
Net Pension Liability	191,953,961	18,024,000	209,977,961
	<u>199,188,118</u>	<u>18,024,000</u>	<u>217,212,118</u>
Total Noncurrent Liabilities	199,188,118	18,024,000	217,212,118
TOTAL LIABILITIES	228,915,093	19,948,428	248,863,521
DEFERRED INFLOW of RESOURCES - PENSION	2,124,848	171,000	2,295,848
NET POSITION			
Net Investment in Capital Assets	4,254,111	181,385	4,435,496
Unrestricted (Deficit)	(139,178,625)	(9,825,858)	(149,004,483)
TOTAL NET POSITION	\$ (134,924,514)	\$ (9,644,473)	\$ (144,568,987)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of ACTIVITIES

Year Ended June 30, 2017

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	\$ 67,300,498	\$ 35,134,717	\$ 32,057,135	\$ -0-	\$ (108,646)	\$ -0-	\$ (108,646)
Instructional Student Support	28,448,614	2,999,309	24,415,157	-0-	(1,034,148)	-0-	(1,034,148)
Administrative and Financial Support Services	30,648,299	612,233	25,625,299	-0-	(4,410,767)	-0-	(4,410,767)
Operation and Maintenance of Plant Services	3,842,100	81,604	3,122,313	-0-	(638,183)	-0-	(638,183)
Pupil Transportation	1,917,448	34,427	1,807,187	-0-	(75,834)	-0-	(75,834)
Non-instructional Services	295,952	-0-	298,222	-0-	2,270	-0-	2,270
Facilities Acquisition, Construction, and Improvement Services	20,000	-0-	-0-	-0-	(20,000)	-0-	(20,000)
Total Governmental Activities	132,472,911	38,862,290	87,325,313	-0-	(6,285,308)	-0-	(6,285,308)
Business-Type Activities:							
Insurance Consortia Services	134,724	142,179	11,767	-0-	-0-	19,222	19,222
Management Services	2,117,410	2,147,862	97,726	-0-	-0-	128,178	128,178
Adult Education Services	464,253	461,179	44,483	-0-	-0-	41,409	41,409
Curriculum and Instruction Services	3,119,385	3,597,838	279,401	-0-	-0-	757,854	757,854
Special Education Administrative and Management Services	7,130,089	7,209,609	633,437	-0-	-0-	712,957	712,957
Technology Services	11,283,890	11,977,725	59,703	-0-	-0-	753,538	753,538
Total Business-Type Activities	24,249,751	25,536,392	1,126,517	-0-	-0-	2,413,158	2,413,158
Total Primary Government	\$ 156,722,662	\$ 64,398,682	\$ 88,451,830	\$ -0-	(6,285,308)	2,413,158	(3,872,150)
General Revenues:							
Grants, Subsidies, and Contributions not Restricted					639,215	-0-	639,215
Investment Earnings					111,356	-0-	111,356
Miscellaneous Income					106,736	-0-	106,736
Transfers					2,406,145	(2,406,145)	-0-
Gain on Disposal of Fixed Assets					90	-0-	90
Total General Revenues and Transfers					3,263,542	(2,406,145)	857,397
CHANGES in NET POSITION					(3,021,766)	7,013	(3,014,753)
NET POSITION							
Beginning					(131,902,748)	(9,651,486)	(141,554,234)
Ending					\$ (134,924,514)	\$ (9,644,473)	\$ (144,568,987)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	
ASSETS					
Cash and Cash Equivalents	\$ 12,566,284	\$ -0-	\$ -0-	\$ -0-	\$ 12,566,284
Investments	27,945,257	-0-	-0-	-0-	27,945,257
Due from Other Funds	-0-	5,236,016	174,582	9,647	5,420,245
Due from Other Governments	13,866,394	1,217,119	14,636	-0-	15,098,149
Other Receivables	6,783	-0-	-0-	-0-	6,783
Inventories	52,262	-0-	-0-	-0-	52,262
Prepaid Expenditures	165,144	7,705	-0-	-0-	172,849
TOTAL ASSETS	<u>54,602,124</u>	<u>6,460,840</u>	<u>189,218</u>	<u>9,647</u>	<u>61,261,829</u>
LIABILITIES and FUND BALANCES					
LIABILITIES					
Due to Other Funds	21,664,435	-0-	-0-	-0-	21,664,435
Due to Other Governments	1,307,778	2,091,301	-0-	-0-	3,399,079
Accounts Payable	9,142,612	364	-0-	-0-	9,142,976
Accrued Salaries and Benefits	1,590,255	3,833,299	2,091	9,647	5,435,292
Payroll Deductions and Withholdings	4,812,794	-0-	-0-	-0-	4,812,794
Compensated Absences Payable	125,000	-0-	-0-	-0-	125,000
Other Current Liabilities	4,609,443	516,605	-0-	-0-	5,126,048
TOTAL LIABILITIES	<u>43,252,317</u>	<u>6,441,569</u>	<u>2,091</u>	<u>9,647</u>	<u>49,705,624</u>
FUND BALANCES					
Nonspendable	217,406	7,705	-0-	-0-	225,111
Committed	1,250,000	-0-	-0-	-0-	1,250,000
Assigned	638,048	11,566	187,127	-0-	836,741
Unassigned	9,244,353	-0-	-0-	-0-	9,244,353
TOTAL FUND BALANCES	<u>11,349,807</u>	<u>19,271</u>	<u>187,127</u>	<u>-0-</u>	<u>11,556,205</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 54,602,124</u>	<u>\$ 6,460,840</u>	<u>\$ 189,218</u>	<u>\$ 9,647</u>	<u>\$ 61,261,829</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, 2017

Total fund balance - governmental funds \$ 11,556,205

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 \$7,847,907 and the accumulated depreciation is \$5,911,592. 1,936,315

Deferred outflows - GASB 68 Adjustment is not a financial resource and is therefore not reported as an asset in the governmental funds. 36,857,052

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	(2,291,596)	
Retirement Bonus	(2,373,858)	
Compensated Absences	(2,568,703)	
GASB 68 - Net Pension Liability	<u>(191,953,961)</u>	(199,188,118)

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. (2,124,848)

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	13,870,739	
Intergovernmental Receivable	119	
Other Receivables	543,684	
Prepaid Expenses	992,328	
Building and Building Improvements, net of Accumulated Depreciation	1,522,671	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	795,125	
Accounts Payable	(1,577,290)	
Accrued Salaries and Benefits	(6,418)	
Other Current Liabilities	<u>(102,078)</u>	<u>16,038,880</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (134,924,514)

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, 2017

	<u>Major Funds</u>				Total Governmental Funds
	General Fund	Special Education Fund	Special Education Transportation Fund	State Funded Early Intervention Fund	
REVENUES					
Local Sources	\$ 4,394,592	\$ 35,289,112	\$ 34,427	\$ -0-	\$ 39,718,131
State Sources	18,434,158	6,641,735	1,299,609	14,036,458	40,411,960
Federal Sources	<u>46,563,435</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>46,563,435</u>
Total Revenues	<u>69,392,185</u>	<u>41,930,847</u>	<u>1,334,036</u>	<u>14,036,458</u>	<u>126,693,526</u>
EXPENDITURES					
Instructional Services	19,524,446	33,973,652	-0-	10,425,516	63,923,614
Support Services	55,024,230	5,399,520	1,431,553	2,816,294	64,671,597
Non-instructional Services	294,486	-0-	-0-		294,486
Refund of Prior Year Receipts	<u>300,339</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>300,339</u>
Total Expenditures	<u>75,143,501</u>	<u>39,373,172</u>	<u>1,431,553</u>	<u>13,241,810</u>	<u>129,190,036</u>
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	(5,751,316)	2,557,675	(97,517)	794,648	(2,496,510)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	6,790,456	209,653	922	81,091	7,082,122
Operating Transfers Out	<u>(13,987)</u>	<u>(2,785,203)</u>	<u>(94,070)</u>	<u>(875,739)</u>	<u>(3,768,999)</u>
NET OTHER FINANCING SOURCES (USES)	<u>6,776,469</u>	<u>(2,575,550)</u>	<u>(93,148)</u>	<u>(794,648)</u>	<u>3,313,123</u>
NET CHANGES in FUND BALANCES	1,025,153	(17,875)	(190,665)	-0-	816,613
FUND BALANCES					
Beginning	<u>10,324,654</u>	<u>37,146</u>	<u>377,792</u>	<u>-0-</u>	<u>10,739,592</u>
Ending	<u>\$ 11,349,807</u>	<u>\$ 19,271</u>	<u>\$ 187,127</u>	<u>\$ -0-</u>	<u>\$ 11,556,205</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, 2017

Net changes in fund balances - total governmental funds \$ 816,613

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	(478,052)	
Capital Outlays	<u>890,638</u>	412,586

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	(42,042)	
Retirement Bonus	(61,050)	
Other Postemployment Benefit Obligation	<u>45,202</u>	(57,890)

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.

(4,847,043)

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.

653,968

CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES

\$ (3,021,766)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET POSITION -

PROPRIETARY FUNDS

June 30, 2017

	Major Fund	
	Enterprise	Internal Service
ASSETS		
Current Assets		
Due from Other Funds	\$ 2,477,057	\$ 13,870,739
Due from Other Governments	3,400,394	119
Other Receivables	564,740	543,684
Prepaid Expenses	92,379	992,328
Total Current Assets	6,534,570	15,406,870
Noncurrent Assets		
Leasehold Improvements, net of Accumulated Depreciation	-0-	1,522,671
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	181,385	795,125
Total Noncurrent Assets	181,385	2,317,796
TOTAL ASSETS	6,715,955	17,724,666
DEFERRED OUTFLOW of RESOURCES - PENSION	3,759,000	-0-
LIABILITIES		
Current Liabilities		
Accounts Payable	296,133	1,577,290
Accrued Salaries and Benefits	517,026	6,418
Unearned Revenues	402,108	-0-
Other Current Liabilities	709,161	102,078
Total Current Liabilities	1,924,428	1,685,786
Noncurrent Liabilities		
Net Pension Liability	18,024,000	-0-
TOTAL LIABILITIES	19,948,428	1,685,786
DEFERRED INFLOW of RESOURCES - PENSION	171,000	-0-
NET POSITION		
Net Investment in Capital Assets	181,385	2,317,796
Unrestricted (Deficit)	(9,825,858)	13,721,084
TOTAL NET POSITION	\$ (9,644,473)	\$ 16,038,880

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, 2017

	Major Fund	
	Enterprise	Internal Service
OPERATING REVENUES		
Local Sources:		
Charges for Services	\$ 25,536,392	\$ 26,158,404
OPERATING EXPENSES		
Salaries	5,013,247	1,968,190
Employee Benefits	4,588,801	16,724,260
Purchased Professional and Technical Service	2,178,307	1,192,631
Purchased Property Services	720,800	3,598,559
Other Purchased Services	1,510,826	320,624
Supplies	10,021,557	406,628
Depreciation	193,643	682,271
Dues and Fees	22,570	54,303
Total Operating Expenses	24,249,751	24,947,466
OPERATING INCOME	1,286,641	1,210,938
NONOPERATING REVENUES		
Sale of Fixed Assets	-0-	90
State Sources	1,126,517	349,918
CHANGES in NET POSITION BEFORE TRANSFERS	2,413,158	1,560,946
TRANSFERS IN (OUT)		
Transfers In	50,132	183,555
Transfers Out	(2,456,277)	(1,090,533)
CHANGES in NET POSITION	7,013	653,968
NET POSITION		
Beginning	(9,651,486)	15,384,912
Ending	\$ (9,644,473)	\$ 16,038,880

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of CASH FLOWS -
 PROPRIETARY FUNDS
 Year Ended June 30, 2017

	Major Fund		Enterprise	Internal Service
CASH FLOWS from OPERATING ACTIVITIES				
Cash Received from Users		\$ 24,624,787		\$ 25,247,214
Cash Payments to Employees for Services		(9,080,179)		(18,694,428)
Cash Payments to Suppliers for Goods and Services		(14,264,980)		(5,631,440)
Net Cash Provided by Operating Activities		1,279,628		921,346
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES				
State Sources		1,126,517		349,918
Transfers In		50,132		183,555
Transfers Out		(2,456,277)		(1,090,533)
Net Cash Used by Noncapital Financing Activities		(1,279,628)		(557,060)
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES				
Capital Outlay		-0-		(364,286)
INCREASE in CASH and CASH EQUIVALENTS		-0-		-0-
CASH and CASH EQUIVALENTS				
Beginning of Year		-0-		-0-
End of Year		-0-		-0-
RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES				
Operating Income		1,286,641		1,210,938
ADJUSTMENTS to RECONCILE OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES:				
Depreciation		193,643		682,271
Pension Expense (GASB 68)		559,554		-0-
(Increase) in Due from Other Funds		(829,333)		(1,064,531)
Decrease in Due from Other Governments		147,079		172,261
(Increase) in Other Receivables		(152,179)		(18,920)
(Increase) Decrease in Prepaid Expenses		80,146		(318,139)
Increase in Accounts Payable		258,951		264,806
(Decrease) in Accrued Salaries and Benefits		(37,685)		(1,978)
Increase (Decrease) in Unearned Revenues		(77,172)		-0-
(Decrease) in Other Current Liabilities		(150,017)		(5,362)
Total Adjustments		(7,013)		(289,592)
Net Cash Provided by Operating Activities		\$ 1,279,628		\$ 921,346

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

STATEMENT of NET POSITION -

FIDUCIARY FUND

June 30, 2017

	Agency
ASSETS	
Cash and Cash Equivalents	\$ 25,534
Due from Other Governments	<u>108,696</u>
TOTAL ASSETS	<u>134,230</u>
LIABILITIES	
Due to Other Funds	103,606
Accounts Payable	3,194
Unearned Revenues	27,216
Other Current Liabilities	<u>214</u>
TOTAL LIABILITIES	<u>134,230</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 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, 2017, was approximately \$368,425 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)

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, 2017, the Intermediate Unit has \$38,141 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 \$312,284 at June 30, 2017.

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, 2017, 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.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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

Pensions

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

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 2017.

Fund Balance Classification

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

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

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

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, 2017

During the current year, the Intermediate Unit adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and accountability. The 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. 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 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. 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 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, 2017 (Continued)

During the current year, the Intermediate Unit adopted GASB 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 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 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. 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 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 November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this statement are effective for the Intermediate Unit's June 30, 2019 financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this statement are effective for the Intermediate Unit's June 30, 2020 financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including blending component units, goodwill, fair value measurement and application, and postemployment benefits. The provisions of this statement are effective for the Intermediate Unit's June 30, 2018 financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt using only existing resources. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The provisions of this statement are effective for the Intermediate Unit's June 30, 2018 financial statements.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Changes in Accounting Principles (Continued)

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The provisions of this statement are effective for the Intermediate Unit's June 30, 2021 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.

Certain high-quality bank and corporate debt instruments.

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, 2017, \$-0- of the Intermediate Unit's bank balance of \$207,186 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	-0-
	<u>-0-</u>
	-0-

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	-0-
Insured Amount	<u>207,186</u>
Bank Balance	207,186
Less: Outstanding Checks	<u>(2,428,486)</u>
Carrying Amount - Bank Balances	(2,221,300)
Plus: Petty Cash	1,465
Plus: Repurchase Agreements Classified as Cash and Cash Equivalents	<u>14,811,653</u>
Total Cash and Cash Equivalents Per Financial Statements	12,591,818

Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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. At June 30, 2017, the Intermediate Unit did not hold any investments classified in the fair value hierarchy.

At June 30, 2017, the Intermediate Unit holds the following investments recorded at cost or amortized cost:

Repurchased Agreements	14,811,653
PLGIT Class	693,261
PLGIT I Class	26,680,384
PLGIT Plus	<u>571,612</u>
Total Investments	42,756,910
Less: Repurchase Agreements Classified as Cash and Cash Equivalents	<u>(14,811,653)</u>
Total Investments per the Financial Statements	27,945,257

The Pennsylvania Local Government Investment Trust (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, 2017, 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, 2017, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	6,437,701	6,762,665	666,028	13,866,394
Special Education Fund			1,217,119	1,217,119
Special Education				
Transportation Fund		80	14,556	14,636
Enterprise Fund			3,400,394	3,400,394
Internal Service Fund			119	119
Agency Fund			108,696	108,696
	6,437,701	6,762,745	5,406,912	18,607,358

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2017, were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund		21,664,435
Special Education Fund	5,236,016	
Special Education		
Transportation Fund	174,582	
State Funded Early		
Intervention Fund	9,647	
Enterprise Fund	2,477,057	
Internal Service Fund	13,870,739	
Agency Fund		<u>103,606</u>
	<u>21,768,041</u>	<u>21,768,041</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, 2017, were as follows:

Fund	Transfers In	Transfers Out
General Fund	6,790,456	13,987
Special Education Fund	209,653	2,785,203
Special Education		
Transportation Fund	922	94,070
State Funded Early		
Intervention Fund	81,091	875,739
Enterprise Fund	50,132	2,456,277
Internal Service Fund	<u>183,555</u>	<u>1,090,533</u>
	<u>7,315,809</u>	<u>7,315,809</u>

Transfers are made from the special education fund, special education transportation fund, state funded early intervention fund, enterprise fund, and internal service fund to the general fund for indirect costs. Transfers are also made from the special education fund and enterprise fund to the internal service fund for research and development costs. During the 2016-2017 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, 2017, was as follows:

	Balance July 1, 2016	Reclassified Among Categories, Net	Additions	Deletions	Balance June 30, 2017
Historical Cost:					
Capital Assets Being Depreciated:					
Building and Building Improvements	5,651,455	(374,221)	95,984	276,304	5,096,914
Furniture, Fixtures, and Equipment	10,913,247	354,573	1,058,742	3,705,090	8,621,472
Vehicles	<u>586,467</u>	<u>139,713</u>	<u>100,288</u>	<u>-0-</u>	<u>826,468</u>
Total Capital Assets Being Depreciated	17,151,169	120,065	1,255,014	3,981,394	14,544,854
Accumulated Depreciation:					
Building and Building Improvements	3,434,608	(383,722)	312,923	276,304	3,087,505
Furniture, Fixtures, and Equipment	9,083,501	407,702	789,380	3,705,090	6,575,493
Vehicles	<u>473,640</u>	<u>112,358</u>	<u>41,747</u>	<u>-0-</u>	<u>627,745</u>
Total Accumulated Depreciation	<u>12,991,749</u>	<u>136,338</u>	<u>1,144,050</u>	<u>3,981,394</u>	<u>10,290,743</u>
Net Capital Assets Being Depreciated	<u>4,159,420</u>	<u>(16,273)</u>	<u>110,964</u>	<u>-0-</u>	<u>4,254,111</u>
Net Capital Assets	4,159,420	(16,273)	110,964	-0-	4,254,111

Depreciation expenses were charged to governmental functions as follows:

Instruction	14,620
Instructional Student Support	358,277
Administration and Financial Services	383,928
Operation and Maintenance of Plant	367,225
Pupil Transportation	-0-
Facilities Acquisition, Construction and Improvement Services	<u>20,000</u>
	1,144,050

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, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	1,837,052	-0-	976,575	860,477
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>1,462,024</u>	<u>193,643</u>	<u>976,575</u>	<u>679,092</u>
Net Capital Assets Being Depreciated	<u>375,028</u>	<u>(193,643)</u>	<u>-0-</u>	<u>181,385</u>
Net Capital Assets	375,028	(193,643)	-0-	181,385

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

Management Services	23,976
Special Education Administrative and Management Services	-0-
Technology Services	<u>169,667</u>
	193,643

Commitments

The Lancaster-Lebanon Joint Authority entered into a lease addendum obligation for capital improvements to Burle Business Park in June 2017. The amount of this obligation that is reimbursable from the Lancaster-Lebanon Intermediate Unit to the Lancaster-Lebanon Joint Authority amounted to approximately \$750,000 which was approved by the IU13 Board as a sublease addendum obligation in September 2017.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - UNEARNED REVENUES (Continued)

Unearned revenues balances at June 30, 2017, were as follows:

Fund & SBU/SSU	Amount	Purpose
Enterprise Fund		
SBU 001 - Administrative & Management Svcs	17,004	CPASPA - Fiscal Agent Account
SBU 005 - Early Learners	601	Balance of Bingo Fundraiser funds to be kept in prog.
SBU 016 - Regional Technology Solutions	<u>384,503</u>	Used to offset future consortium expenses
Enterprise Fund Total	402,108	
Agency Funds	<u>27,216</u>	Mini-business/Fundraiser balances - specific classes
Total Unearned Revenue at June 30, 2017	429,324	

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, 2017.

Accumulated Sick Leave	1,288,175
Accumulated Vacation Leave	1,298,229
Employer Social Security and Medicare Share on Above	<u>49,657</u>
	2,636,061

Compensated absences activity can be summarized as follows:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
2,594,019	176,858	134,816	2,636,061

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, 2017 was \$2,431,500.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 8 - RETIREMENT BONUSES (Continued)

Retirement bonuses activity can be summarized as follows:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
2,370,450	201,050	140,000	2,431,500

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 Authority is a related party of the Intermediate Unit, as it provides administrative support to the Authority at no charge.

The lease and sublease agreements with the Authority provide for minimum annual rentals ranging from \$1,123 to \$662,733 and expiring in various years through 2021.

The following is a schedule of future minimum rentals on noncancelable operating leases as of June 30, 2017:

2018	1,996,927
2019	1,507,042
2020	1,124,810
2021	<u>1,067,589</u>
Total Minimum Future Rentals Payable	5,696,368

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, 2017, were \$1,879,190.

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 \$2,291,596 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:

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)

Medical Coverage - All Personnel

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

Life Insurance Coverage

	Administrative and Confidential	Leadership Team Members
Description	\$15,000 from retirement to age 70, \$7,500 from age 70 to age 75, cancellation at age 75	\$50,000 from retirement to age 65, \$25,000 from age 65 to age 70, \$5,000 from age 70 for life
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	Lifetime

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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

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 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.

Annual OPEB Cost and Net OPEB Obligation

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	238,008
Interest on OPEB Obligation	93,472
Adjustment to Annual Required Contribution	<u>(143,830)</u>
Annual OPEB Cost	187,650
Contributions Made	<u>232,852</u>
Estimated (Decrease) in Net OPEB Obligation	(45,202)
Net OPEB Obligation - Beginning of Year	<u>2,336,798</u>
Net OPEB Obligation - End of Year	2,291,596

The Intermediate Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016 and 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
6/30/2017	238,008	98%	2,291,596
6/30/2016	938,058	88%	2,336,798
6/30/2015	987,045	64%	2,224,998

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits equaled \$2,206,200, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,206,200. The covered payroll (annual payroll of active employees covered by the plan) equaled \$52,343,772, and the ratio of the UAAL to the covered payroll equaled 4.21%.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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

Funding Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the health care 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.

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, 2016, 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 8.0% 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 PLANS

General Information about the Pension Plans

Plan Description

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

General Information about the Pension Plans (Continued)

SERS (Continued)

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.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Benefits Provided (Continued)

SERS (Continued)

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.

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

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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%.

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, 2017 was 29.20% 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 \$16,805,834 for the year ended June 30, 2017.

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, 2016 and 2015, the blended contribution rates, which include the BCP, were 27.26% and 22.77%, respectively. Contributions to the pension plan from the Intermediate Unit were \$36,727 for the year ended June 30, 2017.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Payable to the Pension Plan

PSERS

At June 30, 2017, the Intermediate Unit reported a payable of \$4,410,812 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2017. These amounts relate to the second quarter of 2017 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 \$374,040 for the employee contributions withheld during June 2017 which are payable to PSERS by July 10, 2017.

Pension Reform

Pursuant to Commonwealth Act 2017-5, members hired on or after July 1, 2019 will be required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a stand-alone defined contribution plan.

PSERS school employers will be charged interest at the assumed rate of return, currently 7.25%, for delinquent payments to PSERS rather than 6%.

The pension reform act is anticipated to result in increases to employer contribution rates for the next 15 years through 2034 due to higher initial costs of the new retirement plans. From 2035 to 2050, employer rates are projected to begin to decline due to the lower long-term employer costs of the new retirement plans.

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

PSERS

At June 30, 2017, the Intermediate Unit reported a liability of \$209,576,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the Intermediate Unit's proportion was .4229 percent, which was an increase of .0106 percent from its proportion measured as of June 30, 2015.

SERS

At June 30, 2017, the Intermediate Unit reported a liability of \$401,961 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, 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, 2015 to December 31, 2016. 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, 2016, the Intermediate Unit's proportion was .0021 percent, which was an increase of .0001 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Intermediate Unit recognized pension expense of \$22,249,112.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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

At June 30, 2017, 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	5,802	-0-
Changes in Assumptions	7,589,553	-0-
Changes in Allocation Percentage		
Between Opinion Units	300,000	300,000
Net Difference between Projected and Actual Investment Earnings	11,714,780	1,755,848
Change in Proportions	3,737,753	240,000
Difference between Employer Contributions and Proportionate Share of Total Contributions	443,800	-0-
Contributions Subsequent to the Measurement Date	<u>16,824,364</u>	<u>-0-</u>
	40,616,052	2,295,848

\$16,824,364 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, 2018. 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:

2018	4,352,695
2019	4,352,693
2020	7,406,310
2021	<u>5,384,142</u>
	21,495,840

Actuarial Assumptions

PSERS

The total pension liability as of June 30, 2016, was determined by rolling forward PSERS's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016, are as follows:

The investment rate of return was adjusted from 7.50% to 7.25%.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

PSERS (Continued)

The inflation assumption was decreased from 3.0% to 2.75%.

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016, valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 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.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

PSERS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute Return	10.0%	3.3%
Risk Parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative Investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	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, 2016.

SERS

The following methods and assumptions were used in the actuarial valuation for the December 31, 2016, 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 - 7.25 percent net of expenses including inflation

Projected Salary Increases - Average of 5.60 percent with range of 3.70 percent to 8.90 percent including inflation

Asset Valuation Method - Fair (market) value

Inflation - 2.60 percent

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

SERS (Continued)

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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.00%	8.00%
Global Public Equity	43.00%	5.30%
Real Estate	12.00%	5.44%
Hedge Funds	12.00%	4.75%
Fixed Income	14.00%	1.63%
Cash	<u>3.00%</u>	(0.25)%
	100.00%	

Discount Rate

PSERS

The discount rate used to measure the total pension liability was 7.25%. 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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate (Continued)

SERS

The discount rate used to measure the total pension liability was 7.25%. 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 and as set by statute. 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Intermediate Unit's Proportionate Share of the Net Pension Liability	256,368,000	209,576,000	170,257,000

SERS

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Intermediate Unit's Proportionate Share of the Net Pension Liability	497,446	401,961	320,192

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.pa.gov.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position (Continued)

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 \$18,179,550 in total per year.

A liability for claims incurred prior to June 30, 2017, and subsequently paid is recorded in the amount of \$1,399,362 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				
2015 - 2016	1,161,501	12,250,744	(12,145,070)	1,267,175
2016 - 2017	1,267,175	13,713,739	(13,581,552)	1,399,362

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 \$250,000 per occurrence.

The Pool is a related party of the Intermediate Unit, as it provides administrative services for the Pool. The Intermediate Unit received approximately \$28,894 for these services as of June 30, 2017.

As of June 30, 2017, the Intermediate Unit is not aware of any additional assessments relating to the Pool.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - RISK MANAGEMENT (Continued)

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, three 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.

The Pool is a related party of the Intermediate Unit, as it provides administrative services for the Pool. The Intermediate Unit received approximately \$43,253 for these services as of June 30, 2017.

As of June 30, 2017, 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, 2017, 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 matured September 2016. All required payments on the loan were guaranteed by the Intermediate Unit in the event that the Authority was unable to make required payments. The balance of the guaranteed loan was completely paid in September 2016.

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.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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, 2017, the Intermediate Unit has included the following as nonspendable fund balances:

General Fund - Inventories	52,262
General Fund - Prepaid Expenditures	165,144
Special Education Fund - Prepaid Expenditures	7,705

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, 2017, the Intermediate Unit has included the following as committed fund balances:

General Fund - Committed for the refresh and updating of IU13 facilities, furniture, and equipment	1,250,000
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Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2017, the Intermediate Unit has included the following as assigned fund balances:

General Fund - Assigned for Program Specific Purposes	599,907
General Fund - Encumbrances	38,141
Special Education Fund - Assigned for Program Specific Purposes	11,566
Special Education Transportation Fund - Assigned for Program Specific Purposes	187,127

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. A portion of the fund balance in the amount of \$852,027 has been designated to fund future expenditures with respect to the refresh and updating of IU13 facilities, furniture, and equipment.

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, 2017, the amounts in fund balance earmarked for these purposes are as follows:

Research and Development	447,381
Operating Infrastructure	195,740
Retirement Stabilization	2,577,739
Hospitalization	11,249,069
Worker's Compensation	788,009
Unemployment	780,942
	<u>16,038,880</u>

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL -
GENERAL FUND
Year Ended June 30, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 3,045,272	\$ 4,595,705	\$ 4,394,592	\$ (201,113)
State Sources	19,913,293	20,428,195	18,434,158	(1,994,037)
Federal Sources	51,117,014	54,499,432	46,563,435	(7,935,997)
Total Revenues	74,075,579	79,523,332	69,392,185	(10,131,147)
EXPENDITURES				
Instructional Services:				
Special Programs	4,680,374	3,734,420	3,492,215	242,205
Other Instructional Programs	146,663	146,663	135,026	11,637
Nonpublic School Programs	6,692,098	7,000,920	6,907,699	93,221
Adult Education Programs	1,702,939	1,893,206	1,713,191	180,015
Pre-Kindergarten	8,649,299	8,699,826	7,276,315	1,423,511
Support Services:				
Pupil Personnel Services	5,978,899	6,020,627	4,660,726	1,359,901
Instructional Staff Services	19,563,074	22,311,167	17,136,359	5,174,808
Administrative Services	2,455,504	2,326,401	2,326,401	-0-
Pupil Health	475	297	297	-0-
Business Services	3,109,553	3,118,410	3,082,896	35,514
Operation and Maintenance of Plant Services	3,698,228	3,918,204	3,659,678	258,526
Student Transportation Services	400,000	477,618	477,618	-0-
Central	3,506,305	4,421,885	4,421,885	-0-
Other Support Services	19,118,861	20,125,224	19,258,370	866,854
Non-instructional Services:				
Food Services	23,437	320,183	294,486	25,697
Construction Services	-0-	-0-	-0-	-0-
Refund of Prior Year Receipts	300,339	300,339	300,339	-0-
Total Expenditures	80,026,048	84,815,390	75,143,501	9,671,889
DEFICIENCY of REVENUES over EXPENDITURES	(5,950,469)	(5,292,058)	(5,751,316)	(459,258)
OTHER FINANCING SOURCES				
Operating Transfers In	5,950,469	5,292,058	6,776,469	1,484,411
NET CHANGES in FUND BALANCES	\$ -0-	\$ -0-	1,025,153	\$ 1,025,153
FUND BALANCES				
Beginning			10,324,654	
Ending			<u>11,349,807</u>	

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, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 36,204,782	\$ 36,982,016	\$ 35,289,112	\$ (1,692,904)
State Sources	6,453,500	6,647,860	6,641,735	(6,125)
Total Revenues	42,658,282	43,629,876	41,930,847	(1,699,029)
EXPENDITURES				
Instructional Services:				
Special Programs	34,601,321	35,214,088	33,973,652	1,240,436
Support Services:				
Instructional Staff Services	476,066	614,318	614,318	-0-
Administrative Services	1,878,055	2,017,371	1,973,110	44,261
Pupil Health	2,216,869	2,216,869	2,103,345	113,524
Operation and Maintenance of Plant Services	773,582	801,037	697,302	103,735
Central	-0-	11,445	11,445	-0-
Non-instructional Services:				
Food Services	35,850	15,850	-0-	15,850
Total Expenditures	39,981,743	40,890,978	39,373,172	1,517,806
EXCESS of REVENUES over EXPENDITURES	2,676,539	2,738,898	2,557,675	(181,223)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	161,309	164,303	209,653	45,350
Operating Transfers Out	(2,837,848)	(2,903,201)	(2,785,203)	117,998
NET CHANGES in FUND BALANCES	\$ -0-	\$ -0-	(17,875)	\$ (17,875)
FUND BALANCES				
Beginning			37,146	
Ending			\$ 19,271	

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, 2017

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Sources	\$ -0-	\$ -0-	\$ 34,427	\$ 34,427
State Sources	<u>1,941,565</u>	<u>1,941,565</u>	<u>1,299,609</u>	<u>(641,956)</u>
Total Revenues	1,941,565	1,941,565	1,334,036	(607,529)
EXPENDITURES				
Support Services:				
Student Transportation Services	<u>1,838,456</u>	<u>1,838,456</u>	<u>1,431,553</u>	<u>406,903</u>
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	103,109	103,109	(97,517)	(200,626)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,036	1,036	922	(114)
Operating Transfers Out	<u>(104,145)</u>	<u>(104,145)</u>	<u>(94,070)</u>	<u>10,075</u>
NET CHANGES in FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	(190,665)	<u>\$(190,665)</u>
FUND BALANCES				
Beginning			<u>377,792</u>	
Ending			<u>\$ 187,127</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, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Sources	\$ 12,691,132	\$ 14,047,947	\$ 14,036,458	\$ (11,489)
EXPENDITURES				
Instructional Services:				
Special Programs	9,201,290	10,425,516	10,425,516	-0-
Support Services:				
Pupil Personnel Services	833,408	871,649	863,027	8,622
Instructional Staff Services	-0-	55,951	55,951	-0-
Pupil Health	1,890,787	1,899,967	1,897,316	2,651
	<u>11,925,485</u>	<u>13,253,083</u>	<u>13,241,810</u>	<u>11,273</u>
EXCESS of REVENUES over EXPENDITURES	765,647	794,864	794,648	(216)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	72,744	80,875	81,091	216
Operating Transfers Out	<u>(838,391)</u>	<u>(875,739)</u>	<u>(875,739)</u>	<u>-0-</u>
NET CHANGES in FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
FUND BALANCES				
Beginning			<u>-0-</u>	
Ending			<u><u>\$ -0-</u></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)
07/01/2012	-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%
07/01/2016	-0-	2,206,200	2,206,200	0.00%	52,343,772	4.21%

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, 2015	1,027,271	61.20%
June 30, 2016	986,006	83.80%
June 30, 2017	238,008	92.83%

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, 2016	July 1, 2014	July 1, 2012
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-2014 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	40%	50%	50%
Spouses	10%	25%	25%
Marriage Assumption	80%	80%	80%
Per Capital Claims Cost	\$10,675 - \$14,776	\$11,739 - \$22,199	\$8,880 - \$17,316
Demographic Information			
Active Participants	1,058	1,020	1,115
Retired Participants	<u>72</u>	<u>65</u>	<u>45</u>
Total Participants	1,130	1,085	1,160
Health Care Cost Trend Rate	10.0% decreasing to 9.0% in 2016 and to 5.0% in 2020+	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+

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

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

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

	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Defined Benefit					
Pension Plan:					
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%
2017	16,805,834	16,805,834	-0-	57,615,683	29.17%

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%
2016	0.4229%	209,576,000	54,767,944	382.66%	50.14%

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

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

NOTES to REQUIRED SUPPLEMENTARY INFORMATION

Changes of Benefit Terms:

None.

Changes of Assumptions:

Changes in assumptions used in the measurement of the total pension liability beginning June 30, 2016, are as follows:

The Investment Rate of Return was adjusted from 7.50% to 7.25%.

The inflation assumption was decreased from 3.0% to 2.75%.

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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:					
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%
2017	36,727	36,727	-0-	122,629	29.95%

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 Fiscal 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%
2016	0.00208699%	401,961	120,919	332.42%	57.80%

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

Changes in assumptions used in the measurement of the total pension liability beginning June 30, 2016, are as follows:

The Investment Rate of Return was adjusted from 7.50% to 7.25%.

The inflation assumption was decreased from 2.75% to 2.60%.

Projected salary increase changed from an average of 5.70%, with a range of 3.85% to 9.05% including inflation, to an average of 5.60%, with a range of 3.70% to 8.90% including inflation.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Passed Through to Subrecipients
Child Nutrition Cluster												
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	365	07/01/16 - 06/30/17	N/A	\$ -0-	\$ 1,867	\$ 1,889	\$ 22	\$ -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	365	07/01/15 - 06/30/16	N/A	<u>898</u>	<u>898</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
			Total	10.553				898	2,765	1,889	22	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	362	07/01/16 - 06/30/17	N/A	-0-	4,646	4,695	49	-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	<u>1,874</u>	<u>1,874</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
			Total	10.555				1,874	6,520	4,695	49	-0-
			Total Child Nutrition Cluster					2,772	9,285	6,584	71	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	Child and Adult Care Food Program	I	10.558	164	10/01/16 - 9/30/17	266,020	-0-	189,731	226,421	36,690	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	Child and Adult Care Food Program	I	10.558	164	10/01/15 - 9/30/16	233,724	<u>4,324</u>	<u>32,496</u>	<u>28,172</u>	<u>-0-</u>	<u>-0-</u>
			Total	10.558				4,324	222,227	254,593	36,690	-0-
WIA/WIOA Cluster												
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Adult Program	I	17.258	N/A	07/01/16 - 06/30/17	63,895	-0-	37,025	63,895	26,870	-0-
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	<u>13,800</u>	<u>14,740</u>	<u>940</u>	<u>-0-</u>	<u>-0-</u>
			Total	17.258				\$ 13,800	\$ 51,765	\$ 64,835	\$ 26,870	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Passed Through to Subrecipients
WIA/WIOA Cluster (Continued)												
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Youth Activities	I	17.259	N/A	07/01/16 - 06/30/17	46,742	\$ -0-	\$ 27,086	\$ 46,742	\$ 19,656	\$ -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	13,743	13,743	-0-	-0-	-0-
U.S. Department of Labor	South Central Workforce Investment Board	Workforce Investment Act Youth Activities	I	17.259	P16-433-180-16-3301-01	07/01/16 - 06/30/17	250,000	-0-	207,476	250,000	42,524	-0-
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	79,596	79,596	-0-	-0-	-0-
				Total	17.259			93,339	327,901	296,742	62,180	-0-
U.S. Department of Labor	Lancaster County Workforce Investment Board	Workforce Investment Act Dislocated Worker Formula Grants	I	17.278	N/A	07/01/16 - 06/30/17	37,247	-0-	21,584	37,247	15,663	-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	6,470	6,470	-0-	-0-	-0-
				Total	17.278			6,470	28,054	37,247	15,663	-0-
				Total WIA/WIOA Cluster				113,609	407,720	398,824	104,713	-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	44,921	44,921	-0-	-0-	-0-
Special Education Cluster												
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-170013	07/01/16 - 09/30/17	17,784,507	-0-	14,227,606	17,763,844	3,536,238	16,132,356
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	\$ 3,401,919	\$ 3,421,747	\$ 19,828	\$ -0-	\$ -0-

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SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	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	062-160032	09/01/16 - 09/30/17	1,500	\$ 433	\$ 1,077	\$ 644	\$ -0-	\$ -0-	
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-170033	07/01/16 - 09/30/17	18,402,200	-0-	14,424,106	14,704,657	280,551	5,146,690	
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	956,320	3,064,355	2,108,035	-0-	1,105,292	
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	062-170037	07/01/15 - 09/30/16	382,954	-0-	357,424	382,954	25,530	-0-	
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States (Note 4)	I	84.027	062-160037	07/01/15 - 09/30/16	371,800	33,335	49,573	16,238	-0-	-0-	
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Grants to States	I	84.027	131-160013	07/01/16 - 06/30/17	1,888,421	-0-	1,888,421	1,888,219	(202)	-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	(1,319)	-0-	1,319	-0-	-0-	
Total							84.027		4,390,688	37,434,309	36,885,738	3,842,117	22,384,338
U.S. Department of Education	Pennsylvania Department of Education	Special Education - Preschool Grants	I	84.173	131-160013	07/01/16 - 06/30/17	383,834	-0-	383,834	383,834	-0-	81,856	
Total Special Education Center									4,390,688	37,818,143	37,269,572	3,842,117	22,466,194
U.S. Department of Education	Pennsylvania Department of Education	Adult Education - Basic Grants to States	I	84.002	064-170026	07/01/16 - 06/30/17	810,000	-0-	810,000	810,000	-0-	-0-	
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	\$ 18,453	\$ 18,453	\$ -0-	\$ -0-	\$ -0-	

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Adult Education - Basic Grants to States	I	84.002	061-170008	07/01/16 - 06/30/17	46,685	\$ -0-	\$ 46,685	\$ 46,685	\$ -0-	\$ -0-
U.S. Department of Education	Tuscarora Intermediate Unit No. 11	Adult Education - Basic Grants to States	I	84.002	061-160008	07/01/15 - 06/30/16	46,685	3,890	3,890	-0-	-0-	-0-
				Total	84.002			22,343	879,028	856,685	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	FA-013-170613A	08/31/16 - 09/30/17	83,750	-0-	-0-	83,750	83,750	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	147-170012	10/01/16 - 09/30/17	16,711	-0-	11,141	16,711	5,570	-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	(754)	4,000	4,754	-0-	-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	1,440	3,911	2,471	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	149-170000	10/01/16 - 06/30/17	67,787	-0-	37,659	67,787	30,128	-0-
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	8,376	20,777	12,401	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	107-170613	08/31/16 - 09/30/17	94,724	-0-	40,596	47,360	6,764	44,806
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	107-160613	10/01/15 - 09/30/17	95,658	3,650	63,772	60,122	-0-	56,880
				Total	84.010			12,712	181,856	295,356	126,212	101,686
U.S. Department of Health and Human Services	Lancaster County Workforce Investment Board	Adult Education - National Leadership Activities	I	84.191C	N/A	07/01/16 - 06/30/17	935	\$ -0-	\$ 542	\$ 935	\$ 393	\$ -0-

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Lancaster-Lebanon Intermediate Unit No. 13
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Passed Through to Subrecipients
U.S. Department of Education	N/A	Adult Education - National Leadership Activities	D	84.191C	V191D150016	09/25/16 - 09/26/17	350,000	\$ -0-	\$ 150,060	\$ 225,817	\$ 75,757	\$ -0-
U.S. Department of Education	N/A	Adult Education - National Leadership Activities	D	84.191C	V191C150016	09/25/15 - 09/26/16	350,000	56,531	213,639	157,108	-0-	-0-
			Total	84.191C				56,531	364,241	383,860	76,150	-0-
U.S. Department of Education	School District of Lancaster	Twenty-First Century Community Learning Centers	I	84.287	N/A	10/01/16 - 06/30/17	41,800	-0-	29,137	40,270	11,133	-0-
U.S. Department of Education	La Academia: The Partnership Charter School	Twenty-First Century Community Learning Centers	I	84.287	N/A	07/01/16 - 06/30/17	19,668	-0-	13,112	19,668	6,556	-0-
U.S. Department of Education	School District of Lancaster	Twenty-First Century Community Learning Centers	I	84.287	N/A	07/01/15 - 06/30/16	14,868	4,956	4,956	-0-	-0-	-0-
U.S. Department of Education	School District of Lancaster	Twenty-First Century Community Learning Centers	I	84.287	N/A	10/01/15 - 09/30/16	118,300	34,829	59,382	24,553	-0-	-0-
			Total	84.287				39,785	106,587	84,491	17,689	-0-
U.S. Department of Education	Montgomery County Intermediate Unit No. 23	Special Education - State Personnel Development	I	84.323A	N/A	07/01/16- 06/30/17	4,000	-0-	4,000	4,000	-0-	1,519
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-170613	10/01/16 - 09/30/18	182,342	-0-	65,122	-0-	(65,122)	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-160613	10/01/15 - 09/30/17	172,518	(57,506)	43,130	163,775	63,139	-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	5,022	25,338	20,316	-0-	-0-
			Total	84.365				\$ (52,484)	\$ 133,590	\$ 184,091	\$ (1,983)	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Mathematics and Science Partnerships	I	84.366	075-170613	06/01/17 - 09/30/18	1,694,071	\$ -0-	\$ -0-	\$ 61,148	\$ 61,148	\$ -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	658,190	-0-	377,666	658,080	280,414	-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	(22,725)	118,220	140,945	-0-	-0-
Total				84.366				(22,725)	495,886	860,173	341,562	-0-
U.S. Department of Education	Pennsylvania Department of Education	Improving Teacher Quality State Grants	I	84.367	020-170613	10/01/16 - 09/30/17	44,011	-0-	15,718	-0-	(15,718)	-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	(14,670)	7,335	23,993	1,988	-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	(14,911)	10,156	25,067	-0-	-0-
Total				84.367				(29,581)	33,209	49,060	(13,730)	-0-
U.S. Department of Education	Conestoga Valley School District	Striving Readers	I	84.371C	N/A	07/01/16 - 06/30/17	25,160	-0-	21,560	25,160	3,600	-0-
U.S. Department of Education	Conestoga Valley School District	Striving Readers	I	84.371C	N/A	07/01/15 - 06/30/16	19,680	6,000	6,000	-0-	-0-	-0-
Total				84.371C				6,000	27,560	25,160	3,600	-0-
U.S. Department of Education	Northwest Tri-County Intermediate Unit	Race to the Top - Early Learning Challenge	I	84.412A	N/A	10/01/16 - 05/31/17	4,000	-0-	4,000	4,000	-0-	-0-
U.S. Department of Education	Berks County Intermediate Unit	Race to the Top - Early Learning Challenge	I	84.412A	N/A	07/01/16 - 06/30/17	75,000	\$ -0-	\$ 75,000	\$ 75,000	\$ -0-	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit No. 13
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Passed Through to Subrecipients
U.S. Department of Education	Berks County Intermediate Unit	Race to the Top - Early Learning Challenge	I	84.412A	N/A	N/A	N/A	\$ -0-	\$ 500	\$ 297	\$ (203)	\$ -0-
U.S. Department of Education	Berks County Intermediate Unit	Race to the Top - Early Learning Challenge (Note 4)	I	84.412A	N/A	07/01/15 - 06/30/16	86,750	(3,809)	-0-	2,809	(1,000)	-0-
Total								(3,809)	79,500	82,106	(1,203)	-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	2,477	2,477	-0-	-0-	-0-
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	07/01/16 - 06/30/17	718	-0-	416	718	302	-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	646	646	-0-	-0-	-0-
U.S. Department of Health and Human Services	Lancaster County Workforce Investment Board	Temporary Assistance for Needy Families	I	93.558	P16-433-180-16-3361-02	05/01/16 - 06/30/17	101,200	2,236	89,371	98,964	11,829	-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	30,000	30,000	-0-	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Education	Temporary Assistance for Needy Families	I	93.558	4100071403	07/01/16 - 06/30/17	275,000	-0-	196,633	275,000	78,367	-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	275,000	275,000	-0-	-0-	-0-
Total TANF Cluster								\$ 307,882	\$ 592,066	\$ 374,682	\$ 90,498	\$ -0-

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SCHEDULE of EXPENDITURES of FEDERAL AWARDS

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Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Passed Through to Subrecipients
Medicaid Cluster												
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Medical Assistance Program	I	93.778	092-007513	07/01/16 - 06/30/17	N/A	\$ -0-	\$ 24,609	\$ 78,700	\$ 54,091	\$ -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	73,947	73,947	-0-	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Medical Assistance Program	I	93.778	092-007513	07/01/13 - 06/30/17	N/A	(442,878)	108,246	160,200	(390,924)	-0-
Total Medicaid Cluster								(368,931)	206,802	238,900	(336,833)	-0-
U.S. Department of Health and Human Services	Lancaster County Workforce Investment Board	Refugee and Entrant Assistance - Discretionary Grants	I	93.576	FC4100074518	10/01/16 - 09/30/17	65,635	-0-	13,552	35,453	21,901	-0-
U.S. Department of Education	Pennsylvania Department of Education	Refugee and Entrant Assistance - Discretionary Grants	I	93.576	FC4100068854	08/15/16 - 09/30/16	13,724	-0-	13,724	13,724	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Education	Refugee and Entrant Assistance - Discretionary Grants	I	93.576	4100068854	08/15/15 - 08/14/16	71,373	22,244	43,422	21,178	-0-	-0-
Total								22,244	70,698	70,355	21,901	-0-
U.S. Department of Health and Human Services	N/A	Head Start	D	93.600	03CH3413	01/01/17 - 12/31/17	1,630,026	\$ -0-	\$ 680,046	\$ 814,253	\$ 134,207	\$ -0-

See independent auditors' report.

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SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2017

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, 2016	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	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	\$ 752,924	\$ 1,630,026	\$ 877,102	\$ -0-	\$ -0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Head Start	I	93.600	41000065777	01/01/17 - 12/31/17	620,497	-0-	310,249	274,352	(35,897)	-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	(4,877)	316,172	321,049	-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	1,222,500	(236,812)	293,806	483,589	(47,029)	451,764
				Total	93.600			511,235	3,230,299	2,770,345	51,281	451,764
U.S. Department of Homeland Security	N/A	Citizenship Education and Training	D	97.010	2016-CS-010-000034	10/01/16 - 09/30/18	250,000	-0-	31,824	90,686	58,862	44,854
							TOTAL EXPENDITURES of FEDERAL AWARDS	\$ 5,059,993	\$ 44,941,919	\$ 44,299,523	\$ 4,417,597	\$ 23,066,017

Legend

D = Direct Funding

F = Federal Share

I = Indirect Funding

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

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SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2017

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, 2017, were \$907,373 and \$494,000 which was listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

NOTE 4 - RETURNED MONEY

The amount listed as accrued (deferred) revenue at June 30, 2017, on the schedule of expenditures of federal awards includes \$47,029 for funds which were returned to the grantor agency during the year ended June 30, 2017.

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.

See independent auditors' report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit No. 13**, as of and for the year ended June 30, 2017, 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 1, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

December 1, 2017
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, 2017. **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, 2017.

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 1, 2017
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, 2017

A. Summary of Auditors' Results

1. The independent 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 independent auditors' report on compliance for the major federal award programs for **Lancaster-Lebanon Intermediate Unit No. 13** expresses an unmodified opinion.
6. Audit findings relative to the major federal awards programs for **Lancaster-Lebanon Intermediate Unit No. 13** are reported in part C of this schedule.
7. The programs tested as major programs are: Special Education - Grants to States - CFDA #84.027, Special Education - Preschool Grants - CFDA #84.173, and Mathematics and Science Partnerships - CFDA #84.366.
8. The threshold for distinguishing type A and B programs was \$1,328,986.
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, 2017

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), on the Schedule of Contractual Service Activity for Early Head Start Grant #4100065777 for the period January 1, 2016 through December 31, 2016. **Lancaster-Lebanon Intermediate Unit No. 13's** management is responsible for the Schedule of Contractual Service Activity for Early Head Start Grant #4100065777. 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 are as follows:

1. We have verified by comparison the amounts and classifications that the Schedule of Contractual Service Activity for Early Head Start Grant #4100065777 for the period January 1, 2016 to December 31, 2016, 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.
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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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, 2016 to December 31, 2016. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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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 those specified parties.

December 1, 2017
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, 2016 to December 31, 2016

	Budget	Actual
Personnel	\$ 294,583	\$ 294,583
Fringe Benefits	177,736	177,736
Travel	13,604	13,604
Supplies	17,790	17,790
Contractual	8,380	8,380
Other	60,779	60,779
Indirect Charges - Administrative	33,461	33,461
T&TA - Administrative	14,164	14,164
Total	<u>\$ 620,497</u>	<u>\$ 620,497</u>