

Lancaster-Lebanon Intermediate Unit 13

Year Ended June 30, 2019



TROUT, EBERSOLE & GROFF_{LLP}

CPAs | BUSINESS ADVISORS

SERVICE | ANSWERS | TRUST

Lancaster-Lebanon Intermediate Unit 13

Financial Statements with Supplementary Information

Year Ended June 30, 2019

TABLE of CONTENTS

	Page
Independent Auditors' Report	1 - 3
Required Supplementary Information	
Management's Discussion and Analysis	4 - 11
Basic Financial Statements	
Statement of Net Position	12 & 13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Net Position - Fiduciary Fund	22
Notes to Financial Statements	23 - 58

Lancaster-Lebanon Intermediate Unit 13

Financial Statements with Supplementary Information

Year Ended June 30, 2019

TABLE of CONTENTS

(Continued)

	Page
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Education Fund	60
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Education Transportation Fund	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - State Funded Early Intervention Fund	62
Notes to Required Supplementary Information	63
Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability and Related Ratios - Single-Employer Defined Benefit OPEB Plan	64
Notes to Required Supplementary Information - Single-Employer Defined Benefit OPEB Plan	65
Schedule of Employer Contributions - Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Plan	66
Schedule of the Intermediate Unit's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability - Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Plan	67
Notes to Required Supplementary Information - PSERS Health Insurance Premium Assistance Plan	68
Schedule of Employer Contributions - Public School Employees' Retirement System	69
Schedule of Intermediate Unit's Proportionate Share of the Net Pension Liability - Public School Employees' Retirement System	70
Notes to Required Supplementary Information - Public School Employees' Retirement System	71

Lancaster-Lebanon Intermediate Unit 13

Financial Statements with Supplementary Information

Year Ended June 30, 2019

TABLE of CONTENTS (Continued)

	Page
Required Supplementary Information (Continued)	
Schedule of Employer Contributions - State Employees' Retirement System	72
Schedule of Intermediate Unit's Proportionate Share of the Net Pension Liability - State Employees' Retirement System	73
Notes to Required Supplementary Information - State Employees' Retirement System	74
Supplementary Information	
Schedule of Expenditures of Federal Awards	75 - 84
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85 & 86
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by the Uniform Guidance	87 & 88
Schedule of Findings and Questioned Costs	89
Summary Schedule of Prior Audit Findings	90
Independent Accountants' Report on Applying Agreed-Upon Procedures	91 & 92
Schedule of Contractual Service Activity for Early Head Start Grant #4100065777	93

INDEPENDENT AUDITORS' REPORT

To the Board Officers and Members
Lancaster-Lebanon Intermediate Unit 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 13** (the Intermediate Unit), as of and for the year ended June 30, 2019, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

SERVICE | ANSWERS | TRUST

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Lancaster-Lebanon Intermediate Unit 13**, as of June 30, 2019, 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 11, budgetary comparison information on pages 59 through 62, the other postemployment benefits (OPEB) healthcare benefits plan information on pages 64 through 68 and the pension information on pages 69 through 74 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 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 4, 2019, on our consideration of **Lancaster-Lebanon Intermediate Unit 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 solely 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 13's** internal control over financial reporting and compliance.

December 4, 2019
Lancaster, Pennsylvania

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

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2019

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, 2019. 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, 2019, are as follows:

- The Intermediate Unit's financial status as reflected in the total net position decreased \$3,145,514 from the prior year. This decrease is reflected as a decrease in net position for governmental activities of \$2,936,896 and a decrease in net position for business-type activities of \$208,618.
- Revenues totaled \$163.3 million. General revenues accounted for \$1,432,922, or 0.88% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$161.9 million, or 99.12%, of total revenues.
- The Intermediate Unit had \$139.6 million in expenses related to governmental activities; revenue related to governmental activities totaled \$132.2 million stemming from program specific charges for services, operating grants, and contributions.
- As part of the fund financial statements, the general fund reports \$72.9 million in revenues, \$79.3 million in expenditures, and \$6.9 million in other financing sources. The general fund's fund balance increased by \$571,506 to \$12.3 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 \$60.3 million in revenues, \$56.9 million in expenditures, and \$3.5 million in other financing uses. The special revenue fund's fund balance decreased by \$165,365 to \$(110,360).
- The enterprise fund reports \$29.7 million in revenues, \$26.9 million in expenditures, and \$3.0 million in other financing uses. The enterprise fund's fund balance decreased by \$208,618 to \$(11.9) million (post GASB 68 and GASB 75 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 fund, and enterprise fund (not including GASB 68 or 75 adjustments) is \$16.64 million, which is 10.23% of total expenditures.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2019

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 \$26.8 million in revenues, \$26.6 million in expenditures, and \$340,883 net in other financing uses. The internal service fund's fund balance decreased by \$80,422 to \$17,652,995.

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 15](#), 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 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2019

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 and 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 22](#). 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 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2019

Reporting on the Intermediate Unit as a Whole (Continued)

Financial Analysis of the Intermediate Unit as a Whole

Table 1 provides a summary of the Intermediate Unit's net position for 2019 compared to 2018.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	60,174,955	60,203,644	5,242,651	4,956,239	65,417,606	65,159,883
Capital Assets	<u>6,005,542</u>	<u>5,720,784</u>	<u>643,377</u>	<u>797,732</u>	<u>6,648,919</u>	<u>6,518,516</u>
Total Assets	66,180,497	65,924,428	5,886,028	5,753,971	72,066,525	71,678,399
Deferred Outflow of Resources	33,834,925	36,912,141	3,273,000	3,668,000	37,107,925	40,580,141
Liabilities						
Current and Other Liabilities	32,087,286	32,688,038	1,407,176	1,531,501	33,494,462	34,219,539
Long-Term Liabilities	<u>210,596,669</u>	<u>211,425,231</u>	<u>19,286,000</u>	<u>19,372,000</u>	<u>229,882,669</u>	<u>230,797,231</u>
Total Liabilities	242,683,955	244,113,269	20,693,176	20,903,501	263,377,131	265,016,770
Deferred Inflow of Resources	3,476,479	1,931,416	317,000	161,000	3,793,479	2,092,416
Net Position						
Invested in Capital Assets, Net of Related Debt	6,005,542	5,720,784	643,377	797,732	6,648,919	6,518,516
Unrestricted	<u>(152,150,554)</u>	<u>(148,928,900)</u>	<u>(12,494,525)</u>	<u>(12,440,262)</u>	<u>(164,645,079)</u>	<u>(161,369,162)</u>
Total Net Position	(146,145,012)	(143,208,116)	(11,851,148)	(11,642,530)	(157,996,160)	(154,850,646)

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2019

Reporting on the Intermediate Unit as a Whole (Continued)

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

Table 2 shows the changes in net position for 2019 compared to 2018.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Charges for Services	41,814,665	41,967,997	28,401,865	27,822,291	70,216,530	69,790,288
Operating Grants and Contributions	90,405,381	90,276,985	1,256,306	1,231,022	91,661,687	91,508,007
General Revenues:						
Grants, Subsidies, and Contributions Not Restricted	639,215	639,215	-0-	-0-	639,215	639,215
Investment Earnings	757,502	219,768	-0-	-0-	757,502	219,768
Miscellaneous Income	33,617	64,334	-0-	-0-	33,617	64,334
Transfers	2,993,673	3,626,751	(2,993,673)	(3,626,751)	-0-	-0-
Gain on Disposal of Assets	<u>2,588</u>	<u>152</u>	<u>-0-</u>	<u>-0-</u>	<u>2,588</u>	<u>152</u>
Total Revenues	136,646,641	136,795,202	26,664,498	25,426,562	163,311,139	162,221,764
Expenses						
Instruction	70,605,248	69,278,611	-0-	-0-	70,605,248	69,278,611
Instructional Student Support	28,935,803	29,841,527	-0-	-0-	28,935,803	29,841,527
Administrative and Financial Support Services	33,408,385	32,216,520	-0-	-0-	33,408,385	32,216,520
Operation and Maintenance of Plant Services	4,812,735	4,402,727	-0-	-0-	4,812,735	4,402,727
Pupil Transportation	1,526,584	1,661,056	-0-	-0-	1,526,584	1,661,056
Non-instructional Services	274,782	275,653	-0-	-0-	274,782	275,653
Facilities Acquisition, Construction and Improvement Services	20,000	20,000	-0-	-0-	20,000	20,000
Insurance Consortia Services	-0-	-0-	144,615	169,118	144,615	169,118
Management Services	-0-	-0-	2,183,045	2,188,139	2,183,045	2,188,139
Adult Education Services	-0-	-0-	522,473	356,724	522,473	356,724
Curriculum and Instruction Services	-0-	-0-	3,549,237	3,034,752	3,549,237	3,034,752
Special Education Administrative and Management Services	-0-	-0-	7,334,848	7,449,581	7,334,848	7,449,581
Technology Services	<u>-0-</u>	<u>-0-</u>	<u>13,138,898</u>	<u>13,316,228</u>	<u>13,138,898</u>	<u>13,316,228</u>
Total Expenses	139,583,537	137,696,094	26,873,116	26,514,542	166,456,653	164,210,636
Increase/(Decrease) in Net Position	(2,936,896)	(900,892)	(208,618)	(1,087,980)	(3,145,514)	(1,988,872)

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2019

Reporting on the Intermediate Unit as a Whole (Continued)

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

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

Table 3
Governmental Activities

Functions	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	70,605,248	69,278,611	1,148,563	574,465
Instructional Student Support	28,935,803	29,841,527	(896,420)	(808,092)
Administrative and Financial Support Services	33,408,385	32,216,520	(6,392,481)	(4,481,705)
Operation and Maintenance of Plant and Svcs	4,812,735	4,402,727	(1,189,165)	(746,697)
Pupil Transportation	1,526,584	1,661,056	(16,903)	28,774
Non-instructional Services	274,782	275,653	2,915	2,143
Facilities Acquisition, Construction and Improvement Services	<u>20,000</u>	<u>20,000</u>	<u>(20,000)</u>	<u>(20,000)</u>
Total Governmental Functions	139,583,537	137,696,094	(7,363,491)	(5,451,112)

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, 2019, the Intermediate Unit government funds reported a combined fund balance of \$12,159,183 which is an increase of \$406,141 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 59 through 62.

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2019

Capital Assets

During the 2018-19 fiscal year IU13 continued the renovation of the offices located at Burle Business Park. Renovations included the Early Intervention Program, Facility Offices, and the IU13 Conference Center. The renovation and refresh project was part of the IU13 Strategic Plan and was funded, as planned, with committed fund balance previously approved by its Board of Directors. Costs of the renovation totaled \$1.0M. In addition to the renovations, the space is being refreshed with new paint and carpeting; these costs are covered under the sublease with the Lancaster-Lebanon Joint Authority.

Strategic Planning

During 2018-2019, 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 2018-19, 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
- **Priority 2 - Maintain a strong financial position**
Goal - Revisit and update the IU13 enterprise-level business plan
Goal - Establish a new corporate structure
Goal - Complete a comprehensive review of each SBU-level business plan
- **Priority 3 - Enhance the lives of students and educators in Lancaster and Lebanon counties and beyond**
Goal - Launch an IU13-operated longer-term partial hospitalization program in partnership with a mental health provider
Goal - Complete a needs assessment and feasibility study for the future use of the Lebanon Building
Goal - Complete a needs assessment and feasibility study for the future use of the Fairland Building
- **Priority 4 - Cultivate a culture of innovation that responds to district needs and market trends**
Goal - Develop and implement an incentive program for marketplace-model services and sales
Goal - Continue the refresh program for Burle Business Park
Goal - Create and implement a roadmap and resource allocation plan for technology innovation across the organization
Goal - Develop a plan to identify and attract talent to keep the pipeline of passionate, curious, and talented leaders coming to IU13
Goal - Develop and begin implementation of a 5-year roadmap and leadership transition plan for the management of our enterprise business software, BusinessPlus
- **Priority 5 - Build a talented, service-oriented team**
Goal - Develop a survey for recent hires to determine why they stay, and what we can do to improve attrition and create new incentives that will help us maintain staff

Lancaster-Lebanon Intermediate Unit 13

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2019

Strategic Planning (Continued)

- **Priority 6 - Encourage the well-being and success of every employee**

Goal - Facilitate conversations among communities in a cohesive fashion and develop solutions to support the work of IU13 around school safety and mental health

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 13

STATEMENT of NET POSITION

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 10,240,248	\$ -0-	\$ 10,240,248
Investments, at Fair Value	31,968,728	-0-	31,968,728
Internal Balances	(400,052)	400,052	-0-
Due from Other Governments	16,865,273	4,639,883	21,505,156
Other Receivables	126,046	161,402	287,448
Inventories	74,531	-0-	74,531
Prepaid Expenses	<u>1,300,181</u>	<u>41,314</u>	<u>1,341,495</u>
Total Current Assets	60,174,955	5,242,651	65,417,606
Noncurrent Assets			
Building and Building Improvements, net of Accumulated Depreciation	2,478,623	-0-	2,478,623
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	3,126,249	643,377	3,769,626
Vehicles, net of Accumulated Depreciation	<u>400,670</u>	<u>-0-</u>	<u>400,670</u>
Total Noncurrent Assets	<u>6,005,542</u>	<u>643,377</u>	<u>6,648,919</u>
TOTAL ASSETS	<u>66,180,497</u>	<u>5,886,028</u>	<u>72,066,525</u>
DEFERRED OUTFLOW of RESOURCES			
Pension	32,281,925	3,127,000	35,408,925
Other Postemployment Benefits (OPEB)	<u>1,553,000</u>	<u>146,000</u>	<u>1,699,000</u>
TOTAL DEFERRED OUTFLOW of RESOURCES	<u>\$ 33,834,925</u>	<u>\$ 3,273,000</u>	<u>\$ 37,107,925</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13

STATEMENT of NET POSITION

(Continued)

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Due to Other Governments	\$ 2,541,821	\$ -0-	\$ 2,541,821
Accounts Payable	11,794,080	-0-	11,794,080
Accrued Salaries and Benefits	5,992,326	617,992	6,610,318
Payroll Deductions and Withholdings	5,667,918	-0-	5,667,918
Unearned Revenues	-0-	385,628	385,628
Retirement Bonus Due Within			
One Year	104,471	-0-	104,471
Compensated Absences Due			
Within One Year	195,529	-0-	195,529
Other Current Liabilities	<u>5,791,141</u>	<u>403,556</u>	<u>6,194,697</u>
Total Current Liabilities	32,087,286	1,407,176	33,494,462
Noncurrent Liabilities			
Other Postemployment Benefit			
Obligation	10,815,000	1,018,000	11,833,000
Long-term Portion of			
Retirement Bonus	2,472,029	-0-	2,472,029
Long-term Portion of			
Compensated Absences	2,707,564	-0-	2,707,564
Net Pension Liability	<u>194,602,076</u>	<u>18,268,000</u>	<u>212,870,076</u>
Total Noncurrent Liabilities	210,596,669	19,286,000	229,882,669
TOTAL LIABILITIES	242,683,955	20,693,176	263,377,131
DEFERRED INFLOW of RESOURCES			
Pension	3,126,479	284,000	3,410,479
Other Postemployment Benefits (OPEB)	<u>350,000</u>	<u>33,000</u>	<u>383,000</u>
TOTAL DEFERRED INFLOW of RESOURCES	3,476,479	317,000	3,793,479
NET POSITION			
Net Investment in Capital Assets	6,005,542	643,377	6,648,919
Unrestricted (Deficit)	<u>(152,150,554)</u>	<u>(12,494,525)</u>	<u>(164,645,079)</u>
TOTAL NET POSITION	\$ (146,145,012)	\$ (11,851,148)	\$ (157,996,160)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13

STATEMENT of ACTIVITIES

Year Ended June 30, 2019

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	\$ 70,605,248	\$ 36,958,713	\$ 34,795,098	\$ -0-	\$ 1,148,563	\$ -0-	\$ 1,148,563
Instructional Student Support	28,935,803	4,168,340	23,871,043	-0-	(896,420)	-0-	(896,420)
Administrative and Financial Support Services	33,408,385	639,516	26,376,388	-0-	(6,392,481)	-0-	(6,392,481)
Operation and Maintenance of Plant Services	4,812,735	48,096	3,575,474	-0-	(1,189,165)	-0-	(1,189,165)
Pupil Transportation	1,526,584	-0-	1,509,681	-0-	(16,903)	-0-	(16,903)
Non-instructional Services	274,782	-0-	277,697	-0-	2,915	-0-	2,915
Facilities Acquisition, Construction, and Improvement Services	20,000	-0-	-0-	-0-	(20,000)	-0-	(20,000)
Total Governmental Activities	139,583,537	41,814,665	90,405,381	-0-	(7,363,491)	-0-	(7,363,491)
Business-Type Activities:							
Insurance Consortia Services	144,615	145,696	13,884	-0-	-0-	14,965	14,965
Management Services	2,183,045	2,264,822	104,506	-0-	-0-	186,283	186,283
Adult Education Services	522,473	567,398	51,867	-0-	-0-	96,792	96,792
Curriculum and Instruction Services	3,549,237	3,657,154	324,173	-0-	-0-	432,090	432,090
Special Education Administrative and Management Services	7,334,848	7,569,348	690,532	-0-	-0-	925,032	925,032
Technology Services	13,138,898	14,197,447	71,344	-0-	-0-	1,129,893	1,129,893
Total Business-Type Activities	26,873,116	28,401,865	1,256,306	-0-	-0-	2,785,055	2,785,055
Total Primary Government	\$ 166,456,653	\$ 70,216,530	\$ 91,661,687	\$ -0-	(7,363,491)	2,785,055	(4,578,436)
General Revenues:							
Grants, Subsidies, and Contributions not Restricted					639,215	-0-	639,215
Investment Earnings					757,502	-0-	757,502
Miscellaneous Income					33,617	-0-	33,617
Transfers					2,993,673	(2,993,673)	-0-
Gain on Disposal of Fixed Assets					2,588	-0-	2,588
Total General Revenues, Transfers, and Gains					4,426,595	(2,993,673)	1,432,922
CHANGES in NET POSITION					(2,936,896)	(208,618)	(3,145,514)
NET POSITION							
Beginning					(143,208,116)	(11,642,530)	(154,850,646)
Ending					\$ (146,145,012)	\$ (11,851,148)	\$ (157,996,160)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	Major Funds				Total Governmental Funds
	General Fund	Special Education	Special Education Transportation	State Funded Early Intervention	
ASSETS					
Cash and Cash Equivalents	\$ 10,240,248	\$ -0-	\$ -0-	\$ -0-	\$ 10,240,248
Investments	31,968,728	-0-	-0-	-0-	31,968,728
Due from Other Funds	-0-	5,221,805	-0-	19,600	5,241,405
Due from Other Governments	14,216,076	863,058	-0-	-0-	15,079,134
Other Receivables	16,403	-0-	-0-	-0-	16,403
Inventories	73,439	-0-	-0-	-0-	73,439
Prepaid Expenditures	191,964	3,559	-0-	-0-	195,523
TOTAL ASSETS	<u>56,706,858</u>	<u>6,088,422</u>	<u>-0-</u>	<u>19,600</u>	<u>62,814,880</u>
LIABILITIES and FUND BALANCES					
LIABILITIES					
Due to Other Funds	20,968,840	-0-	13,358	-0-	20,982,198
Due to Other Governments	1,339,255	1,202,566	-0-	-0-	2,541,821
Accounts Payable	9,568,214	-0-	-0-	-0-	9,568,214
Accrued Salaries and Benefits	1,725,916	4,239,615	-0-	19,600	5,985,131
Payroll Deductions and Withholdings	5,667,918	-0-	-0-	-0-	5,667,918
Compensated Absences Payable	300,000	-0-	-0-	-0-	300,000
Other Current Liabilities	4,867,172	743,243	-0-	-0-	5,610,415
TOTAL LIABILITIES	<u>44,437,315</u>	<u>6,185,424</u>	<u>13,358</u>	<u>19,600</u>	<u>50,655,697</u>
FUND BALANCES					
Nonspendable	265,403	3,559	-0-	-0-	268,962
Committed	3,185,100	-0-	-0-	-0-	3,185,100
Assigned	1,501,087	-0-	-0-	-0-	1,501,087
Unassigned	7,317,953	(100,561)	(13,358)	-0-	7,204,034
TOTAL FUND BALANCES	<u>12,269,543</u>	<u>(97,002)</u>	<u>(13,358)</u>	<u>-0-</u>	<u>12,159,183</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 56,706,858</u>	<u>\$ 6,088,422</u>	<u>\$ -0-</u>	<u>\$ 19,600</u>	<u>\$ 62,814,880</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13
 RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
 to the STATEMENT of NET POSITION
 June 30, 2019

Total fund balance - governmental funds \$ 12,159,183

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 \$11,240,409 and the accumulated depreciation is \$6,959,376. 4,281,033

Deferred outflows - GASB 68 and GASB 75 Adjustments are not a financial resource and are therefore not reported as assets in the governmental funds. 33,834,925

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	(10,815,000)	
Retirement Bonus	(2,472,029)	
Compensated Absences	(2,707,564)	
GASB 68 - Net Pension Liability	<u>(194,602,076)</u>	(210,596,669)

Deferred inflows - GASB 68 and GASB 75 Adjustments are not due and payable in the current period and are therefore not reported as liabilities in the governmental funds. (3,476,479)

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	15,450,352	
Intergovernmental Receivable	1,786,139	
Other Receivables	32	
Inventories	1,092	
Prepaid Expenses	1,104,658	
Building and Building Improvements, net of Accumulated Depreciation	951,269	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	773,240	
Accounts Payable	(2,225,866)	
Accrued Salaries and Benefits	(7,195)	
Other Current Liabilities	<u>(180,726)</u>	<u>17,652,995</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (146,145,012)

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	Major Funds				Total Governmental Funds
	General Fund	Special Education Fund	Special Education Transportation Fund	State Funded Early Intervention Fund	
REVENUES					
Local Sources	\$ 6,645,311	\$ 36,599,689	\$ -0-	\$ -0-	\$ 43,245,000
State Sources	18,950,634	7,257,055	948,849	15,484,683	42,641,221
Federal Sources	<u>47,340,719</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>47,340,719</u>
Total Revenues	<u>72,936,664</u>	<u>43,856,744</u>	<u>948,849</u>	<u>15,484,683</u>	<u>133,226,940</u>
EXPENDITURES					
Instructional Services	20,622,876	36,052,063	-0-	11,576,284	68,251,223
Support Services	58,352,358	5,289,996	984,007	3,005,577	67,631,938
Non-instructional Services	<u>274,782</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>274,782</u>
Total Expenditures	<u>79,250,016</u>	<u>41,342,059</u>	<u>984,007</u>	<u>14,581,861</u>	<u>136,157,943</u>
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	<u>(6,313,352)</u>	<u>2,514,685</u>	<u>(35,158)</u>	<u>902,822</u>	<u>(2,931,003)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	6,884,354	191,778	-0-	-0-	7,076,132
Operating Transfers Out	-0-	(2,761,520)	(77,234)	(902,822)	(3,741,576)
Proceeds from Sale of Capital Assets	<u>504</u>	<u>2,084</u>	<u>-0-</u>	<u>-0-</u>	<u>2,588</u>
NET OTHER FINANCING SOURCES (USES)	<u>6,884,858</u>	<u>(2,567,658)</u>	<u>(77,234)</u>	<u>(902,822)</u>	<u>3,337,144</u>
NET CHANGES in FUND BALANCES	<u>571,506</u>	<u>(52,973)</u>	<u>(112,392)</u>	<u>-0-</u>	<u>406,141</u>
FUND BALANCES					
Beginning	<u>11,698,037</u>	<u>(44,029)</u>	<u>99,034</u>	<u>-0-</u>	<u>11,753,042</u>
Ending	<u>\$ 12,269,543</u>	<u>\$ (97,002)</u>	<u>\$ (13,358)</u>	<u>\$ -0-</u>	<u>\$ 12,159,183</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13
 RECONCILIATION of the GOVERNMENTAL FUNDS
 STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES
 to the STATEMENT of ACTIVITIES
 Year Ended June 30, 2019

Net changes in fund balances - total governmental funds \$ 406,141

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	(710,859)	
Capital Outlays	1,237,242	
Net Book Value of Assets Disposed	4,719	531,102

The long-term portions of compensated absences and retirement bonuses 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	38,087	
Retirement Bonus	(37,171)	916

In the statement of activities, deferred inflows of resources for pension and other postemployment benefits, deferred outflows of resources for pension and other postemployment benefits, and pension and other postemployment benefits expenses are recognized in conjunction with net pension liability and the net other postemployment benefit liability respectively. Whereas in the governmental funds, pension expense and other postemployment benefit expenses are recorded when required contributions are payable. This amount represents the current pension obligation and postemployment benefit obligation expenses. (3,794,633)

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. (80,422)

CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES **\$ (2,936,896)**

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13

STATEMENT of NET POSITION -

PROPRIETARY FUNDS

June 30, 2019

	Major Fund	
	Enterprise	Internal Service
ASSETS		
Current Assets		
Due from Other Funds	\$ 400,052	\$ 15,450,352
Due from Other Governments	4,639,883	-0-
Other Receivables	161,402	1,786,171
Inventories	-0-	1,092
Prepaid Expenses	41,314	1,104,658
Total Current Assets	5,242,651	18,342,273
Noncurrent Assets		
Leasehold Improvements, net of Accumulated Depreciation	-0-	951,269
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	643,377	773,240
Total Noncurrent Assets	643,377	1,724,509
TOTAL ASSETS	5,886,028	20,066,782
DEFERRED OUTFLOW of RESOURCES		
Pension	3,127,000	-0-
Other Postemployment Benefits (OPEB)	146,000	-0-
TOTAL DEFERRED OUTFLOW of RESOURCES	3,273,000	-0-
LIABILITIES		
Current Liabilities		
Accounts Payable	-0-	2,225,866
Accrued Salaries and Benefits	617,992	7,195
Unearned Revenues	385,628	-0-
Other Current Liabilities	403,556	180,726
Total Current Liabilities	1,407,176	2,413,787
Noncurrent Liabilities		
Net Pension Liability	18,268,000	-0-
Other Postemployment Benefit Obligation	1,018,000	-0-
Total Noncurrent Liabilities	19,286,000	-0-
TOTAL LIABILITIES	20,693,176	2,413,787
DEFERRED INFLOW of RESOURCES		
Pension	284,000	-0-
Other Postemployment Benefits (OPEB)	33,000	-0-
TOTAL DEFERRED INFLOW of RESOURCES	317,000	-0-
NET POSITION		
Net Investment in Capital Assets	643,377	1,724,509
Unrestricted (Deficit)	(12,494,525)	15,928,486
TOTAL NET POSITION	\$ (11,851,148)	\$ 17,652,995

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Major Fund		Internal Service
	Enterprise		
OPERATING REVENUES			
Local Sources:			
Charges for Services	\$ 28,401,865		\$ 26,387,528
OPERATING EXPENSES			
Salaries	5,452,005		2,210,640
Employee Benefits	4,838,938		18,455,082
Purchased Professional and Technical Service	2,355,753		849,534
Purchased Property Services	825,899		3,492,485
Other Purchased Services	1,493,011		400,365
Supplies	11,720,467		454,578
Depreciation	160,123		680,124
Dues and Fees	26,920		7,699
Total Operating Expenses	26,873,116		26,550,507
OPERATING INCOME (LOSS)	1,528,749		(162,979)
NONOPERATING REVENUES			
State Sources	1,256,306		423,440
CHANGES in NET POSITION BEFORE TRANSFERS	2,785,055		260,461
TRANSFERS IN (OUT)			
Transfers In	-0-		184,118
Transfers Out	(2,993,673)		(525,001)
CHANGES in NET POSITION	(208,618)		(80,422)
NET POSITION			
Beginning	(11,642,530)		17,733,417
Ending	\$ (11,851,148)		\$ 17,652,995

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 2019

	Major Fund		Enterprise	Internal Service
CASH FLOWS from OPERATING ACTIVITIES				
Cash Received from Users		\$ 28,070,114	\$ 25,709,714	
Cash Payments to Employees for Services		(9,853,148)	(20,667,983)	
Cash Payments to Suppliers for Goods and Services		(16,473,831)	(4,690,508)	
Net Cash Provided by Operating Activities		1,743,135	351,223	
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES				
State Sources		1,256,306	423,440	
Transfers In		-0-	184,118	
Transfers Out		(2,993,673)	(525,001)	
Net Cash Used by Noncapital Financing Activities		(1,737,367)	82,557	
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES				
Capital Outlay		(5,768)	(433,780)	
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 (LOSS) to NET CASH PROVIDED by OPERATING ACTIVITIES				
Operating Income (Loss)		1,528,749	(162,979)	
ADJUSTMENTS to RECONCILE OPERATING INCOME (LOSS) to NET CASH PROVIDED by OPERATING ACTIVITIES:				
Depreciation		160,123	680,124	
Pension Expense & OPEB Expense (GASB 68 & GASB 75)		465,000	-0-	
Decrease in Due from Other Funds		533,595	885,890	
(Increase) Decrease in Due from Other Governments		(686,704)	6,267	
(Increase) in Other Receivables		(132,354)	(1,569,971)	
(Increase) in Inventories		-0-	(1,092)	
(Increase) in Prepaid Expenses		(949)	(251,979)	
(Decrease) Increase in Accounts Payable		(7,108)	725,353	
(Decrease) in Accrued Salaries and Benefits		(27,205)	(2,261)	
(Decrease) in Unearned Revenues		(46,288)	-0-	
(Decrease) Increase in Other Current Liabilities		(43,724)	41,871	
Total Adjustments		214,386	514,202	
Net Cash Provided by Operating Activities		\$ 1,743,135	\$ 351,223	

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13

STATEMENT of NET POSITION -

FIDUCIARY FUND

June 30, 2019

	Agency
ASSETS	
Cash and Cash Equivalents	\$ 30,550
Due from Other Governments	110,706
Other Receivables	<u>8,797</u>
TOTAL ASSETS	<u>150,053</u>
LIABILITIES	
Due to Other Funds	109,611
Accounts Payable	10,849
Accrued Salaries and Benefits	1,094
Unearned Revenues	28,349
Other Current Liabilities	<u>150</u>
TOTAL LIABILITIES	<u>150,053</u>
NET POSITION	<u>\$ -0-</u>

See notes to financial statements.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

The **Lancaster-Lebanon Intermediate Unit 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 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 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 21 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, 2019, was approximately \$1,036,270 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements

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

Lancaster-Lebanon Intermediate Unit 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 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

Enterprise Fund (Continued)

This fund includes the following programs: ECSES Initiatives, Autism Solutions, Supplemental Contracts, Fee For Service OVR, Staff Development and Training, Bus Driver Training, Statewide Software, Technology Initiatives, Wide Area Network Consortium, Literacy Programs, Student Activities and Events, Instructional Services Initiatives, Hybrid Learning, Virtual Solutions, Organ Tissue Donation Awareness, STEM Initiatives, Social Studies, C & I Initiatives, Lancaster and Lebanon Counties Prison Programs, Lancaster-Lebanon Adult Education Local Program, Lancaster-Lebanon Foundation Pass-Thru, English Language Learning, LCCF Grant, GED Test Administration, Family Literacy Professional Development, United Way Collective Impact, School District of Lancaster Community School Support, Health Academy, LCCF Social Enterprise, CNA Training Program, LCCF BB&T Career Pathways, Local Early Childhood, Collaborative Services, Business Services Initiatives, Leadership Initiatives, Conference & Training Center, Guest Teacher Training, Human Resources Initiatives, Employee Health Care Cooperative, Statewide System of Support programs and Statewide Initiatives Marketplace.

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 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, 2019, the Intermediate Unit has \$1,087 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 \$46,227 at June 30, 2019.

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.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories represent the cost of supplies on hand at June 30, 2019, using the first-in/first-out method.

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 2a7-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	4-15 Years
Vehicles	5 Years

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

Compensated Absences

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

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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

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

Pensions

Substantially all full-time and qualifying part-time employees of the 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.

Other Postemployment Benefits (OPEB)

Single-Employer Defined Benefit OPEB Plan

The Intermediate Unit sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The single-employer OPEB plan is unfunded.

Cost-Sharing Multiple-Employer Defined Benefit Plan

The Intermediate Unit participates in the PSERS Health Insurance Premium Assistance Program. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments 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.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019.

Fund Balance Classification

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Intermediate Unit. Commitments may be changed only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Intermediate Unit, Executive Director or CFO.

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

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

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.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Adopted in the Year Ended June 30, 2019

During the current year, the Intermediate Unit adopted GASB 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 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. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. 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 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 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.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the Intermediate Unit's June 30, 2021, financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The objectives of this statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this statement are effective for the Intermediate Unit's June 30, 2020, financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this statement are effective for the Intermediate Unit's June 30, 2022, financial statements.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Changes in Accounting Principles (Continued)

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, 2019, \$122,407 of the Intermediate Unit's bank balance of \$11,509,684 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the Intermediate Unit's Name	<u>122,407</u>
	122,407

Lancaster-Lebanon Intermediate Unit 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	122,407
Insured Amount	<u>11,387,277</u>
Bank Balance	11,509,684
Less: Outstanding Checks	<u>(1,240,351)</u>
Carrying Amount - Bank Balances	10,269,333
Plus: Petty Cash	<u>1,465</u>
Total Cash and Cash Equivalents Per Financial Statements	10,270,798

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, 2019, the Intermediate Unit did not hold any investments classified in the fair value hierarchy.

At June 30, 2019, the Intermediate Unit holds the following investments recorded at cost or amortized cost:

PLGIT Class	715,557
PLGIT I-Class	30,661,383
PLGIT Plus	<u>591,338</u>
Total Investments per the Financial Statements	31,968,278

The Pennsylvania Local Government Investment Trust (PLGIT) is a 2a7-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.

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.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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

Credit Risk

As of June 30, 2019, 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, 2019, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	6,888,660	6,684,161	643,255	14,216,076
Special Education Fund			863,058	863,058
Enterprise Fund			4,639,883	4,639,883
Internal Service Fund			1,786,139	1,786,139
Agency Fund			110,706	110,706
	6,888,660	6,684,161	8,043,041	21,615,862

NOTE 4 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2019, were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund		20,968,840
Special Education Fund	5,221,805	
Special Education Transportation Fund		13,358
State Funded Early Intervention Fund	19,600	
Enterprise Fund	400,052	
Internal Service Fund	15,450,352	
Agency Fund		109,611
	21,091,809	21,091,809

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - INTERFUND ACCOUNTS (Continued)

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, 2019, were as follows:

Fund	Transfers In	Transfers Out
General Fund	6,884,354	
Special Education Fund	191,778	2,761,520
Special Education Transportation Fund		77,234
State Funded Early Intervention Fund		902,822
Enterprise Fund		2,993,673
Internal Service Fund	<u>184,118</u>	<u>525,001</u>
	7,260,250	7,260,250

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 2018-2019 fiscal year a transfer was also made from the enterprise fund to the special education fund to cover a percentage of the cost of a Special Education Supervisor.

NOTE 5 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Historical Cost:				
Capital Assets Being Depreciated:				
Building and Building Improvements	5,960,993	316,958	-0-	6,277,951
Furniture, Fixtures, and Equipment	10,330,603	1,127,014	45,295	11,412,322
Vehicles	<u>895,810</u>	<u>236,488</u>	<u>106,188</u>	<u>1,026,110</u>
Total Capital Assets Being Depreciated	17,187,406	1,680,460	151,483	18,716,383

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - CHANGES in CAPITAL ASSETS (Continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Accumulated Depreciation:				
Building and Building Improvements	3,425,697	373,631	-0-	3,799,328
Furniture, Fixtures, and Equipment	7,421,614	921,912	57,453	8,286,073
Vehicles	<u>619,311</u>	<u>95,440</u>	<u>89,311</u>	<u>625,440</u>
Total Accumulated Depreciation	<u>11,466,622</u>	<u>1,390,983</u>	<u>146,764</u>	<u>12,710,841</u>
Net Capital Assets Being Depreciated	<u>5,720,784</u>	<u>289,477</u>	<u>4,719</u>	<u>6,005,542</u>
Net Capital Assets	5,720,784	289,477	4,719	6,005,542

Depreciation expenses were charged to governmental functions as follows:

Instruction	27,926
Instructional Student Support	341,835
Administration and Financial Support Services	386,570
Operation and Maintenance of Plant Services	603,706
Pupil Transportation	10,946
Facilities Acquisition, Construction and Improvement Services	<u>20,000</u>
	<u>1,390,983</u>

Capital asset activity for business-type activities for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	1,658,209	5,768	-0-	1,663,977
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>860,477</u>	<u>160,123</u>	<u>-0-</u>	<u>1,020,600</u>
Net Capital Assets Being Depreciated	<u>797,732</u>	<u>(154,355)</u>	<u>-0-</u>	<u>643,377</u>
Net Capital Assets	797,732	(154,355)	-0-	643,377

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - CHANGES in CAPITAL ASSETS (Continued)

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

Management Services	577
Special Education Administrative and Management Services	-0-
Technology Services	<u>159,546</u>
	160,123

Commitments

The amount of this obligation that is reimbursable from the Intermediate Unit to the Lancaster-Lebanon Joint Authority related to the conference center capital improvements amounted to approximately \$103,139 which was approved by the IU13 Board as sublease addendum obligations in February and June 2019.

The Intermediate Unit 13 has entered into a contract with Crown Castle, in the amount of \$9,200,000 for the construction of a Dark Fiber network with a turn up date on or around April 8, 2020. The Intermediate Unit is directly responsible for 38%, or \$3,496,000 of this cost over a four-year period. The balance of \$5,704,000 (or 62%) will be paid directly by E-rate.

NOTE 6 - UNEARNED REVENUES

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

Unearned revenues balances at June 30, 2019, were as follows:

Fund & SBU/SSU	Amount	Purpose
Enterprise Fund		
SBU 016 - Regional Technology Solutions	385,628	Used to offset future consortium expenses
Agency Funds	<u>28,349</u>	Mini-business/Fundraiser balances - specific classes
Total Unearned Revenue at June 30, 2019	413,977	

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, 2019.

Accumulated Sick Leave	1,342,658
Accumulated Vacation Leave	1,502,947
Employer Social Security and Medicare Share on Above	<u>57,488</u>
	2,903,093

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - COMPENSATED ABSENCES (Continued)

Compensated absences activity can be summarized as follows:

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
2,813,009	299,680	209,596	2,903,093

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, 2019 was \$2,576,500.

Retirement bonuses activity can be summarized as follows:

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
2,492,500	226,185	142,185	2,576,500

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 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 \$165 to \$949,744 and expiring in various years through 2021.

The following is a schedule of future minimum rentals on noncancelable operating leases as of June 30, 2019:

2020	2,053,216
2021	<u>1,071,521</u>
	3,124,737

There are no contingent rentals stipulated in any of the lease contracts.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 9 - OPERATING LEASES (Continued)

The total rental expenditures on noncancelable operating leases for the year ended June 30, 2019, were \$2,018,549.

The Intermediate Unit also leases two copiers from Marco Technologies, LLC. The lease term is 60 months starting July 1, 2018. The following is a schedule of future minimum rentals on noncancelable operating leases as of June 30, 2019:

2020	64,101
2021	64,101
2022	64,101
2023	<u>64,101</u>
	256,404

NOTE 10 - 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, including retirement, death, and disability benefits, for employees of state government and certain independent agencies. SERS is a component unit of the commonwealth and is included in the commonwealth's financial report as a pension trust fund. Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option to participate.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Benefits Provided

PSERS

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

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

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

SERS

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

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

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Benefits Provided (Continued)

SERS (Continued)

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

According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth of Pennsylvania 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 of Pennsylvania 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. In fiscal year 17/18, the Commonwealth of Pennsylvania paid the fully actuarially required rate after being collared in previous years due to Act 2010-120. At December 31, 2018, the actuarially determined rate including the Benefits Completion Plan (BCP) was 32.93%.

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%.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Member Contributions (Continued)

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, 2019 was 32.60% 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 \$20,044,000 for the year ended June 30, 2019.

SERS

Employer rates are computed based on SERS fiscal 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, 2018 and 2017, the blended contribution rates, which include the Benefits Completion Plan (BCP), were 33.09% and 31.38%, respectively. Contributions to the pension plan from the Intermediate Unit were \$44,943 for the year ended June 30, 2019.

Payable to the Pension Plan

PSERS

At June 30, 2019, the Intermediate Unit reported a payable of \$5,235,543 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2019. These amounts relate to the second quarter of 2019 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 \$1,546,895 for the employee contributions withheld during June 2019 which are payable to PSERS by July 10, 2019.

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%.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

PSERS

At June 30, 2019, the Intermediate Unit reported a liability of \$212,422,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2017 to June 30, 2018. 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, 2018, the Intermediate Unit's proportion was .4425 percent, which was an increase of .0097 percent from its proportion measured as of June 30, 2017.

SERS

At June 30, 2019, the Intermediate Unit reported a liability of \$448,076 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward SERS' total pension liability as of December 31, 2017 to December 31, 2018. 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, 2018, the Intermediate Unit's proportion was .0022 percent, which was an increase of .0001 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Intermediate Unit recognized pension expense of \$24,359,274.

At June 30, 2019, 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	1,716,263	3,293,200
Changes in Assumptions	3,970,031	-0-
Changes in Allocation Percentage		
Between Opinion Units	100,000	100,000
Net Difference between Projected and Actual Investment Earnings	1,084,933	-0-
Change in Proportions	7,970,275	17,177
Difference between Employer Contributions and Proportionate Share of Total Contributions	500,951	102
Contributions Subsequent to the Measurement Date	<u>20,066,472</u>	<u>-0-</u>
	35,408,925	3,410,479

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

SERS (Continued)

\$20,066,472 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, 2020. 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:	
2020	7,467,167
2021	5,383,827
2022	(204,870)
2023	<u>(714,150)</u>
	11,931,974

Actuarial Assumptions

PSERS

The total pension liability as of June 30, 2018, was determined by rolling forward PSERS's total pension liability as of the June 30, 2017 to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Long Term Expected Rate of Return: 7.25%, includes inflation at 2.75%

Actuarial Cost Method: Entry Age Normal, Level Percent of Pay

Salary Growth: 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: 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

There were no changes in assumptions used in measurement of the total pension liability beginning June 30, 2018. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

PSERS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute Return	10.0%	3.5%
Risk Parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real Estate	10.0%	4.2%
Alternative Investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>(20.0%)</u>	0.9%
	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, 2018.

SERS

The following methods and assumptions were used in the actuarial valuation for the December 31, 2018, 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 manager fees 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

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

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

SERS (Continued)

Cost of Living Adjustments (COLAs) - None (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.

In addition to the five-year experience study, SERS reviews its investment return assumption in light of economic conditions every year. The most recent SERS review occurred in the summer of 2019, and will be used for its 2019 annual 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. 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.00%	7.25%
Global Public Equity	48.00%	5.15%
Real Estate	12.00%	5.26%
Multi-Strategy	10.00%	4.44%
Fixed Income	11.00%	1.26%
Cash	<u>3.00%</u>	-0-
	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 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - 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	263,313,000	212,422,000	169,392,000

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	554,466	448,076	363,356

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.

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.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

General Information about the OPEB Plan

Plan Description

The Intermediate Unit maintains a single-employer defined benefit OPEB plan to provide postemployment health care life insurance benefits. The Board of the Intermediate Unit is authorized to establish and amend the financing requirements and benefits, subject to collective bargaining for certain classes of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

Benefits Provided

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

Medical Coverage - All Personnel

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

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Benefits Provided (Continued)

Life Insurance Coverage

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

Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	72
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	<u>1,058</u>
	1,130

Total OPEB Liability

The Intermediate Unit's total OPEB liability of \$2,607,000 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.0%, Based on 20-Year High Grade Municipal Rate Index

Long Term Expected Rate of Return: N/A, the Plan is Unfunded

Actuarial Cost Method: Entry Age Normal, Level Percent of Pay

Healthcare Cost Trend: 7.0% for 2018, decreasing 1.0% per year to an ultimate rate of 5.0% for 2020 and later years

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Retirees' Share of Benefit-Related Costs: 100.0% of Premium

Mortality Rates:

Preretirement - RP-2014 Employee (Male and Female)

Postretirement - RP-2014 Health Annuitant (Male and Female)

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period ended July 1, 2017.

Changes in the Total OPEB Liability

Balance, June 30, 2018	2,685,145
Changes for the Year	
Service Cost	50,639
Interest	78,216
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes of Assumptions	-0-
Benefit Payments	<u>(207,000)</u>
Net Changes	<u>(78,145)</u>
Balance, June 30, 2019	2,607,000

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Intermediate Unit for the single-employer plan, as well as what the Intermediate Unit's total OPEB liability for the single-employer plan would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

Total OPEB Liability	
2.0% Discount Rate (1.0% Decrease)	2,801,924
3.0% Discount Rate (Current Rate)	2,607,000
4.0% Discount Rate (1.0% Increase)	2,434,109

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Intermediate Unit's single-employer plan, as well as what the Intermediate Unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

Total OPEB Liability	
5.0% Decreasing to 4.0% (1% Decrease)	1,957,401
6.0% Decreasing to 5.0% (Current Rate)	2,607,000
7.0% Decreasing to 6.0% (1% Increase)	3,338,433

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The Pennsylvania Public School Employees' Retirement System (System) provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Effective January 1, 2002 under the provision of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Contributions

The Intermediate Unit's contractually required contribution rate for the fiscal year ended June 30, 2018 was .83% 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 OPEB plan from the Intermediate Unit were \$509,000 for the year ended June 30, 2019.

OPEB Liabilities and OPEB Expense

At June 30, 2019, the Intermediate Unit reported a liability of \$9,226,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The Intermediate Unit's proportion of the net OPEB 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, 2019, the Intermediate Unit's proportion was .4425 percent, which was an increase of .0097 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Intermediate Unit recognized OPEB expense of \$483,000 related to this plan.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Entry Age Normal, Level Percent of Pay

Investment Return: 2.98%, based on the S&P 20 Year Municipal Bond Rate

Salary Growth: Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases

Premium Assistance reimbursement is capped at \$1,200 per year

Assumed Healthcare Cost Trends: Applied to retirees with less than \$1,200 in Premium Assistance per year

Mortality Rates: 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

Participation Rate:

Eligible retirees will elect to participate pre-age 65 at 50%

Eligible retirees will elect to participate post-age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experiences study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.

Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date

Asset valuation method: Market Value

Participation rate: 63% of eligible retirees are assumed to elect premium assistance

Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the System's Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions (Continued)

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.90%	0.30%
US Core Fixed Income	92.80%	1.20%
Non-US Developed Fixed	<u>1.30%</u>	0.40%
	100.00%	

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, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20-year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

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

The following presents the Intermediate Unit's proportionate share of the net OPEB liability, as well as what the Intermediate Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

Net OPEB Liability	
2.13% Discount Rate (1.0% Decrease)	10,492,197
3.13% Discount Rate (Current Rate)	9,226,000
4.13% Discount Rate (1.0% Increase)	8,174,785

Sensitivity of the Intermediate Unit's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Intermediate Unit's proportionate share of the net OPEB liability, as well as what the Intermediate Unit's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

Net OPEB Liability	
1% Decrease	9,224,076
Current Rate	9,226,000
1% Increase	9,227,360

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the PSERS OPEB plan's fiduciary net position is available in the separately issued PSERS comprehensive annual financial report which is available on the System's website at www.psers.pa.gov.

AGGREGATE OPEB INFORMATION

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Intermediate Unit recognized OPEB expense of \$704,500. At June 30, 2019, the Intermediate Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions and Benefit Payments After the Measurement Date	716,000	-0-
Differences Between Expected and Actual Experience	57,000	33,000
Changes of Assumptions	588,000	350,000
Differences Between Projected and Actual Investment Earnings	8,000	-0-
Changes in Proportion	<u>330,000</u>	<u>-0-</u>
	1,699,000	383,000

The deferred outflows of resources of \$716,000 related to OPEB resulting from the Intermediate Unit's benefit payments after the measurement date of the single-employer plan and contributions after the measurement date of the cost-sharing multiple-employer plan will be recognized as a reduction in the total or net OPEB liability, respectively, in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:	
2020	118,500
2021	118,500
2022	118,500
2023	118,500
2024	63,000
Thereafter	<u>63,000</u>
	600,000

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

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 \$17,901,102 in total per year.

A liability for claims incurred prior to June 30, 2019, and subsequently paid is recorded in the amount of \$1,750,350 in accounts payable in the internal service fund.

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

Medical	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2017 - 2018	1,399,362	11,920,767	(12,136,989)	1,183,140
2018 - 2019	1,183,140	12,512,344	(11,945,134)	1,750,350

Dental Benefits

The Intermediate Unit also self-funds for dental care for eligible employees and their dependents, using a third-party administrator to process and pay claims. A liability for claims incurred prior to June 30, 2019, and subsequently paid is recorded in the amount of \$31,278 in accounts payable in the internal service fund.

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

Dental	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2017 - 2018	41,070	648,184	(657,687)	31,567
2018 - 2019	31,567	665,207	(665,496)	31,278

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 eleven member school districts, four non-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.

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - RISK MANAGEMENT (Continued)

Property and Liability (Continued)

The Pool is a related party of the Intermediate Unit, as it provides administrative services for the Pool. The Intermediate Unit received approximately \$29,017 for these services as of June 30, 2019.

As of June 30, 2019, the Intermediate Unit is not aware of any additional assessments relating to the Pool.

Workers' Compensation

The Intermediate Unit is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund), which is a cooperative voluntary trust arrangement for fourteen 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 \$44,467 for these services as of June 30, 2019.

As of June 30, 2019, 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, 2019, and the two previous years, no settlements exceeded insurance coverage.

NOTE 13 - CONTINGENT LIABILITIES

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 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, 2019, the Intermediate Unit has included the following as nonspendable fund balances:

General Fund - Inventories	73,439
General Fund - Prepaid Expenditures	<u>191,964</u>
	265,403
Special Education Fund - Prepaid Expenditures	3,559

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, 2019, the Intermediate Unit has included the following as committed fund balances:

General Fund - Committed for Facility Refresh and Center Based Site Capital Projects	3,185,100
--	-----------

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, 2019, the Intermediate Unit has included the following as assigned fund balances:

General Fund - Assigned for Program Specific Purposes and Enterprise Wide Initiatives	1,500,000
General Fund - Encumbrances	<u>1,087</u>
	1,501,087

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 net position is earmarked for this purpose.

Internal Service Funds

The internal service fund includes the research and development fund, the operating infrastructure programs, the retirement stabilization fund, the hospitalization fund, the worker's compensation fund and the unemployment fund. At June 30, 2019, the amounts in net position earmarked for these purposes are as follows:

Research and Development	611,763
Operating Infrastructure	110,999
Retirement Stabilization	981,529
Hospitalization	14,490,197
Worker's Compensation	722,525
Unemployment	<u>735,982</u>
	17,652,995

Lancaster-Lebanon Intermediate Unit 13

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 15 - COMPONENTS of NET POSITION

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and deferred inflows of resources attributable to capital assets or related debt are also included in this component of net position.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL -
GENERAL FUND
Year Ended June 30, 2019

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Sources	\$ 8,193,537	\$ 8,267,731	\$ 6,645,311	\$ (1,622,420)
State Sources	22,408,317	20,854,095	18,950,634	(1,903,461)
Federal Sources	52,428,093	52,957,403	47,340,719	(5,616,684)
Total Revenues	83,029,947	82,079,229	72,936,664	(9,142,565)
EXPENDITURES				
Instructional Services:				
Special Programs	4,504,554	3,582,668	3,541,012	41,656
Other Instructional Programs	133,182	158,234	158,234	-0-
Nonpublic School Programs	7,031,785	7,431,204	7,258,136	173,068
Adult Education Programs	2,146,838	2,160,533	1,943,955	216,578
Pre-Kindergarten	11,521,434	9,905,429	7,721,539	2,183,890
Support Services:				
Pupil Personnel Services	6,098,623	6,153,425	5,295,979	857,446
Instructional Staff Services	20,829,237	18,960,079	17,077,689	1,882,390
Administrative Services	3,463,493	3,237,255	2,435,594	801,661
Pupil Health	400	865	865	-0-
Business Services	3,453,429	3,453,429	3,172,107	281,322
Operation and Maintenance of Plant Services	5,095,166	4,793,430	4,540,142	253,288
Student Transportation Services Central	484,581	528,379	528,379	-0-
	3,786,480	5,183,752	5,183,752	-0-
Other Support Services	21,817,636	22,148,708	20,117,851	2,030,857
Non-instructional Services:				
Food Services	158,655	400,385	274,782	125,603
Total Expenditures	90,525,493	88,097,775	79,250,016	8,847,759
DEFICIENCY of REVENUES over EXPENDITURES	(7,495,546)	(6,018,546)	(6,313,352)	(294,806)
OTHER FINANCING SOURCES				
Operating Transfers In	6,495,547	6,018,546	6,884,354	865,808
Proceeds from Sale of Capital Assets	-0-	-0-	504	504
Net Other Financing Sources	6,495,547	6,018,546	6,884,858	866,312
NET CHANGES in FUND BALANCES	\$ (999,999)	\$ -0-	571,506	\$ 571,506
FUND BALANCES				
Beginning			11,698,037	
Ending			\$ 12,269,543	

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL -
SPECIAL EDUCATION FUND
Year Ended June 30, 2019

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 38,218,051	\$ 38,966,093	\$ 36,599,689	\$ (2,366,404)
State Sources	<u>7,230,850</u>	<u>7,428,703</u>	<u>7,257,055</u>	<u>(171,648)</u>
Total Revenues	45,448,901	46,394,796	43,856,744	(2,538,052)
EXPENDITURES				
Instructional Services:				
Special Programs	37,255,775	38,040,269	36,052,063	1,988,206
Support Services:				
Instructional Staff Services	396,175	656,999	656,999	-0-
Administrative Services	1,990,705	2,092,742	1,840,956	251,786
Pupil Health	2,320,199	1,976,965	1,972,869	4,096
Operation and Maintenance of Plant Services	875,570	875,570	735,762	139,808
Central	<u>-0-</u>	<u>83,410</u>	<u>83,410</u>	<u>-0-</u>
Total Expenditures	42,838,424	43,725,955	41,342,059	2,383,896
EXCESS of REVENUES over EXPENDITURES	2,610,477	2,668,841	2,514,685	(154,156)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	217,961	217,961	191,778	(26,183)
Operating Transfers Out	(2,828,438)	(2,886,802)	(2,761,520)	125,282
Proceeds from Sale of Capital Assets	<u>-0-</u>	<u>-0-</u>	<u>2,084</u>	<u>2,084</u>
Net Other Financing Sources (Uses)	(2,610,477)	(2,668,841)	(2,567,658)	101,183
NET CHANGES in FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	52,973	<u>\$ (52,973)</u>
FUND BALANCES				
Beginning			<u>(44,029)</u>	
Ending			<u>\$ (97,002)</u>	

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
 BUDGET and ACTUAL -
 SPECIAL EDUCATION TRANSPORTATION FUND
 Year Ended June 30, 2019

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
REVENUES				
Local Sources	\$ 15,000	\$ 15,000	\$ -0-	\$ (15,000)
State Sources	<u>1,183,792</u>	<u>1,183,792</u>	<u>948,849</u>	<u>(234,943)</u>
Total Revenues	1,198,792	1,198,792	948,849	(249,943)
EXPENDITURES				
Support Services:				
Student Transportation Services	1,111,357	1,108,577	981,227	127,350
Central	<u>-0-</u>	<u>2,780</u>	<u>2,780</u>	<u>-0-</u>
Total Expenditures	<u>1,111,357</u>	<u>1,111,357</u>	<u>984,007</u>	<u>127,350</u>
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	87,435	87,435	(35,158)	(122,593)
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	<u>(87,435)</u>	<u>(87,435)</u>	<u>(77,234)</u>	<u>10,201</u>
NET CHANGES in FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	(112,392)	<u>\$ (112,392)</u>
FUND BALANCES				
Beginning			<u>99,034</u>	
Ending			<u>\$ (13,358)</u>	

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
 BUDGET and ACTUAL -
 STATE FUNDED EARLY INTERVENTION FUND
 Year Ended June 30, 2019

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Sources	\$ 14,859,084	\$ 15,499,856	\$ 15,484,683	\$ (15,173)
EXPENDITURES				
Instructional Services:				
Special Programs	10,969,738	11,576,284	11,576,284	-0-
Support Services:				
Pupil Personnel Services	831,593	858,884	850,520	8,364
Instructional Staff Services	-0-	55,916	55,916	-0-
Pupil Health	2,107,278	2,103,107	2,096,298	6,809
Central	-0-	2,843	2,843	-0-
	<u>13,908,609</u>	<u>14,597,034</u>	<u>14,581,861</u>	<u>15,173</u>
Total Expenditures	13,908,609	14,597,034	14,581,861	15,173
EXCESS of REVENUES over EXPENDITURES	950,475	902,822	902,822	-0-
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	<u>(950,475)</u>	<u>(902,822)</u>	<u>(902,822)</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>\$ -0-</u>	

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

Lancaster-Lebanon Intermediate Unit 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.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of CHANGES in TOTAL OPEB LIABILITY and RELATED RATIOS -

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

Last 10 Fiscal Years

	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 50,639	\$ 58,539	\$ 102,217
Interest	78,216	80,420	87,680
Change of Benefit Terms	-0-	-0-	-0-
Differences Between Expected and Actual			
Experience	-0-	-0-	(48,453)
Change of Assumptions	-0-	-0-	641,830
Benefit Payments	(207,000)	(210,436)	(232,852)
Net Change in Total OPEB Liability	(78,145)	(71,477)	550,422
Total OPEB Liability - Beginning	<u>2,685,145</u>	<u>2,756,622</u>	<u>2,206,200</u>
Total OPEB Liability - Ending	<u>\$ 2,607,000</u>	<u>\$ 2,685,145</u>	<u>\$ 2,756,622</u>
Covered Payroll	61,244,401	54,993,675	53,652,366
Total OPEB Liability as a Percentage of			
Covered Payroll	4.3%	4.9%	5.1%

Note: Information is not available prior to 2017.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -
SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN
Last 10 Fiscal Years

Funding:

No assets are accumulated in a trust that meet the criteria included in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, to pay related benefits.

Changes of Assumptions:

Measurement period ending June 30, 2016:

Actuarial cost method was adjusted from Unit Credit method to Entry Age Normal.

Discount rate was reduced from 4.00% to 3.00%.

Salary growth changed from an annual rate of 0.00% to 2.50%.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
 SCHEDULE of EMPLOYER CONTRIBUTIONS -
 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
 Last 10 Fiscal Years

Fiscal Year Ended June 30	Contractually Required Contributions	Contributions from Employer	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	478,854	478,854	-0-	53,047,126	0.90%
2016	462,484	462,484	-0-	54,767,944	0.84%
2017	478,604	478,604	-0-	57,620,938	0.83%
2018	493,162	493,162	-0-	59,589,699	0.83%
2019	509,000	509,000	-0-	61,367,426	0.83%

Note: Information is not available prior to 2015.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of the INTERMEDIATE UNIT'S PROPORTIONATE SHARE of the NET OPEB LIABILITY -
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN

Last 10 Fiscal Years

Fiscal Year Ended June 30	Intermediate Unit's Proportion of the Net OPEB Liability	Intermediate Unit's Proportionate Share of the Net OPEB Liability	Intermediate Unit's Covered- Employee Payroll	Intermediate Unit's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2016	0.4229%	9,109,000	54,767,944	16.63%	5.47%
2017	0.4328%	8,818,000	57,620,938	15.30%	5.73%
2018	0.4425%	9,226,000	59,589,699	15.48%	5.56%

Note: Information is not available prior to 2016. The data provided in the schedule is based on the measurement date, which is the beginning of the Intermediate Unit's fiscal year.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
Last 10 Fiscal Years

Changes of Assumptions:

Measurement period ending June 30, 2017:

Discount rate was decreased from 3.13% to 2.98%.

Measurement period ending June 30, 2016:

Discount rate was increased from 2.71% to 3.13%.

Salary growth changes from an effective average of 5.50% to 5.00%

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.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

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

	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Defined Benefit					
Pension Plan:					
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	5,940,506	5,940,506	-0-	53,083,351	11.50%
2014	8,232,773	8,232,773	-0-	52,602,009	16.00%
2015	10,697,790	10,697,790	-0-	53,047,126	20.50%
2016	13,510,678	13,510,678	-0-	54,767,944	25.00%
2017	16,645,160	16,645,160	-0-	57,620,938	29.17%
2018	18,630,349	18,630,349	-0-	59,589,699	31.26%
2019	20,044,000	20,044,000	-0-	61,367,426	32.66%

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 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 Payroll	Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered 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%
2017	0.4328%	213,753,000	57,620,938	370.96%	51.84%
2018	0.4425%	212,422,000	59,589,699	356.47%	54.00%

Note: Information is not available prior to 2014. The data provided in the schedule is based on the measurement date, which is the beginning of the Intermediate Unit's fiscal year.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Changes of Benefit Terms:

Measurement period ending June 30, 2017:

Beginning June 12, 2017, with the passage of Act 5, Class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes of Assumptions:

Measurement period ending June 30, 2016:

Investment rate of return was adjusted from 7.50% to 7.25%.

Inflation assumption was decreased from 3.0% to 2.75%.

Salary growth changed from an effective average of 5.50% to 5.00%.

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.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of EMPLOYER CONTRIBUTIONS -

STATE EMPLOYEES' RETIREMENT SYSTEM -

Last 10 Fiscal Years

	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Defined Benefit					
Pension Plan:					
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%
2018	43,450	43,450	-0-	126,161	34.44%
2019	44,943	44,943	-0-	127,971	35.12%

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 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 Payroll	Intermediate Unit's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered 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%
2017	0.00208526%	360,577	122,629	294.04%	63.00%
2018	0.00216768%	448,076	126,161	355.16%	56.40%

Note: Information is not available prior to 2014. The data provided in the schedule is based on the measurement date of December 31, which is the middle of the Intermediate Unit's fiscal year.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -
STATE EMPLOYEES' RETIREMENT SYSTEM

Changes of Benefit Terms:

None.

Changes of Assumptions:

None.

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
Year Ended June 30, 2019

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, 2018	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Passed Through to Subrecipients	
Child Nutrition Cluster													
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	365	07/01/17 - 06/30/18	N/A	\$ 295	\$ 295	\$ -0-	\$ -0-	\$ -0-	
			Total	10.553				295	295	-0-	-0-	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	362	07/01/17 - 06/30/18	N/A	784	784	-0-	-0-	-0-	
			Total	10.555				784	784	-0-	-0-	-0-	
			Total Child Nutrition Cluster						1,079	1,079	-0-	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	Child and Adult Care Food Program	I	10.558	164	10/01/18 - 09/30/19	258,868	-0-	195,174	190,801	(4,373)	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Education	Child and Adult Care Food Program	I	10.558	164	10/01/17 - 09/30/18	255,530	(9,078)	37,652	46,730	-0-	-0-	
			Total	10.558				(9,078)	232,826	237,531	(4,373)	-0-	
WIOA Cluster													
U.S. Department of Labor	Lancaster County Workforce Investment Board	WIOA Adult Program	I	17.258	N/A	07/01/18 - 06/30/19	70,058	-0-	53,560	70,058	16,498	-0-	
U.S. Department of Labor	Lancaster County Workforce Investment Board	WIOA Adult Program	I	17.258	N/A	07/01/17 - 06/30/18	63,628	13,225	13,225	-0-	-0-	-0-	
			Total	17.258				13,225	66,785	70,058	16,498	-0-	
U.S. Department of Labor	Lancaster County Workforce Investment Board	WIOA Youth Activities	I	17.259	N/A	07/01/18 - 06/30/19	39,918	-0-	26,880	39,918	13,038	-0-	
U.S. Department of Labor	Lancaster County Workforce Investment Board	WIOA Youth Activities	I	17.259	N/A	07/01/17 - 06/30/18	41,414	\$ 13,776	\$ 13,776	\$ -0-	\$ -0-	\$ -0-	

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2019

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, 2018	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Passed Through to Subrecipients
WIOA Cluster (Continued)												
U.S. Department of Labor	South Central Workforce Investment Board	WIOA Youth Activities	I	17.259	P17-433-180-17-3301-03	07/01/18 - 06/30/19	245,023	\$ -0-	\$ 167,302	\$ 245,023	\$ 77,721	\$ -0-
U.S. Department of Labor	South Central Workforce Investment Board	WIOA Youth Activities	I	17.259	P17-433-180-17-3301-03	07/01/17 - 06/30/18	180,000	47,203	47,203	-0-	-0-	-0-
U.S. Department of Labor	South Central Workforce Investment Board	WIOA Youth Activities	I	17.259	P18-433-180-18-3301-02	10/01/18 - 06/30/19	41,567	-0-	21,984	41,567	19,583	-0-
U.S. Department of Labor	South Central Workforce Investment Board	WIOA Youth Activities	I	17.259	P17-433-180-17-3301-04	11/01/17 - 09/30/18	36,590	26,236	26,236	-0-	-0-	-0-
U.S. Department of Labor	Educational Data Systems, Inc.	WIOA Youth Activities	I	17.259	18-EDSI OSY	07/01/18 - 06/30/19	50,000	-0-	39,896	50,000	10,104	-0-
U.S. Department of Labor	South Central Workforce Investment Board	WIOA Youth Activities	I	17.259	P18-433-180-17-3342-03	07/01/18 - 06/30/19	45,000	-0-	34,908	45,000	10,092	-0-
				Total			17,259	87,215	378,185	421,508	130,538	-0-
U.S. Department of Labor	Lancaster County Workforce Investment Board	WIOA Dislocated Worker Formula Grants	I	17.278	N/A	07/01/17 - 06/30/18	30,024	-0-	19,646	30,023	10,377	-0-
U.S. Department of Labor	Lancaster County Workforce Investment Board	WIOA Dislocated Worker Formula Grants	I	17.278	N/A	07/01/17 - 06/30/18	12,005	1,533	1,533	-0-	-0-	-0-
				Total			17,278	1,533	21,179	30,023	10,377	-0-
				Total WIOA Cluster				\$ 101,973	\$ 466,149	\$ 521,589	\$ 157,413	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2019

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, 2018	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Passed Through to Subrecipients
Library of Congress	Waynesburg University	Teaching with Primary Sources (Note 4)	I	42.000	GA08C0016	08/01/17 - 12/31/18	16,414	\$ 6,221	\$ 13,874	\$ 7,653	\$ -0-	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Adult Education - Basic Grants to States	I	84.002	064-190015	07/01/18 - 06/30/19	792,196	-0-	726,179	792,196	66,017	-0-
U.S. Department of Education	Pennsylvania Department of Education	Adult Education - Basic Grants to States	I	84.002	061-190004	07/01/18 - 06/30/19	349,600	-0-	291,333	349,600	58,267	-0-
Total				84.002				-0-	1,017,512	1,141,796	124,284	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	147-180005	07/01/17 - 06/30/18	29,452	2,454	2,454	-0-	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	155-190013	07/01/18 - 06/30/19	14,000	-0-	4,667	14,000	9,333	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	149-190013	07/01/18 - 06/30/19	8,400	-0-	2,800	8,400	5,600	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	149-180022	07/01/17 - 06/30/18	75,000	6,250	6,250	-0-	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	107-190613	08/31/18 - 09/30/19	103,623	-0-	96,221	103,623	7,402	95,947
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	107-180613	08/31/17 - 09/30/19	99,000	15,164	49,500	34,336	-0-	32,195
U.S. Department of Education	Allegheny Intermediate Unit	Title I Grants to Local Educational Agencies	I	84.010	PO4300598321	09/01/18 - 06/30/19	468,335	-0-	-0-	298,982	298,982	-0-
Total				84.010				\$ 23,868	\$ 161,892	\$ 459,341	\$ 321,317	\$ 128,142

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2019

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, 2018	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Passed Through to Subrecipients
Special Education Cluster												
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States	I	84.027	062-180037	07/01/17 - 09/30/18	416,954	\$ 18,694	\$ 29,308	\$ 10,614	\$ -0-	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States	I	84.027	062-190037	07/01/18 - 09/30/19	416,954	-0-	361,360	386,491	25,131	-0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States	I	84.027	131-180013	07/01/18 - 06/30/19	2,163,231	-0-	2,163,231	2,162,591	(640)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States	I	84.027	131-170013	07/01/17 - 06/30/18	1,949,629	(404)	-0-	404	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States	I	84.027	062-190013	07/01/18 - 09/30/19	18,313,655	-0-	14,650,924	18,305,839	3,654,915	16,551,355
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States	I	84.027	062-180013	07/01/17 - 09/30/18	18,136,478	4,818,657	4,836,394	17,737	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States (Note 4)	I	84.027	062-170033	07/01/16 - 09/30/18	18,402,200	(55,813)	-0-	55,813	-0-	55,813
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States	I	84.027	062-180033	07/01/17 - 09/30/19	18,066,466	47,082	3,730,793	3,683,711	-0-	1,503,695
U.S. Department of Education	Pennsylvania Department of Education	Special Education Grants to States	I	84.027	062-190033	07/01/18 - 09/30/20	17,892,237	-0-	14,258,790	13,985,963	(272,827)	5,677,855
				Total	84.027			4,828,216	40,030,800	38,609,163	3,406,579	23,788,718
U.S. Department of Education	Pennsylvania Department of Education	Special Education Preschool Grants	I	84.173	131-180013	07/01/18 - 06/30/19	398,101	-0-	398,101	398,101	-0-	85,204
Total Special Education Cluster								\$ 4,828,216	\$ 40,428,901	\$ 39,007,264	\$ 3,406,579	\$ 23,873,922

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2019

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, 2018	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Passed Through to Subrecipients
U.S. Department of Education	N/A	Rehabilitation Services Vocational Rehabilitation Grants to States (Note 4)	D	84.126	N/A	07/01/18 - 06/30/19	191,929	\$ -0-	\$ 175,374	\$ 175,374	\$ -0-	\$ -0-
U.S. Department of Education	N/A	Adult Education National Leadership Activities	D	84.191C	V191D150016	09/25/17 - 09/26/18	550,000	157,479	345,661	188,182	-0-	-0-
U.S. Department of Education	School District of Lancaster	Twenty-First Century Community Learning Centers	I	84.287	N/A	07/01/18 - 06/30/19	28,395	-0-	20,250	28,395	8,145	-0-
U.S. Department of Education	LaAcademia: The Partnership Charter School	Twenty-First Century Community Learning Centers	I	84.287	N/A	10/01/18 - 09/30/19	25,600	-0-	19,200	25,600	6,400	-0-
U.S. Department of Education	LaAcademia: The Partnership Charter School	Twenty-First Century Community Learning Centers	I	84.287	N/A	10/01/17 - 09/30/18	25,600	(2,541)	12,800	15,341	-0-	-0-
Total				84.287				(2,541)	52,250	69,336	14,545	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-190613	10/01/18 - 09/30/20	173,646	-0-	61,372	57,652	(3,720)	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-180613	08/31/17 - 09/30/19	177,665	(44,790)	114,213	159,003	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-170613	08/31/16 - 09/30/18	182,342	10,915	13,024	2,109	-0-	-0-
Total				84.365				(33,875)	188,609	218,764	(3,720)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Mathematics and Science Partnerships	I	84.366	075-170613	06/01/17 - 09/30/18	1,603,369	(17,912)	400,843	418,755	-0-	-0-
Total				84.366				\$ (17,912)	\$ 400,843	\$ 418,755	\$ -0-	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2019

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, 2018	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	147-190013	07/01/18 - 06/30/19	9,600	\$ -0-	\$ 4,000	\$ 9,600	\$ 5,600	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants (Note 5)	I	84.367	020-170613	10/01/16 - 09/30/18	44,011	(3,359)	-0-	944	(2,415)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	149-190013	07/01/18 - 06/30/19	5,600	-0-	1,867	5,600	3,733	-0-
		Total		84.367				(3,359)	5,867	16,144	6,918	-0-
U.S. Department of Education	N/A	Student Support and Academic Enrichment Program	I	84.424	151-190013	07/01/18 - 06/30/19	15,000	-0-	6,250	15,000	8,750	-0-
U.S. Department of Education	N/A	Student Support and Academic Enrichment Program	I	84.424	150-190013	07/01/18 - 06/30/19	58,276	-0-	24,282	58,276	33,994	-0-
		Total		84.424				-0-	30,532	73,276	42,744	-0-
TANF Cluster												
U.S. Department of Health and Human Services	South Central Workforce Investment Board	Temporary Assistance for Needy Families	I	93.558	P18-433-180-18-3361-02	07/01/18 - 06/30/19	78,000	-0-	63,965	78,000	14,035	-0-
U.S. Department of Health and Human Services	South Central Workforce Investment Board	Temporary Assistance for Needy Families	I	93.558	P16-433-180-17-3361-02	07/01/17 - 06/30/18	195,350	93,220	93,220	-0-	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Education	Temporary Assistance for Needy Families	I	93.558	4100071403	07/01/17 - 06/30/18	291,000	\$ 95,921	\$ 95,921	\$ -0-	\$ -0-	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2019

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, 2018	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Passed Through to Subrecipients
TANF Cluster (Continued)												
U.S. Department of Health and Human Services	Pennsylvania Department of Education	Temporary Assistance for Needy Families	I	93.558	4100081177	01/01/18 - 06/30/19	291,000	\$ -0-	\$ 198,524	\$ 291,000	\$ 92,476	\$ -0-
Total TANF Cluster								189,141	451,630	369,000	106,511	-0-
U.S. Department of Education	Office of Refugee Resettlement	Twenty-First Century Community Learning Centers	I	93.576	FC4100081657	10/01/18 - 09/30/19	51,553	-0-	19,482	32,003	12,521	-0-
U.S. Department of Education	Office of Refugee Resettlement	Twenty-First Century Community Learning Centers	I	93.576	FC4100079278	12/01/17 - 09/30/18	50,390	15,174	39,653	24,479	-0-	-0-
U.S. Department of Education	Office of Refugee Resettlement	Twenty-First Century Community Learning Centers	I	93.576	90ZM0016-01-00	09/30/18 - 09/29/19	250,000	-0-	33,924	123,234	89,310	-0-
Total								15,174	93,059	179,716	101,831	-0-
U.S. Department of Health and Human Services	N/A	Head Start (Note 4)	D	93.600	03CH3413	01/01/18 - 12/31/18	1,687,740	159,540	1,049,194	889,654	-0-	-0-
U.S. Department of Health and Human Services	N/A	Head Start	D	93.600	03CH3413	01/01/19 - 06/30/19	905,611	-0-	692,566	905,497	212,931	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Head Start	I	93.600	41000065777	01/01/18 - 12/31/18	628,972	(14,943)	322,455	337,398	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Head Start	I	93.600	4100082355	01/01/19 - 12/31/19	628,550	\$ -0-	\$ 314,275	\$ 276,850	\$ (37,425)	\$ -0-

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2019

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, 2018	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Passed Through to Subrecipients
U.S. Department of Health and Human Services	Community Action Partnership of Lancaster County	Head Start	I	93.600	03CH010640	08/1/18 - 04/30/19	351,096	\$ -0-	\$ 222,953	\$ 351,096	\$ 128,143	\$ -0-
U.S. Department of Health and Human Services	Community Action Partnership of Lancaster County	Head Start	I	93.600	03CH010640	05/01/19 - 04/30/20	696,909	-0-	-0-	68,772	68,772	-0-
		Total		93.600				144,597	2,601,443	2,829,267	372,421	-0-
Medicaid Cluster												
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Medical Assistance Program	I	93.778	092-007513	07/01/18 - 06/30/19	N/A	-0-	19,232	55,912	36,680	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Medical Assistance Program	I	93.778	092-007513	07/01/17 - 06/30/18	N/A	59,900	59,900	-0-	-0-	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Human Services	Medical Assistance Program	I	93.778	044-007513	07/01/14 - 06/30/19	N/A	(466,548)	137,948	81,996	(522,500)	-0-
		Total Medicaid Cluster						(406,648)	217,080	137,908	(485,820)	-0-
U.S. Department of Homeland Security	N/A	Citizenship Education and Training	D	97.010	18CICET00074-01-00	10/01/18 - 09/30/20	250,000	-0-	30,081	84,535	54,454	45,998
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	22,352	78,300	55,948	-0-	25,226
		Total		97.010				22,352	108,381	140,483	54,454	71,224
TOTAL EXPENDITURES of FEDERAL AWARDS								\$ 5,016,687	\$ 46,992,962	\$ 46,191,379	\$ 4,215,104	\$ 24,073,288

Legend

D = Direct Funding

I = Indirect Funding

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2019

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 amounts of ACCESS funding received for the year ended June 30, 2019, were \$2,197,711 and \$1,545,427 which were listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

NOTE 4 - CHANGES in ACCRUED (DEFERRED) at JUNE 30, 2018

The amount listed as accrued (deferred) revenue at June 30, 2018, on the schedule of expenditures of federal awards, included amounts which required adjustment or the current year schedule. See table below for reconciliation:

CFDA #	Pass-Through Grantor's Number	Accrued (Deferred) Revenue at June 30, 2018	Accrued (Deferred) Revenue at July 01, 2018	Difference
42.000	GA08C0016	-0-	6,221	(6,221)
84.027	062-170033	(55,812)	(55,813)	1
84.126	N/A	3,529	-0-	3,529
93.600	N/A	159,539	159,540	(1)

See independent auditors' report.

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2019

NOTE 5 - RETURNED MONEY

The amount listed as deferred revenue at June 30, 2019, on the schedule of expenditures of federal awards includes \$2,415 for funds which were returned to the grantor agency in November 2018 for the grant period ended September 30, 2018.

NOTE 6 - 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 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 13**, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise **Lancaster-Lebanon Intermediate Unit 13's** basic financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Lancaster-Lebanon Intermediate Unit 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 13's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Lancaster-Lebanon Intermediate Unit 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.

- 85 -

SERVICE | ANSWERS | TRUST

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Lancaster-Lebanon Intermediate Unit 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 4, 2019
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 13
Lancaster County, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited **Lancaster-Lebanon Intermediate Unit 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 13's** major federal programs for the year ended June 30, 2019. **Lancaster-Lebanon Intermediate Unit 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **Lancaster-Lebanon Intermediate Unit 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 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 13's** compliance.

Opinion on Each Major Federal Program

In our opinion, **Lancaster-Lebanon Intermediate Unit 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, 2019.

Report on Internal Control over Compliance

Management of **Lancaster-Lebanon Intermediate Unit 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 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 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 4, 2019
Lancaster, Pennsylvania

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

Lancaster-Lebanon Intermediate Unit 13

SCHEDULE of FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2019

A. Summary of Auditors' Results

1. The independent auditors' report expresses unmodified opinions on the financial statements of **Lancaster-Lebanon Intermediate Unit 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 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 13** expresses an unmodified opinion.
6. Audit findings relative to the major federal awards programs for **Lancaster-Lebanon Intermediate Unit 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 Temporary Assistance for Needy Families (TANF) - CFDA #93.558.
8. The threshold for distinguishing type A and B programs was \$1,385,741.
9. **Lancaster-Lebanon Intermediate Unit 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



SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS
Year Ended June 30, 2019

#2018-001 - Head Start - CFDA # 93.600, Year Ended December 31, 2017

Criteria: **Lancaster-Lebanon Intermediate Unit 13** is required to file Form SF-429 Real Property Status Report on an annual basis to disclose the status of real property purchased with Head Start funds. The annual SF-429 report was due to be filed by January 30, 2018.

Statement of Condition: **Lancaster-Lebanon Intermediate Unit 13** failed to file Form SF-429 by the required due date. **Lancaster-Lebanon Intermediate Unit 13** subsequently prepared and submitted a report which noted no real property has been purchased with Head Start funds.

Recommendation: We recommend that the LEA establish a procedure to ensure that the required report is filed timely.

Current Status: **Lancaster-Lebanon Intermediate Unit 13** established procedures to ensure that the required report is filed timely.

INDEPENDENT ACCOUNTANTS' REPORT on APPLYING AGREED-UPON PROCEDURES

To the Board of Directors

Lancaster-Lebanon Intermediate Unit 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 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, 2018 through December 31, 2018. **Lancaster-Lebanon Intermediate Unit 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 and associated findings 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, 2018 to December 31, 2018, has been accurately compiled in accordance with the provisions of this agreement and reflects the audited books and records of **Lancaster-Lebanon Intermediate Unit 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, 2018 to December 31, 2018. 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.

- 91 -

SERVICE | ANSWERS | TRUST

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141

CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002

This report is intended solely for the information and use of the Board of Directors of **Lancaster-Lebanon Intermediate Unit 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 4, 2019
Lancaster, Pennsylvania

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

Lancaster-Lebanon Intermediate Unit 13

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

For the Period January 01, 2018 to December 31, 2018

	Budget	Actual
Personnel	\$ 297,362	\$ 297,362
Fringe Benefits	194,213	194,213
Travel	8,544	8,544
Supplies	21,654	21,654
Contractual	4,649	4,649
Other	55,959	55,959
Indirect Charges - Administrative	<u>46,591</u>	<u>46,591</u>
Total	<u>\$ 628,972</u>	<u>\$ 628,972</u>