

LANCASTER-LEBANON INTERMEDIATE UNIT 13

YEAR ENDED JUNE 30, 2025



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ACCOUNTANTS + ADVISORS

LANCASTER-LEBANON INTERMEDIATE UNIT 13

YEAR ENDED JUNE 30, 2025

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LANCASTER-LEBANON INTERMEDIATE UNIT 13

YEAR ENDED JUNE 30, 2025

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Independent Auditor's Report

Board Officers and Members
Lancaster-Lebanon Intermediate Unit 13
Lancaster, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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, 2025 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.

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 the Intermediate Unit as of June 30, 2025 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Intermediate Unit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 17 to the financial statements, the Intermediate Unit's governmental activities and business-type activities net positions as of June 30, 2024, have each been restated by \$491,469 to properly classify compensated absences liability related to business-type activities. This restatement had no effect on the total government-wide compensated absences liability or the total government-wide net position. In addition, the Enterprise Fund and Internal Service Fund net positions have been restated by \$491,469 and \$451,719, respectively, to record compensated absences liabilities not previously recognized in these proprietary funds. Lastly, the Internal Service Fund net position has been restated by \$10,046,000 to record pension, HIPAP, and OPEB balances and related activity not previously included. These fund-level restatements had no effect on the total government-wide net position or related amounts. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

The Intermediate Unit's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Intermediate Unit's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantive doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Intermediate Unit's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Intermediate Unit's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

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, the budgetary comparison information on pages 66 through 70, the other postemployment benefits (OPEB) healthcare benefits plan information on pages 71 through 77 and the pension information on pages 78 through 80 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Intermediate Unit'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 February 5, 2026, on our consideration of the Intermediate Unit'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 the Intermediate Unit's internal control over financial reporting and compliance.



Camp Hill, Pennsylvania
February 5, 2026

LANCASTER-LEBANON INTERMEDIATE UNIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required supplementary information) (unaudited) YEAR ENDED JUNE 30, 2025

The management 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, 2025. 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) 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, 2025, are as follows:

- As a result of a prior period adjustment to restate the portion of compensated absences liability related to business-type activities, the governmental activities net position increased by \$491,469 and business-type activities net position decreased by \$491,469 from the originally issued June 30, 2024 financial statements. There was no net impact to the overall net position.
- The Intermediate Unit's financial status as reflected in the total net position increased \$3,773,296 from the prior year. This increase is reflected as an increase in net position for governmental activities of \$3,105,358 and an increase in net position for business-type activities of \$667,938.
- Revenues totaled \$236.8 million. General revenues accounted for \$2,139,862, or 0.90% of the total. Program specific revenues in the form of charges for services and grants and contributions accounted for \$234.7 million, or 99.10%, of total revenues.
- The Intermediate Unit had \$195 million in expenses related to governmental activities; revenue related to governmental activities totaled \$191.5 million stemming from program specific charges for services, operating grants and contributions.
- As part of the fund financial statements, the general fund reports \$96.0 million in revenues, \$105.6 million in expenditures and \$11.3 million in other financing sources. The general fund's fund balance increased by \$1,737,701 to \$15.4 million.
- The special revenue fund, which includes the special education services programs, the special education transportation program, the state funded early intervention program and the student sponsored activity fund, reports \$97.7 million in revenues, \$91.9 million in expenditures, and \$6.1 million in other financing uses. The special revenue fund's fund balance decreased by \$249,015 to \$(115,233).
- The enterprise fund reports \$43.2 million in revenues, \$38.0 million in expenditures, and \$4.5 million net in other financing uses. The enterprise fund's fund balance increased by \$667,938 to \$(9.5 million) (post GASB 68, GASB 75, GASB 87 and GASB 101 adjustments).
- The Intermediate Unit's current business plan adopted in May 2008 established a target minimum 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, 75 or 87 adjustments) is \$19.47 million, which is 8.26% of total expenditures.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED) (Required supplementary information) (unaudited) YEAR ENDED JUNE 30, 2025

Financial highlights (continued)

- The internal service fund, which includes the research and development fund, the operating infrastructure programs, the hospitalization fund, the workers' compensation fund and the unemployment fund, reports \$41.7 million in revenues, \$38.3 million in expenditures and \$787,218 net in other financing uses. The internal service fund's fund balance increased by \$2.69 million to \$6,005,583 (post GASB 68, GASB 75, GASB 87 and GASB 101 adjustments – this includes a prior period adjustment to net position of \$(10,497,719) from the originally issued June 30, 2024 financial statements to record compensated absences liability and pension, HIPAP and OPEB balances and activity in the internal service fund).

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 and fee-for-service programs are included in this category. The costs of these programs are supported through user charges for services and goods provided.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required supplementary information)
(unaudited)
YEAR ENDED JUNE 30, 2025

Reporting on the Intermediate Unit as a whole (continued)

Fund financial statements

The Intermediate Unit's fund financial statements, which begin on page 16, provide detailed information about the most significant funds and are not intended to present the Intermediate Unit as a whole. Some funds are established based on state reporting requirements.

- Governmental funds - Most of the Intermediate Unit's activities are reported in the governmental funds, which focus on how money flows into and out of those funds 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, which include the Enterprise fund and Internal service fund, 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 in the government-wide financial statements. The Internal service fund activity is allocated to governmental activities on the government-wide financial statements. As a result, the Enterprise fund financial statements will essentially match the business-type activities.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
 (Required supplementary information)
 (unaudited)
 YEAR ENDED JUNE 30, 2025

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 2025 compared to 2024 (as restated).

Table 1
Net position (deficit)

	Governmental activities		Business-type activities		Total	
	2025	2024 (as restated)	2025	2024 (as restated)	2025	2024 (as restated)
Assets:						
Current and other assets	\$ 68,146,134	\$ 67,673,126	\$ 5,000,469	\$ 4,513,660	\$ 73,146,603	\$ 72,186,786
Noncurrent assets	32,752,664	35,579,087	114,384	144,357	32,867,048	35,723,444
Total assets	100,898,798	103,252,213	5,114,853	4,658,017	106,013,651	107,910,230
Deferred outflow of resources	46,119,000	45,786,000	3,496,608	3,434,608	49,615,608	49,220,608
Liabilities:						
Current and other liabilities	46,248,380	46,531,909	901,307	921,044	47,149,687	47,452,953
Long-term liabilities	244,508,017	250,238,261	16,753,769	16,952,134	261,261,786	267,190,395
Total liabilities	290,756,397	296,770,170	17,655,076	17,873,178	308,411,473	314,643,348
Deferred inflow of resources	5,576,000	4,688,000	420,000	351,000	5,996,000	5,039,000
Net position (deficit):						
Invested in capital assets, net of related debt	5,532,758	7,350,984	114,384	144,357	5,647,142	7,495,341
Unrestricted	(154,847,357)	(159,770,941)	(9,577,999)	(10,275,910)	(164,425,356)	(170,046,851)
Total net position (deficit)	\$ (149,314,599)	\$ (152,419,957)	\$ (9,463,615)	\$ (10,131,553)	\$ (158,778,214)	\$ (162,551,510)

LANCASTER-LEBANON INTERMEDIATE UNIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED) (Required supplementary information) (unaudited) YEAR ENDED JUNE 30, 2025

Reporting on the Intermediate Unit as a whole (continued)

Financial analysis of the Intermediate Unit as a whole

Table 2 shows the changes in net position for 2025 compared to 2024 (as restated).

Table 2
Changes in net position (deficit)

	Governmental activities		Business-type activities		Total	
	2025	2024 (as restated)	2025	2024 (as restated)	2025	2024 (as restated)
Revenues:						
Charges for services	\$ 64,988,699	\$ 56,954,704	\$ 41,433,465	\$ 34,978,396	\$ 106,422,164	\$ 91,933,100
Operating grants and contributions	126,548,790	124,910,229	1,732,197	1,563,546	128,280,987	126,473,775
General revenues:						
Grants, subsidies and contributions not restricted	681,662	668,296	-	-	681,662	668,296
Investment earnings	1,430,961	1,894,144	-	-	1,430,961	1,894,144
Miscellaneous income	38,153	30,607	-	-	38,153	30,607
Transfers	4,451,507	3,863,122	(4,451,507)	(3,863,122)	-	-
Loss on disposal of fixed assets	(10,914)	-	-	-	(10,914)	-
Total revenues	198,128,858	188,321,102	38,714,155	32,678,820	236,843,013	220,999,922
Expenses:						
Instruction	102,022,868	92,844,140	-	-	102,022,868	92,844,140
Instructional student support	44,357,331	44,892,789	-	-	44,357,331	44,892,789
Administrative and financial support services	38,647,548	39,465,200	-	-	38,647,548	39,465,200
Operation and maintenance of plant services	7,072,577	7,736,099	-	-	7,072,577	7,736,099
Pupil transportation	2,709,362	2,562,498	-	-	2,709,362	2,562,498
Non-instructional services	213,814	212,121	-	-	213,814	212,121
Facilities acquisition, construction and improvement services	-	20,000	-	-	-	20,000
Insurance consortia services	-	-	71,830	66,875	71,830	66,875
Management services	-	-	1,500,949	1,463,986	1,500,949	1,463,986
Adult education services	-	-	710,123	588,858	710,123	588,858
Curriculum and instruction services	-	-	6,389,051	5,569,738	6,389,051	5,569,738
Special education administrative and management services	-	-	9,370,497	7,695,337	9,370,497	7,695,337
Technology services	-	-	20,003,767	17,473,176	20,003,767	17,473,176
Total expenses	195,023,500	187,732,847	38,046,217	32,857,970	233,069,717	220,590,817
Increase (decrease) in net position (deficit)	\$ 3,105,358	\$ 588,255	\$ 667,938	\$ (179,150)	\$ 3,773,296	\$ 409,105

LANCASTER-LEBANON INTERMEDIATE UNIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
 (Required supplementary information)
 (unaudited)
 YEAR ENDED JUNE 30, 2025

Reporting on the Intermediate Unit as a whole (continued)

Financial analysis of the Intermediate Unit as a whole

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

	Total cost of services		Net revenue (cost) of services	
	2025	2024 (as restated)	2025	2024 (as restated)
Functions:				
Instruction	\$ 102,022,868	\$ 92,844,140	\$ 7,553,157	\$ 4,748,329
Instructional student support	44,357,331	44,892,789	911,637	2,655,203
Administrative and financial support services	38,647,548	39,465,200	(10,171,272)	(10,382,964)
Operation and maintenance of plant and services	7,072,577	7,736,099	(2,078,219)	(3,092,387)
Pupil transportation	2,709,362	2,562,498	289,043	218,114
Non-instructional services	213,814	212,121	9,643	5,791
Facilities acquisition, construction and improvement services	-	20,000	-	(20,000)
Total governmental functions	<u>\$ 195,023,500</u>	<u>\$ 187,732,847</u>	<u>\$ (3,486,011)</u>	<u>\$ (5,867,914)</u>

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

The Intermediate Unit's funds

At June 30, 2025, the Intermediate Unit's governmental funds reported a combined fund balance of \$15,259,386 which is an increase of \$1,488,686 from last year.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED) (Required supplementary information) (unaudited) YEAR ENDED JUNE 30, 2024

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 144 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. These program budgets often include multi-year and/or non-fiscal year grants; the full budget is shown at time of approval, however, actual costs are spread across multiple years. 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 66 through 70.

Strategic planning

During 2021-2022, the Intermediate Unit focused on revisiting its strategic planning to respond to the new context of post-COVID operations, to provide intentional direction for its organization and to fulfill its mission. Rollout of the updated vision and work on the new commitments began in fiscal year 2022-2023.

Our mission is to, "provide services, supports, and solutions that make a difference to all learners and our community."



Making a difference with our call to “Work Worth Doing” by cultivating the conditions for trust and unity within our education systems and communities, to ensure that all learners are well served.

TRUST is based on the Care, Character, Competence, and Reliability with which we consistently operate. It is the foundation for going forth into the world and creating what is important for all of us.

UNITY is operating as a collective group committed to our mission where everyone, regardless of individual differences feels they **BELONG**.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED) (Required supplementary information) (unaudited) YEAR ENDED JUNE 30, 2025

Strategic planning (continued)

We are intentional about fostering an organizational culture that builds confidence in the services we provide and promotes employee wellness, engagement and productivity. Our mission and vision are supported by a culture of empathy, responsible stewardship, innovation, collaboration, kindness, relentless pursuit of excellence, imperfection and nest efforts.

The Keys to our Culture



As part of our Vision work, we identified five focus areas: Education Services, Technical Assistance, Developing Leaders, Convening and Connecting and Building Organizational Resilience. Beginning this year, we established 20 commitments to support our five focus areas. Four commitments will be elevated each year and action items will be developed to move our commitments forward. This process is iterative in nature with action items added and removed as new information becomes available and adjustments are needed to respond to the current and emerging needs of our districts, staff and students. Our work has been built around three priorities:

- Leadership Stability
- Program Stability
- Financial Stability

Our elevated commitments for 2024-25 are as follows:

2024-25

1. Collaborate closely with all partners to ensure continuous improvement.
2. Attract, develop, and retain a diverse staff within and outside IU13.
3. Engage our leaders through regular, structured systems that inform enterprise-level decisions.
4. Leverage IU13 scale and relationship to bring diverse partners together to solve complex problems and share resources.

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, Assistant to the Executive Director - 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 (DEFICIT) JUNE 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental activities	Business-type activities	Total
Current assets:			
Cash and cash equivalents	\$ 13,669,942	\$ -	\$ 13,669,942
Investments at fair value	18,472,942	-	18,472,942
Internal balances	4,929,612	(4,929,612)	-
Due from other governments	30,224,215	9,893,124	40,117,339
Other receivables	165,040	35,607	200,647
Inventories	132,398	-	132,398
Prepaid expenses	364,485	1,350	365,835
Current portion of note receivable	187,500	-	187,500
Total current assets	68,146,134	5,000,469	73,146,603
Noncurrent assets:			
Building and building improvements, net of accumulated depreciation	2,702,039	-	2,702,039
Furniture, fixtures and equipment, net of accumulated depreciation	5,775,340	114,384	5,889,724
Vehicles, net of accumulated depreciation	165,007	-	165,007
Right-to-use asset, buildings, net of accumulated amortization	22,797,778	-	22,797,778
Long-term portion of note receivable	1,312,500	-	1,312,500
Total noncurrent assets	32,752,664	114,384	32,867,048
Total assets	100,898,798	5,114,853	106,013,651
Deferred outflows of resources:			
Pension	43,701,000	3,314,608	47,015,608
Other postemployment benefits (OPEB)	2,418,000	182,000	2,600,000
Total deferred outflows of resources	46,119,000	3,496,608	49,615,608
Total assets and deferred outflows of resources	\$ 147,017,798	\$ 8,611,461	\$ 155,629,259

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)

	Governmental activities	Business-type activities	Total
Current liabilities:			
Due to other governments	\$ 7,273,758	\$ -	\$ 7,273,758
Accounts payable	9,996,643	45,723	10,042,366
Accrued salaries and benefits	8,514,158	557,141	9,071,299
Payroll deductions and withholdings	8,537,549	-	8,537,549
Unearned revenues	94,361	-	94,361
Compensated absences due within one year	244,723	1,287	246,010
Lease obligation due within one year	2,804,683	-	2,804,683
Other current liabilities	8,782,505	297,156	9,079,661
Total current liabilities	46,248,380	901,307	47,149,687
Noncurrent liabilities:			
Other postemployment benefit obligation	10,906,000	827,000	11,733,000
Long-term portion of compensated absences	6,291,294	437,769	6,729,063
Net pension liability	204,208,000	15,489,000	219,697,000
Lease obligation	23,102,723	-	23,102,723
Total noncurrent liabilities	244,508,017	16,753,769	261,261,786
Total liabilities	290,756,397	17,655,076	308,411,473
Deferred inflow of resources:			
Pension	3,237,000	245,000	3,482,000
Other postemployment benefits (OPEB)	2,339,000	175,000	2,514,000
Total deferred inflow of resources	5,576,000	420,000	5,996,000
Net position (deficit):			
Net investment in capital assets	5,532,758	114,384	5,647,142
Unrestricted (deficit)	(154,847,357)	(9,577,999)	(164,425,356)
Total net position (deficit)	(149,314,599)	(9,463,615)	(158,778,214)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 147,017,798	\$ 8,611,461	\$ 155,629,259

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Program revenues			Net revenue (expense) and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
Instruction	\$ 102,022,868	\$ 58,312,048	\$ 51,263,977	\$ 7,553,157	\$ -	\$ 7,553,157
Instructional student support	44,357,331	6,055,285	39,213,683	911,637	-	911,637
Administrative and financial support services	38,647,548	474,651	28,001,625	(10,171,272)	-	(10,171,272)
Operation and maintenance of plant services	7,072,577	117,680	4,876,678	(2,078,219)	-	(2,078,219)
Pupil transportation	2,709,362	-	2,998,405	289,043	-	289,043
Non-instructional services	213,814	29,035	194,422	9,643	-	9,643
Total governmental activities	195,023,500	64,988,699	126,548,790	(3,486,011)	-	(3,486,011)
Business-type activities:						
Services:						
Insurance consortia	71,830	98,517	9,059	-	35,746	35,746
Management	1,500,949	1,844,434	103,301	-	446,786	446,786
Adult education	710,123	590,377	76,103	-	(43,643)	(43,643)
Curriculum and instruction	6,389,051	6,616,995	628,777	-	856,721	856,721
Special education administrative and management	9,370,497	10,750,743	832,374	-	2,212,620	2,212,620
Technology	20,003,767	21,532,399	82,583	-	1,611,215	1,611,215
Total business-type activities	38,046,217	41,433,465	1,732,197	-	5,119,445	5,119,445
Total primary government	\$ 233,069,717	\$ 106,422,164	\$ 128,280,987	(3,486,011)	5,119,445	1,633,434

(continued)

LANCASTER-LEBANON INTERMEDIATE UNIT 13

STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Program revenues		Net revenue (expense) and changes in net position			
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
General revenues:						
Grants, subsidies and contributions not restricted				\$ 681,662	\$ -	\$ 681,662
Investment earnings				1,430,961	-	1,430,961
Miscellaneous income				38,153	-	38,153
Transfers				4,451,507	(4,451,507)	-
Loss on disposal of fixed assets				(10,914)	-	(10,914)
Total general revenues and transfers				6,591,369	(4,451,507)	2,139,862
Change in net position				3,105,358	667,938	3,773,296
Net position (deficit):						
Beginning, as restated				(152,419,957)	(10,131,553)	(162,551,510)
Ending				\$ (149,314,599)	\$ (9,463,615)	\$ (158,778,214)

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Major funds				Nonmajor fund	
	General Fund	Special Education Fund	Special Education Transportation Fund	State Funded Early Intervention Fund	Student Sponsored Activity Fund	Total governmental funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 11,537,125	\$ 17,314	\$ -	\$ -	\$ 34,320	\$ 11,588,759
Investments	18,472,942	-	-	-	-	18,472,942
Due from:						
Other funds	-	1,382,141	-	-	-	1,382,141
Other governments	22,765,339	5,504,578	-	1,110,753	-	29,380,670
Other receivables	7,087	-	-	-	2,370	9,457
Inventories	132,398	-	-	-	-	132,398
Prepaid expenditures	291,221	4,956	-	-	-	296,177
Current portion of note receivable	187,500	-	-	-	-	187,500
Total current assets	53,393,612	6,908,989	-	1,110,753	36,690	61,450,044
Noncurrent assets, long-term portion of note receivable	1,312,500	-	-	-	-	1,312,500
Total assets	\$ 54,706,112	\$ 6,908,989	\$ -	\$ 1,110,753	\$ 36,690	\$ 62,762,544
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to:						
Other funds	\$ 6,955,779	\$ -	\$ 87,489	\$ 1,093,463	\$ -	\$ 8,136,731
Other governments	6,902,936	370,822	-	-	-	7,273,758
Accounts payable	6,391,448	45,029	-	-	1,875	6,438,352
Accrued salaries and benefits	2,455,922	6,018,883	-	17,290	-	8,492,095
Payroll deductions and withholdings	8,537,549	-	-	-	-	8,537,549
Other current liabilities	8,087,859	536,300	-	-	514	8,624,673
Total liabilities	39,331,493	6,971,034	87,489	1,110,753	2,389	47,503,158
Fund balances:						
Nonspendable	423,619	4,956	-	-	-	428,575
Committed	-	-	-	-	-	-
Assigned	2,500,300	-	-	-	34,301	2,534,601
Unassigned	12,450,700	(67,001)	(87,489)	-	-	12,296,210
Total fund balances	15,374,619	(62,045)	(87,489)	-	34,301	15,259,386
Total liabilities and fund balances	\$ 54,706,112	\$ 6,908,989	\$ -	\$ 1,110,753	\$ 36,690	\$ 62,762,544

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2025

Total fund balances, governmental funds		\$ 15,259,386
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 \$13,306,790 and the accumulated depreciation is \$7,081,405.		6,225,385
Lease assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of lease assets is \$33,237,923 and the accumulated amortization is \$10,440,145.		22,797,778
Deferred outflows of resources related to pensions, other postemployment benefits and other postemployment benefits (HIPAP) are not a financial resource and, therefore, are not reported as assets in the governmental funds.		44,259,000
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 consisted of:		
Other postemployment benefit obligation	\$ (10,473,000)	
Compensated absences	(6,054,325)	
GASB 68, net pension liability	(196,101,000)	
Lease obligation	<u>(25,907,406)</u>	(238,535,731)
Deferred inflows of resources related to pensions, other postemployment benefits and other postemployment benefits (HIPAP) are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(5,326,000)
Internal service fund balances are not reported in governmental funds.		
Internal service fund balances allocated to governmental activities at year end consisted of:		
Cash and cash equivalents	2,081,183	
Internal balance	11,684,202	
Intergovernmental receivable	843,545	
Other receivables	155,583	
Prepaid expenses	68,308	
Building and building improvements, net of accumulated depreciation	312,911	
Furniture, fixtures and equipment, net of accumulated depreciation	2,104,090	
Deferred outflows of resources:		
Pensions	1,735,000	
Other postemployment benefits (OPEB)	95,000	
Accounts payable	(3,558,291)	
Accrued salaries and benefits	(22,063)	
Unearned revenue	(94,361)	
Compensated absences due within one year	(65,928)	
Other current liabilities	(157,832)	
Noncurrent liabilities:		
Long-term portion of compensated absences	(415,764)	
Net pension liability	(8,107,000)	
Other postemployment benefits obligation	(433,000)	
Deferred inflows of resources:		
Pensions	(128,000)	
Other postemployment benefits (OPEB)	<u>(92,000)</u>	<u>6,005,583</u>
Total net position (deficit), governmental activities		<u>\$ (149,314,599)</u>

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, 2025

	Major funds				Nonmajor fund	Total governmental funds
	General Fund	Special Education Fund	Special Education Transportation Fund	State Funded Early Intervention Fund	Student Sponsored Activity Fund	
Revenues:						
Local sources	\$ 8,077,250	\$ 59,033,190	\$ -	\$ -	\$ 29,035	\$ 67,139,475
State sources	26,922,409	10,807,171	2,130,244	25,726,023	-	65,585,847
Federal sources	60,974,407	-	-	-	-	60,974,407
Total revenues	95,974,066	69,840,361	2,130,244	25,726,023	29,035	193,699,729
Expenditures:						
Instructional services	26,742,901	57,820,861	-	19,600,723	-	104,164,485
Support services	78,633,405	7,684,956	2,028,925	4,725,844	-	93,073,130
Noninstructional services	190,645	-	-	-	23,169	213,814
Total expenditures	105,566,951	65,505,817	2,028,925	24,326,567	23,169	197,451,429
Excess (deficiency) of revenues over expenditures	(9,592,885)	4,334,544	101,319	1,399,456	5,866	(3,751,700)
Other financing sources (uses):						
Operating transfers:						
In	11,328,925	-	-	-	-	11,328,925
Out	-	(4,530,220)	(160,524)	(1,399,456)	-	(6,090,200)
Gain on disposal of fixed assets	1,661	-	-	-	-	1,661
Net other financing sources (uses)	11,330,586	(4,530,220)	(160,524)	(1,399,456)	-	5,240,386
Net changes in fund balances	1,737,701	(195,676)	(59,205)	-	5,866	1,488,686
Fund balances:						
Beginning	13,636,918	133,631	(28,284)	-	28,435	13,770,700
Ending	\$ 15,374,619	\$ (62,045)	\$ (87,489)	\$ -	\$ 34,301	\$ 15,259,386

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, 2025

Total net changes in fund balances, governmental funds		\$ 1,488,686
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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:</p>		
Depreciation expense	\$ (1,431,187)	
Capital outlays	<u>707,512</u>	(723,675)
<p>Lease assets 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 amortization expense. The net effect of amortization expense and lease principal payments is as follows:</p>		
Amortization expense	(3,119,383)	
Lease principal payments	<u>2,484,822</u>	(634,561)
<p>The long-term portions of compensated absences and other postemployment obligations are not due and payable in the current period and, therefore, are not reported as a liability in the funds. In the funds, expenditures are recorded when they are paid, whereas expenses are recorded when incurred in the statement of activities.</p>		
Compensated absences		(384,598)
<p>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 benefit 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.</p>		
		3,757,000
<p>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.</p>		
		<u>(397,494)</u>
Change in net position, governmental activities		<u><u>\$ 3,105,358</u></u>

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

STATEMENT OF NET POSITION (DEFICIT) – PROPRIETARY FUNDS
JUNE 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Major funds	
	Enterprise	Internal service
Current assets:		
Cash and cash equivalents	\$ -	\$ 2,081,183
Due from:		
Other funds	-	11,684,202
Other governments	9,893,124	843,545
Other receivables	35,607	155,583
Prepaid expenses	1,350	68,308
Total current assets	9,930,081	14,832,821
Noncurrent assets:		
Leasehold improvements, net of accumulated depreciation	-	312,911
Furniture, fixtures and equipment, net of accumulated depreciation	114,384	2,104,090
Total noncurrent assets	114,384	2,417,001
Total assets	10,044,465	17,249,822
Deferred outflows of resources:		
Pensions	3,314,608	1,735,000
Other postemployment benefits (OPEB)	182,000	95,000
Total deferred outflows of resources	3,496,608	1,830,000
Total assets and deferred outflows of resources	\$ 13,541,073	\$ 19,079,822

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

STATEMENT OF NET POSITION (DEFICIT) – PROPRIETARY FUNDS
JUNE 30, 2025

LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION (DEFICIT)

	Major funds	
	Enterprise	Internal service
Current liabilities:		
Due to other funds	\$ 4,929,612	\$ -
Accounts payable	45,723	3,558,291
Accrued salaries and benefits	557,141	22,063
Unearned revenues	-	94,361
Compensated absences due within one year	1,287	65,928
Other current liabilities	297,156	157,832
Total current liabilities	5,830,919	3,898,475
Noncurrent liabilities:		
Long term portion of compensated absences	437,769	415,764
Net pension liability	15,489,000	8,107,000
Other postemployment benefits obligation	827,000	433,000
Total noncurrent liabilities	16,753,769	8,955,764
Total liabilities	22,584,688	12,854,239
Deferred inflows of resources:		
Pensions	245,000	128,000
Other postemployment benefits (OPEB)	175,000	92,000
Total deferred inflows of resources	420,000	220,000
Net position:		
Net investment in capital assets	114,384	2,417,001
Unrestricted net position (deficit)	(9,577,999)	3,588,582
Total net position (deficit)	(9,463,615)	6,005,583
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 13,541,073	\$ 19,079,822

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) –
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2025

	Major funds	
	Enterprise	Internal service
Operating revenues, local sources, charges for services	\$ 41,433,465	\$ 41,035,387
Operating expenses:		
Salaries	6,606,967	3,798,954
Employee benefits	5,220,863	24,264,007
Purchased:		
Professional and technical service	5,602,598	1,095,421
Property services	80,571	5,404,066
Other purchased services	414,954	2,138,854
Supplies	20,048,556	845,946
Depreciation	42,021	698,218
Dues and fees	29,687	13,805
Total operating expenses	38,046,217	38,259,271
Operating income	3,387,248	2,776,116
Nonoperating revenues:		
Sale of fixed assets	-	(12,575)
State sources	1,732,197	712,210
Total nonoperating revenues	1,732,197	699,635
Changes in net position before transfers	5,119,445	3,475,751
Transfers out	(4,451,507)	(787,218)
Changes in net position	667,938	2,688,533
Net position (deficit):		
Beginning, as restated	(10,131,553)	3,317,050
Ending	\$ (9,463,615)	\$ 6,005,583

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Major funds	
	Enterprise	Internal service
Cash flows from operating activities:		
Cash received from users	\$ 37,382,005	\$ 40,900,927
Cash payments to:		
Employees for services	(12,100,275)	(31,140,869)
Suppliers for goods and services	(22,550,372)	(8,953,332)
Net cash provided by operating activities	2,731,358	806,726
Cash flows from noncapital financing activities:		
State sources	1,732,197	712,210
Transfers out	(4,451,507)	(787,218)
Net cash used in noncapital financing activities	(2,719,310)	(75,008)
Cash flows used in capital and related financing activities, capital outlay	(12,048)	(250,801)
Increase in cash and cash equivalents	-	480,917
Cash and cash equivalents:		
Beginning of year	-	1,600,266
End of year	\$ -	\$ 2,081,183

LANCASTER-LEBANON INTERMEDIATE UNIT 13

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Major funds	
	Enterprise	Internal service
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,387,248	\$ 2,776,116
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	42,021	698,218
Pension expense, OPEB expense and compensated absences	(194,413)	(3,086,027)
(Increase) decrease in:		
Due from:		
Other funds	-	(623,192)
Other governments	(4,017,749)	586,725
Other receivables	(33,711)	(64,512)
Prepaid expenses	6,582	87,837
Increase (decrease) in:		
Due to other funds	3,558,069	-
Accounts payable	45,723	335,342
Accrued salaries and benefits	(78,032)	8,119
Unearned revenues	-	(33,481)
Other current liabilities	15,620	121,581
Total adjustments	(655,890)	(1,969,390)
Net cash provided by operating activities	\$ 2,731,358	\$ 806,726

See notes to financial statements.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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 GASB Standards, 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:

- Organizations that make up its legal entity.
- 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.
- 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 YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Basis of presentation, fund accounting:

The accounts of the Intermediate Unit are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows and outflows, fund equity, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Basis of presentation, financial statements:

Government-wide financial statements:

The statement of net position and the statement of activities display information about the Intermediate Unit as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the Intermediate Unit that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include 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 and proprietary 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.

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

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Basis of presentation, financial statements:

Fund financial statements:

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.

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 primarily on a consortium basis with the 22-member school districts as the main customers.

Special Education Transportation Fund - This fund accounts for specialized transportation services for school-age and preschool children and is funded as a subsidy allocation from the Pennsylvania Department of Education (PDE).

State Funded Early Intervention Fund - This fund accounts for a variety of early intervention services provided by Intermediate Unit personnel and contracts with local agencies and is funded by a state grant through the Office of Child Development and Early Learning at PDE.

The Intermediate Unit reports the following non-major governmental fund:

Student Sponsored Activity Fund - This fund accounts for the administration of special education classroom sponsored fundraising and mini-business accounts. It is funded by sales of products made by the classroom students.

The Intermediate Unit reports the following proprietary funds:

Enterprise fund - This fund is used to account for the Intermediate Unit's operations that are financed and operated in a manner similar to the private business enterprises, where the intent of the governing body is that the cost of providing goods or services to school districts on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

This fund includes the following programs: ECSES Initiatives, Supplemental Contracts, Fee For Service OVR, Staff Development and Training, Bus Driver Training, Statewide Software, Technology Initiatives, CTC ESL Consultation, Educational Technology Initiatives, CSI To Lancaster Schools, Leadership Lancaster County STEM Alliance, Step Up With EBD, Student Activities and Events, Instructional Services Initiatives, Organ Tissue Donation Awareness, C & I Initiatives, Lancaster & Lebanon Counties Prison Programs, Lancaster-Lebanon Adult Education Local Program, Lancaster-Lebanon Foundation Pass-Thru, School District of Lancaster Cultural Navigation Services, ELL Navigation At Manheim Township SD, Foundation Funds STEM, LLEF-Transform Lives-Careers, Truist Career Pathways, Eckerd Classes & Navigation, Local Early Childhood, ACCESS Billing Services, Collaborative Services, Business Services Initiatives, Guest Teacher Training, Human Resources Initiatives, PASPA Administrative Services and Statewide Initiatives - Contractor.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Basis of presentation, financial statements:

Fund financial statements:

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 program, operating infrastructure programs, conference and training center program, hospitalization, workers' compensation and unemployment self-insurance costs and the substitute dispatch program.

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 and proprietary 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the Intermediate Unit is considered to be 60 days after fiscal year end. Revenue from federal, state and other grants designated for payment of specific Intermediate Unit expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service, compensated absence payments, retirement bonuses and other postemployment benefits, which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: tuition, grants and entitlements, student fees and interest on investments.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and proprietary 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.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Basis of accounting:

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, 2025, the Intermediate Unit had \$300 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 \$460,327 at June 30, 2025.

Cash and cash equivalents:

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

Inventories:

Inventories represent the cost of supplies on hand at June 30, 2025 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 and 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.

External investment pool is reported at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. 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.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Prepaid expenses:

Prepaid expenses represent the cost of goods and services that have 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 acquisition 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:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	40
Furniture, fixtures and equipment	4-15
Vehicles	5

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 employees are entitled to certain compensated absences, consisting of vacation days, sick days and retirement bonuses. The Intermediate unit accrues a vacation leave liability for vacation days as they are earned by the employees, based on the salary rates in effect at year end. The Intermediate Unit accrues a sick leave liability for accumulated sick leave if it is more likely than not to be used for time off or otherwise paid out upon separation. The sick leave liability is measured at the salary rates in effect at year end for the portion expected to be used as time off, and at a per day payout rate for the portion expected to be paid out upon separation. 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 expected to be used or be paid out at retirement in accordance with Intermediate Unit policy. Employees who retire and meet certain length of service criteria will receive retirement bonuses of \$-0- to \$10,000, depending on job classification.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Compensated absences:

For governmental funds, that portion of unpaid compensated absences and retirement bonuses that are expected to be used or 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 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 (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 (HIPAP), a cost-sharing multiple-employer defined benefit OPEB plan. For purposes of measuring the net HIPAP liability, deferred outflows of resources and deferred inflows of resources related to HIPAP and HIPAP expense, information about the fiduciary net position of 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 YEAR ENDED JUNE 30, 2025

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 depreciation and amortization expense, the compensated absences liability and the valuation of pension related items and other postemployment benefits. Actual results could differ from those estimates.

Extraordinary and special items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items during fiscal year 2025.

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, such as inventories and prepaid expenditures.

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 Intermediate Unit 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 YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Pending GASB statements:

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The provisions of GASB Statement No. 103 are effective for the Intermediate Unit's June 30, 2026 financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The provisions of GASB Statement No. 104 are effective for the Intermediate Unit's June 30, 2026 financial statements.

The effect of implementation of these statements on future years has not yet been determined.

2. Adoption of new accounting pronouncements:

The following summarizes GASB Statements implemented by the Intermediate Unit during the year ended June 30, 2025, and the relating effects on the financial statements presentation and disclosure, as applicable:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Under Statement No. 101, a liability is recognized for accumulated leave that is attributable to services already rendered, accumulates and is more likely than not of being used for time off or otherwise paid. The Intermediate Unit adopted Statement No. 101 for its June 30, 2025 financial statements. The implementation of this standard resulted in enhanced disclosures.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The Intermediate Unit adopted Statement No. 102 for its June 30, 2025 financial statements. The implementation of this standard resulted in enhanced disclosures.

3. 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.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

3. Cash and cash equivalents and investments (continued):

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, 2025, none of the Intermediate Unit's bank balance of \$14,060,526 was exposed to custodial credit risk as it was all insured by the Federal Deposit Insurance Corporation (FDIC).

The Intermediate Unit holds money market funds, recorded as cash and cash equivalents, in a brokerage account covered by the Securities Investor Protection Corporation (SIPC). SIPC insures the cash and securities in each investor's account up to \$500,000 against loss in the case of a failed brokerage firm or misappropriation of assets by the broker; however, only up to \$250,000 of the total coverage can be applied to cash. As of June 30, 2025, the money market funds exceeded the limit by \$1,581,182, representing the maximum loss risk.

Reconciliation of cash and cash equivalents to the financial statements:

Brokerage balance:	
Uninsured and uncollateralized	\$ 1,581,182
SIPC insured amount	500,000
Bank balance, FDIC insured amount	<u>14,060,526</u>
Total brokerage and bank balance	16,141,708
Outstanding checks	<u>(2,472,566)</u>
Carrying amount, book balances	13,669,142
Petty cash	<u>800</u>
Total cash and cash equivalents per financial statements	<u><u>\$ 13,669,942</u></u>

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 and Level 3 inputs are significant unobservable inputs. At June 30, 2025, the Intermediate Unit did not hold any investments classified in the fair value hierarchy.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

3. Cash and cash equivalents and investments (continued):

Investments:

The Intermediate Unit uses external investment pools to ensure safety and maximize efficiency, liquidity and yield for Intermediate Unit funds. The external investment pools are valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of the securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price.

Pennsylvania Local Government Investment Trust (PLGIT) separately issues audited financial statements that are available to the public via their website. 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. Alternatively, the Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools. The pool is audited annually by Ernst & Young, LLP, an independent accounting firm.

The Intermediate Unit has funds totaling \$18,472,942 invested in PLGIT. PLGIT funds operate similarly to mutual funds and consist of short-term money market instruments and seek to maintain constant net assets value of \$1 per share. The Intermediate Unit is invested in the following PLGIT investment options:

- PLGIT class shares - A flexible option which requires no minimum balance, no minimum initial investment and a one-day minimum investment period. Dividends are paid monthly.
- PLGIT/Reserve class shares - An option which requires a minimum investment of \$50,000, a one-day minimum investment period and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period and dividends are paid monthly.

At June 30, 2025, the Intermediate Unit holds the following investments recorded at cost or amortized cost:

PLGIT class	\$ 829,140
PLGIT/Reserve class	<u>17,643,802</u>
Total investments per the financial statements	<u><u>\$ 18,472,942</u></u>

Restrictions on qualified investment pool withdrawals:

The Intermediate Unit's 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/Reserve Class account.

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 YEAR ENDED JUNE 30, 2025

3. Cash and cash equivalents and investments (continued):

Credit risk:

As of June 30, 2025, the Intermediate Unit investments were rated as:

Investments	Standard and Poor's
PLGIT (class, reserve class)	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 investments subject to custodial credit risk.

4. Due from other governments:

Amounts due from other governments represent receivables for revenues earned by the Intermediate Unit. At June 30, 2025, the following amounts were due from other governmental units:

Fund	Federal	State	Local	Total
General Fund	\$ 12,649,555	\$ 8,760,293	\$ 1,355,491	\$ 22,765,339
Special Education Fund	-	8,703	5,495,875	5,504,578
State Funded Early Intervention Fund	-	1,110,753	-	1,110,753
Enterprise fund	-	152,450	9,740,674	9,893,124
Internal service fund	-	-	843,545	843,545
	\$ 12,649,555	\$ 10,032,199	\$ 17,435,585	\$ 40,117,339

5. Note receivable:

During the year ended June 30, 2024, the Intermediate Unit entered into a note agreement with Lancaster-Lebanon Joint Authority (the Authority) for a loan of \$1,500,000 to fund the Authority's purchase of a school building and property in Lebanon County, Pennsylvania. The loan is not subject to interest and has no set repayment terms. The Intermediate Unit plans to collect loan payments in equal annual installments of \$187,500 per year over the next eight years. The outstanding principal balance was \$1,500,000 as of June 30, 2025.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

5. Note receivable (continued):

Note receivable balances at June 30, 2025 are summarized as follows:

Current portion	\$ 187,500
Long-term portion	<u>1,312,500</u>
Total	<u><u>\$ 1,500,000</u></u>

6. Interfund accounts:

Individual fund receivable and payable balances at June 30, 2025 were as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ -	\$ 6,955,779
Special Education Fund	1,382,141	-
Special Education Transportation Fund	-	87,489
State Funded Early Intervention Fund	-	1,093,463
Enterprise fund	-	4,929,612
Internal service fund	<u>11,684,202</u>	<u>-</u>
	<u><u>\$ 13,066,343</u></u>	<u><u>\$ 13,066,343</u></u>

Interfund receivables and payables result from having cash consolidated in the General Fund and from services provided between funds. Interfund transfers for indirect costs for the year ended June 30, 2025 were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 11,328,925	\$ -
Special Education Fund	-	4,530,220
Special Education Transportation Fund	-	160,524
State Funded Early Intervention Fund	-	1,399,456
Enterprise fund	-	4,451,507
Internal service fund	<u>-</u>	<u>787,218</u>
	<u><u>\$ 11,328,925</u></u>	<u><u>\$ 11,328,925</u></u>

Transfers are made from the Special Education Fund, Special Education Transportation Fund, State Funded Early Intervention Fund, Enterprise Fund and Internal Service Fund to the General Fund for indirect costs. During the 2024-2025 fiscal year, a transfer was made from the Enterprise Fund to the Special Education Fund to cover expenses approved by the SBU Management Team. A transfer was also made from the enterprise fund to the internal service fund to cover Wide Area Network (WAN) consortium expenses.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

7. Changes in capital assets:

Capital asset activity for governmental activities for the year ended June 30, 2025 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Historical cost:				
Capital assets being depreciated:				
Buildings and building improvements	\$ 7,586,065	\$ 7,743	\$ (23,952)	\$ 7,569,856
Furniture, fixtures and equipment	13,343,482	950,571	(1,048,264)	13,245,789
Vehicles	1,008,573	-	(16,864)	991,709
	<u>21,938,120</u>	<u>958,314</u>	<u>(1,089,080)</u>	<u>21,807,354</u>
Total capital assets being depreciated				
Accumulated depreciation:				
Buildings and building improvements	4,664,977	214,217	(11,377)	4,867,817
Furniture, fixtures and equipment	6,683,004	1,835,709	(1,048,264)	7,470,449
Vehicles	764,088	79,478	(16,864)	826,702
	<u>12,112,069</u>	<u>2,129,404</u>	<u>(1,076,505)</u>	<u>13,164,968</u>
Total accumulated depreciation				
Capital assets, net	<u>\$ 9,826,051</u>	<u>\$ (1,171,090)</u>	<u>\$ (12,575)</u>	<u>\$ 8,642,386</u>

Depreciation expenses were charged to governmental functions for the year ended June 30, 2025 as follows:

Instruction	\$ 161,819
Instructional student support	758,786
Administration and financial support services	677,771
Operation and maintenance of plant services	511,028
Facilities acquisition, construction and improvement services	<u>20,000</u>
	<u>\$ 2,129,404</u>

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

7. Changes in capital assets (continued):

Capital asset activity for business-type activities for the year ended June 30, 2025 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Historical cost:				
Capital assets being depreciated, furniture, fixtures and equipment	\$ 306,298	\$ 12,048	\$ (98,909)	\$ 219,437
Accumulated depreciation, furniture, fixtures and equipment	<u>161,941</u>	<u>42,021</u>	<u>(98,909)</u>	<u>105,053</u>
Capital assets, net	<u>\$ 144,357</u>	<u>\$ (29,973)</u>	<u>\$ -</u>	<u>\$ 114,384</u>

Depreciation expense of \$42,021 were charged to the technology services business-type function for the year ended June 30, 2025.

Included in the deletions is the disposition of WAN Consortium assets.

8. Unearned revenue:

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 revenue balances at June 30, 2025 were as follows:

<u>Fund and SBU/SSU</u>	<u>Amount</u>	<u>Purpose</u>
Enterprise fund, SBU 016 - Regional Technology Solutions	\$ 94,361	Used to offset future consortium expenses

9. Compensated absences:

At June 30, 2025, the Intermediate Unit recorded a liability for compensated absences representing amounts owed to employees for vacation, sick leave and retirement bonus that is attributable to services already rendered and is more likely than not to be used for time off or otherwise paid. The liability for compensated absences is reported as a current liability for amounts due within one year and a noncurrent liability for amounts due greater than one year, respectively, in the government-wide statement of net position (deficit) and the statement of net position (deficit) – proprietary funds.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

9. Compensated absences (continued):

Compensated absences activity can be summarized as follows:

	Beginning balance, before restatement	Prior period adjustment, properly classify compensated absences liability related to business-type activities	Beginning balance, as restated	Net increase (decrease)	Ending balance	Amount due within one year
Governmental activities	\$ 6,642,886	\$ (491,469)	\$ 6,151,417	\$ 384,600	\$ 6,536,017	\$ 244,723
Business-type activities	-	491,469	491,469	(52,413)	439,056	1,287
Total	<u>\$ 6,642,886</u>	<u>\$ -</u>	<u>\$ 6,642,886</u>	<u>\$ 332,187</u>	<u>\$ 6,975,073</u>	<u>\$ 246,010</u>

10. Defined benefit pension plans:

General information about the pension plans:

Plan description:

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that 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.

Benefits provided:

Benefits are provided by PSERS by statute; therefore, financial statement amounts are affected by PSERS activity. The Intermediate Unit's reported amounts will vary over time depending on the pension results of PSERS.

PSERS provides retirement, disability and death benefits. Class T-C and T-D 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 services 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 three 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plans (continued):

Benefits provided:

Benefits are generally equal to 1.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Retirement Code (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.

Contributions:

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.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plans (continued):

Member contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member contribution rates				
Membership class	Continuous employment since	Defined benefit (DB) contribution rate	DC contribution rate	Total contribution rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared risk program summary				
Membership class	Defined benefit (DB) base rate	Shared risk increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer contributions:

The Intermediate Unit's contractually required contribution rate for fiscal year ended June 30, 2025 was 32.92% 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 \$30,482,000 for the year ended June 30, 2025.

Payable to the pension plan:

At June 30, 2025, the Intermediate Unit reported a payable of \$7,899,903 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2025. These amounts relate to the second quarter of 2025 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 \$599,482 for the employee contributions withheld during June 2025, which are payable to PSERS by July 10, 2025.

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.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plans (continued):

Pension reform:

PSERS school employers will be charged interest at the assumed rate of return, currently 7.00%, for delinquent payments to PSERS rather than 6%.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For purposes of measuring the Intermediate Unit's net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2025, the Intermediate Unit reported a liability of \$219,697,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. There were no events during the period June 30, 2024 to June 30, 2025 that affect the measurement of the net pension liability results. 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, 2024, the Intermediate Unit's proportion was .5249%, which was an increase of 0.0206% from its proportionate share measured as of June 30, 2023. As of June 30, 2025, the net pension liability of \$204,208,000 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$15,489,000 net pension liability is recorded as a liability in the proprietary funds statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2025, the Intermediate Unit recognized pension expense of \$26,550,000.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plans (continued):

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

At June 30, 2025, 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	\$ -	\$ 3,454,000
Net difference between projected and actual investment earnings	3,636,000	-
Change in proportions	11,678,000	-
Difference between employer contributions and proportionate share of total contributions	1,219,608	28,000
Contributions subsequent to the measurement date	30,482,000	-
	\$ 47,015,608	\$ 3,482,000

For the year ended June 30, 2025, \$30,482,000 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 valuation year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ending June 30:

2025	\$ 127,000
2026	10,141,000
2027	3,448,608
2028	(665,000)
	\$ 13,051,608

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plans (continued):

Actuarial assumptions:

The total pension liability as of June 30, 2024, was determined by rolling forward PSERS's total pension liability as of June 30, 2023 to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2023
- Actuarial cost method - Entry Age Normal – level percent of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023 and as of June 30, 2024.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

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 plan.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plans (continued):

Actuarial assumptions:

The PSERS' board adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024 are as follows:

Asset class	Target allocation	Long-term expected real rate of return
Global public equity	30.0 %	4.8 %
Private equity	12.0	6.7
Fixed income	33.5	3.9
Commodities	5.0	2.5
Infrastructure	10.0	6.4
Real estate	9.5	5.9
	100.0 %	

Discount rate:

The discount rate used to measure the total pension liability was 7.00%. 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.

Sensitivity of the Intermediate Unit's proportionate share of the net pension liability to changes in the discount rate:

The following presents the net pension liability, as reported by PSERS, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% decrease 6.00%	Current discount rate 7.00%	1% increase 8.00%
Intermediate Unit's proportionate share of net pension liability	\$ 289,407,000	\$ 219,697,000	\$ 160,831,000

Pension plan fiduciary net position:

Detailed information about PSERS's fiduciary net position is available in PSERS's Comprehensive Annual Financial Report which can be found on the PSERS's website at www.psers.pa.gov.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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 healthcare and 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:

<hr/> Medical coverage, all personnel <hr/>	
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	There are no employer contributions. Retiree pays 100% of the full active premium for coverage.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Single-Employer Defined Benefit OPEB Plan:

General information about the OPEB Plan:

Benefits provided:

	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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	89
Active employees	<u>1,185</u>
	<u><u>1,274</u></u>

Total OPEB liability and OPEB expense:

The Intermediate Unit's total OPEB liability of \$2,366,000 was measured as of July 1, 2024, and was determined by an actuarial valuation as of July 1, 2023. For the year ended June 30, 2025, the Intermediate Unit recognized OPEB expense of \$204,000 related to this plan.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Single-Employer Defined Benefit OPEB Plan:

General information about the OPEB Plan:

Actuarial assumptions and other inputs:

The total OPEB liability in the July 1, 2023 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: 4.29%, Based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2024

Salary Increases: 2.5% cost-of-living adjustment, 1.5% real wage growth and merit increase which varies by age from 2.75% to 0%

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% in 2024 with a 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

Retirees' share of benefit-related costs: 100.0% of premium

Retiree Contributions: Retiree contributions are assumed to increase at the same rate as the Healthcare Cost Trend Rate

Mortality rates: PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Single-Employer Defined Benefit OPEB Plan:

General information about the OPEB Plan:

Changes in the total OPEB liability:

Balance, plan year beginning July 1, 2023	<u>\$ 2,388,000</u>
Changes for the year:	
Service cost	155,135
Interest	98,887
Changes of assumptions	(1,699)
Benefit payments	<u>(274,323)</u>
Net changes	<u>(22,000)</u>
Balance, plan year ended June 30, 2024	<u><u>\$ 2,366,000</u></u>

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:

	1% decrease <u>3.29%</u>	Current discount rate <u>4.29%</u>	1% increase <u>5.29%</u>
Net single-employer OPEB liability	\$ 2,531,654	\$ 2,366,000	\$ 2,210,872

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Single-Employer Defined Benefit OPEB Plan:

General information about the OPEB Plan:

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:

	1% decrease	Current trend rate	1% increase
Net single-employer OPEB liability	\$ 2,139,389	\$ 2,366,000	\$ 2,362,324

Cost-sharing multiple-employer defined benefit OPEB plan:

General information about the Health Insurance Premium Assistance program:

Health insurance Premium Assistance program (HIPAP):

For purposes of measuring the net HIPAP liability, deferred outflows of resources and deferred inflows of resources related to HIPAP, HIPAP expense, information about the fiduciary net position of 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.

PSERS provides Premium Assistance which is a governmental cost-sharing, multiple-employer HIPAP plan 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. Effective January 1, 2002, under the provisions 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, 2024, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance eligibility criteria:

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

- Have 24½ 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.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Cost-sharing multiple-employer defined benefit OPEB plan:

General information about the Health Insurance Premium Assistance program:

Premium Assistance eligibility criteria:

For Class DC members to become eligible for Premium Assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Benefits provided:

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' HOP. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Employer contributions:

The Intermediate Unit's contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% 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 \$583,000 for the year ended June 30, 2025.

HIPAP liabilities and HIPAP expense:

At June 30, 2025, the Intermediate Unit reported a liability of \$9,367,000 for its proportionate share of the net HIPAP liability. The net HIPAP liability was measured as of June 30, 2024, and the total HIPAP liability used to calculate the net HIPAP liability was determined by rolling forward PSERS's total HIPAP liability as of June 30, 2023 to June 30, 2024. There were no events during the period June 30, 2024 to June 30, 2025 that affect the measurement of the net HIPAP liability results. The Intermediate Unit's proportion of the net HIPAP 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, 2025, the Intermediate Unit's proportion was .5273%, which was an increase of .0211% from its proportionate share measured as of June 30, 2024.

For the year ended June 30, 2025, the Intermediate Unit recognized HIPAP expense of \$633,000 related to this plan.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Cost-sharing multiple-employer defined benefit OPEB plan:

General information about the Health Insurance Premium Assistance program:

Actuarial assumptions:

The total HIPAP liability as of June 30, 2024, was determined by rolling forward PSERS'S total HIPAP liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date – June 30, 2023

Actuarial cost method: entry age normal, level percent of pay.

Investment return: 4.21% - S&P 20-Year Municipal Bond Rate.

Salary growth: Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

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

Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.

Mortality rates: based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2020 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 following assumptions were used to determine the contribution rate:

The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.

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: The actual data for retirees benefiting under the plan as of June 30, 2021 was used in lieu of the 63% assumption for eligible retirees.

Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2020 Mortality Improvement Scale.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Cost-sharing multiple-employer defined benefit OPEB plan:

General information about the Health Insurance Premium Assistance program:

Actuarial assumptions:

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

The HIPAP plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

<u>OPEB asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	<u>100.00 %</u>	1.70 %
	<u>100.00 %</u>	

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, 2024.

For the year ended June 30, 2024, the annual money-weighted rate of return on HIPAP plan investments, net of HIPAP plan investment expense, was 5.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate:

The discount rate used to measure the total HIPAP liability was 4.21%. 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 HIPAP 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 4.21%, which represents the S&P 20-year municipal bond rate at June 30, 2024, was applied to all projected benefit payments to measure the total HIPAP liability.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Cost-sharing multiple-employer defined benefit OPEB plan:

Sensitivity of the Intermediate Unit's proportionate share of the net HIPAP liability to changes in the discount rate:

The following presents the Intermediate Unit's proportionate share of the net HIPAP liability, as well as what the Intermediate Unit's proportionate share of the net HIPAP 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:

	1% decrease 3.21%	Current discount rate 4.21%	1% increase 5.21%
Net multi-employer OPEB liability	\$ 10,582,000	\$ 9,367,000	\$ 8,350,000

Sensitivity of the Intermediate Unit's proportionate share of the net HIPAP liability to changes in the healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2024, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the Intermediate Unit's proportionate share of the net HIPAP liability, as well as what the Intermediate Unit's proportionate share of the net HIPAP 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:

	1% decrease	Current trend rate	1% increase
Net multi-employer OPEB liability	\$ 9,366,000	\$ 9,367,000	\$ 9,368,000

HIPAP Plan fiduciary net position:

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

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (OPEB) (continued):

Aggregate OPEB information:

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended June 30, 2025, the Intermediate Unit recognized OPEB expense of \$837,000. At June 30, 2025, the Intermediate Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Contributions and benefit payments after the measurement date	\$ 804,000	\$ -
Differences between expected and actual experience	37,000	529,000
Changes of assumptions	802,000	1,985,000
Differences between projected and actual investment earnings	9,000	-
Change in allocation percentage between opinion units	30,000	-
Changes in proportion	<u>918,000</u>	<u>-</u>
	<u><u>\$ 2,600,000</u></u>	<u><u>\$ 2,514,000</u></u>

The deferred outflows of resources of \$804,000 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, 2025.

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

Plan year ending June 30:

2025	\$ (19,150)
2026	(101,150)
2027	(225,150)
2028	13,850
2029	(31,150)
Thereafter	<u>(355,250)</u>
	<u><u>\$ (718,000)</u></u>

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

12. Risk management:

Hospitalization:

The Intermediate Unit self-funds for 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 \$300,000 per individual per year and \$24,513,698 in total per year.

A liability for claims incurred prior to June 30, 2025, and subsequently paid, was recorded in the amount of \$2,832,735 in accounts payable in the internal service fund.

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

<u>Medical</u>	<u>Beginning of year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at year end</u>
2023-2024	\$ 1,863,006	\$ 17,996,342	\$ (17,541,825)	\$ 2,317,523
2024-2025	2,317,523	20,889,226	(20,374,014)	2,832,735

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, 2025, and subsequently paid, is recorded in the amount of \$44,872 in accounts payable in the internal service fund.

<u>Dental</u>	<u>Beginning of year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at year end</u>
2023-2024	\$ 35,296	\$ 916,211	\$ (911,240)	\$ 40,267
2024-2025	40,267	983,528	(978,923)	44,872

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

12. Risk management (continued):

Property and liability:

The Intermediate Unit is participating with other school districts in the Lancaster-Lebanon Public Schools Insurance Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for 10 member school districts, 4 non-member school districts, Lancaster-Lebanon Intermediate Unit, Lancaster County Academy, York County School of Technology and Lancaster County Career and Technical Center. This agreement states that the Intermediate Unit pays an annual premium to the Pool for the purpose of seeking the prevention or lessening of casualty losses to members from injuries to persons or property which might result in claims being made against members and to pool the insurance risks, reserves, claims and losses, and providing self-insurance and reinsurance thereof. It is the intent of the members of the Pool that the Pool will utilize funds contributed by the members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each member of the Pool in accordance with the agreement against certain liabilities and losses and to purchase excess and aggregate stop-loss insurance for claims greater than \$250,000 per occurrence.

The Pool is a related party of the Intermediate Unit, as it provides administrative services for the Pool. The Intermediate Unit received \$37,024 for these services as of June 30, 2025.

As of June 30, 2025, 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 14 member school districts, 3 non-member school districts, Lancaster-Lebanon Intermediate Unit, Lancaster County Academy, York County School of Technology and Lancaster County Career and Technical Center. 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 Fund is a related party of the Intermediate Unit, as it provides administrative services for the Fund. The Intermediate Unit received \$46,120 for these services as of June 30, 2025.

As of June 30, 2025, 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 omissions 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, 2025, and the two previous years, no settlements exceeded insurance coverage.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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.

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, 2025, the Intermediate Unit has included the following as nonspendable fund balances:

General Fund:	
Inventories	\$ 132,398
Prepaid expenditures	<u>291,221</u>
Total General Fund	<u>\$ 423,619</u>
Special Education Fund, prepaid expenditures	<u>\$ 4,956</u>

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, 2025, the Intermediate Unit had no committed fund balances.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

14. Fund balance classifications (continued):

Governmental funds:

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, 2025, the Intermediate Unit has included the following as assigned fund balances:

General Fund assigned for:	
Operating activities	\$ 200,000
Retention	200,000
Building improvements and infrastructure	1,600,000
Risk management and mitigation	300,000
Retirement stabilization	200,000
Encumbrances	<u>300</u>
Total General Fund	<u><u>\$ 2,500,300</u></u>
Student Sponsored Activity Fund, assigned for classroom specific purposes	<u><u>\$ 34,301</u></u>

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 hospitalization fund, the workers' compensation fund and the unemployment fund. At June 30, 2025, the amounts in net position earmarked for these purposes were as follows:

Research and development	\$ 940,904
Operating infrastructure	7,314
Hospitalization	11,279,129
Workers' compensation	660,395
Unemployment	529,533
Pension, OPEB and compensated absences adjustments	(7,411,692)
Net investment in capital assets	<u>(2,417,001)</u>
Total unrestricted net position	<u><u>\$ 3,588,582</u></u>

Total net position for the internal service funds at June 30, 2025 is \$6,005,583.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

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.

16. Leases:

The Intermediate Unit leases a building for office space for the Pennsylvania Training and Technical Assistance Network – Harrisburg (PaTTAN-Central) under a lease agreement with Rossmoyne, LP signed in June 1992. The Intermediate Unit has amended this lease 14 times since the inception, the last amendment is dated November 6, 2018. The Intermediate Unit recognizes lease expense on a straight-line basis over the term of the lease, taking into account, when applicable, lessor incentives for tenant improvements, periods where no rent payment is required and escalations in rent payments over the term of the lease. The remaining term for the building lease is nine years, with the lease expiring at midnight on June 30, 2034. This lease expiration date includes accelerating the exercising of the two remaining five-year lease renewal options in exchange for the completion of requested improvements being made by the landlord. The rental rates for the successive renewal periods terms remain consistent with the rates documented in Section Six found on Page Three of the Twelfth Amendment. The Intermediate Unit's lease agreement does not contain any material residual value guarantees or material restrictive covenants. In the event of a default, the landlord may terminate the lease. As of June 30, 2025, the lease liability and corresponding net right-of-use asset reflected on the statement of net position (deficit) were \$7,694,770 and \$6,775,773, respectively. The Intermediate Unit made cash payments of \$943,888 during the year ended June 30, 2025 in connection with the lease.

The Intermediate Unit leases various buildings for classroom and office space (see schedule below) under a master lease agreement with the Lancaster-Lebanon Joint Authority signed in June 2022. The Intermediate Unit recognizes lease expense on a straight-line basis over the term of the lease, taking into account, when applicable, lessor incentives for tenant improvements, periods where no rent payment is required and escalations in rent payments over the term of the lease. The remaining term for the master building lease is 24 months, with the lease expiring June 2027. The Intermediate Unit's lease agreement contains a provision for renewals or mutually agreed-upon extensions. The Intermediate Unit's lease agreement does not contain any material residual value guarantees or material restrictive covenants. In the event of a default, the landlord may terminate the lease and collect all due rents. As of June 30, 2025, the lease liability and corresponding net right-of-use asset reflected on the statement of net position (deficit) were \$1,682,742 and \$1,577,316, respectively.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

16. Leases (continued):

The Intermediate Unit made cash payments of \$753,359 during the year ended June 30, 2025 in connection with this master lease.

Site	Owner	Address/description	Lease/sublease	Program uses	Term	Rate per sq. ft.	Total sq. ft.	Annual lease cost
21	Lancaster-Lebanon Joint Authority	1 Cumberland St., Lebanon	Lease	Early childhood, early intervention, ECSES	July 1, 2022 - June 30, 2027	\$ 7.50	33,200	\$ 249,000
54	Lancaster-Lebanon Joint Authority	1713 W. Newport Rd., Manheim	Lease	Early learning center, early intervention, ECSES	July 1, 2022 - June 30, 2027	\$ 7.50	12,000	90,000
63	Lancaster-Lebanon Joint Authority	8 Fairland Rd., Manheim	Lease	Partial hospitalization program, SES	July 1, 2022 - June 30, 2027	\$ 7.50	12,000	90,000
94	Lancaster-Lebanon Joint Authority	111 S. Penn St., Manheim	Lease	School age, ECSES	July 1, 2022 - June 30, 2027	\$ 2.50	69,900	174,750
95	Lancaster-Lebanon Joint Authority	101 S. Penn St., Manheim	Lease	School age, ECSES	July 1, 2022 - June 30, 2027	\$ 2.50	1,149	2,872
98	Lancaster-Lebanon Joint Authority	135 S. King St., Jonestown	Lease	School age, ECSES, office/conference space, community hub	July 1, 2024 - June 30, 2027	\$ 2.50	58,410	146,025
Total							<u>186,659</u>	<u>\$ 752,647</u>

The Intermediate Unit leases various buildings for classroom and office space (see schedule below) under a master sublease agreement with the Lancaster-Lebanon Joint Authority, signed in June 2023. The Intermediate Unit recognizes lease expense on a straight-line basis over the term of the lease, taking into account, when applicable, lessor incentives for tenant improvements, periods where no rent payment is required and escalations in rent payments over the term of the lease. The remaining term for the master building sublease can be found on the sublease schedule for each location listed, ranging from month-to-month to eight years (expiring June 30, 2033). The Intermediate Unit's lease agreement contains a provision for renewals or mutually agreed-upon extensions. The Intermediate Unit's lease agreement does not contain any material residual value guarantees or material restrictive covenants. In the event of a default, the landlord may terminate the lease and collect all due rents. As of June 30, 2025, the lease liability and corresponding net right-of-use asset reflected on the statement of net position (deficit) were \$16,529,894 and \$14,444,690, respectively.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

16. Leases (continued):

The Intermediate Unit made cash payments of \$1,999,847 during the year ended June 30, 2025 in connection with this master sublease:

Site	Owner	Address/description	Lease/sublease	Program use	Term	Rate per sq. ft.	Total sq. ft.	Annual lease cost
14	Burle Corporate Park, LLC:	1020 New Holland Ave., Lancaster	Sublease	Offices and conference center	July 1, 2020 - June 30, 2030	\$ 12.04	101,220	\$ 1,218,689
15	Burle Corporate Park, LLC	1020 New Holland Ave., Lancaster	Sublease	Warehouse	July 1, 2006 - June 30, 2026	\$ 5.91	10,959	64,768
51	Burle Corporate Park, LLC	1050 New Holland Ave., Lancaster	Sublease	Intensive day treatment	April 1, 2015 - June 30, 2030	\$ 12.59	8,042	101,249
13	Burle Corporate Park, LLC	1020 New Holland Ave., Lancaster	Sublease	Community education and Burle school-to-work	January 1, 2022 - June 30, 2032	\$ 12.21	13,052	159,365
13	Burle Corporate Park, LLC	1020 New Holland Ave., Lancaster	Sublease	Community education and Burle school-to-work	February 1, 2023 - January 1, 2033	\$ 17.78	13,052	232,065
96	Burle Corporate Park, LLC	1020 New Holland Ave., Lancaster	Sublease	Multipurpose room and offices	July 1, 2023 - July 30, 2028	\$ 12.20	9,756	119,023
87	DDS of the Lebanon Valley	1126 Walnut St., Suite B, Lebanon	Sublease	Care at-the-center Medical Center - Lebanon	March 16, 2015 - August 31, 2025	\$ 14.50	1,925	27,913
97	Chestnut Street Community Center	611 Chestnut St., Lebanon	Sublease	Community education	January 1, 2024 - June 30, 2033	\$ 16.76	4,200	70,392
33	Elizabethtown Church of the Brethren	777 S. Mount Joy St., Elizabethtown	Sublease	Early intervention (EI)	Month-to-month	\$ 14.00	456	6,384
49	Willow Street UCC	2723 Willow Street Pike, Willow Street	Sublease	Early intervention (EI)	July 1, 2010 - June 30, 2025	\$ 11.50	240	2,760
62	Palmyra Grace Brethren Church	799 Airport Rd., Palmyra	Sublease	Early intervention (EI)	July 1, 2009 - June 30, 2025	\$ 8.39	241	2,022
23	Lincoln Fifth Corporation	North Lincoln Ave., Lebanon	Sublease	Parking	October 1, 2005 - January 31, 2025	\$ 0.24	18,727	4,494
23	Peachey Land Management, LLC	North Lincoln Ave., Lebanon	Sublease	Parking	February 1, 2025 - June 30, 2026	\$ 0.43	18,727	8,053
Total							<u>200,597</u>	<u>\$ 2,017,177</u>

The discount rate used in determining the liability is 4.50%. The primary assumption used to determine the discount rate was the Intermediate Unit's implicit interest rate.

Lease liability activity for the year ended June 30, 2025 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Lease liability, buildings	\$ 26,915,603	\$ 1,476,625	\$ (2,484,822)	\$ 25,907,406	\$ 2,804,683

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

16. Leases (continued):

The following is a schedule of future annual minimum payments under the leases as of June 30, 2025:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,804,683	\$ 1,093,875	\$ 3,898,558
2027	3,012,098	963,163	3,975,261
2028	2,322,444	844,740	3,167,184
2029	2,481,002	736,798	3,217,800
2030	2,679,476	620,786	3,300,262
Thereafter	<u>12,607,703</u>	<u>1,270,990</u>	<u>13,878,693</u>
Total	<u>\$ 25,907,406</u>	<u>\$ 5,530,352</u>	<u>\$ 31,437,758</u>

The cost of the lease asset, buildings is \$33,237,923. At June 30, 2025, the asset had an amortized value of \$22,797,778. Amortization expense for the year ended June 30, 2025 was \$3,119,383.

17. Prior period adjustments:

A prior period adjustment was made to the governmental activities and business-type activities to properly classify the compensated absences liability related to business-type activities as of June 30, 2024. This restatement had no effect on the total government-wide compensated absences liability or the total government-wide net position.

The following are the adjustments to the beginning net position (deficit) for governmental activities and business-type activities:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Beginning net position (deficit) as previously reported, June 30, 2024	\$ (152,911,426)	\$ (9,640,084)
Prior period adjustments, properly classify compensated absences liability related to business-type activities	<u>491,469</u>	<u>(491,469)</u>
Net position (deficit), as restated, July 1, 2024	<u>\$ (152,419,957)</u>	<u>\$ (10,131,553)</u>

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

17. Prior period adjustments (continued):

A prior period adjustment was made to the beginning net position (deficit) of the enterprise fund to record a compensated absences liability that had previously been recognized only in the government-wide financial statements as of June 30, 2024. Similarly, a prior period adjustment was made to the beginning net position (deficit) of the internal service fund to record compensated absences liability, as well as balances and activity related to the pension, HIPAP, and OPEB plans, which had also only been recognized in the government-wide financial statements as of June 30, 2024. Because these liabilities and balances were already properly recorded in the government-wide financial statements, these prior period adjustments had no impact on the government-wide financial statements. The following table presents the adjustments to the beginning net position for the proprietary funds:

	Total proprietary funds	Major proprietary funds	
		Enterprise	Internal service
Beginning net position (deficit) as previously reported, June 30, 2024	\$ 4,174,685	\$ (9,640,084)	\$ 13,814,769
Prior period adjustments:			
Record net pension balances and activity for internal service fund	(9,437,000)	-	(9,437,000)
Record net HIPAP balances and activity for internal service fund	(458,000)	-	(458,000)
Record net OPEB balances and activity for internal service fund	(151,000)	-	(151,000)
Record compensated absences liability for internal service fund	(451,719)	-	(451,719)
Record compensated absences liability for enterprise fund	(491,469)	(491,469)	-
	<u>\$ (6,814,503)</u>	<u>\$ (10,131,553)</u>	<u>\$ 3,317,050</u>
Net position (deficit), as restated, July 1, 2024	<u>\$ (6,814,503)</u>	<u>\$ (10,131,553)</u>	<u>\$ 3,317,050</u>

18. Subsequent events:

After year end, the Intermediate Unit issued a Revenue Anticipation Note (RAN) to provide necessary cash flow for operations due to a budget impasse at the state level, which resulted in the temporary freezing of state and federal funds. The RAN was issued in the amount of \$35,000,000 in July 2025. Following the eventual passage of the state budget in November 2025, all frozen funds were released, and the RAN was successfully closed in December 2025. The Intermediate Unit incurred approximately \$18,000 in legal fees and \$32,000 in non-utilization fees related to the issuance and closure of this RAN. The resolution of the budget impasse restored normal revenue flows and eliminated the need for further short-term borrowing.

The Intermediate Unit has evaluated subsequent events through February 5, 2026, the date that the financial statements were available to be issued.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (Required supplementary information) (unaudited) YEAR ENDED JUNE 30, 2025

	Budget amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Local sources	\$ 10,806,719	\$ 9,018,342	\$ 8,077,250	\$ (941,092)
State sources	29,444,336	30,047,787	26,922,409	(3,125,378)
Federal sources	69,865,632	69,659,332	60,974,407	(8,684,925)
Total revenues	110,116,687	108,725,461	95,974,066	(12,751,395)
Expenditures:				
Instructional services:				
Special programs	8,920,905	4,483,129	4,483,129	-
Nonpublic school programs	9,725,837	10,462,809	10,178,879	283,930
Adult education programs	2,478,873	2,708,840	2,708,840	-
Pre-kindergarten	11,545,879	13,647,561	9,372,053	4,275,508
Total instructional services	32,671,494	31,302,339	26,742,901	4,559,438
Support services:				
Pupil personnel	6,238,104	6,313,793	5,914,281	399,512
Instructional staff	30,974,669	30,927,988	28,256,190	2,671,798
Administrative	4,715,753	4,780,458	3,911,338	869,120
Pupil health	93,707	31,835	6,353	25,482
Business	5,965,440	4,363,511	4,195,236	168,275
Operation and maintenance of plant	5,496,108	6,080,338	5,640,253	440,085
Student transportation	850,000	850,000	684,887	165,113
Central	5,097,028	10,038,424	7,843,644	2,194,780
Other support	26,046,612	24,521,818	22,181,223	2,340,595
Total support services	85,477,421	87,908,165	78,633,405	9,274,760
Non-instructional services, food	524,773	541,949	190,645	351,304
Total expenditures	118,673,688	119,752,453	105,566,951	14,185,502
Deficiency of revenues over expenditures	(8,557,001)	(11,026,992)	(9,592,885)	1,434,107
Other financing sources:				
Operating transfers in	8,557,001	11,026,992	11,328,925	301,933
Proceeds from sale of capital assets	-	-	1,661	1,661
Net other financing sources	8,557,001	11,026,992	11,330,586	303,594
Net changes in fund balances	\$ -	\$ -	1,737,701	\$ 1,737,701
Fund balances:				
Beginning			13,636,918	
Ending			\$ 15,374,619	

See notes to required supplementary information.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL – SPECIAL EDUCATION FUND
 (Required supplementary information)
 (unaudited)
 YEAR ENDED JUNE 30, 2025

	Budget amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Local sources	\$ 59,208,198	\$ 60,960,100	\$ 59,033,190	\$ (1,926,910)
State sources	10,550,134	10,691,759	10,807,171	115,412
Total revenues	69,758,332	71,651,859	69,840,361	(1,811,498)
Expenditures:				
Instructional services, special programs	57,805,266	59,058,384	57,820,861	1,237,523
Support services:				
Pupil personnel services	210,000	445,622	445,622	-
Instructional staff	1,997,640	2,894,462	2,894,462	-
Administrative	1,206,518	541,901	541,901	-
Pupil health	3,028,850	3,028,850	2,946,626	82,224
Business	106,871	106,871	23,953	82,918
Operation and maintenance of plant	970,497	970,497	789,581	180,916
Central	-	42,811	42,811	-
Total support services	7,520,376	8,031,014	7,684,956	346,058
Total expenditures	65,325,642	67,089,398	65,505,817	1,583,581
Excess of revenues over expenditures	4,432,690	4,562,461	4,334,544	(227,917)
Other financing sources (uses):				
Operating transfers:				
In	118,324	118,324	55,381	(62,943)
Out	(4,551,014)	(4,680,785)	(4,585,601)	95,184
Net other financing sources (uses)	(4,432,690)	(4,562,461)	(4,530,220)	32,241
Net changes in fund balances	\$ -	\$ -	(195,676)	\$ (195,676)
Fund balances:				
Beginning			133,631	
Ending			\$ (62,045)	

See notes to required supplementary information.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) –
 BUDGET AND ACTUAL – SPECIAL EDUCATION TRANSPORTATION FUND
 (Required supplementary information)
 (unaudited)
 YEAR ENDED JUNE 30, 2025

	Budget amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Revenues, state sources	<u>\$ 1,796,709</u>	<u>\$ 2,163,909</u>	<u>\$ 2,130,244</u>	<u>\$ (33,665)</u>
Expenditures, support services:				
Instructional staff	-	-	304	(304)
Student transportation	1,665,400	2,005,400	2,028,616	(23,216)
Central	-	-	5	(5)
Total expenditures, support services	<u>1,665,400</u>	<u>2,005,400</u>	<u>2,028,925</u>	<u>(23,525)</u>
Excess of revenues over expenditures	131,309	158,509	101,319	(57,190)
Other financing sources (uses), operating transfers out	<u>(131,309)</u>	<u>(158,509)</u>	<u>(160,524)</u>	<u>(2,015)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(59,205)</u>	<u>\$ (59,205)</u>
Fund balances (deficit):				
Beginning			<u>(28,284)</u>	
Ending			<u>\$ (87,489)</u>	

See notes to required supplementary information.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL – STATE FUNDED EARLY INTERVENTION FUND
 (Required supplementary information)
 (unaudited)
 YEAR ENDED JUNE 30, 2025

	Budget amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues, state sources	\$ 21,992,581	\$ 25,726,023	\$ 25,726,023	\$ -
Expenditures:				
Instructional services, special programs	16,533,367	19,600,723	19,600,723	-
Support services:				
Pupil personnel	1,464,478	1,669,407	1,669,407	-
Instruction staff	-	215,959	215,959	-
Pupil health	2,567,895	2,829,426	2,829,426	-
Operation and maintenance of plant	-	6	6	-
Central	-	11,046	11,046	-
Total support services	4,032,373	4,725,844	4,725,844	-
Total expenditures	20,565,740	24,326,567	24,326,567	-
Excess of revenues over expenditures	1,426,841	1,399,456	1,399,456	-
Other financing sources (uses), operating transfers out	(1,426,841)	(1,399,456)	(1,399,456)	-
Net changes in fund balances	\$ -	\$ -	-	\$ -
Fund balances:				
Beginning			-	
Ending			\$ -	

See notes to required supplementary information.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (unaudited) YEAR ENDED JUNE 30, 2025

The Intermediate Unit follows the following guidelines in establishing the budgetary data reflected in the general purpose financial statements.

Purpose:

The Board considers budget planning to be an integral part of the budget process. Through planning, the budgets shall be designed to reflect the Board's goals and objectives concerning the educational programs, support services and business plans of the Intermediate Unit.

The IU General Operating Budget (GOB) and Strategic Business Unit (SBU) and Support Service Unit (SSU) budgets of the Intermediate Unit shall be based upon the needs and goals of the Intermediate Unit, the needs of its 22-member school districts and the availability of funds to most effectively meet those needs.

Authority:

Administration shall prepare proposed budgets at least 30 days prior to adoption of the final budgets. The proposed budgets shall be made available for public inspection and duplication at the Intermediate Unit administrative office at least 20 days prior to adoption of the budgets. The Board shall give public notice of its intent to adopt at least ten days prior to adoption of the proposed budgets.

The Board shall approve the GOB (comprised of the Core Program of Services and Instructional Media Services Program) in March and then disseminate a GOB packet to member school districts for approval. The Board shall adopt the final GOB after approval by a majority of the member school districts comprising the Intermediate Unit and a majority of proportionate votes of all school directors in member school districts, and then will submit the GOB to the Pennsylvania Department of Education (PDE) by May 1st. The Board shall approve and adopt all programs of services budgets annually in June as part of its Strategic Business Units and Support Services Units budget adoption process.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS –
SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN
(Required supplementary information)
(unaudited)
FOR THE VALUATION YEAR ENDED JUNE 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:								
Service cost	\$ 155,135	\$ 223,451	\$ 307,429	\$ 39,710	\$ 47,544	\$ 51,147	\$ 58,539	\$ 102,217
Interest	98,887	112,379	71,338	100,422	106,186	78,216	80,420	87,680
Differences between expected and actual experience	-	(225,339)	-	(285,244)	-	(171,708)	-	(48,453)
Changes of assumptions	(1,699)	(196,426)	(516,157)	327,622	-	743,916	-	641,830
Benefit payments	<u>(274,323)</u>	<u>(154,065)</u>	<u>(121,505)</u>	<u>(289,898)</u>	<u>(339,094)</u>	<u>(207,069)</u>	<u>(210,436)</u>	<u>(232,852)</u>
Net change in total OPEB liability	(22,000)	(240,000)	(258,895)	(107,388)	(185,364)	494,502	(71,477)	550,422
Total OPEB liability:								
Beginning	<u>2,388,000</u>	<u>2,628,000</u>	<u>2,886,895</u>	<u>2,994,283</u>	<u>3,179,647</u>	<u>2,685,145</u>	<u>2,756,622</u>	<u>2,206,200</u>
Ending	<u>\$ 2,366,000</u>	<u>\$ 2,388,000</u>	<u>\$ 2,628,000</u>	<u>\$ 2,886,895</u>	<u>\$ 2,994,283</u>	<u>\$ 3,179,647</u>	<u>\$ 2,685,145</u>	<u>\$ 2,756,622</u>
Covered payroll	\$ 73,458,316	\$ 73,458,316	\$ 67,510,985	\$ 67,510,986	\$ 61,185,636	\$ 59,693,303	\$ 54,993,675	\$ 53,652,366
Total OPEB liability as a percentage of covered payroll	3.2%	3.3%	3.9%	4.3%	4.9%	5.3%	4.9%	5.1%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the Intermediate Unit is presenting information for those years which information is available.

See notes to required supplementary information.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (unaudited) 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 Benefit Terms:

Measurement period ended June 30, 2022:

Each year's loss (or gain) is recognized over a closed period, using the average of the expected remaining service lives of all active employees that are currently receiving a benefit or may be eligible to receive a benefit in the future.

These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

Changes of Assumptions:

Measurement period ended June 30, 2025:

The discount rate changed from 4.13% to 4.29%.

Measurement period ended June 30, 2024:

The discount rate changed from 4.06% to 4.13%.

The trend and marriage assumptions were updated.

Measurement period ended June 30, 2023:

The discount rate changed from 2.28% to 4.06%.

The trend assumption was updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS experience study.

Measurement period ended June 30, 2022:

Discount rate was decreased from 3.50% to 2.28%.

The trend and spouse age assumptions were updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Measurement period ended June 30, 2019:

Healthcare cost trend rate assumptions changed from a 1% decrease every year ending in an ultimate 5% rate in 2020 and later years to 5.5% for 2019/20, decreasing 0.1% per year to a rate of 5.2% for years 2020/23 through 2044/45, then decreasing 0.1% every two years to an ultimate rate of 4.7% in 2055/56 and later years.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (unaudited) LAST 10 FISCAL YEARS

Changes of Assumptions (continued):

Measurement period ended June 30, 2019:

Discount rate was increased from 3.00% to 3.50%.

Pre-Retirement Mortality - PubT.H.2000 Employee (Male and Female weighted by headcount) as published by the Society of Actuaries; previously RP-2014 Employee (Male and Female weighted by amount) as published by the Society of Actuaries was assumed.

Post-Retirement Mortality - PubT.H.2000 Healthy Annuitant (Male and Female weighted by headcount) as published by the Society of Actuaries; previously RP-2014 Health Annuitant (Male and Female weighted by amount) as published by the Society of Actuaries was assumed.

Mortality Improvement - Scale MP-2018 (Male and Female) as published by the Society of Actuaries, fully generational; previously Scale MP-2016 (Male and Female) as published by the Society of Actuaries, fully generational, was assumed.

Retiree Coverage - It is assumed that 20% of future retirees will participate in the retiree medical program; previously it was assumed that 40% of future retirees will participate in the retiree medical program.

Spouse Coverage - 50% of future retirees are assumed to be married and 10% of spouses will participate in the retiree medical program. The spouse is assumed to be the opposite sex and the same age as the employee. Previously, 80% of future retirees were assumed to be married.

Measurement period ended 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%.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SCHEDULE OF EMPLOYER CONTRIBUTIONS – PUBLIC SCHOOL EMPLOYEES’
 RETIREMENT SYSTEM (PSERS) HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
 (Required supplementary information)
 (unaudited)
 FOR THE VALUATION YEAR ENDED JUNE 30

<u>Valuation year ended June 30</u>	<u>Contractually required contributions</u>	<u>Contributions from employer</u>	<u>Contributions deficiency (excess)</u>	<u>Covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2015	\$ 478,854	\$ 478,854	\$ -	\$ 54,767,944	0.87 %
2016	462,484	462,484	-	57,620,938	0.80
2017	478,604	478,604	-	59,589,699	0.80
2018	493,162	493,162	-	61,438,977	0.80
2019	509,000	509,000	-	66,514,962	0.77
2020	557,400	557,400	-	67,977,357	0.82
2021	558,400	558,400	-	67,967,118	0.82
2022	591,000	591,000	-	71,966,631	0.82
2023	599,000	599,000	-	77,545,019	0.77
2024	540,000	540,000	-	83,710,063	0.65

LANCASTER-LEBANON INTERMEDIATE UNIT 13

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
(Required supplementary information)
(unaudited)
FOR THE VALUATION YEAR ENDED JUNE 30

Valuation 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	\$ 57,620,938	15.81 %	5.47 %
2017	0.4328	8,818,000	59,589,699	14.80	5.73
2018	0.4425	9,226,000	61,438,977	15.02	5.56
2019	0.4455	9,475,000	66,514,962	14.24	5.56
2020	0.4739	10,240,000	67,977,357	15.06	5.69
2021	0.4794	11,362,105	67,967,118	16.72	5.30
2022	0.4894	9,009,000	71,966,631	12.52	6.86
2023	0.5062	9,158,000	77,545,019	11.81	7.22
2024	0.5273	9,367,000	83,710,063	11.19	7.13

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the Intermediate Unit is presenting information for those years which information is available.

See notes to required supplementary information.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN (unaudited) LAST 10 FISCAL YEARS

Changes of Assumptions:

Measurement period ended June 30, 2025:

The discount rate used to measure the total HIPAP liability increased from 4.13% as of June 30, 2023 to 4.21% as of June 30, 2024.

Measurement period ended June 30, 2024:

The discount rate used to measure the total HIPAP liability increased from 4.09% as of June 30, 2022 to 4.13% as of June 30, 2023.

Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:

- Salary growth rate - decreased from 5.00% to 4.50%.
- Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
- Mortality rates – Previously based on the RP-2014 Mortality tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Measurement period ended June 30, 2023:

The discount rate used to measure the total HIPAP liability increased from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:

- Salary growth rate - decreased from 5.00% to 4.50%.
- Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
- Mortality rates – Previously based on 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Measurement period ended June 30, 2021:

Discount rate was decreased from 2.66% to 2.18%.

Salary growth rate – decreased from 5.00% to 4.50%

Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00% respectively.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
(unaudited)
LAST 10 FISCAL YEARS

Changes of Assumptions (continued):

Measurement period ended June 30, 2020:

Discount rate was decreased from 2.79% to 2.66%.

Measurement period ended June 30, 2019:

Discount rate was decreased from 2.98% to 2.79%.

Measurement period ended June 30, 2017:

Discount rate was decreased from 3.13% to 2.98%.

Measurement period ended June 30, 2016:

Discount rate was increased from 2.71% to 2.98%.

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 three years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2015 Mortality Improvement Scale.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

**SCHEDULE OF EMPLOYER CONTRIBUTIONS –
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Required supplementary information)
(unaudited)
FOR THE VALUATION YEAR ENDED JUNE 30**

<u>Valuation year ended June 30</u>	<u>Contractually required contributions</u>	<u>Contributions from employer</u>	<u>Contributions deficiency (excess)</u>	<u>Covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2015	\$ 10,697,790	\$ 10,697,790	\$ -	\$ 54,767,944	19.53 %
2016	13,510,678	13,510,678	-	57,620,938	23.45
2017	16,645,160	16,645,160	-	59,589,699	27.93
2018	18,630,349	18,630,349	-	61,438,977	30.32
2019	20,044,000	20,044,000	-	66,514,962	30.13
2020	22,333,000	22,333,000	-	67,977,357	32.85
2021	22,887,000	22,887,000	-	67,967,118	33.67
2022	24,550,000	24,550,000	-	71,966,631	34.11
2023	26,831,000	26,831,000	-	77,545,019	34.60
2024	27,908,000	27,908,000	-	83,710,063	33.34

See notes to required supplementary information.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SCHEDULE OF THE INTERMEDIATE UNIT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
(Required supplementary information)

(unaudited)

FOR THE VALUATION YEAR ENDED JUNE 30

Valuation year ended June 30	Intermediate Unit's proportion of the net pension liability (assets)	Intermediate Unit's proportionate share of the net pension liability (asset)	Intermediate Unit's covered employee payroll	Intermediate Unit's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.4123 %	\$ 178,589,000	\$ 54,767,944	326.08 %	54.36 %
2016	0.4229	209,576,000	57,620,938	363.72	50.14
2017	0.4328	213,753,000	59,589,699	358.71	51.84
2018	0.4425	212,422,000	61,438,977	345.74	54.00
2019	0.4455	208,417,000	66,514,962	313.34	55.66
2020	0.4713	232,065,000	67,977,357	341.39	54.32
2021	0.4762	195,512,000	67,967,118	287.66	63.67
2022	0.4876	216,781,000	71,966,631	301.22	61.34
2023	0.5043	224,345,000	77,545,019	289.31	61.85
2024	0.5249	219,697,000	83,710,063	262.45	64.63

See notes to required supplementary information.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (unaudited) YEAR ENDED JUNE 20, 2025

Changes of Benefit Terms:

Measurement period ended June 30, 2017:

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

Changes of Assumptions:

Measurement period ended June 30, 2021:

Investment rate of return was adjusted from 7.25% to 7.00%.

Salary growth changed from an effective average of 5.00% to 4.50%.

Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00% respectively.

Mortality rates – previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2015 Morality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Measurement period ended 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 three years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2015 Mortality Improvement Scale.

LANCASTER-LEBANON INTERMEDIATE UNIT 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

Federal grantor/ pass-through agency / program title	Source code	Federal Assistance Listing (AL) number	Pass-through grantor's number	Grant period beginning/ ending date	Grant amount	Accrued (deferred) revenue at July 1, 2024	Total received for the year	Revenue recognized	Expenditures	Accrued (deferred) revenue at June 30, 2025	Passed through to subrecipients
<u>U.S. Department of Agriculture:</u>											
Passed through the Pennsylvania Department of Education:											
Child and Adult Care Food Program:	I	10.558	164	10/01/24-09/30/25	\$ 298,874	\$ -	\$ 109,949	\$ 130,751	\$ 130,751	\$ 20,802	\$ -
	I	10.558	164	10/01/23-09/30/24	298,874	(2)	22,220	22,222	22,222	-	-
Total U.S. Department of Agriculture						(2)	132,169	152,973	152,973	20,802	-
<u>U.S. Department of Commerce:</u>											
Passed through the National Oceanic and Atmospheric Administration:											
NOAA Chesapeake Bay Office Bay Watershed Education and Training (B-WET)	I	11.457	FNA21NMF45 70451	07/01/21-06/30/25	346,025	48,945	76,843	32,849	32,849	4,951	-
Total U.S. Department of Commerce						48,945	76,843	32,849	32,849	4,951	-
<u>U.S. Department of Labor:</u>											
Passed through the Lancaster County Workforce Development Board:											
Reentry Employment Opportunities	I	17.270	PE-36553-21-60-A-42	07/01/21-12/31/24	560,525	11,525	24,591	13,066	13,066	-	-
WIOA Cluster:											
Passed through the Lancaster County Workforce Investment Board:											
WIOA Dislocated Worker Formula Grants:	I	17.278	IU13 Educator Industry Tours	03/01/24-06/30/24	3,319	3,319	3,319	-	-	-	-
	I	17.278	IU13 Educator Industry Tours	03/01/25-06/30/25	1,942	-	-	1,942	1,942	1,942	-
Total WIOA Cluster, WIOA Dislocated Worker Formula Grants						3,319	3,319	1,942	1,942	1,942	-
Total U.S. Department of Labor						14,844	27,910	15,008	15,008	1,942	-
<u>U.S. Department of Education:</u>											
Passed through the Pennsylvania Department of Education:											
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds:	I	21.027	FA-156-25-0613	07/01/24-11/25/25	118,960	-	109,048	91,170	91,170	(17,878)	-
	I	21.027	062-250033	07/01/24-09/30/25	2,000,000	-	1,188,483	96,534	96,534	(1,091,949)	-
Total COVID-19 - Coronavirus State and Local Fiscal Recovery Funds						-	1,297,531	187,704	187,704	(1,109,827)	-

LANCASTER-LEBANON INTERMEDIATE UNIT 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Federal grantor/ pass-through agency / program title	Source code	Federal Assistance Listing (AL) number	Pass-through grantor's number	Grant period beginning/ ending date	Grant amount	Accrued (deferred) revenue at July 1, 2024	Total received for the year	Revenue recognized	Expenditures	Accrued (deferred) revenue at June 30, 2025	Passed through to subrecipients
U.S. Department of Education (continued):											
Passed through the Pennsylvania Department of Education:											
Adult Education - Basic Grants to States:	I	84.002	064-250017	07/01/24-06/30/25	\$ 1,034,775	\$ -	\$ 1,034,775	\$ 1,034,775	\$ 1,034,775	\$ -	\$ 131,762
	I	84.002	064-240017	07/01/23-06/30/24	1,004,636	184,582	184,582	-	-	-	-
	I	84.002	061-250003	07/01/24-06/30/25	1,028,970	-	1,028,970	1,028,970	1,028,970	-	-
	I	84.002	061-240003	07/01/23-06/30/24	999,000	83,250	83,250	-	-	-	-
Total Adult Education - Basic Grants to States						267,832	2,331,577	2,063,745	2,063,745	-	131,762
Title I Grants to Local Educational Agencies:	I	84.010	FA-156-25-0613	07/01/24-06/30/25	63,460	-	58,171	63,460	63,460	5,289	-
	I	84.010	FA-156-24-0613	07/01/23-06/30/24	77,500	45,208	45,208	-	-	-	-
	I	84.010	107-250613	08/30/24-09/30/25	87,776	-	82,776	82,776	82,776	-	76,644
Passed through the Allegheny Intermediate Unit:											
Title I Grants to Local Educational Agencies:	I	84.010	PO4300815552	07/01/24-06/30/25	1,941,930	-	1,258,581	1,896,205	1,896,205	637,624	-
	I	84.010	PO4300815549	07/01/23-06/30/24	300,000	300,000	300,000	-	-	-	-
	I	84.010	PO4300815549	07/01/23-06/30/24	1,903,549	1,724,020	1,724,020	-	-	-	-
Total Title I Grants to Local Education Agencies						2,069,228	3,468,756	2,042,441	2,042,441	642,913	76,644
Special Education Cluster (IDEA):											
Passed through the Pennsylvania Department of Education:											
Special Education Grants to States:	I	84.027	131-240013	07/01/24-06/30/25	2,500,469	-	2,500,469	2,500,469	2,500,469	-	-
	I	84.027	131-230013	07/01/23-06/30/24	2,435,901	153,987	153,987	-	-	-	-
	I	84.027	062-250013	07/01/24-09/30/25	21,331,305	-	15,642,957	21,265,262	21,265,262	5,622,305	12,301,183
	I	84.027	062-240013	07/01/23-09/30/25	21,427,604	5,644,239	5,714,028	69,789	69,789	-	-
	I	84.027	062-230013	07/01/22-09/30/24	20,043,204	(4,989)	-	4,989	4,989	-	-
	I	84.027	062-250033	07/01/24-09/30/25	26,246,127	-	19,608,418	22,323,144	22,323,144	2,714,726	7,496,732
	I	84.027	062-240033	07/01/23-09/30/24	16,600,853	4,924,791	6,640,341	1,715,550	1,715,550	-	1,423,120
Total Special Education Grants to States						10,718,028	50,260,200	47,879,203	47,879,203	8,337,031	21,221,035
Special Education Preschool Grants:	I	84.173	131-240013	07/01/24-06/30/25	456,374	-	456,374	456,374	456,374	-	98,280
	I	84.173	131-230013	07/01/23-06/30/24	460,006	29,063	29,063	-	-	-	-
Total Special Education Preschool Grants						29,063	485,437	456,374	456,374	-	98,280
Total Special Education Cluster (IDEA)						10,747,091	50,745,637	48,335,577	48,335,577	8,337,031	21,319,315

LANCASTER-LEBANON INTERMEDIATE UNIT 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Federal grantor/ pass-through agency / program title	Source code	Federal Assistance Listing (AL) number	Pass-through grantor's number	Grant period beginning/ ending date	Grant amount	Accrued (deferred) revenue at July 1, 2024	Total received for the year	Revenue recognized	Expenditures	Accrued (deferred) revenue at June 30, 2025	Passed through to subrecipients
U.S. Department of Education (continued):											
Passed through the Pennsylvania Department of Education:											
Jacob K. Javits Gifted and Talented Students Education Program:	I	84.206A	4000029497	07/01/24-09/30/24	\$ 15,647	\$ -	\$ 14,700	\$ 14,700	\$ 14,700	\$ -	\$ -
	I	84.206A	4400031544	10/01/24-06/30/25	6,905	-	1,892	3,692	3,692	1,800	-
Total Jacob K. Javits Gifted and Talented Students Education Program						-	16,592	18,392	18,392	1,800	-
English Language Acquisition State Grants:	I	84.365	010-250613	09/03/24-09/30/26	206,504	-	104,081	51,260	51,260	(52,821)	-
	I	84.365	010-240613	09/01/23-09/30/25	250,954	(55,601)	155,178	201,666	201,666	(9,113)	-
	I	84.365	010-230613	08/31/22-09/30/24	200,629	-	14,784	14,784	14,784	-	-
Total English Language Acquisition State Grants						(55,601)	274,043	267,710	267,710	(61,934)	-
Supporting Effective Instruction State Grants:	I	84.367	149-250613	07/01/24-06/30/25	12,000	-	6,000	12,000	12,000	6,000	-
	I	84.367	149-240613	07/01/23-06/30/24	12,000	4,000	4,000	-	-	-	-
	I	84.367	FA-156-25-0613	07/01/24-06/30/25	93,800	-	85,983	93,800	93,800	7,817	-
	I	84.367	FA-156-24-0613	07/01/23-06/30/24	93,800	54,716	54,716	-	-	-	-
Total Supporting Effective Instruction State Grants						58,716	150,699	105,800	105,800	13,817	-
COVID-19 – Education Stabilization Fund	I	84.425C	224-210613	03/13/20-09/30/24	175,384	(5,480)	-	5,480	5,480	-	-
Total U.S. Department of Education						13,081,786	58,284,835	53,026,849	53,026,849	7,823,800	21,527,721
U.S. Department of Health and Human Services:											
Passed through the Pennsylvania Department of Education:											
Temporary Assistance for Needy Families:	I	93.558	4100095975	07/01/24-06/30/25	300,280	-	100,423	300,280	300,280	199,857	-
	I	93.558	4100095975	07/01/23-06/30/24	300,280	91,507	91,507	-	-	-	-
Total Temporary Assistance for Needy Families						91,507	191,930	300,280	300,280	199,857	-
Passed through the Office of Refugee Resettlement:											
Refugee and Entrant Assistance - State-Administered Program:	I	93.566	FC4100094490	08/15/22-09/30/25	113,464	63,708	81,997	18,289	18,289	-	-
Passed through the Administration for Children and Families/Office of Refugee Resettlement:											
Refugee and Entrant Assistance Discretionary Grants:	I	93.576	90ZM0046	09/30/22-09/29/25	724,500	99,669	366,287	285,889	285,889	19,271	77,453
	I	93.576	90ZN0017	09/30/23-09/29/24	350,000	111,102	212,557	101,455	101,455	-	33,773
	I	93.576	90ZN0017	09/30/24-09/29/25	453,650	-	198,133	320,970	320,970	122,837	111,107
Total Refugee and Entrant Assistance Discretionary Grants						210,771	776,977	708,314	708,314	142,108	222,333
Passed through the Church World Service:											
Refugee and Entrant Assistance Wilson-Fish:	I	93.583	90RW0061	10/01/23-09/30/24	68,792	21,344	39,761	18,417	18,417	-	-
	I	93.583	90RW0061	10/01/24-12/31/24	17,198	-	17,198	17,198	17,198	-	-
	I	93.583	90RW0061	01/01/25-09/30/25	57,802	-	-	33,444	33,444	33,444	-
Total Refugee and Entrant Assistance Wilson-Fish						21,344	56,959	69,059	69,059	33,444	-

LANCASTER-LEBANON INTERMEDIATE UNIT 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Federal grantor/ pass-through agency / program title	Source code	Federal Assistance Listing (AL) number	Pass-through grantor's number	Grant period beginning/ ending date	Grant amount	Accrued (deferred) revenue at July 1, 2024	Total received for the year	Revenue recognized	Expenditures	Accrued (deferred) revenue at June 30, 2025	Passed through to subrecipients
<u>U.S. Department of Health and Human Services (continued):</u>											
Head Start Cluster:											
Head Start	D	93.600		01/01/24-12/31/24	\$ 3,236,106	\$ 324,019	\$ 1,535,250	\$ 1,211,231	\$ 1,211,231	\$ -	\$ -
	D	93.600		01/01/25-12/31/25	3,531,719	-	950,138	1,184,235	1,184,235	234,097	-
Passed through the Pennsylvania Department of Human Services:											
Early Head Start:	I	93.600	4100096640	01/01/24-12/31/24	1,226,221	(11,151)	737,937	749,088	749,088	-	-
	I	93.600	4100096640	01/01/25-12/31/25	1,226,221	-	510,925	578,267	578,267	67,342	-
Passed through the Community Action Partnership of Lancaster County:											
Early Head Start:	I	93.600	03CH010640	08/01/24-04/30/25	712,926	-	683,305	712,926	712,926	29,621	-
	I	93.600	03CH010640	05/01/25-04/30/26	888,043	-	131,877	133,519	133,519	1,642	-
	I	93.600	03CH010640	05/01/23-06/29/24	954,318	213,638	213,638	-	-	-	-
Total Head Start Cluster						526,506	4,763,070	4,569,266	4,569,266	332,702	-
Passed through the Pennsylvania Department of Human Services:											
Medicaid Cluster, Medical Assistance Program:	I	93.778	092-007513	07/01/24-06/30/25	N/A	-	190,430	225,278	225,278	34,848	-
	I	93.778	092-007513	07/01/23-06/30/24	N/A	65,516	65,516	-	-	-	-
	I	93.778	044-007513	07/01/14-06/30/25	N/A	(1,198,182)	379,053	101,239	101,239	(1,475,996)	-
Total Medicaid Cluster, Medical Assistance Program						(1,132,666)	634,999	326,517	326,517	(1,441,148)	-
Total U.S. Department of Health and Human Services						(218,830)	6,505,932	5,991,725	5,991,725	(733,037)	222,333
<u>U.S. Department of Homeland Security:</u>											
Citizenship Education and Training:	D	97.010		11/22/24-09/30/26	293,888	-	7,835	54,675	54,675	46,840	23,293
	D	97.010		10/01/22-09/30/24	300,000	84,180	122,708	38,528	38,528	-	17,396
Total U.S. Department of Homeland Security						84,180	130,543	93,203	93,203	46,840	40,689
Total expenditures of federal awards						\$ 13,010,923	\$ 65,158,232	\$ 59,312,607	\$ 59,312,607	\$ 7,165,298	\$ 21,790,743

Source codes:
I = Indirect funding
D = Direct funding

Calculation of 20% rule for low-risk auditee:

Special Education Cluster:	
ALN #84.027	\$ 47,879,203
ALN #84.173	456,374
	<u>48,335,577</u>
Total expenditures of federal awards	<u>59,312,607</u>
Meets the 20% requirement	81.49%

LANCASTER-LEBANON INTERMEDIATE UNIT 13

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2025

1. Significant accounting policies:

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

2. De minimis indirect cost rate:

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

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, 2025 were \$2,361,438 and \$1,750,746 which were listed on the PDE Confirmation as programs #044-007513 and #092-007513, respectively.

4. Cost principles:

Expenditures are recognized as following, as applicable, to 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.

5. COVID-19:

Federal funding provided by Congress to address the COVID-19 pandemic is identified by "COVID-19" in the federal program column of the schedule of expenditures of federal awards. This includes new grants created by pandemic-related legislation, as well as incremental funding for existing federal programs.

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*

Independent Auditor's Report

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, 2025 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 February 5, 2026.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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.

Brown Plus

Camp Hill, Pennsylvania
February 5, 2026

Report on Compliance for the Major Federal Program and Report on
Internal Control Over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

Board Officers and Members
Lancaster-Lebanon Intermediate Unit 13
Lancaster County, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Lancaster-Lebanon Intermediate Unit 13's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Lancaster-Lebanon Intermediate Unit 13's major federal program for the year ended June 30, 2025. Lancaster-Lebanon Intermediate Unit 13's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lancaster-Lebanon Intermediate Unit 13 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lancaster-Lebanon Intermediate Unit 13 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Lancaster-Lebanon Intermediate Unit 13's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lancaster-Lebanon Intermediate Unit 13's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lancaster-Lebanon Intermediate Unit 13's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lancaster-Lebanon Intermediate Unit 13's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lancaster-Lebanon Intermediate Unit 13's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lancaster-Lebanon Intermediate Unit 13's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Lancaster-Lebanon Intermediate Unit 13's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Brown Plus

Camp Hill, Pennsylvania
February 5, 2026

LANCASTER-LEBANON INTERMEDIATE UNIT 13

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

Summary of Auditor's Results

Financial statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes X no

Identification of major programs:

<u>Federal AL number(s)</u>	<u>Name of federal program or cluster</u>
84.027	Special Education Cluster - IDEA Part B
84.173	Special Education Cluster - Preschool Inclusion

Dollar threshold used to distinguish between type A and type B programs: \$1,779,378

Auditee qualified as low-risk auditee? X yes _____ no

Findings - Financial Statements Audit

None

Findings and Questioned Costs - Major Federal Awards Programs Audit

None

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025

There are no prior audit findings.

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board Officers and Members
Lancaster-Lebanon Intermediate Unit 13
and the Commonwealth of Pennsylvania, Department of Human Services
Lancaster, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by Lancaster-Lebanon Intermediate Unit 13 (the Intermediate Unit) and the Commonwealth of Pennsylvania Department of Human Services (DHS), on the Schedule of Contractual Service Activity for Early Head Start Grant #4100096640 for the period January 1, 2024, through December 31, 2024.

The Intermediate Unit has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of verifying by comparison the amounts and classifications of the Schedule of Contractual Service Activity for Early Head Start Grant #4100096640 for the period January 1, 2024, through December 31, 2024 have been accurately compiled in accordance with the provisions of this agreement and reflect the audited books and records of the Intermediate Unit. Additionally, DHS agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Procedures

The procedures and associated findings are as follows:

1. We have verified by comparing the amounts and classifications that the Schedule of Contractual Service Activity for Early Head Start Grant #4100096640 for the period January 1, 2024, through December 31, 2024, had been accurately compiled in accordance with the provisions of this agreement and reflect the audited books and records of the Intermediate Unit. 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.

Conclusion From Procedures Performed

Our findings are as follows:

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

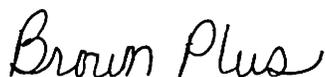
None

Other Matter

We were engaged by the Intermediate Unit to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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 #4100096640 required by the Early Head Start grant agreement for the period January 1, 2024 through December 31, 2024. 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.

We are required to be independent of the Intermediate Unit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 and is not intended to be, and should not be, used by anyone other than those specified parties.



Camp Hill, Pennsylvania
February 5, 2026

LANCASTER-LEBANON INTERMEDIATE UNIT 13

SCHEDULE OF CONTRACTUAL SERVICE ACTIVITY
FOR EARLY HEAD START GRANT #4100096640
FOR THE PERIOD JANUARY 1, 2024 THROUGH DECEMBER 31, 2024

	<u>Budget</u>	<u>Actual</u>
Personnel	\$ 575,780	\$ 575,780
Fringe benefits	298,261	298,261
Travel	8,368	8,368
Supplies	102,973	102,973
Other	144,296	144,296
Equipment	5,712	5,712
Indirect charges	<u>90,831</u>	<u>90,831</u>
Total	<u><u>\$ 1,226,221</u></u>	<u><u>\$ 1,226,221</u></u>