

# **ARIN INTERMEDIATE UNIT 28**



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**ARIN INTERMEDIATE UNIT 28**  
INDIANA, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY OFFICE  
OF MANAGEMENT AND BUDGET  
CIRCULAR A-133

WITH REPORTS BY  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED JUNE 30, 2011**

**ARIN INTERMEDIATE UNIT 28**  
**INDIANA, PENNSYLVANIA**  
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**INDIANA, PENNSYLVANIA**  
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**To the Board of Directors  
ARIN Intermediate Unit 28**

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ARIN Intermediate Unit 28, Indiana, Pennsylvania as of and for the year ended June 30, 2011, which collectively comprise the ARIN Intermediate Unit 28's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ARIN Intermediate Unit 28 Board of Directors. My responsibility is to express opinions on these financial statements based on my audit.

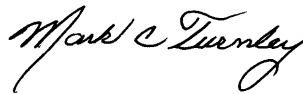
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 ARIN Intermediate Unit 28, Indiana, Pennsylvania as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 26, 2012 on my consideration of ARIN Intermediate Unit 28's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iii-xv 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ARIN Intermediate Unit 28's financial statements as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplemental schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Mark C. Turnley  
Certified Public Accountant

March 26, 2012  
Ambridge, Pennsylvania

## ARIN INTERMEDIATE UNIT 28

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2011

The Management's Discussion and Analysis (MD&A) of the ARIN Intermediate Unit 28's (IU) performance provides an overall review of the IU's financial activities for the fiscal year ended June 30, 2011. The MD&A is to provide a reader friendly insight into management's analysis of the audit. This MD&A highlights the IU's financial performance as a whole; readers should also review the transmittal letter and Notes to the Financial Statements to enhance their understanding of the IU's overall financial performance.

#### General Information on Financial Structure and Basis of Accounting

The IU Board of Directors is made up of eleven members, one from each school district located in Armstrong and Indiana counties. They have the oversight responsibility to provide financial interdependency, designate governing authority, selection of management, and ability to influence operations and accountability.

**The MD&A is an element of the GASB reporting model. Where previous accounting standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital assets depreciation and no reports of combined net assets, GASB 34 requires fixed asset accounting, combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Assets and Statement of Activities.**

We are in the ninth year of GASB Statement 34 reporting requirements and financial statements from the 2009-2010 and 2010-2011 fiscal years are presented for analysis and comparison. The accompanying financial statements have been prepared in accordance with GASB 34, government-wide reports are presented on the accrual basis of accounting and fund-type reports are completed using modified accrual accounting. There were no additional entities required to be included in the reporting entity under the criteria for the current fiscal year and the IU was not included as a component unit in any other reporting entity. Required statements and reports for GASB 34:

- Statement of Net Assets
- Statement of Activities
- Balance Sheet of Governmental Funds
- Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets
- Statement of Revenues, Expenditures, and Changes in Fund Balances
- Reconciliation of Governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- Statement of Revenues, Expenditures and Changes in Fund Equity – Budget vs. Actual – General Fund
- Statement of Revenues, Expenditures and Changes in Fund Equity – Budget vs. Actual – Major Special Revenue Funds

The *Statement of Net Assets* provides a consolidation of all governmental funds into one statement of activities with current and non-current assets/liabilities, and displays the total net assets of all governmental funds properly reconciled. It also provides the same for those Business Activities run by the IU. In the IU, only the Cooperative Purchasing Program is structured as a business activity, subject to a business activity classification.

The *Statement of Activities* displays expenses net of program revenues and classifies revenues into two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, and capital grants, and then allocates them to particular expense categories where appropriate.

The *Balance Sheet of Governmental Funds* lists all the assets, liabilities and fund balances of major and nonmajor Governmental Funds.

The *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets* reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental and Business Activities by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The *Statement of Revenues, Expenditures, and Changes in Fund Balances* summarizes revenues, expenditures, and other financing sources of major and nonmajor Governmental Funds. Current year revenue and other financing sources are netted-out against expenditures to arrive at the Net Change in Fund Balance. By combining current year Net Change in Fund Balance with the prior year Fund Balance you now have the June 30, 2011 Fund Balance for all Governmental Fund types.

The *Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities* reconciles the change in fund balances of the governmental funds to the change in net assets of all governmental activities.

Funds analyzed in this audit include:

- Governmental activities:
    - General Fund
    - Special Education Fund
    - Special Ed. Transportation
    - State Early Intervention Fund
  - Major business-type activities:
    - Cooperative Service Fund
  - Fiduciary activities:
    - Self-Insured Benefit Fund
    - Unemployment Compensation Fund
    - Excellence Foundation
    - Other Post-Employment Benefit Fund
- Major Funds:
- Non-Major Funds:

## ***Financial Highlights***

The IU had Governmental Fund revenues and other financing sources of \$25,133,330 and expenditures of \$25,678,719 for the fiscal year ended June 30, 2011. The net change in fund balance for all Governmental Funds decreased \$545,389. The total fund balance at June 30, 2011 was \$952,110. The unassigned General Fund balance was \$923,454, approximately 3.28% of our comprehensive budget of over \$28.1 million. ARIN continues to maintain a sound fund balance to assure efficient future business operations. These amounts are reflected on the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* (modified accrual basis).



The General Fund total fund balance increased by \$5,064 to \$972,094. The Administration and ARIN Board have been using fund balance reserves to balance the General Operating Budget for over 10 years.

Special Education Fund and State Early Intervention Fund had no fund balance at year-end.

The Debt Service Fund was reclassified from a Governmental Fund to a Fiduciary Fund during the 2010-2011 as its purpose is to set funds aside to pay other post-employment benefits (health benefits) for retirees as they come due. Accordingly, a prior period adjustment was made to the statement of activities (Exhibit B) totaling \$1,066,583 to reflect this change.

The fund balance for the Special Ed. Transportation Fund decreased by \$111,774, leaving a deficit balance of \$46,405. Funding for Special Ed. Transportation Fund comes from the State and is provided through the PA School Code. The total funding received in 2010-2011 was reduced by \$203,590 and caused a negative fund balance at June 30, 2011.

The fund balance of the Capital Projects Fund at July 1, 2010 was \$465,100 and after accounting for a decrease of \$438,678 in current year operations, the June 30, 2011 fund balance was \$26,422. The decrease is the result of using prior year loan proceeds for capital improvements to the administrative building.

State subsidy for the General Operating Budget was not increased over the prior year's funding. In 1996-97 the subsidy was cut in half to \$125,525 and over the last ten years it has only increased to \$144,752, an additional \$19,227. In 2010-11, the subsidy received decreased by \$20,933 to a total of \$105,872. It has been increasingly difficult to maintain services to our member districts with no funding increase in our state operating subsidy.

#### Assets, Liabilities and Net Assets – Government-Wide

Total current assets of \$4,475,128 represent 71% of the total assets of \$6,306,314, comprised primarily of cash and investments of \$1,536,646 and receivables of \$2,888,591. Net fixed assets including land, site and building improvements, furniture and equipment represents 29% of total assets at \$1,831,186.

Total liabilities are \$6,404,836 and consist primarily of long-term compensated absences of \$948,476, notes payable of \$1,281,494, accounts payable of \$909,794, accrued salaries and benefits of \$1,415,193, and a net OPEB obligation of \$649,899, representing 81% of the total liabilities.

The net assets for governmental activities in the 2010-2011 operations were a deficit of \$98,522. There was \$549,692 invested in capital assets, net of related debt, \$26,422 for capital projects and (\$674,636) of unrestricted net assets. The negative unrestricted net assets were created from a \$948,476 liability for compensated absences and a \$649,899 liability from a net OPEB obligation (employee retirement benefits). With regard to compensated absences, sabbatical leave accounts for \$147,797 and was based on a 7-year average service life for ARIN professional staff. Vacation and personal days account for \$327,269. The remaining balance of \$473,410 relates to sick leave. Funding is provided through the OPEB Fund to cover both sick leave and post employment retiree benefits. However, funding for sabbatical, vacation, and personal day leaves are provided through current year budget operations.

Total Net Assets decreased \$392,544 in the 2010-2011 fiscal year. A large portion of this decrease was due to the increase in the net OPEB liability of approximately \$227,351.

The following table, A-1, provides a summary of the Intermediate Unit's governmental activities net assets as of June 30, 2011, with a comparative analysis with the prior fiscal year.

Table A-1  
Fiscal Year ended June 30, 2011 and 2010  
Net Assets

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>CHANGE</u>
Current Assets	\$ 4,475,128	\$ 6,821,117	\$ (2,345,989)
Capital Assets	<u>1,831,186</u>	<u>1,573,362</u>	257,824
<b>TOTAL ASSETS</b>	<b><u>\$ 6,306,314</u></b>	<b><u>\$ 8,394,479</u></b>	<b><u>\$ (2,088,165)</u></b>
Current Liabilities	\$ 3,647,541	\$ 4,602,191	\$ (954,650)
Long-term Liabilities	<u>2,757,295</u>	<u>2,431,683</u>	325,612
<b>TOTAL LIABILITIES</b>	<b><u>\$ 6,404,836</u></b>	<b><u>\$ 7,033,874</u></b>	<b><u>\$ (629,038)</u></b>
Invested in Capital Assets, Net of Related Debt	\$ 549,692	\$ 173,362	\$ 376,330
Retirement of Long-term Debt	-	1,066,583	(1,066,583)
Capital Projects	26,422	450,825	(424,403)
Other Restrictions	-	75,269	(75,269)
Unrestricted	<u>(674,636)</u>	<u>(405,434)</u>	(269,202)
<b>TOTAL NET ASSETS</b>	<b><u>\$ (98,522)</u></b>	<b><u>\$ 1,360,605</u></b>	<b><u>\$ (1,459,127)</u></b>

The following table, A-2, summarizes the information from the statement of activities. It presents the revenues, expenses and changes in net assets of the Intermediate Unit for the years ended June 30, 2011 and 2010.

Table A-2  
Fiscal Year ended June 30, 2011 and 2010  
Changes in Net Assets

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>CHANGE</u>
<b>REVENUES</b>			
<b>Program Revenues:</b>			
Charges for Services	\$ 1,743,642	\$ 2,135,020	\$ (391,378)
Operating Grants and Contributions	16,282,901	17,463,893	(1,180,992)
<b>General Revenues:</b>			-
Grants, Subsidies, and Contributions	105,871	126,804	(20,933)
Investment Earnings	18,701	25,347	(6,646)
Receipts from Member Districts	6,169,968	5,900,944	269,024
Sale of Fixed Assets/Miscellaneous	(32,332)	130	(32,462)
Transfers	102,326	18,001	84,325
<b>TOTAL REVENUES</b>	<b><u>\$ 24,391,077</u></b>	<b><u>\$ 25,670,139</u></b>	<b><u>\$ (1,279,062)</u></b>
<b>EXPENSES</b>			
Instruction	\$ 8,430,116	\$ 8,212,341	\$ 217,775
Instructional Student Support	4,027,617	4,054,462	(26,845)
Administrative and Financial Support	6,502,459	7,632,336	(1,129,877)
Operation and Maintenance of Plant	294,697	273,098	21,599
Pupil Transportation	3,824,140	3,748,782	75,358
Community Services	1,662,287	1,640,904	21,383
Interest on Long-term Debt	37,510	82,436	(44,926)
Cooperative Service Program	4,795	4,815	(20)
<b>TOTAL EXPENSES</b>	<b><u>\$ 24,783,621</u></b>	<b><u>\$ 25,649,174</u></b>	<b><u>\$ (865,553)</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u>\$ (392,544)</u></b>	<b><u>\$ 20,965</u></b>	<b><u>\$ (413,509)</u></b>

### Revenues and Other Financial Sources – Fund Financials

The revenue to operate IU programs comes from local, state, and federal sources. During the 2010-2011 fiscal year, \$8,673,239 or approximately 35.7% was generated from local sources, \$6,957,144 or 28.6% was supported by state sources, and \$8,691,799 or 35.7% was received from federal sources.

The major source of local revenue is from member school districts, approximately \$6.2 million or 71%. Districts purchase direct services from the IU ranging from special education, administrative facility support, alternative ed. transportation, bilingual education, basic education support for special needs students, and other numerous support services. The Program of Services section highlights the program of services. The balance of the local revenue is generated from services provided to internal/external programs and agencies located in Armstrong and Indiana counties.

Over 84% of state revenue is allocated to Special Ed. Transportation \$3,043,021, Special Education \$1,265,232, Early Intervention \$1,455,527, and General Operating support \$105,572. The remaining balance is for specific grants and service contracts.

Federal revenue is disbursed over 39 programs. The largest programs are Individuals with Disability Education Act Part B (IDEA) \$4,571,361, ARRA IDEA Part B \$1,782,892, IDEA Preschool \$144,037, Even Start \$155,042, Adult Education \$199,802, 21<sup>st</sup> Century Learning Centers \$716,843, and Education of Homeless Children \$162,567. These programs cover approximately 89% of the federal revenue.

### Expenses and Other Financing Sources – Fund Financials

Overall expenditures, excluding interfund transfers, decreased over last year by \$124,358. For comparative purposes, last year's expenditures do not include approximately \$1,217,584 of expenditures from the Debt Service Fund which was reclassified in 2010-2011 as a Fiduciary Fund. This decrease was due mostly to the reduction in funding received from one program. The federal ARRA IDEA Part B funding, which consisted of pass-through funding to our client districts, decreased in the second year of a two year grant. Also, expenditures increase due to increases in salary and benefit costs. Salary and benefits account for \$12,584,547, over 50% of \$24,969,897 total expenses and other financing sources.

The IU is one of fourteen Local Educational Agencies that receives medical insurance coverage through the Armstrong Indiana Insurance Trust. IU employees have two choices of medical coverage, Traditional (Indemnity) and Managed Care (PPOBlue) with approximately 98% of the employees covered in the Managed Care plan. Medical insurance premiums increased 9.26% over the prior year for the Traditional coverage and 9.56% for the Managed Care. Total cost of ARIN's medical coverage was \$2,296,342. Medical insurance premiums are expected to continue to increase yearly, although the trust's increases have below trend.

Special education and related programs, such as transportation, early intervention, IDEA, and preschool, utilize approximately \$10,104,132 or 40% of the total expenditures. All eleven member school districts receive IU special education services to enhance their programs or provide IU operated classes. The IU works with each district in the design, development and implementation of their Special Education Plan to meet the federal and state standards for exceptional children.

Special Education Transportation expenses increased by \$53,319 from the previous year operation. Contracted Carrier expenses increased by \$19,492 and salaries and benefits increased by \$12,500 from 2009-10, accounting for 60% of the 1 increase.

### Analysis of Budget Variances Original to Final

Due to the changing nature of IU operations, various program budgets changed over the fiscal year. The General Fund original budget compared to the final budget has revenue and other financing source increases of \$1,110,221 with expenditures and other financing uses increasing \$1,127,562. The difference of \$17,341 between expenditures and revenues notes that more funds were required from the Fund Balance to balance the budget. Budgeted revenue and expenditures increased due to the carryover of ARRA IDEA – B funding from 2009-10. The grant was awarded in February 2009, but expenditures were allowed until September 2011. Because the 2009-10 expenditures were finalized during the 2010-11 year, the ARRA IDEA – B budget was revised after the original budget date.

The Special Education Budget decreased \$135,952 due to changes in personnel and employee benefits. The main reason for the budget decrease was that instructor position was eliminated by a district request, resulting in less salary and benefits expense.

The Special Education Transportation program budget decreased due less Contracted Carrier expense.

The State Funded Early Intervention budget decreased \$112,023 due to an decreased in personnel costs. It was anticipated that a full-time Supervisor would be needed for the program, but after review of duties, only a portion of a Supervisor is charged to the program.

The Capital Projects Fund budget decreased by \$17,275 due the delay in purchasing a vehicle for the drivers' education program. The expense was originally budgeted in the 2010-11 fiscal year, but was not purchased.

#### **Long Term Debt**

As of June 30, 2009 the IU had \$995,000 in bonds outstanding. The original educational facility revenue bond was issued in 1993 for a new administrative building. On April 1, 2002 a refinancing of the educational facility revenue bond was done with an estimated savings of \$68,190. These bonds were paid off during the fiscal year ended June 30, 2010.

On June 22, 2010, the IU signed a Revenue Obligation Note with PNC Bank in the amount of \$1,400,000. The proceeds from the note were used to advance refund the 2002 Bonds, with the remaining proceeds paying for capital improvement on the administrative building. The balance on this note as of June 30, 2011 is \$1,281,494.

Table 3 breaks out expenditures by function per Governmental Funds financial statements with a comparison to the prior year as well as current year budget variances.

**Table 3**  
**Expenditures by Function - Budget vs. Actual**  
**For the Year Ended June 30, 2011 and 2010**

Description	2010-11 Expenses	2009-10 Expenses	(Over) Under Prior Year	% Change	2010-11 Budget
Regular Education Programs	\$ -	\$ 11,817	\$ (11,817)	-100.0%	\$ -
Special programs	6,503,470	6,307,751	195,719	3.1%	6,645,318
Vocational Education Programs	57,958	70,894	(12,936)	-18.2%	57,958
Other Instructional Programs	470,483	592,479	(121,996)	-20.6%	472,091
NonPublic School Program	557,098	476,579	80,519	16.9%	559,017
Adult Education Program	375,923	517,290	(141,367)	-27.3%	377,376
Pupil Personnel Services	2,495,398	2,421,221	74,177	3.1%	2,503,874
Instructional Staff Services	1,199,921	1,163,898	36,023	3.1%	1,254,361
Administrative Services	1,294,677	1,270,447	24,230	1.9%	1,298,442
Pupil Health	350,217	377,739	(27,522)	-7.3%	352,634
Business Services	736,438	777,290	(40,852)	-5.3%	754,918
Operation and Maintenance	396,726	270,763	125,963	46.5%	407,731
Student Transportation	3,817,712	3,740,999	76,713	2.1%	3,772,012
Central Services	729,602	662,743	66,859	10.1%	744,514
Other Support Services	3,836,718	4,837,104	(1,000,386)	-20.7%	3,836,827
Community Services	1,665,938	1,622,350	43,588	2.7%	1,668,042
Building Improvements	314,307	111,903	202,404	180.9%	314,345
Debt Service	167,311	1,078,572	(911,261)	-84.5%	-
Fund Transfers	708,822	1,704,307	(995,485)	-58.4%	713,501
<b>Total</b>	<b>\$ 25,678,719</b>	<b>\$ 28,016,146</b>	<b>\$ (2,337,427)</b>	<b>-8.3%</b>	<b>\$ 25,732,961</b>
<b>Revenues and Other Sources</b>	<b>25,133,330</b>	<b>28,769,631</b>	<b>(3,636,301)</b>	<b>-12.6%</b>	<b>25,652,956</b>
<b>Net Change</b>	<b>\$ (545,389)</b>	<b>\$ 753,485</b>	<b>\$ (1,298,874)</b>	<b>-172.4%</b>	<b>\$ (80,005)</b>

### Employee Retirement System

All of the Intermediate Unit's full-time employees, part-time employees salaried over 80 days, and hourly employees working more than 500 hours per year participate in the Public School Employees' Retirement System (PSERS). The retirement system is a cost sharing, multiple employer defined-benefit plan. Employer and employee obligations to contribute are established by authority of the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended). Currently, each party to the program contributes a fixed percentage of employees' gross earnings. The Intermediate Unit's total current year payroll for all employees was \$8,799,978, current year covered payroll was \$8,526,095 and the contribution to the pension program for fiscal year totaled \$480,874. The State reimburses the Intermediate Unit for 50% of the retirement for Pennsylvania public school employees hired prior to July 1, 1994 and the Intermediate Unit's aid ratio (64.48%) times covered wages for Pennsylvania public school employees hired July 1, 1994 and after. The State reimbursement for the fiscal year was \$259,073.

### Personnel and Labor Relations

The IU employs 207 employees, 175 full-time and 32 part-time. Employees of the IU are organized under five different classifications, Administrative Confidential Compensation Plan (ADM), Act 93 Compensation Plan (Act 93), ARIN Education Association Collective Bargaining Agreement (AEA), ARIN Education Support Professionals Collective Bargaining Agreement (AESP), and ARIN Community Service Salary/Wage Agreement (ACS).

- ADM: Includes 4 administrative and 2 confidential members. Dr. Robert H. Coad, Jr., Ed. D., is the Executive Director (Ex. Dir.) for ARIN IU 28. The IU Board of Directors has a four-year contract with the Ex. Dir. and it ends on December 31, 2013. Dr. Coad has been Ex. Dir. since January 1, 1998 and has over 30 years of experience in the education field. The Special Education Director, Director of School and Community Services, Business Manager, Board / Ex. Secretary, and Business Secretary complete ADM staff. The ADM Plan covers 3 years and ends on June 30, 2011.
- Act 93: Consists of 12 full-time management positions with the Director of Technology at the upper level. Mid-level positions cover the Supervisor of Curriculum & Instruction and three Special Education Supervisors. The remaining staff provides management services in business, technology, transportation, adult education, and community services. Act 93 Compensation Plan spans three years and ends on June 30, 2011.
- AEA & AESP are organized for collective bargaining purposes in accordance with the Public Employee Relations Act (Act 195) under the Pennsylvania Public School Code. The Pennsylvania State Education Association, a subdivision of the National Education Association (PSEA-NEA), represents both AEA and AESP in collective bargaining.
  - AEA: Made up of 75 full-time (F-T) and 4 part-time (P-T) members. There are 15 psychologists (15 F-T) and 64 teachers (60 F-T, 4 P-T). The collective bargaining contract covers 5 years and ends June 30, 2013.
  - AEA-II: Made up of 6 full-time (F-T) and 5 part-time (P-T) members. There are 8 Adult education (3 F-T & 5 P - T) , 2 community education (2 F-T), and 1 driver education ( 1 F-T) staff. The collective bargaining contract covers 5 years and ends June 30, 2013.

- AESP: The IU has 58 F-T and 2 P-T positions. There are six different groups of workers; instructional assistants are the largest group (36 F-T & 2 P-T), secretary specialists (13 F-T), custodial/van drivers/print shop clerks (4 F-T), level I technology (1 F-T), and level II technology (4 F-T) staff. The collective bargaining contract covers 6 years and ends June 30, 2014.
- ACS: There are 12 F-T and 21 P-T employees in this group. Basic education support services are provided by this. The salary and wage agreement is approved annually by the IU Board of Directors.

## **IU General Operating Budget - Program of Services**

The General Operating Budget (GOB) was created under the Public School Code, section 914-A and establishes specific programs of service. In the review and approval process of the GOB, district superintendents must approve it before the IU board gives tentative approval. After IU board approval the GOB is sent to all board members from the eleven-districts to approve. Each board members vote is weighted based on the size and wealth of the district. A majority of the weighted vote is needed to approve the IU GOB. Once approved the IU GOB is sent to the PA Department of Education by May 1 of each year. The IU utilizes Program of Services in five major areas with component elements to enhance the services as outlined below:

- |  |  |
|--|--|
| <p><b>1. Administration Services</b></p> <p><b>2. Curriculum Development Services</b></p> <p>Recovery Coop.</p> <p>Academic Alliances</p> <p>Academic Standards/Regulations/Cur. Council</p> <p>Career Choices Software Coop.</p> <p>Continuing Professional Ed. Courses</p> <p>Excellence Foundation</p> <p>English-as-a-Second Language (ESL)</p> <p>Gifted Enhancement Programs</p> <p>Technology/Computers</p> <p>PA System of School Assessment</p> <p>Staff Development</p> <p>Districts</p> <p>Special Instruction</p> <p>Teleconference/Satellite/Distance Learning</p> <p>Summer School</p> <p><b>Education</b></p> <p><b>3. Instructional Materials Services (IMS)</b></p> <p>Superintendents</p> <p>Access PA</p> <p>Insurance Adm./Sup</p> <p>Audio-Visual/Computer Repair</p> | <p><b>3. IMS cont.</b></p> <p>Data Processing Disaster</p> <p>Data Processing/Technology</p> <p>E-Rate Assistance/Refund</p> <p>Internet Access</p> <p>Media Services</p> <p>PENN LINK</p> <p>School Cast</p> <p>Staff Training</p> <p>Teaching/Publishing Support</p> <p>Technology Support for</p> <p><b>4. Continuing Professional</b></p> <p>PASA Membership Dist.</p> <p>Professional Liability</p> <p><b>5. Non-Public Schools</b></p> |
|--|--|



The IU Comprehensive Budget for the 2010-11 school year totaled over \$28.0 million and lists ten component budgets. Just over 49% of the IU Comprehensive Budget falls under the Individual Program Budgets component. There are 58 programs categorized within four groups. The IU Board of Directors approves all program budgets except the GOB. Approval of the GOB requires a weighted majority vote from all eleven-district board members.

Table 4 summarizes the IU Comprehensive Budget components by expenses and revenues. June 30, 2011.

**Table 4**  
**2010-11 COMPREHENSIVE BUDGET**

**2010-11 expenditures by major component in the Comprehensive Budget:**

**Governmental Activities:**

1.	Special Education Program Budget	22.37%	\$ 6,281,078
2.	Individual Program Budgets	49.83%	13,982,187
3.	General Operating Budget	11.50%	3,227,910
4.	Transportation Budget	11.81%	3,315,795
5.	Debt Service Fund	2.00%	562,311
6.	Capital Projects Fund Budget	1.65%	464,160

**Business Type Activities:**

7.	Cooperative Service Budget	0.02%	6,800
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**Fiduciary Activities:**

8.	Unemployment Comp. Program Budget	0.06%	18,000
9.	Self Insurance Benefit Program Budget	0.71%	200,000
10.	Excellence Foundation	0.05%	13,675

	100.00%	\$28,071,916
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**Funds to operate ARIN's Comprehensive Budget are comprised of:**

1.	Federal Support	33.37%	\$ 9,370,838
2.	State Support	22.43%	6,296,038
3.	District Support	26.07%	7,316,953
4.	Other Support	18.13%	5,088,087

	100.00%	\$28,071,916
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Table 5 lists Individual Programs and budget amounts by major educational service area.  
June 30, 2011.

**Table 5  
INDIVIDUAL PROGRAMS**

Description	Amount	Description	Amount
<b>SPECIAL EDUCATION PROGRAMS</b>			
1. IDEA - B (Individuals w/Disability Act) Special Education Support Services	\$ 4,630,745	20. Homeless Program Education for Homeless Children	243,916
2. IDEA - B, Section 611 ARRA Special Education Support Services	1,727,324	21. Homeless Program ARRA Education for Homeless Children	52,943
3. Early Intervention Preschool Services	1,596,414	22. Title II Technology Education Development Training	5,455
4. Early Intervention, Section 611 ARRA Preschool Services	105,585	23. Eisenhower Math & Science Development Training	2,038
5. Section 619 Federal Preschool Program	146,377	24. Eisenhower Math & Science Development Training	3,821
6. Section 619 ARRA Federal Preschool Program	64,072	25. Child Development & Early Learning Community Engagement Program	52,693
7. ACCESS Program - School Age Federal Medical Assistance	8,100	26. Parent-Child Home Program Indiana County Program	111,674
8. ACCESS Program - Early Intervention Federal Medical Assistance	241,195	27. Parent-Child Home Program Armstrong County Program	113,378
		28. PPT – Local Match Rural Pregnant & Parenting Teen Program	38,200
<b>Subtotal Special Education Programs</b>	<b>\$ 8,519,812</b>	29. Local Family Center Match Indiana County	14,442
<b>BASIC EDUCATION/COMMUNITY SERVICES</b>			
9. Act 183 E-Fund Program WAN Grant	139,060	30. Local Parenting Match Education for Homeless Children	11,000
10. Act 183 E-Fund Program WAN Grant	139,000	31. Local Prevention Match District Drug & Alcohol Programs	18,000
11. Act 183 E-Fund Program WAN Grant II	74,770	32. Drug & Alcohol Commission - Armstrong District Tobacco Cessation Programs	12,425
12. Act 183 E-Fund Program WAN Grant II	128,600	33. Drug & Alcohol Commission - Indiana District Tobacco Cessation Programs	17,624
13. 21st Century Learning Center Program After School Program - Cohort 4	263,930	34. Drug & Alcohol Commission District Drug & Alcohol Programs	215,581
14. 21st Century Learning Center Program After School Program - Cohort 5	499,433	35. Indiana Regional Safe Driving Program Teen Driving Grant	5,300
15. Drug & Alcohol Consortium District Drug & Alcohol Programs	70,009	36. Early Head Start Program ARRA	17,977
16. Title 1 Improving Basic Programs	50,981	37. Early Head Start Program ARRA	68,141
17. Elect 1 Pregnant Teen Support	403,062	38. Human Service Development Fund Project TIPS Program	6,036
18. Tri-County Private Industry Council Summer Youth Grant	60,958		
19. PAIU Technology Integration Program Mentor Project	27,075	<b>Subtotal - Basic Ed./Community Serv.</b>	<b>\$2,867,522</b>

Table 5 lists Individual Programs and budget amounts by major educational service area.  
June 30, 2011.

**Table 5  
INDIVIDUAL PROGRAMS (CONT.)**

Description	Amount	Description	Amount
<b>ADULT EDUCATION</b>		<b>TRANSPORTATION SERVICES</b>	
39. Adult Education General Operating Budget	\$ 7,160	43. Driver's Education	\$ 44,428
40. Even Start Family Literacy Program	112,677	44. Drug & Alcohol Testing	14,336
41. Adult Education Literacy Grant Family Literacy Programs	89,178	45. Compliant Services	46,617
42. Adult Education Section 231 Grants ESL/Civics Grant	203,728	46. Alternative Education Transportation	418,732
		47. ACCESS Revenue - Transportation	151,046
		48. Medical Assistance Trans Mapping	1,506,951
<b>Subtotal Adult Education</b>	<b><u>\$ 412,743</u></b>	<b>Subtotal Transportation Services</b>	<b><u>\$ 2,182,110</u></b>
<b>GRAND TOTAL - INDIVIDUAL PROGRAMS</b>			<b><u><u>\$13,982,187</u></u></b>

## Contacting the IU's Financial Management

This MD&A is provided for our member school districts, taxpayers, parents, students, investors and creditors located within Armstrong and Indiana counties. It highlights the overall financial position and accountability of funds expended by the IU's Board of Directors and Administration to meet our needs. If you have questions about this report or need additional financial information, please contact Clifford A. Geary, Business Manager at ARIN IU 28, 2895 W Pike, Indiana, PA 15701, or call 724-463-5300.

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

**EXHIBIT A**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 445,011	\$ -	\$ 445,011
Investments	1,091,635	-	1,091,635
Internal Balances	1,700	(1,700)	-
Due From Other Governments	1,638,292	-	1,638,292
Other Accounts Receivable	1,248,599	1,700	1,250,299
Inventories	20,849	-	20,849
Prepaid Expenses/Expenditures	29,042	-	29,042
<b>Total Current Assets</b>	<b>\$ 4,475,128</b>	<b>\$ -</b>	<b>\$ 4,475,128</b>
<b>Noncurrent Assets:</b>			
Land	\$ 89,567	\$ -	\$ 89,567
Land Improvements (net)	183,521	-	183,521
Building (net)	957,270	-	957,270
Building Improvements (net)	444,569	-	444,569
Machinery & Equipment (net)	156,259	-	156,259
<b>Total Noncurrent Assets</b>	<b>\$ 1,831,186</b>	<b>\$ -</b>	<b>\$ 1,831,186</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,306,314</b>	<b>\$ -</b>	<b>\$ 6,306,314</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 909,794	\$ -	\$ 909,794
Accrued Salaries and Benefits	1,415,193	-	1,415,193
Payroll Deductions and Withholdings	54,814	-	54,814
Revenue Obligation Note - Current Portion	122,574	-	122,574
Accrued Interest Payable	1,949	-	1,949
Deferred Revenues	1,143,217	-	1,143,217
<b>Total Current Liabilities</b>	<b>\$ 3,647,541</b>	<b>\$ -</b>	<b>\$ 3,647,541</b>
<b>Noncurrent Liabilities:</b>			
Revenue Obligation Note - Non-Current Portion	\$ 1,158,920	-	1,158,920
Compensated Absences	948,476	-	948,476
Net OPEB Obligation	649,899	-	649,899
<b>Total Noncurrent Liabilities</b>	<b>\$ 2,757,295</b>	<b>\$ -</b>	<b>\$ 2,757,295</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 6,404,836</b>	<b>\$ -</b>	<b>\$ 6,404,836</b>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt	\$ 549,692	\$ -	\$ 549,692
Restricted for Capital Projects	26,422	-	26,422
Unrestricted (Deficit)	(674,636)	-	(674,636)
<b>TOTAL NET ASSETS (Deficit)</b>	<b>\$ (98,522)</b>	<b>\$ -</b>	<b>\$ (98,522)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,306,314</b>	<b>\$ -</b>	<b>\$ 6,306,314</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 8,430,116	\$ 230,843	\$ 4,162,085	\$ -	\$ (4,037,188)		\$ (4,037,188)
Instructional Student Support	4,027,617	197,849	2,347,521	-	(1,482,247)		(1,482,247)
Administrative and Financial Support Services	6,502,459	108,932	5,954,643	-	(438,884)		(438,884)
Operation and Maintenance of Plant Services	294,697	59,031	6,249	-	(229,417)		(229,417)
Pupil Transportation	3,824,140	22,312	3,230,573	-	(571,255)		(571,255)
Community Services	1,662,287	1,119,880	581,830	-	39,423		39,423
Interest on Long-Term Debt	37,510	-	-	-	(37,510)		(37,510)
<b>Total Governmental Activities</b>	<b>\$ 24,778,826</b>	<b>\$ 1,738,847</b>	<b>\$ 16,282,901</b>	<b>\$ -</b>	<b>\$ (6,757,078)</b>		<b>\$ (6,757,078)</b>
<b>Total Business-Type Activities</b>	<b>\$ 4,795</b>	<b>\$ 4,795</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Primary Government</b>	<b>\$ 24,783,621</b>	<b>\$ 1,743,642</b>	<b>\$ 16,282,901</b>	<b>\$ -</b>	<b>\$ (6,757,078)</b>	<b>\$ -</b>	<b>\$ (6,757,078)</b>
General Revenues:							
Intermediate Unit Operating Payments					\$ 105,871	\$ -	\$ 105,871
Receipts from Member Districts					6,169,968	-	6,169,968
Investment Earnings					18,701	-	18,701
Loss on Disposition of Assets					(38,227)	-	(38,227)
Fiduciary Fund Transfers					102,326	-	102,326
Miscellaneous					5,895	-	5,895
<b>Total General Revenues and Special Items</b>					<b>\$ 6,364,534</b>	<b>\$ -</b>	<b>\$ 6,364,534</b>
<b>Change in Net Assets</b>					<b>\$ (392,544)</b>	<b>\$ -</b>	<b>\$ (392,544)</b>
Net Assets — July 1, 2010					1,360,605	-	1,360,605
Prior Period Adjustment					(1,066,583)	-	(1,066,583)
<b>Net Assets — June 30, 2011</b>					<b>\$ (98,522)</b>	<b>\$ -</b>	<b>\$ (98,522)</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

**EXHIBIT C**

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUNDS</b>	<b>NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 309,098	\$ 106,851	\$ 29,062	\$ 445,011
Investments	837,574	252,951	1,110	1,091,635
Due From Other Funds	1,700	-	-	1,700
Due From Other Governments	1,593,522	44,770	-	1,638,292
Other Receivables	337,987	910,612	-	1,248,599
Inventories	20,849	-	-	20,849
Prepaid Expenses	27,791	1,251	-	29,042
<b>TOTAL ASSETS</b>	<b>\$ 3,128,521</b>	<b>\$ 1,316,435</b>	<b>\$ 30,172</b>	<b>\$ 4,475,128</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 675,208	\$ 230,836	\$ 3,750	\$ 909,794
Accrued Salaries and Benefits	549,575	865,618	-	1,415,193
Payroll Deductions and Withholdings	54,814	-	-	54,814
Deferred Revenues	876,830	266,387	-	1,143,217
<b>TOTAL LIABILITIES</b>	<b>\$ 2,156,427</b>	<b>\$ 1,362,841</b>	<b>\$ 3,750</b>	<b>\$ 3,523,018</b>
 <b>FUND BALANCES:</b>				
Nonspendable:				
General Fund	\$ 48,640	\$ -	\$ -	\$ 48,640
Assigned:				
Capital Project Fund	-	-	26,422	26,422
Unassigned (Deficit)	923,454	(46,406)	-	877,048
<b>TOTAL FUND BALANCES (Deficit)</b>	<b>\$ 972,094</b>	<b>\$ (46,406)</b>	<b>\$ 26,422</b>	<b>\$ 952,110</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 3,128,521</b>	 <b>\$ 1,316,435</b>	 <b>\$ 30,172</b>	 <b>\$ 4,475,128</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

**Total Fund Balances - Governmental Funds** **\$ 952,110**

Amounts reported for governmental activities in the statement of net assets 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 \$5,082,235, and the accumulated depreciation is \$3,251,049. 1,831,186

Long term liabilities, including notes payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Revenue Note Obligation	\$	1,281,494	
Accrued Interest Payable		1,949	
Accrued Compensated Absences		948,476	
Net OPEB Obligation		649,899	(2,881,818)

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ (98,522)**

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUNDS</b>	<b>NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>				
Local Sources	\$ 3,941,685	\$ 4,723,540	\$ 8,014	\$ 8,673,239
State Sources	1,193,364	5,763,780	-	6,957,144
Federal Sources	8,691,799	-	-	8,691,799
<b>Total Revenue</b>	<b>\$ 13,826,848</b>	<b>\$ 10,487,320</b>	<b>\$ 8,014</b>	<b>\$ 24,322,182</b>
<b>EXPENDITURES</b>				
Instruction	\$ 2,862,315	\$ 5,102,617	\$ -	\$ 7,964,932
Support Services	9,723,509	5,001,515	132,385	14,857,409
Noninstructional Services	1,665,938	-	-	1,665,938
Capital Outlay	-	-	314,307	314,307
Debt Service	-	-	167,311	167,311
<b>Total Expenditures</b>	<b>\$ 14,251,762</b>	<b>\$ 10,104,132</b>	<b>\$ 614,003</b>	<b>\$ 24,969,897</b>
<b>Excess ( Deficiency) of Revenue over Expenditures</b>	<b>\$ (424,914)</b>	<b>\$ 383,188</b>	<b>\$ (605,989)</b>	<b>\$ (647,715)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ 597,289	46,548	\$ 167,311	\$ 811,148
Operating Transfers Out	(167,311)	(541,511)	-	(708,822)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 429,978</b>	<b>\$ (494,963)</b>	<b>\$ 167,311</b>	<b>\$ 102,326</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 5,064</b>	<b>\$ (111,775)</b>	<b>\$ (438,678)</b>	<b>\$ (545,389)</b>
FUND BALANCE - JULY 1, 2010	967,030	65,369	465,100	1,497,499
<b>FUND BALANCE - JUNE 30, 2011 (Deficit)</b>	<b>\$ 972,094</b>	<b>\$ (46,406)</b>	<b>\$ 26,422</b>	<b>\$ 952,110</b>

The accompanying notes are an integral part of these financial statements



**ARIN INTERMEDIATE UNIT**  
**RECONCILIATION OF THE GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (545,389)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$526,706) exceeded depreciation expense (\$230,655) during the fiscal year. 296,051

Repayment of revenue note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 118,506

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 11,295

In the governmental funds, proceeds from the sale of fixed assets are reported as revenues. In the government-wide financial statements, these proceeds are shown net of the net book value of the assets sold. This amount represents the excess of the net book value over the sale proceeds (38,227)

In the statement of activities, certain operating expenses - compensated absences and net OPEB obligations - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This amount represents these benefits earned in excess of the amount paid. (234,780)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ (392,544)**

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 4,339,667	\$ 3,948,532	\$ 3,941,685	\$ (6,847)
State Sources	1,222,032	1,261,880	1,193,364	(68,516)
Federal Sources	6,867,933	8,653,826	8,691,799	37,973
<b>Total Revenues</b>	<b>\$ 12,429,632</b>	<b>\$ 13,864,238</b>	<b>\$ 13,826,848</b>	<b>\$ (37,390)</b>
<b>EXPENDITURES</b>				
Special Programs	\$ 1,433,715	\$ 1,400,852	\$ 1,400,853	\$ (1)
Vocational Education Programs	56,415	57,958	57,958	-
Other Instructional Programs	441,873	472,091	470,483	1,608
NonPublic Schools	505,842	559,017	557,098	1,919
Adult Education Programs	541,844	377,376	375,923	1,453
Pupil Personnel Services	1,754,605	1,820,568	1,820,403	165
Instructional Staff Services	1,210,076	1,254,361	1,199,921	54,440
Administrative Services	321,885	326,480	306,335	20,145
Pupil Health	37,519	49,122	49,122	-
Business Services	731,630	753,585	734,925	18,660
Operation & Maintenance of Plant Services	287,397	376,231	365,277	10,954
Student Transportation	254,422	782,805	782,142	663
Central Services	498,317	643,564	628,667	14,897
Other Support Services	2,146,276	3,836,827	3,836,717	110
Community Services	2,810,856	1,668,042	1,665,938	2,104
Refund of Prior Year Receipts	750	-	-	-
<b>Total Expenditures</b>	<b>\$ 13,033,422</b>	<b>\$ 14,378,879</b>	<b>\$ 14,251,762</b>	<b>\$ 127,117</b>
<b>Excess ( Deficiency) of Revenues over Expenditures</b>	<b>\$ (603,790)</b>	<b>\$ (514,641)</b>	<b>\$ (424,914)</b>	<b>\$ 89,727</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ 607,512	\$ 601,947	\$ 597,289	\$ (4,658)
Operating Transfers <Out>	(158,340)	(167,311)	(167,311)	-
Intrafund Transfers In	318,820	-	-	-
Intrafund Transfers <Out>	(216,866)	-	-	-
Budgetary Reserve	(10,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 541,126</b>	<b>\$ 434,636</b>	<b>\$ 429,978</b>	<b>\$ (4,658)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (62,664)</b>	<b>\$ (80,005)</b>	<b>\$ 5,064</b>	<b>\$ 85,069</b>
FUND BALANCE - JULY 1, 2010	967,030	967,030	967,030	-
<b>FUND BALANCE - JUNE 30, 2011</b>	<b>\$ 904,366</b>	<b>\$ 887,025</b>	<b>\$ 972,094</b>	<b>\$ 85,069</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS - SPECIAL EDUCATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 4,985,593	\$ 4,873,178	\$ 4,672,465	\$ (200,713)
State Sources	1,295,485	1,247,373	1,265,232	17,859
<b>Total Revenues</b>	<b>\$ 6,281,078</b>	<b>\$ 6,120,551</b>	<b>\$ 5,937,697</b>	<b>\$ (182,854)</b>
<b>EXPENDITURES</b>				
Special Programs	\$ 4,411,044	\$ 4,310,584	\$ 4,146,683	\$ 163,901
Pupil Personnel Services	338,668	320,143	316,188	3,955
Administrative Services	1,017,317	971,962	988,342	(16,380)
Pupil Health	181,600	219,825	202,704	17,121
<b>Total Expenditures</b>	<b>\$ 5,948,629</b>	<b>\$ 5,822,514</b>	<b>\$ 5,653,917</b>	<b>\$ 168,597</b>
<b>Excess ( Deficiency) of Revenues over Expenditures</b>	<b>\$ 332,449</b>	<b>\$ 298,037</b>	<b>\$ 283,780</b>	<b>\$ (14,257)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ -	\$ 24,575	\$ 32,723	\$ 8,148
Operating Transfers <Out>	(332,449)	(322,612)	(316,503)	6,109
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (332,449)</b>	<b>\$ (298,037)</b>	<b>\$ (283,780)</b>	<b>\$ 14,257</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FUND BALANCE - JULY 1, 2010	-	-	-	-
<b>FUND BALANCE - JUNE 30, 2011</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS - TRANSPORTATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 5,490	\$ 3,300	\$ 3,457	\$ 157
State Sources	3,310,304	3,107,159	3,043,021	(64,138)
<b>Total Revenues</b>	<b>\$ 3,315,794</b>	<b>\$ 3,110,459</b>	<b>\$ 3,046,478</b>	<b>\$ (63,981)</b>
<b>EXPENDITURES</b>				
Student Transportation Services	\$ 3,183,759	\$ 2,989,207	\$ 3,035,570	\$ (46,363)
<b>Total Expenditures</b>	<b>\$ 3,183,759</b>	<b>\$ 2,989,207</b>	<b>\$ 3,035,570</b>	<b>\$ (46,363)</b>
<b>Excess ( Deficiency) of Revenues over Expenditures</b>	<b>\$ 132,035</b>	<b>\$ 121,252</b>	<b>\$ 10,908</b>	<b>\$ (110,344)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers <Out>	\$ (127,035)	\$ (121,252)	\$ (122,682)	\$ (1,430)
Budgetary Reserve	(5,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (132,035)</b>	<b>\$ (121,252)</b>	<b>\$ (122,682)</b>	<b>\$ (1,430)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (111,774)</b>	<b>\$ (111,774)</b>
FUND BALANCE - JULY 1, 2010	(78,231)	(78,231)	65,369	143,600
<b>FUND BALANCE - JUNE 30, 2011</b>	<b>\$ (78,231)</b>	<b>\$ (78,231)</b>	<b>\$ (46,405)</b>	<b>\$ 31,826</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS - EARLY INTERVENTION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 33,220	\$ 42,583	\$ 47,619	\$ 5,036
State Sources	1,452,894	1,441,808	1,455,527	13,719
Federal Sources	110,300	-	-	-
<b>Total Revenues</b>	<b>\$ 1,596,414</b>	<b>\$ 1,484,391</b>	<b>\$ 1,503,146</b>	<b>\$ 18,755</b>
<b>EXPENDITURES</b>				
Special Programs	\$ 988,968	\$ 933,882	\$ 955,934	\$ (22,052)
Pupil Personnel Services	359,877	363,163	358,807	4,356
Pupil Health	143,743	83,687	98,391	(14,704)
Business Services	1,500	1,333	1,513	(180)
<b>Total Expenditures</b>	<b>\$ 1,494,088</b>	<b>\$ 1,382,065</b>	<b>\$ 1,414,645</b>	<b>\$ (32,580)</b>
<b>Excess ( Deficiency) of Revenues over Expenditures</b>	<b>\$ 102,326</b>	<b>\$ 102,326</b>	<b>\$ 88,501</b>	<b>\$ (13,825)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ -	\$ -	\$ 13,825	\$ 13,825
Operating Transfers <Out>	(102,326)	(102,326)	(102,326)	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (102,326)</b>	<b>\$ (102,326)</b>	<b>\$ (88,501)</b>	<b>\$ 13,825</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FUND BALANCE - JULY 1, 2010	-	-	-	-
<b>FUND BALANCE - JUNE 30, 2011</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2011**

	<u>INTERNAL SERVICE FUND</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Other Accounts Receivable	\$ 1,700
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 1,700</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,700</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Due to Other Funds	\$ 1,700
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$ 1,700</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,700</u>
<b>NET ASSETS</b>	
Unrestricted	\$ -
<b>TOTAL NET ASSETS</b>	<u>\$ -</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,700</u></u>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>INTERNAL SERVICE FUND</b>
<b><u>OPERATING REVENUES</u></b>	
Charges for Services	\$ 4,795
<b>Total Operating Revenues</b>	<b>\$ 4,795</b>
<b><u>OPERATING EXPENSES</u></b>	
Purchased Professional and Technical Services	\$ 4,368
Other Purchased Services	379
Other Objects	48
<b>Total Operating Expenses</b>	<b>\$ 4,795</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ -</b>
NET ASSETS - JULY 1, 2010	-
<b>NET ASSETS - JUNE 30, 2011</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b><u>INTERNAL SERVICE FUND</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Cash Received from Users	\$ 4,795
Cash Payments to Suppliers for Goods and Services	(4,747)
Cash Payments for Other Operating Expenses	(48)
<b>Net Cash Provided By Operating Activities</b>	<b><u>\$ -</u></b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>\$ -</b>
CASH AND CASH EQUIVALENTS - JULY 1, 2010	<u>-</u>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2011</b>	<b><u><u>\$ -</u></u></b>
 <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b>	
Operating Income (Loss)	\$ -
 <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES:</b>	
(Increase) Decrease in Other Accounts Receivable	(1,070)
Increase (Decrease) in Due to Other Funds	1,070
<b>Total Adjustments</b>	<b><u>\$ -</u></b>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <b><u><u>\$ -</u></u></b>

The accompanying notes are an integral part of these financial statements



**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

**EXHIBIT N**

	-- PRIVATE PURPOSE TRUST FUNDS --		----- PENSION TRUST FUNDS -----		
	SELF-INSURED BENEFITS FUND	EXCELLENCE FOUNDATION	UNEMPLOYMENT COMPENSATION FUND	OTHER POST-EMPLOYMENT BENEFIT FUND	TOTAL FIDUCIARY FUNDS
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 256,129	\$ 15,261	\$ 487,680	\$ 1,168,709	\$ 1,927,779
Investments	219,000	-	93	56	219,149
Other Receivables	-	825	-	-	825
Prepaid Expenses	1,037	-	-	-	1,037
<b>TOTAL ASSETS</b>	<b>\$ 476,166</b>	<b>\$ 16,086</b>	<b>\$ 487,773</b>	<b>\$ 1,168,765</b>	<b>\$ 2,148,790</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Accounts Payable	\$ 9,586	\$ 207	\$ 10,930	\$ -	\$ 20,723
<b>TOTAL LIABILITIES</b>	<b>\$ 9,586</b>	<b>\$ 207</b>	<b>\$ 10,930</b>	<b>\$ -</b>	<b>\$ 20,723</b>
<b>NET ASSETS:</b>					
Unrestricted	\$ 466,580	\$ 15,879	\$ 476,843	\$ 1,168,765	\$ 2,128,067
<b>TOTAL NET ASSETS</b>	<b>\$ 466,580</b>	<b>\$ 15,879</b>	<b>\$ 476,843</b>	<b>\$ 1,168,765</b>	<b>\$ 2,128,067</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 476,166</b>	<b>\$ 16,086</b>	<b>\$ 487,773</b>	<b>\$ 1,168,765</b>	<b>\$ 2,148,790</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	-- PRIVATE PURPOSE TRUST FUNDS --		----- PENSION TRUST FUNDS -----		TOTAL FIDUCIARY FUNDS
	SELF-INSURED BENEFITS FUND	EXCELLENCE FOUNDATION	UNEMPLOYMENT COMPENSATION FUND	OTHER POST-EMPLOYMENT BENEFIT FUND	
<b>ADDITIONS:</b>					
Gifts and Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Other Additions	169,601	48	2,354	347,849	519,852
<b>Total Additions</b>	<b>\$ 169,601</b>	<b>\$ 48</b>	<b>\$ 2,354</b>	<b>\$ 347,849</b>	<b>\$ 519,852</b>
<b>DEDUCTIONS:</b>					
Interfund Transfers Out	\$ 16,864	\$ -	\$ 1,815	\$ 83,647	\$ 102,326
Other Deductions	148,932	2,122	22,999	162,020	336,073
<b>Total Deductions</b>	<b>\$ 165,796</b>	<b>\$ 2,122</b>	<b>\$ 24,814</b>	<b>\$ 245,667</b>	<b>\$ 438,399</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 3,805</b>	<b>\$ (2,074)</b>	<b>\$ (22,460)</b>	<b>\$ 102,182</b>	<b>\$ 81,453</b>
FUND BALANCE - JULY 1, 2010	462,775	17,953	499,303	1,066,583	2,046,614
<b>FUND BALANCE - JUNE 30, 2011</b>	<b>\$ 466,580</b>	<b>\$ 15,879</b>	<b>\$ 476,843</b>	<b>\$ 1,168,765</b>	<b>\$ 2,128,067</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 – DESCRIPTION OF THE INTERMEDIATE UNIT AND REPORTING ENTITY**

**DESCRIPTION**

The ARIN Intermediate Unit 28 (Intermediate Unit) was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for eleven school districts in Armstrong and Indiana Counties. The Intermediate Unit provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The principal programs provided by the Intermediate Unit are special education, adult education and nonpublic school services. The ARIN Intermediate Unit 28 is governed by a Board of Directors appointed by the participating school districts on a rotating basis.

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the ARIN Intermediate Unit 28 consists of all funds, departments, boards and agencies that are not legally separate from the Intermediate Unit. For the ARIN Intermediate Unit 28, this includes general administrative operations and grantee responsibilities for a variety of state and federal grants which benefit the educational system of the Intermediate Unit and its member school districts.

Component units are legally separate organizations for which the Intermediate Unit is financially accountable. Component units may also include organizations that are fiscally dependent on the Intermediate Unit in that the Intermediate Unit approves their budget, the issuance of their debt or the levying of their taxes. The management of the ARIN Intermediate Unit 28 applies the criteria set forth in the 'Codification of Governmental Accounting and Financial Reporting Standards' for defining the scope of its reporting entity. Based on the application of these criteria, the ARIN Intermediate Unit 28 has no component units.

The following entities that perform activities within the Intermediate Unit's boundaries for the benefit of the Intermediate Unit are excluded from the accompanying financial statements because the Intermediate Unit is not financially accountable for these entities nor are they fiscally dependent on the Intermediate Unit:

- Armstrong-Indiana Insurance Trust (public entity risk pool - Note 13)
- Member School Districts

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the ARIN Intermediate Unit 28 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Intermediate Unit also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the Intermediate Unit's accounting policies are as follows:

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net assets (Exhibit A) and the statement of activities (Exhibit B) display information about the Intermediate Unit as a whole. These statements include the financial activities of the primary government, except for fiduciary funds which are not applicable to Intermediate Unit. 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. That 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 a reconciliation (Exhibit D and F) 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 (Exhibit B) presents a comparison between direct expenses and program revenues for the Intermediate Unit's business-type activities (Cooperative Purchasing Fund) and for each function of the Intermediate Unit's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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, subsidies 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. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the Intermediate Unit.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the Intermediate Unit. Under GASB Statement No. 34, the focus of the fund financial statements is on major funds rather than reporting funds by type. Major funds represent the Intermediate Unit's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For Pennsylvania Intermediate Units, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column. Fiduciary funds are reported by fund type.

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

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Intermediate Unit finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The ARIN Intermediate Unit 28 uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Intermediate Unit functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Intermediate Unit funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Intermediate Unit's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The general fund is used to account for all financial resources not required to be accounted for in some other fund. The general fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**SPECIAL EDUCATION FUND (SPECIAL REVENUE FUND)** - The special education fund is used to account for grant funding from the Department of Education to be used solely for special education related activities.

**SPECIAL EDUCATION TRANSPORTATION FUND (SPECIAL REVENUE FUND)** - The special education transportation fund is used to account for grant funding from the Department of Education to be used solely for special education transportation related activities.

**EARLY INTERVENTION FUND (SPECIAL REVENUE FUND)** - The early intervention fund is used to account for grant funding from the Department of Education to be used solely for early intervention related activities.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NON-MAJOR GOVERNMENTAL FUND:**

**CAPITAL PROJECT FUND** - The capital project fund accounts for resources used to finance certain capital improvement projects deemed necessary by management and the Board of Directors. Funding was received through the issuance of the Educational Facility Revenue Note, Series of 2010.

**DEBT SERVICE FUND** - The debt service fund is used to receive transfers from the General Fund for the payment of principal and interest on the Intermediate Unit's Educational Facility Revenue Note obligation.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the Intermediate Unit (internal service fund). The Intermediate Unit maintains an Internal Service Fund – Cooperative Purchasing Fund - to account for the financing of goods and services provided to other funds and other local educational associations.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Intermediate Unit under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Intermediate Unit's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The Intermediate Unit has two Private Purpose Trust Funds and two Pension Trust Funds as follows:

**SELF-INSURED BENEFITS FUND (Private Purpose Trust Fund)** – Accounts for vision and dental contributions assessed to other funds for the purpose of paying vision and dental claims of Intermediate Unit employees.

**EXCELLENCE FOUNDATION (Private Purpose Trust Fund)** – Accounts for fund raising proceeds intended for activities designed to motivate students to excellence in education.

**UNEMPLOYMENT COMPENSATION FUND (Pension Trust Fund)** - Accounts for unemployment compensation contributions assessed to other funds for the purpose of paying benefits for former employees who are drawing unemployment.

**OTHER POST-EMPLOYMENT BENEFIT (OPEB) FUND (Pension Trust Fund)** - Accounts for other post-employment benefits contributions assessed to other funds for the purpose of paying healthcare (health, life, dental/vision) and sick day benefits for Intermediate Unit retirees per the terms of the various collective bargaining agreements.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Intermediate Unit, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the Intermediate Unit receives value without directly giving equal value in return, includes grants and contributions. On an accrual basis, revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the ARIN Intermediate Unit 28 has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2011 under the modified accrual basis are **1)** available federal and state subsidies, that have been earned by the Intermediate Unit through approved program expenditures as of June 30, 2011 and **2)** billings to participating school districts for services performed during the 2010-2011 fiscal year.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated property used during the year, if any, is reported in the operating statement as an expense with a like amount reported as part of federal source revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2011 under the modified accrual basis are **1)** salaries, retirement, and social security budgeted and pertaining to the 2010-2011 fiscal year, but which were paid in July and August of 2011 in accordance with labor agreements **2)** the Intermediate Unit's share of retirement cost on salaries and wages earned during the second quarter of 2011 and **3)** other operating and grant related costs obligated prior to June 30, 2011.

Costs, such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETS**

The Board of Directors of the ARIN Intermediate Unit 28 adopted the fiscal year June 30, 2011 annual budget for the general fund totaling \$3,237,654 in accordance with the provisions of the Pennsylvania Public School Code. The budget was ratified by a majority of the participating school districts during the period of February through April of 2010 and forwarded to the Pennsylvania Department of Education on April 20, 2010. The Board of Directors also approved budgets for the Intermediate Unit's special revenue funds (special education, transportation, and early intervention) totaling \$11,193,286. The budgets are prepared utilizing the modified accrual method of accounting in accordance with generally accepted accounting principles. Budgetary transfers among various expenditure line items are performed as needed by the Intermediate Unit and approved by the Board of Directors in compliance with the Public School Code. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibits G-J). Although not legally mandated, budgets are also adopted by the Board of Directors for all other miscellaneous funds of the Intermediate Unit, with the exception of the internal service fund. All annual appropriations of the general fund lapse at fiscal year end.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Investments include deposits pooled for investment purposes with the Pennsylvania School District Liquid Asset Fund (PSDLAF), and the Pennsylvania Local Government Investment Trust (PLGIT). Investments are stated at fair value. The Public School Code Section 440.1 authorizes the Intermediate Unit to invest in:

- I. Obligations of the U.S. Treasury.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- III. Obligations of the United State of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of the governmental units.
- IV. Shares of an investment company, registered under the Investment Company Act of 1940, and registered under the Securities Act of 1933. The Intermediate Unit's investments with PSDLAF and PLGIT fall into this classification.



**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental and proprietary fund balance sheets. For the purposes of the government-wide statement of net assets, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of activities.

**INVENTORIES**

Inventory of the general fund (Exhibit A and C) consists of expendable supplies held for consumption and is recorded as an expenditure of the general fund at the time individual items are purchased. Inventory is valued at cost using the first-in/first-out method of accounting.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The Intermediate Unit maintains a capitalization threshold of \$1,500. The cost of infrastructure is included as part of site improvements in the government-wide statement of net assets. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

All reported capital assets, except land, are depreciated using the straight-line method over the following useful lives:

<b><u>CATEGORY</u></b>	<b><u>GOVERNMENTAL ACTIVITIES</u></b>
Land Improvements	15 Years
Buildings	50 Years
Building Improvements	20 Years
Machinery and Equipment	3-30 Years

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net assets and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net assets (Exhibit D) and the changes in fund balances to the changes in net assets (Exhibit F).

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**COMPENSATED ABSENCES**

The ARIN Intermediate Unit 28 reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Sick leave benefits are accrued as follows:

- ARIN Education Association – An employee retiring through PSERS shall receive a retirement severance benefit for all unused sick leave days in the amount of \$70 per day not to exceed a maximum of \$10,000.
- ARIN Adult Education Program Instructors, Parent-Child Home Program Instructors, and Drivers Education Consortium Instructors – An employee retiring through PSERS shall receive a retirement severance benefit for all unused sick leave days in the amount of \$50 per day not to exceed a maximum of \$5,000.
- ARIN Intermediate Unit 28 Education Support Professionals – An employee retiring through PSERS shall receive a retirement severance benefit for all unused sick leave days in the amount of \$35 per day to a maximum of \$3,570 (200 work days or less/year) and a maximum of \$4,340 (over 200 work days/year).
- ARIN Intermediate Unit 28 Act 93 Staff – An employee retiring through PSERS shall receive a retirement severance benefit for all unused sick leave days in the amount of \$93 per day not to exceed a maximum of \$13,050.
- ARIN Intermediate Unit 28 Administrative Staff – An employee retiring through PSERS shall receive a retirement severance benefit for all unused sick leave days in the amount of \$130 per day not to exceed a maximum of \$20,000.

Management has established a funding formula based on employee age to cover sick day reimbursement. When employees turn 45 years of age and have 5 years of service in PSERS, 10% funding is established for each year until 100% funded by age 56. The amount transferred to the OPEB Fund for the 2010-2011 year for these benefits was \$54,207. Transfers from the OPEB Fund to cover General and Special Revenue Fund sick day payment obligations totaled \$83,647 for the 2010-2011 year.

In addition, in accordance with the terms of the Intermediate Unit's various collective bargaining agreements and other contractual agreements, the Intermediate Unit is responsible for the payment of:

- Unused vacation and personal days calculated based on each individual's current daily rate plus applicable payroll taxes. Teachers do not receive paid vacations but are paid only for the number of days they are required to work each year.
- Leaves of absence in accordance with the Pennsylvania Public School Code and as specified in the various contractual agreements between the Intermediate Unit and their eligible employees.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**COMPENSATED ABSENCES (Continued)**

The entire compensated absences liability of \$948,476 is shown as a non-current liability in the government-wide statement of net assets. This liability is comprised of the following as of June 30, 2011:

Personal Days	\$ 138,825
Vacation Pay	188,443
Sick Leave	473,410
Sabbatical Leave	<u>147,797</u>
	<u>\$ 948,476</u>

For governmental fund financial statements, compensated absences are recorded as an expenditure when paid, rather than accrued when earned, as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all similar obligations of the proprietary fund, if any, are reported again on the proprietary fund financial statement.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences, retiree health benefits and retiree incentive payments that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable and available financial resources. In general, liabilities that mature or come due for payment within 60 days of the end of the fiscal year-end, are considered to be paid with current available financial resources. Notes and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The Intermediate Unit Debt Service Fund and OPEB Fund are typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net assets and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net assets (Exhibit D) and the changes in fund balances to the changes in net assets (Exhibit F).

**NET ASSETS**

GASB Statement No. 34 requires equity in the government-wide statement of net assets to be reported as 'Net Assets' rather than 'fund balance'. Net assets are classified into four categories according to external donor or legal restrictions or availability of assets to satisfy Intermediate Unit obligations. Net assets are classified as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET ASSETS (Continued)**

- Restricted-Nonexpendable – Net assets subject to externally imposed restrictions which are required to be maintained in perpetuity.
- Restricted-Expendable – Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Intermediate Unit or by the passage of time.
- Unrestricted – Consists of net assets that do not meet the definition of ‘restricted’ or ‘invested in capital assets, net of related debt’.

The Intermediate Unit applies restricted resources first, when available, before using unrestricted resources, to pay expenditures that can be paid from either source.

**FUND EQUITY**

Beginning with fiscal year 2010-2011, the Intermediate Unit implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory and prepaid expenses) or are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance – amounts constrained to specific purposes by the Intermediate Unit itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Intermediate Unit takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Intermediate Unit intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned fund balance – amounts that are available for any purpose

The Intermediate Unit establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Directors has authority to assign fund balance.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Intermediate Unit’s general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Intermediate Unit's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the ARIN Intermediate Unit 28, these revenues are charges by the internal service fund (Cooperative Purchasing Fund) to the various Intermediate Unit programs and other local educational associations for their share of the costs incurred for participation in the joint purchasing program. Operating expenses represent the cost of these benefits. The Intermediate Unit internal service fund did not have non-operating revenues or expenses during the fiscal year.

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

The ARIN Intermediate Unit 28 had the following bank deposit balances and carrying values on its cash and cash equivalents at June 30, 2011:

	<b><u>BANK BALANCE</u></b>	<b><u>CARRYING VALUE</u></b>
Governmental Funds and Fiduciary Funds	\$ 6,109,393	\$ 2,372,690
Petty Cash	-	100
	<b><u>\$ 6,109,393</u></b>	<b><u>\$ 2,372,790</u></b>

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks, and petty cash. All funds in a 'noninterest-bearing transaction account' are insured in full by the Federal Deposit Insurance Corporation (FDIC) from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the ARIN Intermediate Unit 28's deposits may not be returned to it. The Intermediate Unit's investment policy complies with Section 440.1 of the Public School Code of 1949 with the primary objective of investing funds being safety of principle and liquidity to meet operating needs, and maximizing yield. As of June 30, 2011, \$5,857,038 of the Intermediate Unit's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Intermediate Unit's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS:**

The fair value and maturity term of ARIN Intermediate Unit 28's investments as of June 30, 2011 is as follows:

	<b>Fair Value</b>	<b>No Stated Maturity</b>	<b>0-1 Year</b>
PSDLAF	\$ 1,308,822	\$ 818,822	\$ 490,000
PLGIT	1,962	1,962	-
	<b>\$ 1,310,784</b>	<b>\$ 820,784</b>	<b>\$ 490,000</b>

The above investments with PSDLAF include two (2) certificates of deposit totaling \$490,000 which are fully insured through the Federal Deposit Insurance Corporation (FDIC). The purpose of the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) are to enable governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code, as amended. The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net assets to compute share prices. The funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

**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 investments or collateral security that are in the possession of an outside party. PLGIT and PSDLAF have the characteristics of open-end mutual funds and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. These funds are rated AAA by Moody's Investor Services.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Intermediate Unit's investment policy requires certificates of deposit not to exceed FDIC coverage and certificates of deposit in investment pools such as PSDLAF to have a minimum coverage of 102% of the market value of the applicable collateral for these securities.

**Interest Rate Risk:**

The Intermediate Unit does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Intermediate Unit's certificates of deposit investments through PSDLAF have maturity terms of less than one year.

**Concentration of Credit Risk:**

The Intermediate Unit places no limit on the amount it may invest in any one issuer.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 4 – INTER-FUND RECEIVABLES/PAYABLES**

Inter-fund receivables and payables as reflected on the governmental funds (Exhibit C) and proprietary fund (Exhibit K) balance sheets are as follows:

	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General Fund	\$ 1,700	\$ -
Internal Service Fund	-	1,700
	<u>\$ 1,700</u>	<u>\$ 1,700</u>

Inter-fund receivables and payables represent costs incurred by the Cooperative Purchasing Fund in connection with the joint purchasing program paid in advance by the General Fund. During the 2010-2011 fiscal year, the Intermediate Unit had the following fund transfers:

	<u>TRANSFER IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 597,289	\$ 167,311
Special Revenue Funds	46,548	541,511
Debt Service Fund	167,311	-
Fiduciary Funds	-	102,326
	<u>\$ 811,148</u>	<u>\$ 811,148</u>

The General Fund transferred \$167,311 for debt service obligations on its Educational Facilities Revenue Note to the Debt Service Fund. Payments totaling \$102,326 were transferred out of the Fiduciary Funds to the General and Special Revenue Funds for payment of employee benefits and unemployment compensation claim reimbursement. Special Revenue Funds transferred \$541,511 to the General Fund as reimbursement for administrative and other indirect operating costs. Governmental type 'inter-fund' obligations and transfers have been eliminated in the government-wide statement of net assets.

**NOTE 5 – DUE FROM OTHER GOVERNMENTS**

Intergovernmental receivables totaling \$1,638,292, as reflected in Exhibit A, represents state and federal grant/subsidy funds due the ARIN Intermediate Unit 28 from the Pennsylvania Department of Education.

**NOTE 6 – OTHER ACCOUNTS RECEIVABLE**

Other accounts receivable totaling \$1,250,299, as reflected in Exhibit A, represents billings due from member school districts and other local agencies for services provided. Receivables due the Intermediate Unit are recorded at net realizable value.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 7 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2010-2011 fiscal year was as follows:

	<b>Balance 7/1/2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/2011</b>
<b>Governmental Activities</b>				
Land	\$ 89,567	\$ -	\$ -	\$ 89,567
Land Improvements	314,096	7,120	-	321,216
Buildings	2,086,018	-	-	2,086,018
Building Improvements	152,839	330,641	-	483,480
Machinery and Equipment	2,013,826	188,945	100,817	2,101,954
	<u>\$ 4,656,346</u>	<u>\$ 526,706</u>	<u>\$ 100,817</u>	<u>\$ 5,082,235</u>
<b>Less: Accumulated depreciation</b>				
Land Improvements	\$ (121,954)	\$ (15,741)	-	\$ (137,695)
Buildings	(1,076,248)	(52,500)	-	(1,128,748)
Building Improvements	(32,728)	(6,183)	-	(38,911)
Machinery and Equipment	(1,852,054)	(156,231)	(62,590)	(1,945,695)
	<u>\$ (3,082,984)</u>	<u>\$ (230,655)</u>	<u>\$ (62,590)</u>	<u>\$ (3,251,049)</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 1,573,362</u></b>	<b><u>\$ 296,051</u></b>	<b><u>\$ 38,227</u></b>	<b><u>\$ 1,831,186</u></b>

Depreciation expense is allocated to the 'Instruction' Expense category on the statement of activities (Exhibit B).

**NOTE 8 - LONG-TERM LIABILITIES**

**EDUCATIONAL FACILITY REVENUE NOTE – SERIES OF 2010**

In May of 2010, the Intermediate Unit issued an Educational Facility Revenue Note – Series of 2010 to PNC Bank in the amount of \$1,400,000 for the purpose of 1) refunding its then existing Educational Facility Revenue Refunding Bonds - Series of 2002 and 2) providing funds for the costs of the acquisition, design, construction, furnishing, renovations, and other improvements, including site improvements to the Intermediate Unit's primary office building. The terms of the note call for monthly payments of principal and interest totaling \$13,942.61 for a period of ten years at an interest rate of 3.65%. The note is scheduled to mature in June of 2020.



**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 8 - LONG-TERM LIABILITIES (Continued)**

A summary of the Intermediate Unit's remaining obligation on its Educational Facility Revenue Note at June 30, 2011 is as follows:

<b>Year End June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 122,574	\$ 44,737	\$ 167,311
2013	127,123	40,188	167,311
2014	131,842	35,469	167,311
2015	136,735	30,576	167,311
2016	141,811	25,500	167,311
2017-2020	621,409	47,835	669,244
	<b><u>\$ 1,281,494</u></b>	<b><u>\$ 224,305</u></b>	<b><u>\$ 1,505,799</u></b>

The following represents the changes in the Intermediate Unit's long-term liabilities during the 2010-2011 fiscal year:

	<b>Balance 7/1/2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2011</b>	<b>Due Within One Year</b>
Educational Facility Revenue					
Note - Series of 2010	\$ 1,400,000	\$ -	\$ 118,506	\$ 1,281,494	\$ 122,574
Compensated Absences	941,047	30,146	22,717	948,476	-
Net OPEB Obligation	422,548	227,351	-	649,899	-
	<b><u>\$ 2,763,595</u></b>	<b><u>\$ 257,497</u></b>	<b><u>\$ 141,223</u></b>	<b><u>\$ 2,879,869</u></b>	<b><u>\$ 122,574</u></b>

**NOTE 9 – OPERATING LEASES**

**OFFICE EQUIPMENT**

The ARIN Intermediate Unit 28 has entered into various operating lease agreements for copier and other office equipment. The terms of these lease agreements call monthly lease payments over various terms ranging from 12 months to 60 months. Lease expense for the fiscal year 2010-2011 was approximately \$58,984 on this equipment.

**NOTE 10 - PENSION PLAN**

The ARIN Intermediate Unit 28 participates in a cost sharing multiple-employer Public School Employees' Retirement System (PSERS) established under authority of the Public School Employees' Retirement Code Act No. 96 of October 2, 1975, as amended. PSERS is a component unit of the Commonwealth of Pennsylvania.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 10 - PENSION PLAN (Continued)**

A brief summary of the plan's provisions are as follows:

**Pension Benefits** - Eligible participants are entitled to a normal retirement allowance totaling 2.5 percent of the participant's final average compensation, as defined, multiplied by the number of years of credited service. The defined benefit for a participant leaving employment before attaining retirement age but completing five years is vested and early retirement benefits may be elected. The plan provides for retirement, death and disability benefits, legislative mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

**Retirement Age** - Participants may retire with normal benefits at age sixty-two, age sixty with thirty or more years of service, or with thirty-five years of service regardless of age.

**Death Benefits** - When a participant dies in active service after attaining age sixty-two or ten years of service, the beneficiary is entitled to a death benefit equal to the benefit which would have been effective if the member retired on the day before their death.

**Disability Benefits** - A participant who becomes disabled after completing five years of credited service is eligible for an annuity totaling 2.5 percent of the final average salary, as defined, 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 superannuation retirement age.

The employer and employee obligations to contribute are established by authority of the aforementioned Public School Employees Retirement Code and require contributions by active members, employers, and the Commonwealth.

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2011 the rate of employer contribution was 5.64 percent of covered payroll. The 5.64 percent rate is composed of a pension contribution rate of 5.00 percent for pension benefits and .64 for healthcare insurance premium assistance.

Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.5 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25 percent (Membership Class TC) or at 7.5 percent (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.5 percent (automatic Membership Class TD). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

ARIN Intermediate Unit 28 pension expense, state reimbursement for pension, and total covered (pension eligible) payroll for the three most recent fiscal years is as follows:

<u>YEAR</u>	<u>ARIN IU EXPENSE</u>	<u>STATE REIMBURSEMENT</u>	<u>COVERED PAYROLL</u>
2010-2011	\$ 469,561	\$ 259,073	\$ 8,525,397
2009-2010	393,608	229,012	8,237,790
2008-2009	375,927	240,192	7,897,626

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 10 - PENSION PLAN (Continued)**

The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. . A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management and Budget, School Employees' Retirement System, P.O. Box 125, Harrisburg, Pa. 17108-0125. This publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm)

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Intermediate Unit provides postemployment benefits to retirees, as per various contract provisions, as follows:

1. Health Insurance – At retirement effective July 1, 2008, each qualified ARIN Act 93, administrative, teacher or confidential employee shall have the option of selecting one of the three options listed below (the selection may be changed if the retiree's situation warrants it upon written notification to the Intermediate Unit).
  - a. \$1,920 per year payable in monthly installments to the retiree.
  - b. Payment by the Intermediate Unit to the group insurance carrier of the retiree's health, dental and vision insurance coverage premiums (single coverage only).
  - c. Payments by the Intermediate Unit to the group insurance carrier of the retiree's health coverage premium for the retiree and one dependent.

Support Staff will receive \$1,000 per year to be used to pay its group insurance if they retired prior to July 1, 2008. Effective July 1, 2008, the Intermediate Unit support staff will receive \$1,750 per year payable in monthly installments to the retiree.

The benefit is available for a maximum of ten years or retiree's qualification for Medicare whichever comes first. To qualify for this benefit at retirement the employee must have a minimum of twenty-five years of service credit with PSERS and fifteen years of service with the Intermediate Unit. The Intermediate Unit has funded this benefit by charging each program budget within the Intermediate Unit a flat rate per full-time equivalent (FTE) employee. For 2010-2011 year, the rate charged was \$500 per FTE employee and the amount transferred to the OPEB Fund was \$120,847. Twenty two retirees were covered under this benefit at a cost of \$146,595 for the 2010-2011 year. The projected total retiree benefit liability as of June 30, 2011 is \$694,084. Management calculated the liability using prior year actual percentage increases and projected future costs based on prior years' average increases. As of June 30, 2011, \$289,742 was available in the OPEB Fund to cover future retiree benefit costs.

2. Group Life Insurance – Qualified retirees, as defined above, shall be entitled to retain life insurance benefits from the age of retirement to age 65. Such coverage may be purchased by the retiree at the current group rate, as set forth in the plan or plans obtained by the Intermediate Unit. During 2010-2011 no retirees were eligible for the benefits. As of June 30, 2011, the amount of \$33,830 was available in the OPEB Fund for such benefits.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**Type of plans covered:**

Medical prescription, dental and vision benefits are covered. The Intermediate Unit self-insures the healthcare benefits of PPO including prescriptions, dental and vision. Cash benefits are also available to certain employee groups.

**Eligibility for Healthcare Benefits:**

Professional Staff: 25 years of PSERS service and 15 years with Intermediate Unit for incentive. Retirees not eligible for the incentive may purchase coverage under Act 110/43 if eligible.

Support Staff: 25 years of PSERS service and 15 years with Intermediate Unit required to receive cash payments. If eligible for cash payments, can also purchase healthcare coverage. Retirees can also purchase healthcare under Act 110/43 if eligible.

**Duration of Healthcare Benefits:**

Professional Staff: Coverage ends after 10 years, or at age 65, death or qualification for Medicare if earlier. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65, death or qualification for Medicare if earlier.

Support Staff: Coverage ends after 10 years or at age 65, death or qualification for Medicare if earlier. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65, death or qualification for Medicare if earlier.

**Retiree Contributions:**

Professional Staff: If eligible for incentive, contribute the PSERS premium assistance amount.

Support Staff: Premium amount

Act 110/43: Premium amount

**Benefits:**

Professional Staff eligible for incentive: Three medical options:

1. Cash in lieu of medical coverage
2. Retiree only – medical, prescription, dental vision
3. Retiree and spouse – medical

Professional Staff not eligible for incentive: Act 110/43

Support Staff: Can purchase coverage with more liberal eligibility than Act 110/43. Upon meeting service requirements receive \$1,000 annually in retirement prior to age 65.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

The single-employer retiree benefit plan ('the Plan') was established by the authority of the collective bargaining agreements between the Intermediate Unit and the various labor unions representing Intermediate Unit employees. The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**FUNDING POLICY**

The contribution requirements of plan members and the Intermediate Unit are negotiated between the Intermediate Unit and the union representatives as part of the collective bargaining agreements. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. The OPEB Fund has been established to begin the process of segregating assets to provide for retiree medical benefits.

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The Intermediate Unit's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years.

The following shows the components of the Intermediate Unit's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Intermediate Unit's net OPEB obligation as of the latest actuarial valuation report:

Annual required contribution	\$	465,951	
Interest on net OPEB obligation		-	
Adjustment to annual required contribution		-	
Annual OPEB cost (expense)	\$	465,951	
Contributions made (estimate)		<u>(238,600)</u>	
(Decrease) in net OPEB obligation	\$	227,351	
Net OPEB obligation at July 1, 2010		<u>422,548</u>	
Net OPEB obligation at June 30, 2011	\$	<u><b>649,899</b></u>	

The Intermediate Unit's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and two preceding year is as follows:

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
6/30/2011	\$ 466,000	51.2%	\$ 650,000
6/30/2010	435,000	47.1%	423,000
6/30/2009	406,000	52.6%	193,000

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**FUNDED STATUS AND FUNDING PROGRESS**

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

The schedule of funding progress, as shown below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<b>ACTUARIAL VALUATION DATE</b>	<b>ACTUARIAL VALUE OF ASSETS</b>	<b>ACTUARIAL ACCRUED LIABILITY</b>	<b>(UAAL) UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>FUNDED RATIO</b>	<b>COVERED PAYROLL</b>	<b>UAAL AS A % OF COVERED PAYROLL</b>
7/1/07	\$ -	\$ 3,747,300	\$ 3,747,300	0%	\$ 7,564,877	49.50%
7/1/08	-	3,901,684	3,901,684	0%	7,693,443	50.70%
7/1/09	-	4,041,922	4,041,922	0%	8,156,595	49.60%

**ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2009 actuarial valuation report utilized the Projected Unit Credit Actuarial Cost Method. The UAAL is being amortized based on 20 year level percent of payroll with payments increasing by 3.5% annually. The Discount Rate used was 4%.

The Net OPEB asset of \$649,899 is reflected as part of Noncurrent Assets in the government-wide financial statement of net assets (Exhibit A).

**NOTE 12 - CONTINGENCIES**

**STATE AND FEDERALLY FUNDED PROGRAMS**

The ARIN Intermediate Unit 28 state and federally funded programs are subject to audit by various governmental agencies. The Intermediate Unit is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any items of noncompliance which would result in the disallowance of program expenditures.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 12 – CONTINGENCIES (Continued)**

**LITIGATION**

The Equal Employment Opportunity Commission (EEOC) is currently reviewing a complaint by a current employee of the Intermediate Unit, against the Intermediate Unit, with regard to certain employment and personnel related issues. The Intermediate Unit intends to vigorously contest the employee's charges and believes the likelihood of an unfavorable outcome to be less than 50%. In the event of an unfavorable outcome, it is unlikely that the Intermediate Unit's liability would exceed \$25,000. No provision for this amount has been recorded in the accompanying financial statements.

**NOTE 13 - RISK MANAGEMENT AND FINANCING**

**GENERAL INSURANCE CLAIMS**

The ARIN Intermediate Unit 28 is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Intermediate Unit carries commercial insurance for all risks of loss except those instances where risk is retained by the Intermediate Unit. Settled claims from risks, not retained by the Intermediate Unit, have not exceeded commercial insurance coverage in any of the past three fiscal years. The following describes certain instances where risk is retained by the Intermediate Unit. The funds handling these risks are included within the Intermediate Unit's Fiduciary Fund categories:

**UNEMPLOYMENT COMPENSATION INSURANCE:**

During the 1981-1982 fiscal year, the Intermediate Unit established a self-insured unemployment compensation fund (UCF). All programs contributed 2% of gross wages during the 1981-1982 fiscal year, 1% from 1982-1983 through 1984-1985 and ½% from 1985-1986 through 1989-1990. Due to unstable conditions in ARIN's employment status, premiums were calculated to 1% of gross wages from 1990-1991 through 1993-1994, ½% for 1994-1995, and ¼% for 1995-1996. For 1996-1997 through 2010-2011, no premiums were charged due to the accumulated fund balance and current employment status.

Each year, the Intermediate Unit contacts with Interstate Tax Service Bureau, an unemployment compensation consultant, to handle any unemployment claims and to project the future coverage needed. Although 2010-2011 expenses exceeded revenues by \$22,460, the June 30, 2011 unreserved fund balance was \$476,843. This will enable the Intermediate Unit not to charge a premium to programs for the upcoming fiscal year. However, if employment status would change, or interest earning drop, the Intermediate Unit would revise operations and charge the appropriate premium needed to cover expenses.

**VISION INSURANCE COVERAGE:**

Beginning July 1, 1996, the Intermediate Unit established a self-insurance plan to provide vision benefits to employees. Fiscal year 2010-2011 monthly premiums for all employees are \$96 for single coverage and \$192 for family coverage. Maximum yearly payout of claims is \$135 for single coverage and \$255 for family coverage.

Revenues received for fiscal year 2010-2011 totaled \$30,844 while expenses paid totaled \$24,354. Claims liabilities are reviewed each year and adjustments to the premium rates are made accordingly. Current year operations added \$6,490 to the unreserved fund balance which totals \$160,323 as of June 30, 2011.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 13 - RISK MANAGEMENT AND FINANCING (Continued)**

**DENTAL INSURANCE COVERAGE:**

Beginning in the 2002-2003 school year, the Intermediate Unit established a self-insurance plan to provide dental benefits to employees. The annual composite premium rate for employees is \$720.

Revenues received for the fiscal year 2010-2011 totaled \$136,500 while dental claim expenses totaled \$112,371. Claims liabilities are reviewed each year and adjustments to the premium are made accordingly. Current year operations added \$24,129 to the unreserved fund balance which totals \$333,071 as of June 30, 2011.

**SPECIAL EDUCATION CONTINGENCY FUND ACCOUNT:**

The special education contingency account was established to cover long-term employee benefit expenses awarded in an arbitration settlement regarding workers compensation. Starting in 2002-2003 insurance providers implemented exclusions under liability coverage related to providing an appropriate education for special needs children. Based on the unavailable insurance coverage and growing legal pressures, the Intermediate Unit's board authorized the transfer of \$10,000 into the Debt Service Fund (OPEB Fund) during the 2009-2010 year. As of June 30, 2011, \$110,541 was available to cover future liability exposure where no insurance coverage is offered.

**PSERS RATE CONTINGENCY FUND ACCOUNT:**

The fund was established to cover the anticipated rate increase in the Public School Employees' Retirement Systems (PSERS). Starting in 2009-2010, the Intermediate Unit will set aside 2% of payroll into this fund to help offset the anticipated spike in the employer contribution rate beginning with the 2012-2013 school year. During the 2009-2010 year, the Intermediate Unit contributed \$165,534, into the OPEB Fund. During the 2010-2011 year, the Intermediate unit contributed \$169,077 into this Fund. As of June 30, 2011, \$334,611 was available to help cover future employer pension contributions.

**HEALTH INSURANCE CONSORTIUM**

The Intermediate Unit employees receive medical insurance coverage through the Armstrong Indiana Insurance Trust (AIIT). Employees are covered through two different medical plans, Indemnity (IND) and Point of Service (POS). Each medical plan is divided into three groups; Active, Cobra and Retiree to provide management with pertinent claim usage data.

On July 1, 1998 fourteen public Local Educational Agencies (LEAs), located in Armstrong and Indiana Counties, created AIIT to provide a more cost effective and manageable medical insurance program. Fully insured medical insurance coverage was acquired from Highmark for all AIIT LEAs beginning July 1, 1998 through June 20, 2000. Starting July 1, 2000, AIIT entered into an Administrative Service Contract (ASC) with Highmark (self-insured medical/prescription insurance coverage). There are two Third Party Administrators utilized by AIIT to assist in operations, PA School Benefits Insurance Agency (PSBIA) and Highmark Blue Cross Blue Shield (Highmark). Both provide administrative consulting services while Highmark also processes hospital, doctor and prescription claims. Stop-loss insurance coverage was purchased from Highmark Life & Casualty to cap liability exposure. The stop-loss insurance coverage is for both specific and aggregate claim losses. Specific coverage is for claim losses over \$200,000. Aggregate coverage is based on claim losses over 120% of an annual composite factor used for single and family coverage under the IND and POS medical plans. Specific and aggregate stop-loss insurance covers claims incurred over the fiscal year (July 1 through June 30) and paid within a fifteen month period (three months after the fiscal year closes).



**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 13 - RISK MANAGEMENT AND FINANCING (Continued)**

**HEALTH INSURANCE CONSORTIUM (Continued)**

Highmark and PSBIA provide advice to AIIT Trustees, based on actuarial projections of claims usage, inflation and market conditions, with how to properly fund annual operations and reserves. AIIT has established three levels of reserve to address potential long-term liabilities, Termination Liability Reserve (TLR), Claims Contingency Reserve (CCR) and Rate Stabilization Reserve (RSR). TLR covers claims that have been incurred but not paid and is based on the prior years' average daily claims that have been incurred but not paid and is based on the prior years' average daily claim multiplied by 60 estimated days run-out to pay incurred claims. The TLR funded balance as of June 30, 2011 is \$5,117,480. The second level reserve CCR is to be used to cover unknown future claims. The CCR is set at 50% of the prior year's annual premium less the TLR current balance. Fifty percent of 2010-2011 annual premium totals \$21,432,608, less TLR leaves an allowed balance of \$16,315,128. The third reserve is RSR and any funding that exceeds TLR and CCR will be used to offset future premium increases. The remaining RSR funded balance is \$1,027,541 and will be used to offset future premium increases. AIIT's goal is to adequately fund both TLR and CCR over the future years. The Intermediate Unit paid \$2,185,075 in annual premiums during the 2010-2011 fiscal year. The Intermediate Unit's allocated share of AIIT's reserves as of June 30, 2011 is approximately \$832,261.

**NOTE 14 – PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$1,066,583 to the July 1, 2010 net assets of the Intermediate Unit, as reflected in Exhibit B, represents the effect of reclassifying a portion of the Intermediate Unit's Debt Service Fund from a governmental fund type to a fiduciary fund type based on management's intent to use these funds as a reserve for post-employment benefits for retirees of the Intermediate Unit.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has determined that there are no events subsequent to June 30, 2011 through the date of the 'Independent Audit Report', which is the date the financial statements were available to be issued, that require additional disclosure.

***SUPPLEMENTAL  
SCHEDULES***

**ARIN INTERMEDIATE UNIT 28**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

**SCHEDULE 1**

	<b>SPECIAL EDUCATION FUND</b>	<b>SPECIAL EDUCATION TRANSPORTATION FUND</b>	<b>EARLY INTERVENTION FUND</b>	<b>TOTAL</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 75,563	\$ 31,288	\$ -	\$ 106,851
Investments	61,322	40,799	150,830	252,951
Due From Other Governments	37,085	-	7,685	44,770
Other Receivables	861,845	23,023	25,744	910,612
Prepaid Expenses	301	950	-	1,251
<b>TOTAL ASSETS</b>	<b>\$ 1,036,116</b>	<b>\$ 96,060</b>	<b>\$ 184,259</b>	<b>\$ 1,316,435</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 80,685	\$ 142,466	\$ 7,685	\$ 230,836
Accrued Salaries and Benefits	689,044	-	176,574	865,618
Deferred Revenues	266,387	-	-	266,387
<b>TOTAL LIABILITIES</b>	<b>\$ 1,036,116</b>	<b>\$ 142,466</b>	<b>\$ 184,259</b>	<b>\$ 1,362,841</b>
 <b>FUND BALANCES:</b>				
Unassigned (Deficit)	\$ -	\$ (46,406)	\$ -	\$ (46,406)
<b>TOTAL FUND BALANCES (Deficit)</b>	<b>\$ -</b>	<b>\$ (46,406)</b>	<b>\$ -</b>	<b>\$ (46,406)</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 1,036,116</b>	 <b>\$ 96,060</b>	 <b>\$ 184,259</b>	 <b>\$ 1,316,435</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>SPECIAL EDUCATION FUND</b>	<b>SPECIAL EDUCATION TRANSPORTATION FUND</b>	<b>EARLY INTERVENTION FUND</b>	<b>TOTAL</b>
<b>REVENUES</b>				
Local Sources	\$ 4,672,465	\$ 3,456	\$ 47,619	\$ 4,723,540
State Sources	1,265,232	3,043,021	1,455,527	5,763,780
<b>Total Revenues</b>	<b>\$ 5,937,697</b>	<b>\$ 3,046,477</b>	<b>\$ 1,503,146</b>	<b>\$ 10,487,320</b>
<b>EXPENDITURES</b>				
Instruction	\$ 4,146,683	\$ -	\$ 955,934	\$ 5,102,617
Support Services	1,507,234	3,035,570	458,711	5,001,515
<b>Total Expenditures</b>	<b>\$ 5,653,917</b>	<b>\$ 3,035,570</b>	<b>\$ 1,414,645</b>	<b>\$ 10,104,132</b>
<b>Excess ( Deficiency) of Revenue over Expenditures</b>	<b>\$ 283,780</b>	<b>\$ 10,907</b>	<b>\$ 88,501</b>	<b>\$ 383,188</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ 32,723	\$ -	\$ 13,825	\$ 46,548
Operating Transfers (Out)	(316,503)	(122,682)	(102,326)	(541,511)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (283,780)</b>	<b>\$ (122,682)</b>	<b>\$ (88,501)</b>	<b>\$ (494,963)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ -</b>	<b>\$ (111,775)</b>	<b>\$ -</b>	<b>\$ (111,775)</b>
FUND BALANCE - JULY 1, 2010	-	65,369	-	65,369
<b>FUND BALANCE - JUNE 30, 2011 (Deficit)</b>	<b>\$ -</b>	<b>\$ (46,406)</b>	<b>\$ -</b>	<b>\$ (46,406)</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

**SCHEDULE 3**

	<b>CAPITAL PROJECT FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 29,062	\$ -	\$ 29,062
Investments	1,110	-	1,110
<b>TOTAL ASSETS</b>	<b>\$ 30,172</b>	<b>\$ -</b>	<b>\$ 30,172</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 3,750	\$ -	\$ 3,750
<b>TOTAL LIABILITIES</b>	<b>\$ 3,750</b>	<b>\$ -</b>	<b>\$ 3,750</b>
<b>FUND BALANCES:</b>			
Assigned	\$ 26,422	\$ -	\$ 26,422
<b>TOTAL FUND BALANCES</b>	<b>\$ 26,422</b>	<b>\$ -</b>	<b>\$ 26,422</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 30,172</b>	<b>\$ -</b>	<b>\$ 30,172</b>

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	CAPITAL PROJECT FUND	DEBT SERVICE FUND	TOTAL
<b>REVENUES</b>			
Local Sources	\$ 8,014	\$ -	\$ 8,014
<b>Total Revenues</b>	<b>\$ 8,014</b>	<b>\$ -</b>	<b>\$ 8,014</b>
<b>EXPENDITURES</b>			
Support Services	\$ 132,385	\$ -	\$ 132,385
Capital Outlay	314,307	-	314,307
Debt Service	-	167,311	167,311
<b>Total Expenditures</b>	<b>\$ 446,692</b>	<b>\$ 167,311</b>	<b>\$ 614,003</b>
<b>Excess ( Deficiency) of Revenue over Expenditures</b>	<b>\$ (438,678)</b>	<b>\$ (167,311)</b>	<b>\$ (605,989)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	\$ -	\$ 167,311	\$ 167,311
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 167,311</b>	<b>\$ 167,311</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (438,678)</b>	<b>\$ -</b>	<b>\$ (438,678)</b>
FUND BALANCE - JULY 1, 2010	465,100	-	465,100
<b>FUND BALANCE - JUNE 30, 2011</b>	<b>\$ 26,422</b>	<b>\$ -</b>	<b>\$ 26,422</b>

The accompanying notes are an integral part of these financial statements

# **ARIN INTERMEDIATE UNIT 28**

## ***SUPPLEMENTAL INFORMATION***

***AS REQUIRED BY  
OFFICE OF MANAGEMENT AND BUDGET  
(OMB) CIRCULAR A-133***

***Mark C. Turnley***

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Certified Public Accountant

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors  
ARIN Intermediate Unit 28**

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ARIN Intermediate Unit 28 as of and for the year ended June 30, 2011, which collectively comprise ARIN Intermediate Unit 28's basic financial statements and have issued my report thereon dated March 26, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing my audit, I considered ARIN Intermediate Unit 28's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ARIN Intermediate Unit 28's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the ARIN Intermediate Unit 28's internal control over financial reporting.

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.

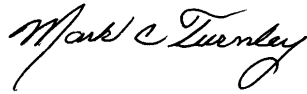
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether ARIN Intermediate Unit 28's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Mark C. Turnley". The signature is written in a cursive style with a large initial "M" and a long, sweeping underline.

Mark C. Turnley  
Certified Public Accountant

March 26, 2012  
Ambridge, Pennsylvania

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors  
ARIN Intermediate Unit 28**

**COMPLIANCE**

I have audited the compliance of the ARIN Intermediate Unit 28 with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ARIN Intermediate Unit 28's major federal programs for the year ended June 30, 2011. ARIN Intermediate Unit 28's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ARIN Intermediate Unit 28's management. My responsibility is to express an opinion on ARIN Intermediate Unit 28's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ARIN Intermediate Unit 28's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on ARIN Intermediate Unit 28's compliance with those requirements.

In my opinion, ARIN Intermediate Unit 28 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

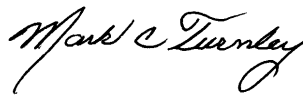
**INTERNAL CONTROL OVER COMPLIANCE**

Management of ARIN Intermediate Unit 28 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered ARIN Intermediate Unit 28's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ARIN Intermediate Unit 28's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Mark C. Turnley  
Certified Public Accountant

March 26, 2012  
Ambridge, Pennsylvania

**ARIN INTERMEDIATE UNIT 28  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>FEDERAL GRANTOR / PROJECT TITLE</u>	<u>FUNDING SOURCE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR NUMBER</u>	<u>GRANT PERIOD BEGINNING / ENDING DATE</u>	<u>PROGRAM AWARD AMOUNT</u>	<u>TOTAL RECEIVED THIS PERIOD</u>	<u>ACCRUED (DEFERRED) REVENUE JULY 1</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE JUNE 30</u>
<b>U.S. Department of Education:</b>										
<b>Passed through Pa. Dept. of Education:</b>										
Federal Adult Ed Section 322	Indirect	84.002	041-110005	F 7/1/10-6/30/11	\$ 199,106	\$ 199,106	\$ -	\$ 199,106	\$ 199,106	\$ -
Federal Adult Ed Section 322	Indirect	84.002	041-100005	F 7/1/09-6/30/10	203,585	-	(696)	696	696	-
Federal Adult Ed Section 322	Direct			S 7/1/10-6/30/11	4,622	3,864	-	3,864	3,864	-
IDEA - B	Indirect	84.027	062-110028	F 7/1/10-6/30/11	4,170,822	4,170,822	-	4,170,822	4,170,822	(1)
IDEA - B	Direct			S 7/1/10-6/60/11	33,960	40,050	-	40,050	40,050	-
IDEA - B	Direct			L 7/1/10-6/30/11	2,660	3,850	-	3,850	3,850	-
IDEA - B	Indirect	84.027	062-100028	F 7/1/09-6/30/10	4,600,256	-	(998)	998	998	(1)
IDEA - B	Indirect	84.027	131-100028	F 7/1/10-6/30/11	399,541	399,541	-	399,541	399,541	(1)
IDEA - B	Direct			S 7/1/10-6/30/11	6,176	6,564	-	6,564	6,564	-
ARRA IDEA - B (OCDEL)	Indirect	84.391A	132-090028	F 2/17/10-6/30/10	144,079	8,475	8,475	-	-	(1)
ARRA IDEA - B	Indirect	84.391A	128-100028	F 2/17/09-9/30/11	4,405,940	1,367,886	461,294	1,677,307	1,677,307	(1) 770,715
ARRA IDEA - B (OCDEL)	Indirect	84.391A	132-100028	F 7/1/10-6/30/11	105,585	105,585	-	105,585	105,585	(1)
IDEA Pre-School	Indirect	84.173	131-100028	F 7/1/10-6/30/11	144,037	144,037	-	144,037	144,037	(1)
IDEA Pre-School	Direct			S 7/1/10-6/30/11	2,340	2,065	-	2,065	2,065	-
ARRA IDEA - PreSchool	Indirect	84.392	137-100028	F 7/1/10-6/30/11	63,014	63,014	-	63,014	63,014	(1)
ARRA IDEA - PreSchool	Indirect	84.392	137-090028	F 9/16/09-6/30/10	62,919	12,584	12,497	87	87	(1)
ARRA IDEA - PreSchool	Direct			S 7/1/10-6/30/11	1,058	934	-	934	934	-
Drug Free Schools Formula	Indirect	84.186A	100-100828	F 12/22/09-3/31/11	73,812	46,906	(23,103)	70,009	70,009	-
Homeless Children & Youth	Indirect	84.196A	081-100152	F 7/1/10-9/30/11	240,000	160,000	-	162,567	162,567	2,567
Homeless Children & Youth	Indirect	84.196A	081-090152	F 7/1/09-6/30/10	136,167	45,389	45,389	-	-	-
Homeless Children & Youth	Direct			S 7/1/10-9/30/11	3,916	1,931	-	1,931	1,931	-
Homeless Children & Youth	Direct			L 7/1/10-9/30/11	-	1,379	-	1,379	1,379	-
ARRA McKinney Vinto Homeless	Direct			S 7/20/9-6/30/11	900	900	-	900	900	-
ARRA McKinney Vinto Homeless	Indirect	84.387A	136-092006	F 7/20/09-6/30/11	103,097	41,239	(11,266)	52,505	52,505	-
Even Start Family Literacy	Indirect	84.213	065-110002	F 7/1/10-6/30/11	106,560	106,560	-	106,480	106,480	(80)
Even Start Family Literacy	Direct			S 7/1/10-6/30/11	1,952	2,094	-	2,094	2,094	-
21st Century CLC Aftersch. Prgm.	Direct			S 7/1/10-9/30/11	203	170	-	170	170	-
21st Century CLC Aftersch. Prgm.	Direct			S 7/1/10-6/30/11	233	489	-	489	489	-
21st Century CLC Aftersch. Prgm.	Indirect	84.287C	4100043350	F 7/1/10-9/30/11	263,727	62,358	-	24,323	24,323	(1) (38,035)
21st Century CLC Aftersch. Prgm.	Indirect	84.287C	4100043350	F 7/1/09-6/30/10	553,819	234,982	234,982	-	-	(1)
21st Century CLC Aftersch. Prgm.	Indirect	84.287C	4100052377	F 7/1/10-6/30/11	499,200	89,590	-	499,200	499,200	(1) 409,610
21st Century CLC Aftersch. Prgm.	Indirect	84.287C	4100052377	F 4/8/10-9/30/10	249,600	249,600	126,289	123,311	123,311	(1)
Title II Education Technology	Indirect	84.318	055-100628	F 8/5/09-9/30/10	5,800	5,800	345	5,455	5,455	-
Title II Capacity Building	Indirect	84.367	020-110628	F 7/1/10-9/30/11	27,000	6,000	-	25,545	25,545	19,545
Title II Capacity Building	Direct			S 7/1/10-9/30/11	523	523	-	523	523	-
Title II Improving Teacher Quality	Indirect	84.367	020-110628	F 7/1/10-9/30/11	3,821	2,038	-	1,179	1,179	(859)
Title II Improving Teacher Quality	Indirect	84.367	020-100628	F 7/1/09-9/30/10	3,821	273	(1,765)	2,038	2,038	-
Title II Improving Teacher Quality	Direct			L 7/1/10-9/30/11	2,763	2,763	-	1,169	1,169	(1,594)
Title I Improving Basic Programs	Indirect	84.010	013-110628	F 7/1/10-9/30/11	50,000	43,333	-	48,562	48,562	5,229
Title I Improving Basic Programs	Direct			L 7/1/10-9/30/11	981	888	-	888	888	-
<b>TOTAL DEPARTMENT OF EDUCATION</b>					<b>\$ 16,877,595</b>	<b>\$ 7,633,582</b>	<b>\$ 851,443</b>	<b>\$ 7,949,237</b>	<b>\$ 7,949,237</b>	<b>\$ 1,167,098</b>

**ARIN INTERMEDIATE UNIT 28  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR / PROJECT TITLE	FUNDING SOURCE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR NUMBER	GRANT PERIOD BEGINNING / ENDING DATE	PROGRAM AWARD AMOUNT	TOTAL RECEIVED THIS PERIOD	ACCRUED (DEFERRED) REVENUE JULY 1	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30
<b>U.S. Department of Agriculture:</b>										
<b>Passed through Pa. Dept. of Education:</b>										
ELECT & Fatherhood Initiative	Indirect	10.561	4100051627	F 7/1/10-6/30/11	\$ 23,760	\$ 16,569	\$ -	\$ 23,318	\$ 23,318	\$ 6,749
ELECT & Fatherhood Initiative	Indirect			S 7/1/10-6/30/11	23,760	16,569	-	23,318	23,318	6,749
ELECT & Fatherhood Initiative	Indirect			S 7/1/09-6/30/10	23,760	6,619	6,619	-	-	-
ELECT & Fatherhood Initiative	Indirect	10.561	4100051627	F 7/1/09-6/30/10	23,760	5,782	5,782	-	-	-
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>					<b>\$ 95,040</b>	<b>\$ 45,539</b>	<b>\$ 12,401</b>	<b>\$ 46,636</b>	<b>\$ 46,636</b>	<b>\$ 13,498</b>
<b>U.S. Department of Labor &amp; Industry</b>										
<b>Passed through Tri-County Private Industry Council</b>										
Summer Youth	Indirect	17.259	TRI-SER-002-10	F 7/1/10-6/30/11	\$ 59,776	\$ 48,563	\$ -	\$ 59,776	\$ 59,776	\$ 11,213
Summer Youth	Direct			S 7/1/10-6/30/11	1,182	1,060	-	1,060	1,060	-
Summer Youth	Indirect	17.259	TRI-SER-005-07	F 7/1/09-6/30/10	72,897	13,081	13,081	-	-	-
<b>TOTAL DEPARTMENT OF LABOR &amp; INDUSTRY</b>					<b>\$ 133,855</b>	<b>\$ 62,704</b>	<b>\$ 13,081</b>	<b>\$ 60,836</b>	<b>\$ 60,836</b>	<b>\$ 11,213</b>
<b>U.S. Department of Health and Human Services:</b>										
<b>Passed through PA Department of Public Welfare</b>										
Parent-Child Home Program	Indirect	93.556	4100044776	F 7/1/10-6/30/11	\$ 220,296	\$ 192,759	\$ -	\$ 220,296	\$ 220,296	\$ 27,537
Parent-Child Home Program	Indirect	93.556	4100044776	F 7/1/09-6/30/10	224,631	28,079	28,079	-	-	-
Parent-Child Home Program	Direct			S 7/1/10-6/30/11	4,756	2,551	-	2,551	2,551	-
ARRA - Early Head Start	Indirect	93.709	4100051564	F 7/1/10-6/30/11	65,120	63,764	-	66,800	66,800	3,036
ARRA - Early Head Start	Indirect	93.709	4100051564	F 1/1/10-6/30/11	41,578	41,578	23,601	17,977	17,977	-
ARRA - Early Head Start	Indirect	93.709	4100051564	F 7/1/10-6/30/11	311	311	-	311	311	-
ARRA - Early Head Start	Direct			S 1/1/10-6/30/11	955	1,132	-	1,132	1,132	-
<b>Passed through PA Department of Education</b>					<b>\$ 557,647</b>	<b>\$ 330,174</b>	<b>\$ 51,680</b>	<b>\$ 309,067</b>	<b>\$ 309,067</b>	<b>\$ 30,573</b>
ELECT & Fatherhood Initiative	Indirect	93.558	4100051627	F 7/1/10-6/30/11	\$ 34,372	\$ 24,568	\$ -	\$ 34,372	\$ 34,372	\$ 9,804
ELECT & Fatherhood Initiative	Indirect	93.558	4100051627	F 7/1/09-6/30/10	189,216	54,679	54,679	-	-	-
ELECT & Fatherhood Initiative	Indirect	93.558	4100051627	F 7/1/10-6/30/11	189,216	151,270	-	212,935	212,935	61,665
ELECT & Fatherhood Initiative	Indirect	93.558	4100051627	F 7/1/09-6/30/10	34,372	9,315	9,315	-	-	-
ELECT & Fatherhood Initiative	Indirect			S 7/1/09-6/30/10	96,438	27,871	27,871	-	-	-
ELECT & Fatherhood Initiative	Indirect			S 7/1/09-6/30/10	23,966	4,877	4,877	-	-	-
ELECT & Fatherhood Initiative	Indirect			S 7/1/10-6/30/11	96,438	85,424	-	120,175	120,175	34,751
ELECT & Fatherhood Initiative	Direct			S 7/1/10-6/30/11	6,839	8,354	-	8,354	8,354	-
ELECT & Fatherhood Initiative	Indirect			S 7/1/10-6/30/11	23,966	17,235	-	23,966	23,966	6,731
ELECT & Fatherhood Initiative	Direct			S 7/1/10-6/30/11	1,378	1,728	-	1,728	1,728	-
Medical Assistance - Access - Reimbursement Health-Related Transportation & Admin	Indirect	93.778		F 7/1/10-6/30/11	34,157	66,014	(200,885)	58,279	58,279	(208,620)
<b>Passed through Armstrong Indiana Drug &amp; Alcohol Commission, Inc.:</b>					<b>\$ 730,358</b>	<b>\$ 451,335</b>	<b>\$ (104,143)</b>	<b>\$ 459,809</b>	<b>\$ 459,809</b>	<b>\$ (95,669)</b>
Drug & Alcohol Prevention	Indirect	93.959		F 7/1/10-6/30/11	\$ 147,372	\$ 57,307	\$ -	\$ 81,083	\$ 81,083	\$ 23,776
Drug & Alcohol Prevention	Direct			S 7/1/10-6/30/11	4,463	74,955	-	73,733	73,733	(1,222)
Drug & Alcohol Prevention	Direct			L 7/1/10-6/30/11	63,746	11,112	-	-	-	(11,112)
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					<b>\$ 1,503,586</b>	<b>\$ 924,883</b>	<b>\$ (52,463)</b>	<b>\$ 923,692</b>	<b>\$ 923,692</b>	<b>\$ (53,654)</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>					<b>\$ 18,610,076</b>	<b>\$ 8,666,708</b>	<b>\$ 824,462</b>	<b>\$ 8,980,401</b>	<b>\$ 8,980,401</b>	<b>\$ 1,138,155</b>

**ARIN INTERMEDIATE UNIT 28**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR / PROJECT TITLE	FUNDING SOURCE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR NUMBER	GRANT PERIOD BEGINNING / ENDING DATE	PROGRAM AWARD AMOUNT	TOTAL RECEIVED THIS PERIOD	ACCRUED (DEFERRED) REVENUE JULY 1	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30
<b># Reconciliation with Federal Subsidy Confirmation:</b>										
						\$ 8,666,708				
						1,381,402				
						91,699				
						(61,644)				
						(326,491)				
						(57,307)				
						(262,183)				
						335,543				
						(66,014)				
						(636,530)				
						(307,959)				
						(19,992)				
						<u>\$ 8,737,232</u>				

**(1) - MAJOR PROGRAMS TESTED**

**CODES:**

- D - DIRECT FUNDING
- I - INDIRECT FUNDING
- F - FEDERAL SOURCES
- S - STATE SOURCES
- L - LOCAL SOURCES

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2011**

**NOTE 1 - FEDERAL AWARD PROGRAMS**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the ARIN Intermediate Unit 28.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as part of 'federal source' revenues in Exhibit E.

**NOTE 4 - RECEIVABLE AND DEFERRED REVENUE**

Federal grants receivable and deferred grants are included as part of 'due from other governments' and 'deferred revenue' in Exhibits A and C.

**ARIN INTERMEDIATE UNIT 28**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**A. SUMMARY OF AUDIT RESULTS**

1. The audit report expresses an unqualified opinion on the financial statements of the ARIN Intermediate Unit 28.
2. The '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' contained no control (significant) deficiencies or material weaknesses.
3. No instances of noncompliance material to the financial statements of the ARIN Intermediate Unit 28 were disclosed during the audit.
4. No control deficiencies relating to the audit of the major federal award programs are reported in the 'Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133'.
5. The auditor's report on compliance for the major federal award programs for the ARIN Intermediate Unit 28 expresses an unqualified opinion.
6. The programs tested as major programs include:
  - U.S. Department of Education:**
    - IDEA B - CFDA# 84.027
    - ARRA IDEA - CFDA# 84.391A
    - IDEA Pre-School - CFDA# 84.173
    - ARRA IDEA Pre-School - CFDA# 84.392
    - 21<sup>st</sup> Century CLC Afterschool Program - CFDA# 84.287C
7. The Threshold for distinguishing Types A and B programs was \$300,000.
8. ARIN Intermediate Unit 28 does not qualify as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None



**ARIN INTERMEDIATE UNIT 28**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2011**

The audit report of the ARIN Intermediate Unit 28 for the year ended June 30, 2010, dated February 16, 2011, contained no audit findings.

FORM SF-SAC (5-18-2010)

U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU ACTING AS COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS for Fiscal Year Ending Dates in 2010, 2011, or 2012

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

PART I

GENERAL INFORMATION (To be completed by auditee, except for Items 6, 7, and 8)

1. Fiscal period ending date for this submission (Month Day Year: 06 / 30 / 2011)
2. Type of Circular A-133 audit (1 [X] Single audit, 2 [ ] Program-specific audit)
3. Audit period covered (1 [X] Annual, 2 [ ] Biennial, 3 [ ] Other - [ ] Months)

4. Auditee Identification Numbers
a. Primary Employer Identification Number (EIN): 25-1213649
b. Are multiple EINs covered in this report? 1 [ ] Yes 2 [X] No
c. If Part I, Item 4b = "Yes," complete Part I, Item 4c on the continuation sheet on Page 4.
d. Data Universal Numbering System (DUNS) Number: [ ]-[ ]-[ ]
e. Are multiple DUNS covered in this report? 1 [ ] Yes 2 [X] No
f. If Part I, Item 4e = "Yes," complete Part I, Item 4f on the continuation sheet on Page 4.

5. AUDITEE INFORMATION

a. Auditee name: ARIN INTERMEDIATE UNIT 28
b. Auditee address (Number and street): 2895 W PIKE, City: INDIANA, State: PA, ZIP + 4 Code: 15701-9769
c. Auditee contact Name: CLIFF GEARY, Title: BUSINESS MANAGER
d. Auditee contact telephone: (724) 463-5300
e. Auditee contact FAX: (724) 463-5315
f. Auditee contact E-mail: CGEARY@IU28.ORG

6. PRIMARY AUDITOR INFORMATION (To be completed by auditor)

a. Primary auditor name: MARK C TURNLEY CPA
b. Primary auditor address (Number and street): 2919 DUSS AVENUE, City: AMBRIDGE, State: PA, ZIP + 4 Code: 15003-
c. Primary auditor contact Name: MARK TURNLEY, Title: OWNER
d. Primary auditor contact telephone: (724) 266-2669
e. Primary auditor contact FAX: (724) 266-4124
f. Primary auditor contact E-mail: K.TURNLEY@COMCAST.NET

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9g, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Auditee certification Date: 3/29/2012
Name of certifying official: CLIFFORD A. GEARY
Title of certifying official: BUSINESS MANAGER

7a. Add Secondary auditor information? (Optional) 1 [ ] Yes 2 [X] No
b. If "Yes," complete Part I, Item 8 on the continuation sheet on page 5.
Auditor certification Date: 3/29/2012

**PART II FINANCIAL STATEMENTS (To be completed by auditor)**

**1. Type of audit report**

Mark either: 1  Unqualified opinion **OR**  
any combination of: 2  Qualified opinion 3  Adverse opinion 4  Disclaimer of opinion

**2. Is a "going concern" explanatory paragraph included in the audit report?** 1  Yes 2  No

**3. Is a significant deficiency disclosed?** 1  Yes 2  No

**4. Is a material weakness disclosed?** 1  Yes 2  No

**5. Is a material noncompliance disclosed?** 1  Yes 2  No

**PART III FEDERAL PROGRAMS (To be completed by auditor)**

**1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 13)** 1  Yes 2  No

**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))** \$ 300,000

**3. Did the auditee qualify as a low-risk auditee? (§ .530)** 1  Yes 2  No

**4. Is a significant deficiency disclosed for any major program? (§ .510(a)(1))** 1  Yes 2  No

**5. Is a material weakness disclosed for any major program? (§ .510(a)(1))** 1  Yes 2  No

**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))** 1  Yes 2  No

**7. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))** 1  Yes 2  No

**8. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)**

- |  |   |  |  |
|--|---|--|--|
| 98 <input type="checkbox"/> U.S. Agency for International Development      | 39 <input type="checkbox"/> General Services Administration               | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> U.S. Department of State |
| 10 <input type="checkbox"/> Agriculture                                    | 93 <input type="checkbox"/> Health and Human Services                     | 05 <input type="checkbox"/> National Endowment for the Arts              | 20 <input type="checkbox"/> Transportation           |
| 23 <input type="checkbox"/> Appalachian Regional Commission                | 97 <input type="checkbox"/> Homeland Security                             | 06 <input type="checkbox"/> National Endowment for the Humanities        | 21 <input type="checkbox"/> Treasury                 |
| 11 <input type="checkbox"/> Commerce                                       | 14 <input type="checkbox"/> Housing and Urban Development                 | 47 <input type="checkbox"/> National Science Foundation                  | 64 <input type="checkbox"/> Veterans Affairs         |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute of Museum and Library Services      | 07 <input type="checkbox"/> Office of National Drug Control Policy       | 00 <input checked="" type="checkbox"/> None          |
| 12 <input type="checkbox"/> Defense  | 15 <input type="checkbox"/> Interior                                      | 59 <input type="checkbox"/> Small Business Administration                | <input type="checkbox"/> Other - Specify:            |
| 84 <input type="checkbox"/> Education                                      | 16 <input type="checkbox"/> Justice                                       | 96 <input type="checkbox"/> Social Security Administration               |  |
| 81 <input type="checkbox"/> Energy   | 17 <input type="checkbox"/> Labor   |  |  |
| 66 <input type="checkbox"/> Environmental Protection Agency                | 09 <input type="checkbox"/> Legal Services Corporation                    |  |  |
|  | 43 <input type="checkbox"/> National Aeronautics and Space Administration |  |  |

**PART III FEDERAL PROGRAMS - Continued**

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS				
CFDA Number	Research and development	A R R A3	Name of Federal program	Amount expended	Direct award	Major program	Type(s) of compliance requirement(s)	Audit finding reference number(s)
Federal Agency Prefix <sup>1</sup>	Extension <sup>2</sup>	(b)	(e)	(f)	(g)	(h)	(a)	(b)
8 4	.002	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	FEDERAL ADULT ED SECTION 322	\$ 199,802 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
8 4	.027	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	IDEA - B	\$ 4,571,361 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	O	N/A
8 4	.391A	1 <input checked="" type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ARRA - IDEA - B	\$ 1,677,307 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	O	N/A
8 4	.391A	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ARRA - IDEA - B (ODEL)	\$ 105,585 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	O	N/A
8 4	.173	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	IDEA - PRESCHOOL	\$ 144,037 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	O	N/A
8 4	.392	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ARRA - IDEA - PRESCHOOL	\$ 65,101 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	O	N/A
8 4	.186A	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	DRUG FREE SCHOOLS FORMULA	\$ 70,009 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
8 4	.196A	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	HOMELESS CHILDREN AND YOUTH	\$ 162,567 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
8 4	.387A	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ARRA MCKINNEY VINTO HOMELESS	\$ 52,505 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
8 4	.213	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	EVEN START FAMILY LITERACY	\$ 106,480 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				<b>\$ 8,657,514 .00</b>				

<sup>1</sup> See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.  
<sup>2</sup> Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)  
<sup>3</sup> American Recovery and Reinvestment Act of 2009 (ARRA).  
<sup>4</sup> If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.  
<sup>5</sup> Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.  
 A. Activities allowed or unallowed  
 B. Allowable costs/cost principles  
 C. Cash management  
 D. Davis - Bacon Act  
 E. Eligibility  
 F. Equipment and real property management  
 G. Matching, level of effort, earmarking  
 H. Period of availability of Federal funds  
 I. Procurement and suspension and debarment  
 J. Program income  
 K. Real property acquisition and relocation assistance  
 L. Reporting  
 M. Subrecipient monitoring  
 N. Special tests and provisions  
 O. None  
 P. Other  
<sup>6</sup> N/A for NONE

**PART III FEDERAL PROGRAMS - Continued**

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS				
CFDA Number	Research and development	A R R A3	Name of Federal program	Amount expended	Direct award	Major program	Type(s) of compliance requirement(s)	Audit finding reference number(s)
Federal Agency Prefix1	Extension 2	(b)	(e)	(f)	(g)	Major program (h)	(a)	(b)
8 4	287C	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	21ST CENTURY CLC AFTERSCH. PROGRAM	\$ 646,834 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	O	N/A
8 4	.318	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	TITLE II EDUCATION TECHNOLOGY	\$ 5,455 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
8 4	.367	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	TITLE II CAPACITY BUILDING	\$ 25,545 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
8 4	.367	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	TITLE II IMPROVING TEACHER QUALITY	\$ 3,217 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
8 4	.010	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	TITLE II IMPROVING BASIC PROGRAMS	\$ 48,562 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
1 0	.561	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ELECT & FATHERHOOD INITIATIVE	\$ 25,318 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
1 7	.259	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	SUMMER YOUTH	\$ 59,776 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
9 3	.556	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	PARENT CHILD HOME PROGRAM	\$ 220,296 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
9 3	.709	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ARRA - EARLY HEAD START	\$ 85,088 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
9 3	.558	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ELECT & FATHERHOOD INITIATIVE	\$ 247,307 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	O	N/A
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				<b>\$ 8,657,514 .00</b>				

1 See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.  
 2 Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)  
 3 American Recovery and Reinvestment Act of 2009 (ARRA).  
 4 If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.  
 5 Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § .510(a)) reported for each Federal program.  
 A. Activities allowed or unallowed E. Eligibility I. Procurement and suspension and debarment L. Reporting  
 B. Allowable costs/cost principles F. Equipment and real property management J. Program income M. Subrecipient monitoring  
 C. Cash management G. Matching, level of effort, earmarking K. Real property acquisition and relocation assistance N. Special tests and provisions  
 D. Davis - Bacon Act H. Period of availability of Federal funds O. None P. Other  
 6 N/A for NONE

**PART III FEDERAL PROGRAMS - Continued**

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR										10. AUDIT FINDINGS			
Federal Agency Prefix <sup>1</sup> (a)	Extension <sup>2</sup> (b)	Research and development (c)		ARRA <sup>3</sup> (d)		Name of Federal program (e)	Amount expended (f)	Direct award (g)	Major program (h)		Major program if yes, type of audit report <sup>4</sup> (i)	Type(s) of compliance requirement(s) <sup>5</sup> (a)	Audit finding reference number(s) <sup>6</sup> (b)
		1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N				1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N			
9 3	.778	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	MEDICAL ASSISTANCE - ACCESS	\$ 58,279 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N			O	N/A
9 3	.959	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	DRUG AND ALCOHOL PREVENTION	\$ 81,083 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N			O	N/A
ARRAS													
<b>TOTAL FEDERAL AWARDS EXPENDED</b> \$ 8,657,514 .00													

<sup>1</sup> See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.  
<sup>2</sup> Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)  
<sup>3</sup> American Recovery and Reinvestment Act of 2009 (ARRA).  
<sup>4</sup> If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.  
<sup>5</sup> Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § .510(a)) reported for each Federal program.  
 A. Activities allowed or unallowed E. Eligibility I. Procurement and suspension and debarment L. Reporting  
 B. Allowable costs/cost principles F. Equipment and real property management J. Program income M. Subrecipient monitoring  
 C. Cash management G. Matching, level of effort, earmarking K. Real property acquisition and relocation assistance N. Special tests and provisions  
 D. Davis - Bacon Act H. Period of availability of Federal funds O. None P. Other  
 6 N/A for NONE





**PART I GENERAL INFORMATION - Continued**

8. Part I, Item 8, Secondary Auditor's Contact Information. (List the Secondary Auditor's Contact information)

<b>1. a.</b> Secondary Auditor name <b>N / A</b>		<b>2. a.</b> Secondary Auditor name		<b>3. a.</b> Secondary Auditor name	
<b>b.</b> Secondary Auditor address (Number and street)		<b>b.</b> Secondary Auditor address (Number and street)		<b>b.</b> Secondary Auditor address (Number and street)	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
<b>c.</b> Secondary Auditor contact Name <b>ARR</b>		<b>c.</b> Secondary Auditor contact Name <b>ARR</b>		<b>c.</b> Secondary Auditor contact Name <b>ARR</b>	
Title		Title		Title	
<b>d.</b> Secondary Auditor contact telephone <b>---</b>		<b>d.</b> Secondary Auditor contact telephone <b>---</b>		<b>d.</b> Secondary Auditor contact telephone <b>---</b>	
<b>e.</b> Secondary Auditor contact FAX <b>---</b>		<b>e.</b> Secondary Auditor contact FAX <b>---</b>		<b>e.</b> Secondary Auditor contact FAX <b>---</b>	
<b>f.</b> Secondary Auditor contact E-mail		<b>f.</b> Secondary Auditor contact E-mail		<b>f.</b> Secondary Auditor contact E-mail	
<b>4. a.</b> Secondary Auditor name		<b>5. a.</b> Secondary Auditor name		<b>6. a.</b> Secondary Auditor name	
<b>b.</b> Secondary Auditor address (Number and street)		<b>b.</b> Secondary Auditor address (Number and street)		<b>b.</b> Secondary Auditor address (Number and street)	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
<b>c.</b> Secondary Auditor contact Name		<b>c.</b> Secondary Auditor contact Name		<b>c.</b> Secondary Auditor contact Name	
Title		Title		Title	
<b>d.</b> Secondary Auditor contact telephone <b>---</b>		<b>d.</b> Secondary Auditor contact telephone <b>---</b>		<b>d.</b> Secondary Auditor contact telephone <b>---</b>	
<b>e.</b> Secondary Auditor contact FAX <b>---</b>		<b>e.</b> Secondary Auditor contact FAX <b>---</b>		<b>e.</b> Secondary Auditor contact FAX <b>---</b>	
<b>f.</b> Secondary Auditor contact E-mail		<b>f.</b> Secondary Auditor contact E-mail		<b>f.</b> Secondary Auditor contact E-mail	