

ARIN INTERMEDIATE UNIT 28

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**ARIN INTERMEDIATE UNIT 28**  
INDIANA, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH REPORTS BY  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED JUNE 30, 2016**

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

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the Intermediate Unit's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ARIN Intermediate Unit 28's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ARIN Intermediate Unit 28's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the ARIN Intermediate Unit 28 as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv-xvi, the defined benefit pension plan information on page 42, and the schedule of funding progress for postemployment benefits other than pension on page 43, 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.

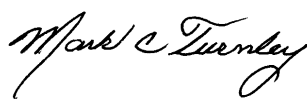
### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ARIN Intermediate Unit 28's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The supplementary information and the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 8, 2017, on my consideration of the 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 in considering the ARIN Intermediate Unit 28's internal control over financial reporting and compliance.



Mark C. Turnley, CPA

March 8, 2017  
New Brighton, Pennsylvania

## ARIN INTERMEDIATE UNIT 28

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 position, GASB 34 requires fixed asset accounting, combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

We are in the eleventh year of GASB Statement 34 reporting requirements and financial statements from the 2014-2015 and 2015-2016 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 Position
- Statement of Activities
- Balance Sheet of Governmental Funds
- Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
- 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 Position* provides a consolidation of all governmental funds into one statement with current and non-current assets/liabilities, and displays the total net position 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.



## ARIN INTERMEDIATE UNIT 28

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2016

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 Position* 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, 2016 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 position of all governmental activities.

Funds analyzed in this audit include:

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

## ARIN INTERMEDIATE UNIT 28

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2016

#### *Financial Highlights*

The IU had Governmental Fund revenues and other financing sources of \$22,728,919 and expenditures and other financing uses of \$22,572,370 for the fiscal year ended June 30, 2016. The net change in fund balance for all Governmental Funds increased \$156,549. The total fund balance at June 30, 2016 was \$1,680,599. The unassigned General Fund balance was \$1,416,065, approximately 5.8% of our comprehensive budget of over \$24.2 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 decreased by \$46,869 to \$1,519,505. The Administration and ARIN Board have been using fund balance reserves to balance the General Operating Budget for over 18 years. Also, the fund balance eases cash flow to operate grant programs that reimburse expenses after they are incurred and paid.

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

The fund balance for the Special Ed. Transportation Fund increased by \$202,596, leaving a fund balance of \$158,783. Funding for Special Ed. Transportation Fund comes from the State and is provided through the PA School Code.

The fund balance of the Capital Projects Fund at July 1, 2015 was \$1,489 and increased by \$822, leaving a fund balance in current year operations at June 30, 2016 of \$2,311. There was a transfer of \$20,000 from the General Fund to the Capital Projects Fund during the year to cover expenses. The expenditures for the year included the purchase of a new vehicle.

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

Total current assets of \$6,065,916 represent 63% of the total assets of \$9,669,890, comprised primarily of cash and investments of \$3,782,166 and receivables of \$2,142,625. Net fixed assets including land, site and building improvements, furniture and equipment represents 14% of total assets at \$1,335,206.

Total liabilities are \$32,642,389 and consist primarily of the recognized net pension obligation of \$25,903,000, long-term compensated absences of \$671,041, notes payable of \$624,293, accounts payable of \$1,217,679, accrued salaries and benefits of \$1,720,037, and a net OPEB obligation of \$1,057,780, representing 95.6% of the total liabilities.

**ARIN INTERMEDIATE UNIT 28**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FOR THE YEAR ENDED JUNE 30, 2016**

The IU's total governmental activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2016 by \$23,957,499 (net position - deficit). This was an increase of \$14,779 in net position over June 30, 2015. This deficit was mainly the result of the District's implementation of GASB Statement 68 'Accounting and Financial Reporting for Pensions' which occurred at June 30, 2015. The District is now required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension obligation. For the ARIN Intermediate Unit 28, this liability stands at \$25,903,000 as of June 30, 2016.

The net position for governmental activities in the 2015-2016 operations had an increase of \$14,779. There was \$710,913 invested in capital assets, net of related debt, \$2,311 for capital projects and (\$24,670,723) of unrestricted net position. Again, the negative unrestricted net position was created due mainly to the implementation of GASB 68. With regard to compensated absences, sabbatical leave accounts for \$104,035 and was based on a 7-year average service life for ARIN professional staff. Vacation and personal days account for \$293,948. The remaining balance of \$273,058 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 Position increased as stated above by \$14,779 for the 2015-2016 fiscal year. This slight increase was due to various factors.

The following table, A-1, provides a summary of the Intermediate Unit's governmental activities net position as of June 30, 2016, with a comparative analysis with the prior fiscal year.

Table A-1  
Fiscal Year ended June 30  
Statement of Net Position

|                                                         | <u>-----JUNE 30, 2015-----</u> | <u>-----JUNE 30, 2016-----</u> | <u>Difference</u>   |
|---------------------------------------------------------|--------------------------------|--------------------------------|---------------------|
| Current Assets                                          | \$ 5,394,833                   | \$ 6,065,916                   | \$ 671,083          |
| Capital Assets                                          | 1,384,926                      | 1,335,206                      | (49,720)            |
| Deferred Outflows of Resources                          | 1,568,117                      | 2,268,768                      | 700,651             |
| <b>TOTAL ASSETS</b>                                     | <b>\$ 8,347,876</b>            | <b>\$ 9,669,890</b>            | <b>\$ 1,322,014</b> |
| Current Liabilities                                     | \$ 4,013,727                   | \$ 4,533,317                   | \$ 519,590          |
| Long-Term Liabilities                                   | 25,562,427                     | 28,109,072                     | 2,546,645           |
| Deferred Inflows of Resources                           | 2,744,000                      | 985,000                        | (1,759,000)         |
| <b>TOTAL LIABILITIES</b>                                | <b>\$ 32,320,154</b>           | <b>\$ 33,627,389</b>           | <b>\$ 1,307,235</b> |
| Net Investment in                                       |                                |                                |                     |
| Capital Assets (Deficit)                                | \$ 619,330                     | \$ 710,913                     | \$ 91,583           |
| Restricted                                              | 1,589                          | 2,311                          | 722                 |
| Unrestricted                                            | (24,593,197)                   | (24,670,723)                   | (77,526)            |
| <b>TOTAL NET POSITION</b>                               | <b>\$ (23,972,278)</b>         | <b>\$ (23,957,499)</b>         | <b>\$ 14,779</b>    |
| <b>TOTAL LIABILITIES, DEFERRED<br/>AND NET POSITION</b> | <b>\$ 8,347,876</b>            | <b>\$ 9,669,890</b>            | <b>\$ 1,322,014</b> |

**ARIN INTERMEDIATE UNIT 28**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FOR THE YEAR ENDED JUNE 30, 2016**

The following table, A-2, summarizes the information from the statement of activities. It presents the revenues, expenses and changes in net position of the Intermediate Unit for the years ended June 30, 2016 and 2015.

Table A-2  
Fiscal Year ended June 30, 2016 and 2015  
Changes in Net Position

|                                                 | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>Change</u>      |
|-------------------------------------------------|----------------------|----------------------|--------------------|
| <b>Program Revenues:</b>                        |                      |                      |                    |
| Charges for Services                            | \$ 652,114           | \$ 705,741           | \$ 53,627          |
| Operating Grants and Contributions              | 17,089,174           | 15,269,410           | (1,819,764)        |
| <b>General Revenues:</b>                        |                      |                      |                    |
| Grants, Subsidies, Contributions not Restricted | -                    | -                    | -                  |
| Investment Earnings                             | 8,506                | 9,155                | 649                |
| Receipts from Member Districts                  | 4,089,619            | 4,457,562            | 367,943            |
| Sale of Fixed Assets                            | 32,979               | -                    | (32,979)           |
| Transfers                                       | 142,160              | 115,685              | (26,475)           |
| Miscellaneous                                   | 20,779               | 1,610,841            | 1,590,062          |
| <b>TOTAL REVENUES</b>                           | <b>\$ 22,035,331</b> | <b>\$ 22,168,394</b> | <b>\$ 133,063</b>  |
| <b>Program Expenses:</b>                        |                      |                      |                    |
| Instruction                                     | \$ 7,220,891         | \$ 7,508,925         | \$ 288,034         |
| Instructional Student Support                   | 4,629,593            | 5,324,988            | 695,395            |
| Administrative and Financial Support Services   | 5,011,337            | 4,504,914            | (506,423)          |
| Operation and Maintenance of Plant Services     | 312,942              | 340,697              | 27,755             |
| Pupil Transportation                            | 4,105,042            | 3,853,697            | (251,345)          |
| Community Services                              | 709,014              | 683,606              | (25,408)           |
| Interest on Long-term Debt                      | 25,802               | 30,861               | 5,059              |
| Cooperative Service Program                     | 5,931                | 5,529                | (402)              |
| <b>TOTAL EXPENSES</b>                           | <b>\$ 22,020,552</b> | <b>\$ 22,253,217</b> | <b>\$ 232,665</b>  |
| <b>CHANGE IN NET POSITION</b>                   | <b>\$ 14,779</b>     | <b>\$ (84,823)</b>   | <b>\$ (99,602)</b> |

## ARIN INTERMEDIATE UNIT 28

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2016

#### Revenues and Other Financial Sources – Fund Financials

The revenue to operate IU programs comes from local, state, and federal sources. During the 2015-2016 fiscal year, \$6,112,702 or approximately 28% was generated from local sources, \$10,062,566 or 46% was supported by state sources, and \$5,678,991 or 26% was received from federal sources.

The major source of local revenue is from member school districts, approximately \$4.1 million or 67%. 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 77% of state revenue is allocated to Special Ed. Transportation \$3,858,081, Special Education \$1,571,614, and Early Intervention \$2,360,892. The remaining balance is for specific grants and service contracts.

Federal revenue is disbursed over 25 programs. The largest programs are Individuals with Disability Education Act Part B (IDEA) \$4,315,405, IDEA Preschool \$136,702, Education Leading to Employment and Career Training \$429,612, Adult Education \$286,109, 21<sup>st</sup> Century Learning Centers \$216,145, and Homeless Children & Youth Assistance Grant \$120,494. These programs cover approximately 97% of the federal revenue.

#### Expenses and Other Financing Sources – Fund Financials

Overall expenditures, excluding interfund transfers, decreased over last year by \$232,665. This decrease was due primarily to the reduction in fourteen paraprofessional staff. A district receiving paraprofessional services through the IU took these services in-house beginning in the 2015-16 School Year. The reduction in positions was offset by the increases in salary and benefits. Salary and benefits account for \$12,409,528, approximately 55% of the \$22,572,370 total expenses and other financing sources. Also, Expenditures shifted between Cost Functions according to the new Chart of Accounts. Expenditures were reduced in Instructional Student Support and reclassified to Administrative and Financial Support Services based on this new Chart of Accounts.

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, Qualified High Deductible Plan (PPOBlue) and Managed Care (PPOBlue) with approximately 54% of the employees covered in the Managed Care plan. Medical insurance premiums increased 5.3% over the prior year for all coverages. Total cost of ARIN's medical coverage was \$2,192,988. Medical insurance premiums are expected to continue to increase yearly, although the trust's increases have been below trend.

Special education and related programs, such as transportation and early intervention utilize approximately \$10,199,017 or 45% 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.

**ARIN INTERMEDIATE UNIT 28**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FOR THE YEAR ENDED JUNE 30, 2016**

Expenses and Other Financing Sources – Fund Financials (Continued)

Special Education Transportation expenses increased by \$183,193 from the previous year operations. Contracted Carrier expenses increased by \$201,926 while contracted nursing services decreased in the amount of \$38,139 in 2015-16. Salaries, benefits and overhead costs increased by \$21,044 from 2014-15, accounting for the change.

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 decreases of \$95,922 with expenditures and other financing uses increasing \$31,936. The difference of \$63,986 between revenues and expenditures notes that more funds were required from the Fund Balance to balance the budget. Budgeted revenue and expenditures decreased due to the amount of two grant awards received after the school year began. Among the grants and programs received were Access funding with a decrease of \$69,438 and Adult Education with a decrease of \$26,481.

The Special Education Budget decreased \$850,621 due to changes in personnel and employee benefits. The main reason for the budget decrease was the loss of the paraprofessional services.

The Special Education Transportation program budget increased due to higher Contracted Carrier expenses.

The State Funded Early Intervention budget increased \$169,325 due to increased funding received from the State program.

The Capital Projects Fund budget increased by \$19,180 due the purchase of a new vehicle for the IU.

**Long Term Debt**

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 Bond Issue, with the remaining proceeds paying for capital improvement on the administrative building. The balance on this note as of June 30, 2016 is \$624,293.

**ARIN INTERMEDIATE UNIT 28**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016**

| <b>Function</b>                         | <b>Description</b>               | <b>2015-16<br/>Expenses</b> | <b>2014-15<br/>Expenses</b> | <b>Over/(Under)<br/>From P/Y</b> | <b>%<br/>Change</b> | <b>2015-16<br/>Budget</b> | <b>Amount<br/>(Over)/Under<br/>2015-16 Budget</b> |
|-----------------------------------------|----------------------------------|-----------------------------|-----------------------------|----------------------------------|---------------------|---------------------------|---------------------------------------------------|
| 1100                                    | Regular Educational Programs     | \$0                         | \$4,000                     | (\$4,000)                        | -100.0%             | \$0                       | \$0                                               |
| 1200                                    | Special Programs                 | 4,729,461                   | 5,123,999                   | (394,538)                        | -7.7%               | 4,733,823                 | 4,362                                             |
| 1300                                    | Vocational Education             | 64,167                      | 63,257                      | 910                              | 1.4%                | 64,165                    | (2)                                               |
| 1400                                    | Other Instructional Programs     | 609,956                     | 600,474                     | 9,482                            | 1.6%                | 611,354                   | 1,398                                             |
| 1500                                    | Nonpublic School Program         | 574,481                     | 537,479                     | 37,002                           | 6.9%                | 580,416                   | 5,935                                             |
| 1600                                    | Adult Education                  | 290,474                     | 297,165                     | (6,691)                          | -2.3%               | 290,538                   | 64                                                |
| 1800                                    | Pre-Kindergarten                 | 751,810                     | 628,771                     | 123,039                          | 19.6%               | 751,810                   | -                                                 |
| 2100                                    | Support Services - Pupil         | 2,863,229                   | 2,949,352                   | (86,123)                         | -2.9%               | 2,857,873                 | (5,356)                                           |
| 2200                                    | Support Services - Instructional | 1,237,377                   | 1,908,554                   | (671,177)                        | -35.2%              | 1,327,740                 | 90,363                                            |
| 2300                                    | Support Services - Adm.          | 1,219,308                   | 1,160,741                   | 58,567                           | 5.0%                | 1,261,066                 | 41,758                                            |
| 2400                                    | Support Services - Pupil Health  | 405,691                     | 404,457                     | 1,234                            | .3%                 | 406,781                   | 1,090                                             |
| 2500                                    | Support Services - Business      | 672,296                     | 726,456                     | (54,160)                         | -7.5%               | 705,191                   | 32,895                                            |
| 2600                                    | Operation and Maintenance        | 346,971                     | 361,331                     | (14,360)                         | -4.0%               | 375,277                   | 28,306                                            |
| 2700                                    | Student Transportation           | 4,103,625                   | 3,854,884                   | 248,741                          | 6.5%                | 4,277,210                 | 173,585                                           |
| 2800                                    | Support Services - Central       | 1,091,455                   | 595,969                     | 495,486                          | 83.1%               | 1,154,185                 | 62,730                                            |
| 2900                                    | Other Support Services           | 2,019,807                   | 1,944,586                   | 75,221                           | 3.9%                | 2,019,907                 | 100                                               |
| 3300                                    | Community Services               | 692,452                     | 672,069                     | 20,383                           | 3.0%                | 693,957                   | 1,505                                             |
| 3400                                    | Awards and Scholarships          | -                           | -                           | -                                | -                   | -                         | -                                                 |
| 4200                                    | Land Improvements                | -                           | -                           | -                                | -                   | -                         | -                                                 |
| 4500                                    | Buildings                        | -                           | -                           | -                                | -                   | -                         | -                                                 |
| 4600                                    | Building Improvements            | -                           | 10,168                      | (10,168)                         | -100.0%             | -                         | -                                                 |
| 5100                                    | Debt Service                     | 187,311                     | 194,311                     | (7,000)                          | -3.6%               | 172,311                   | (15,000)                                          |
| 5200                                    | Fund Transfers                   | 712,499                     | 757,239                     | (44,740)                         | -5.9%               | 841,547                   | 129,048                                           |
| 5900                                    | Budgetary Reserve                | -                           | -                           | -                                | -                   | -                         | -                                                 |
| <b>Total</b>                            |                                  | <b>\$22,572,370</b>         | <b>\$22,795,262</b>         | <b>(\$222,892)</b>               | <b>-1.0%</b>        | <b>\$23,125,151</b>       | <b>\$552,781</b>                                  |
| <b>Revenues/Other Financing Sources</b> |                                  | <b>22,728,919</b>           | <b>22,947,102</b>           | <b>(218,183)</b>                 | <b>-1.0%</b>        | <b>23,021,320</b>         | <b>(292,401)</b>                                  |
| <b>Net Change</b>                       |                                  | <b>\$156,549</b>            | <b>\$151,840</b>            | <b>\$4,709</b>                   | <b>3.1%</b>         | <b>(\$103,831)</b>        | <b>\$260,380</b>                                  |

## ARIN INTERMEDIATE UNIT 28

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2016

#### 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 \$7,563,524, current year covered payroll was \$7,365,351 and the contribution to the pension program for fiscal year totaled \$1,903,207. 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 (64.00%) times covered wages for Pennsylvania public school employees hired July 1, 1994 and after. The State reimbursement for the fiscal year was \$1,114,890.

#### Personnel and Labor Relations

The IU employs 148 employees, 129 full-time and 19 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 5 administrative and 3 confidential members. James J. Wagner 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, 2017. Mr. Wagner has been Ex. Dir. since January 1, 2014 and has over 15 years of experience in the education field. The Special Education Director, Director of School and Community Services, Director of Finance, Director of Human Resources, Board / Ex. Secretary, Business Secretary and Human Resource Secretary complete ADM staff. The ADM Plan covers 3 years and ends on June 30, 2018.
- Act 93: Consists of 12 full-time management positions with the Special Education Supervisors at the upper level. Mid-level positions cover the Director of Technology and Transportation and Business Manager. 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, 2018.
- 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 56 full-time (F-T) and 1 part-time (P-T) members. There are 14 psychologists (14 F-T) and 43 teachers (42 F-T and 1 P-T). The collective bargaining contract covers 3 years and ends June 30, 2016.



## ARIN INTERMEDIATE UNIT 28

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2016

#### Personnel and Labor Relations (Continued)

- AEA-II: Made up of 4 full-time (F-T) and 0 part-time (P-T) members. There are 2 Adult education (2 F-T), 1 community education (1 F-T), and 1 driver education (1 F-T) staff. The collective bargaining contract covers 3 years and ends June 30, 2016.
- AESP: The IU has 34 F-T and 2 P-T positions. There are six different groups of workers; instructional assistants are the largest group (13 F-T & 1 P-T), secretary specialists (12 F-T), custodial/van drivers/print shop clerks (3 F-T & 1 P-T) and level II technology (6 F-T) staff. The collective bargaining contract covers 6 years and ends June 30, 2020.
- ACS: There are 15 F-T and 16 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 review 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:

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

**ARIN INTERMEDIATE UNIT 28**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FOR THE YEAR ENDED JUNE 30, 2016**

IU General Operating Budget - Program of Services (Continued)

The IU Comprehensive Budget for the 2015-16 school year totaled over \$24.2 million and lists ten component budgets. Just over 48% of the IU Comprehensive Budget falls under the Individual Program Budgets component. There are 49 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.

**Table 4  
2015-16 COMPREHENSIVE BUDGET**

**2015-16 expenditures by major component in the Comprehensive Budget:**

**Governmental Activities:**

|    |                                  |        |              |
|----|----------------------------------|--------|--------------|
| 1. | Special Education Program Budget | 20.86% | \$ 5,047,316 |
| 2. | Individual Program Budget        | 48.38% | 11,703,257   |
| 3. | General Operating Budget         | 13.63% | 3,298,917    |
| 4. | Transportation Budget            | 14.16% | 3,425,558    |
| 5. | Debt Service Fund Budget         | 1.96%  | 474,311      |
| 6. | Capital Projects Fund Budget     | 0.21%  | 52,000       |

**Business-Type Activities:**

|    |                            |       |       |
|----|----------------------------|-------|-------|
| 7. | Cooperative Service Budget | 0.02% | 6,000 |
|----|----------------------------|-------|-------|

**Fiduciary Activities:**

|     |                                       |       |         |
|-----|---------------------------------------|-------|---------|
| 8.  | Unemployment Comp. Program Budget     | 0.15% | 36,040  |
| 9.  | Self-Insurance Benefit Program Budget | 0.62% | 149,450 |
| 10. | Excellence Foundation                 | 0.01% | 2,000   |

|  |  |                |                      |
|--|--|----------------|----------------------|
|  |  | <u>100.00%</u> | <u>\$ 24,194,849</u> |
|--|--|----------------|----------------------|

**Funds to operate ARIN's Comprehensive Budget are comprised of:**

|    |                  |        |              |
|----|------------------|--------|--------------|
| 1. | Federal Support  | 30.39% | \$ 7,352,685 |
| 2. | State Support    | 32.05% | 7,754,665    |
| 3. | District Support | 25.81% | 6,244,185    |
| 4. | Other Support    | 11.75% | 2,843,314    |

|  |  |                |                      |
|--|--|----------------|----------------------|
|  |  | <u>100.00%</u> | <u>\$ 24,194,849</u> |
|--|--|----------------|----------------------|

**ARIN INTERMEDIATE UNIT 28  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2016**

Table 5 lists Individual Programs and budget amounts by major educational service area.  
June 30, 2016.

**Table 5  
ARIN INTERMEDIATE UNIT 28**

| Description                                                                         | Amount              | Description                                                                            | Amount  |
|-------------------------------------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------|---------|
| <b>SPECIAL EDUCATION PROGRAMS</b>                                                   |                     |                                                                                        |         |
| 1. IDEA - B (Individuals w/Disability Act)<br>Sp Ed Support - Comp 1                | \$ 408,764          | 17. Statewide System of Support<br>Safe Schools                                        | 10,840  |
| 2. IDEA - B (Individuals w/Disability Act)<br>Sp Ed Support - School Age            | 8,431               | 18. Statewide System of Support - Title II<br>Keystone Exams; Project Based Assessment | 9,777   |
| 3. IDEA - B (Individuals w/Disability Act)<br>Sp Ed Support - School Age            | 4,111,383           | 19. Title II<br>Improving Teacher Quality                                              | 1,289   |
| 4. Early Intervention<br>Preschool Services                                         | 2,203,062           | 20. Title II<br>Improving Teacher Quality                                              | 3,821   |
| 5. Section 619<br>Federal Preschool Program                                         | 145,640             | 21. Title II<br>PIMS                                                                   | 4,689   |
| 6. Section 619<br>Federal Preschool Program                                         | 2,315               | 22. Statewide System of Support - Title II<br>PIMS                                     | 21,748  |
| 7. ACCESS Program - Early Intervention<br>Federal Medical Assistance                | 199,571<br>8,431    | 23. PA Institute for Instructional Coaching (PIIC)<br>Instructional Mentoring          | 38,479  |
|                                                                                     |                     | 24. Homeless Program<br>Education for Homeless Children                                | 149,059 |
|                                                                                     |                     | 25. Family Focus - Maternal, Infant &<br>Early Childhood Home Visitation               | 420,191 |
| <b>Subtotal Special Education Programs</b>                                          | <b>\$ 7,079,166</b> | 26. Keystone Opportunities Match<br>Contracted Trainings                               | 28,171  |
| <b>BASIC EDUCATION/COMMUNITY SERVICES</b>                                           |                     |                                                                                        |         |
| 8. District WAN<br>Internet                                                         | 90,612              | 27. Parent-Child Home Program<br>Armstrong/Indiana County Program                      | 228,472 |
| 9. RWAN<br>Maintenance & Sustainability                                             | 59,492              | 28. PPT - Local Match<br>Rural Pregnant & Parenting Teen Program                       | 54,000  |
| 10. 21st Century Learning Center Program<br>After School Program - Cohort 6A ARIN   | 18,590              | 29. Local Family Center Match<br>Indiana County                                        | 600     |
| 11. 21st Century Learning Center Program<br>After School Program - Cohort 6A ARIN C | 147,520             | 30. Local Parenting Match<br>Education for Homeless Children                           | 7,900   |
| 12. 21st Century Learning Center Program<br>After School Program - Cohort 6A United | 205,667             | 31. Local Prevention Match<br>District Drug & Alcohol Programs                         | 31,410  |
| 13. 21st Century Learning Center Program<br>After School Program - Cohort 7 Y1      | 252,641             | 32. Elect 1<br>Pregnant Teen Support                                                   | 426,384 |
| 14. 21st Century Learning Center Program<br>After School Program - Cohort 7 Y2      | 390,927             | 33. Tri-County Private Industry Council<br>Summer Youth Grant                          | 66,582  |
| 15. Pre K Counts<br>Pre K Program IASD and BSSD                                     | 682,589             | 34. Race to the Top 3<br>Professional Development                                      | 6,888   |
| 16. Statewide System of Support<br>School Climate                                   | 11,201              | 35. Children's Trust Fund<br>Child Abuse Prevention                                    | 13,440  |
|                                                                                     |                     | 36. Gifted Ed Consortium<br>Educational Needs of Gifted                                | 1,393   |

**ARIN INTERMEDIATE UNIT 28**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR THE YEAR ENDED JUNE 30, 2016**

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

| <u>Description</u>                                                                | <u>Amount</u>              | <u>Description</u>                       | <u>Amount</u>               |
|-----------------------------------------------------------------------------------|----------------------------|------------------------------------------|-----------------------------|
|                                                                                   |                            | <b>TRANSPORTATION SERVICES</b>           |                             |
| 37. Learning Management Systems<br>Statewide License Pricing                      | 10,000                     | 45. Driver's Education                   | \$ 112,905                  |
| 38. Coach Training<br>Local Training Program                                      | 12,000                     | 46. Drug & Alcohol Testing               | 16,974                      |
| 39. Statewide System of Support - Title II<br>Effective Based Standards Education | 83,862                     | 47. Compliant Services                   | 34,619                      |
| 40. Project Max<br>Curriculum Modification for Complex Learners                   | 5,000                      | 48. Alternative Education Transportation | 261,825                     |
| 41. Managed Technology Services<br>MTS                                            | 251,328                    | 49. ACCESS Revenue – Transportation      | 48,564                      |
|                                                                                   |                            |                                          |                             |
| <b>Subtotal - Basic Ed./Community Serv.</b>                                       | <b><u>\$ 3,746,562</u></b> | <b>Subtotal Transportation Services</b>  | <b><u>\$ 474,887</u></b>    |
|                                                                                   |                            |                                          |                             |
| <b>ADULT EDUCATION</b>                                                            |                            |                                          |                             |
| 42. Adult Education<br>General Operating Budget                                   | \$ 3,500                   |                                          |                             |
| 43. Adult Education Literacy Grant<br>Family Literacy Programs                    | 92,675                     |                                          |                             |
| 44. Adult Education Section 231 Grants<br>ESL/Civics Grant                        | 306,467                    |                                          |                             |
|                                                                                   |                            |                                          |                             |
| <b>Subtotal Adult Education</b>                                                   | <b><u>\$ 452,291</u></b>   |                                          |                             |
|                                                                                   |                            |                                          |                             |
|                                                                                   |                            | <b>GRAND TOTAL - INDIVIDUAL PROGRAMS</b> | <b><u>\$ 11,703,257</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, Director of Finance at ARIN IU 28, 2895 W Pike, Indiana, PA 15701, or call 724-463-5300.

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**EXHIBIT A**

|                                                                           | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|---------------------------------------------------------------------------|----------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>                                                             |                            |                             |                        |
| <b>Current Assets:</b>                                                    |                            |                             |                        |
| Cash and Cash Equivalents                                                 | \$ (248,493)               | \$ 3,533                    | \$ (244,960)           |
| Investments                                                               | 4,027,126                  | -                           | 4,027,126              |
| Internal Balances                                                         | 1,620                      | (1,620)                     | -                      |
| Due From Other Governments                                                | 1,100,215                  | -                           | 1,100,215              |
| Other Accounts Receivable                                                 | 1,040,800                  | 1,610                       | 1,042,410              |
| Inventories                                                               | 5,976                      | -                           | 5,976                  |
| Prepaid Expenses/Expenditures                                             | 135,149                    | -                           | 135,149                |
| <b>Total Current Assets</b>                                               | <b>\$ 6,062,393</b>        | <b>\$ 3,523</b>             | <b>\$ 6,065,916</b>    |
| <b>Noncurrent Assets:</b>                                                 |                            |                             |                        |
| Land                                                                      | \$ 89,567                  | \$ -                        | \$ 89,567              |
| Land Improvements (net)                                                   | 109,565                    | -                           | 109,565                |
| Building (net)                                                            | 694,771                    | -                           | 694,771                |
| Building Improvements (net)                                               | 388,093                    | -                           | 388,093                |
| Machinery & Equipment (net)                                               | 53,210                     | -                           | 53,210                 |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 1,335,206</b>        | <b>\$ -</b>                 | <b>\$ 1,335,206</b>    |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 7,397,599</b>        | <b>\$ 3,523</b>             | <b>\$ 7,401,122</b>    |
| <b>Deferred Outflows of Resources:</b>                                    |                            |                             |                        |
| Deferred Outflows Related to Pension                                      | \$ 2,268,768               | \$ -                        | \$ 2,268,768           |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 2,268,768</b>        | <b>\$ -</b>                 | <b>\$ 2,268,768</b>    |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>                  | <b>\$ 9,666,367</b>        | <b>\$ 3,523</b>             | <b>\$ 9,669,890</b>    |
| <b>LIABILITIES</b>                                                        |                            |                             |                        |
| <b>Current Liabilities:</b>                                               |                            |                             |                        |
| Accounts Payable                                                          | \$ 1,217,679               | \$ -                        | \$ 1,217,679           |
| Accrued Salaries and Benefits                                             | 1,720,037                  | -                           | 1,720,037              |
| Revenue Obligation Note - Current Portion                                 | 147,042                    | -                           | 147,042                |
| Accrued Interest Payable                                                  | 957                        | -                           | 957                    |
| Other Current Liabilities                                                 | -                          | 3,523                       | 3,523                  |
| Unearned Revenues                                                         | 1,444,079                  | -                           | 1,444,079              |
| <b>Total Current Liabilities</b>                                          | <b>\$ 4,529,794</b>        | <b>\$ 3,523</b>             | <b>\$ 4,533,317</b>    |
| <b>Noncurrent Liabilities:</b>                                            |                            |                             |                        |
| Revenue Obligation Note - Non-Current Portion                             | \$ 477,251                 | -                           | \$ 477,251             |
| Compensated Absences                                                      | 671,041                    | -                           | 671,041                |
| Net Pension Liability                                                     | 25,903,000                 | -                           | 25,903,000             |
| Net OPEB Obligation                                                       | 1,057,780                  | -                           | 1,057,780              |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 28,109,072</b>       | <b>\$ -</b>                 | <b>\$ 28,109,072</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 32,638,866</b>       | <b>\$ 3,523</b>             | <b>\$ 32,642,389</b>   |
| <b>Deferred Inflows of Resources:</b>                                     |                            |                             |                        |
| Deferred Inflows Related to Pension                                       | \$ 985,000                 | \$ -                        | \$ 985,000             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 985,000</b>          | <b>\$ -</b>                 | <b>\$ 985,000</b>      |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>              | <b>\$ 33,623,866</b>       | <b>\$ 3,523</b>             | <b>\$ 33,627,389</b>   |
| <b>NET POSITION</b>                                                       |                            |                             |                        |
| Net Investment in Capital Assets                                          | \$ 710,913                 | \$ -                        | \$ 710,913             |
| Unrestricted (Deficit)                                                    | (24,668,412)               | -                           | (24,668,412)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                       | <b>\$ (23,957,499)</b>     | <b>\$ -</b>                 | <b>\$ (23,957,499)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 9,666,367</b>        | <b>\$ 3,523</b>             | <b>\$ 9,669,890</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, 2016**

**EXHIBIT B**

| Functions/Programs                              | Expenses             | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                             |                        |
|-------------------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|------------------------|
|                                                 |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                  |
| <b>Governmental Activities:</b>                 |                      |                         |                                          |                                        |                                                      |                             |                        |
| Instruction                                     | \$ 7,220,891         | \$ 55,111               | \$ 4,741,707                             | \$ -                                   | \$ (2,424,073)                                       |                             | \$ (2,424,073)         |
| Instructional Student Support                   | 4,629,593            | 27,730                  | 3,749,419                                | -                                      | (852,444)                                            |                             | (852,444)              |
| Administrative and Financial Support Services   | 5,011,337            | 434,587                 | 3,943,296                                | -                                      | (633,454)                                            |                             | (633,454)              |
| Operation and Maintenance of Plant Services     | 312,942              | 77,515                  | 56,847                                   | -                                      | (178,580)                                            |                             | (178,580)              |
| Pupil Transportation                            | 4,105,042            | 21,125                  | 3,949,061                                | -                                      | (134,856)                                            |                             | (134,856)              |
| Community Services                              | 709,014              | 30,115                  | 648,844                                  | -                                      | (30,055)                                             |                             | (30,055)               |
| Interest on Long-Term Debt                      | 25,802               | -                       | -                                        | -                                      | (25,802)                                             |                             | (25,802)               |
| <b>Total Governmental Activities</b>            | <b>\$ 22,014,621</b> | <b>\$ 646,183</b>       | <b>\$ 17,089,174</b>                     | <b>\$ -</b>                            | <b>\$ (4,279,264)</b>                                |                             | <b>\$ (4,279,264)</b>  |
| <b>Total Business-Type Activities</b>           | <b>\$ 5,931</b>      | <b>\$ 5,931</b>         | <b>\$ -</b>                              | <b>\$ -</b>                            | <b>\$ -</b>                                          | <b>\$ -</b>                 | <b>\$ -</b>            |
| <b>Total Primary Government</b>                 | <b>\$ 22,020,552</b> | <b>\$ 652,114</b>       | <b>\$ 17,089,174</b>                     | <b>\$ -</b>                            | <b>\$ (4,279,264)</b>                                | <b>\$ -</b>                 | <b>\$ (4,279,264)</b>  |
| <b>General Revenues:</b>                        |                      |                         |                                          |                                        |                                                      |                             |                        |
| Receipts from Member Districts                  |                      |                         |                                          |                                        | \$ 4,089,619                                         | \$ -                        | \$ 4,089,619           |
| Investment Earnings                             |                      |                         |                                          |                                        | 8,506                                                | -                           | 8,506                  |
| Fiduciary Fund Transfers                        |                      |                         |                                          |                                        | 142,160                                              | -                           | 142,160                |
| Gain on Disposal of Fixed Assets                |                      |                         |                                          |                                        | 32,979                                               | -                           | 32,979                 |
| Miscellaneous                                   |                      |                         |                                          |                                        | 20,779                                               | -                           | 20,779                 |
| <b>Total General Revenues and Special Items</b> |                      |                         |                                          |                                        | <b>\$ 4,294,043</b>                                  | <b>\$ -</b>                 | <b>\$ 4,294,043</b>    |
| <b>Change in Net Position</b>                   |                      |                         |                                          |                                        | <b>\$ 14,779</b>                                     | <b>\$ -</b>                 | <b>\$ 14,779</b>       |
| Net Position — July 1, 2015 (Deficit)           |                      |                         |                                          |                                        | (23,972,278)                                         | -                           | (23,972,278)           |
| <b>Net Position — June 30, 2016 (Deficit)</b>   |                      |                         |                                          |                                        | <b>\$ (23,957,499)</b>                               | <b>\$ -</b>                 | <b>\$ (23,957,499)</b> |

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

**EXHIBIT C**

|                                                | <b>GENERAL<br/>FUND</b> | <b>SPECIAL<br/>REVENUE<br/>FUNDS</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|------------------------------------------------|-------------------------|--------------------------------------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                 |                         |                                      |                                             |                                         |
| Cash and Cash Equivalents                      | \$ (606,785)            | \$ 355,981                           | \$ 2,311                                    | \$ (248,493)                            |
| Investments                                    | 3,841,071               | 186,055                              | -                                           | 4,027,126                               |
| Due From Other Funds                           | 1,620                   | -                                    | -                                           | 1,620                                   |
| Due From Other Governments                     | 952,840                 | 147,375                              | -                                           | 1,100,215                               |
| Other Receivables                              | 514,722                 | 526,078                              | -                                           | 1,040,800                               |
| Inventories                                    | 5,976                   | -                                    | -                                           | 5,976                                   |
| Prepaid Expenses                               | 97,464                  | 37,685                               | -                                           | 135,149                                 |
| <b>TOTAL ASSETS</b>                            | <b>\$ 4,806,908</b>     | <b>\$ 1,253,174</b>                  | <b>\$ 2,311</b>                             | <b>\$ 6,062,393</b>                     |
| <br><b>LIABILITIES AND FUND BALANCES</b>       |                         |                                      |                                             |                                         |
| <b>LIABILITIES:</b>                            |                         |                                      |                                             |                                         |
| Accounts Payable                               | \$ 1,113,482            | \$ 104,197                           | \$ -                                        | \$ 1,217,679                            |
| Accrued Salaries and Benefits                  | 995,642                 | 724,394                              | -                                           | 1,720,036                               |
| Unearned Revenues                              | 1,178,279               | 265,800                              | -                                           | 1,444,079                               |
| <b>TOTAL LIABILITIES</b>                       | <b>\$ 3,287,403</b>     | <b>\$ 1,094,391</b>                  | <b>\$ -</b>                                 | <b>\$ 4,381,794</b>                     |
| <br><b>FUND BALANCES:</b>                      |                         |                                      |                                             |                                         |
| Nonspendable:                                  |                         |                                      |                                             |                                         |
| General Fund                                   | \$ 103,440              | \$ -                                 | \$ -                                        | \$ 103,440                              |
| Assigned:                                      |                         |                                      |                                             |                                         |
| Capital Project Fund                           | -                       | -                                    | 2,311                                       | 2,311                                   |
| Special Education Transportation Fund          | -                       | 158,783                              | -                                           | 158,783                                 |
| Unassigned                                     | 1,416,065               | -                                    | -                                           | 1,416,065                               |
| <b>TOTAL FUND BALANCES</b>                     | <b>\$ 1,519,505</b>     | <b>\$ 158,783</b>                    | <b>\$ 2,311</b>                             | <b>\$ 1,680,599</b>                     |
| <br><b>TOTAL LIABILITIES AND FUND BALANCES</b> | <br><b>\$ 4,806,908</b> | <br><b>\$ 1,253,174</b>              | <br><b>\$ 2,311</b>                         | <br><b>\$ 6,062,393</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 POSITION**  
**JUNE 30, 2016**

**Total Fund Balances - Governmental Funds** **\$ 1,680,599**

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$4,319,317, and the accumulated depreciation is \$2,984,111. 1,335,206

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions (from pension schedule). 2,268,768

Deferred inflows of resources related to pensions (from pension schedule). (985,000)

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      | \$ 624,293        |                     |
| Accrued Interest Payable     | 957               |                     |
| Accrued Compensated Absences | 671,041           |                     |
| Net OPEB Obligation          | 1,057,780         |                     |
| Net Pension Liability        | <u>25,903,000</u> | <u>(28,257,072)</u> |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (23,957,499)**

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, 2016**

|                                                              | <b>GENERAL<br/>FUND</b> | <b>SPECIAL<br/>REVENUE<br/>FUNDS</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------------------------|-------------------------|--------------------------------------|---------------------------------------------|-----------------------------------------|
| <b>REVENUES</b>                                              |                         |                                      |                                             |                                         |
| Local Sources                                                | \$ 3,553,735            | \$ 2,558,964                         | \$ 3                                        | \$ 6,112,702                            |
| State Sources                                                | 2,271,979               | 7,790,587                            | -                                           | 10,062,566                              |
| Federal Sources                                              | 5,678,991               | -                                    | -                                           | 5,678,991                               |
| <b>Total Revenue</b>                                         | <b>\$ 11,504,705</b>    | <b>\$ 10,349,551</b>                 | <b>\$ 3</b>                                 | <b>\$ 21,854,259</b>                    |
| <b>EXPENDITURES</b>                                          |                         |                                      |                                             |                                         |
| Instruction                                                  | \$ 3,122,009            | \$ 3,898,340                         | \$ -                                        | \$ 7,020,349                            |
| Support Services                                             | 8,179,873               | 5,760,705                            | -                                           | 13,940,578                              |
| Noninstructional Services                                    | 692,452                 | -                                    | -                                           | 692,452                                 |
| Capital Outlay                                               | -                       | -                                    | 19,181                                      | 19,181                                  |
| Debt Service                                                 | -                       | -                                    | 167,311                                     | 167,311                                 |
| <b>Total Expenditures</b>                                    | <b>\$ 11,994,334</b>    | <b>\$ 9,659,045</b>                  | <b>\$ 186,492</b>                           | <b>\$ 21,839,871</b>                    |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ (489,629)</b>     | <b>\$ 690,506</b>                    | <b>\$ (186,489)</b>                         | <b>\$ 14,388</b>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                         |                                      |                                             |                                         |
| Operating Transfers In                                       | \$ 635,287              | 52,062                               | \$ 187,311                                  | \$ 874,660                              |
| Operating Transfers Out                                      | (192,527)               | (539,972)                            | -                                           | (732,499)                               |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 442,760</b>       | <b>\$ (487,910)</b>                  | <b>\$ 187,311</b>                           | <b>\$ 142,161</b>                       |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ (46,869)</b>      | <b>\$ 202,596</b>                    | <b>\$ 822</b>                               | <b>\$ 156,549</b>                       |
| FUND BALANCE - JULY 1, 2015                                  | 1,566,374               | (43,813)                             | 1,489                                       | 1,524,050                               |
| <b>FUND BALANCE - JUNE 30, 2016</b>                          | <b>\$ 1,519,505</b>     | <b>\$ 158,783</b>                    | <b>\$ 2,311</b>                             | <b>\$ 1,680,599</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, 2016**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 156,549**

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 depreciation expense (\$130,739) exceeded capital outlays (\$48,040) during the fiscal year. (82,699)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (288,349)

Repayment of revenue note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 141,303

Gain on disposal of fixed assets. 32,978

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. 208

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 paid in excess of the amount earned. 54,789

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 14,779**

**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, 2016**

|                                                               | Budgeted Amounts     |                      | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|----------------------|----------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original             | Final                |                             |                                                         |
| <b>REVENUES</b>                                               |                      |                      |                             |                                                         |
| Local Sources                                                 | \$ 3,644,845         | \$ 3,718,422         | \$ 3,553,735                | \$ (164,687)                                            |
| State Sources                                                 | 2,066,719            | 2,244,183            | 2,271,979                   | 27,796                                                  |
| Federal Sources                                               | 6,168,903            | 5,678,991            | 5,678,991                   | -                                                       |
| <b>Total Revenues</b>                                         | <b>\$ 11,880,467</b> | <b>\$ 11,641,596</b> | <b>\$ 11,504,705</b>        | <b>\$ (136,891)</b>                                     |
| <b>EXPENDITURES</b>                                           |                      |                      |                             |                                                         |
| Special Programs                                              | \$ 946,212           | \$ 831,121           | \$ 831,121                  | \$ -                                                    |
| Vocational Education Programs                                 | 63,705               | 64,165               | 64,167                      | (2)                                                     |
| Other Instructional Programs                                  | 696,086              | 611,354              | 609,956                     | 1,398                                                   |
| NonPublic Schools                                             | 572,635              | 580,416              | 574,481                     | 5,935                                                   |
| Adult Education Programs                                      | 275,207              | 290,538              | 290,474                     | 64                                                      |
| Pre-K Counts                                                  | 679,888              | 751,810              | 751,810                     | -                                                       |
| Pupil Personnel Services                                      | 2,010,632            | 1,888,948            | 1,894,437                   | (5,489)                                                 |
| Instructional Staff Services                                  | 1,132,278            | 1,310,503            | 1,220,232                   | 90,271                                                  |
| Administrative Services                                       | 330,104              | 335,762              | 318,304                     | 17,458                                                  |
| Pupil Health                                                  | 151,857              | 25,153               | 25,153                      | -                                                       |
| Business Services                                             | 834,517              | 705,191              | 672,296                     | 32,895                                                  |
| Operation & Maintenance of Plant Services                     | 337,743              | 356,077              | 327,790                     | 28,287                                                  |
| Student Transportation                                        | 398,904              | 633,106              | 610,399                     | 22,707                                                  |
| Central Services                                              | 1,249,915            | 1,154,185            | 1,091,455                   | 62,730                                                  |
| Other Support Services                                        | 1,841,457            | 2,019,907            | 2,019,807                   | 100                                                     |
| Community Services                                            | 749,276              | 693,957              | 692,452                     | 1,505                                                   |
| Capital Outlay                                                | 15,000               | -                    | -                           | -                                                       |
| Debt Service                                                  | 10,000               | -                    | -                           | -                                                       |
| <b>Total Expenditures</b>                                     | <b>\$ 12,295,416</b> | <b>\$ 12,252,193</b> | <b>\$ 11,994,334</b>        | <b>\$ 257,859</b>                                       |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (414,949)</b>  | <b>\$ (610,597)</b>  | <b>\$ (489,629)</b>         | <b>\$ 120,968</b>                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                      |                      |                             |                                                         |
| Operating Transfers In                                        | \$ 583,766           | \$ 675,880           | \$ 635,287                  | \$ (40,593)                                             |
| Operating Transfers <Out>                                     | (167,311)            | (172,311)            | (192,527)                   | (20,216)                                                |
| Refund of Prior Year Receipts                                 | (750)                | -                    | -                           | -                                                       |
| Intrafund Transfers In                                        | 248,482              | 299,317              | 287,141                     | (12,176)                                                |
| Intrafund Transfers <Out>                                     | (284,174)            | (291,211)            | (287,141)                   | 4,070                                                   |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ 380,013</b>    | <b>\$ 511,675</b>    | <b>\$ 442,760</b>           | <b>\$ (68,915)</b>                                      |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (34,936)</b>   | <b>\$ (98,922)</b>   | <b>\$ (46,869)</b>          | <b>\$ 52,053</b>                                        |
| FUND BALANCE - JULY 1, 2015                                   | 1,566,374            | 1,566,374            | 1,566,374                   | -                                                       |
| <b>FUND BALANCE - JUNE 30, 2016</b>                           | <b>\$ 1,531,438</b>  | <b>\$ 1,467,452</b>  | <b>\$ 1,519,505</b>         | <b>\$ 52,053</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, 2016**

|                                                               | Budgeted Amounts    |                     | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|---------------------|---------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original            | Final               |                             |                                                         |
| <b>REVENUES</b>                                               |                     |                     |                             |                                                         |
| Local Sources                                                 | \$ 3,563,212        | \$ 2,645,331        | \$ 2,523,347                | \$ (121,984)                                            |
| State Sources                                                 | 1,460,221           | 1,524,433           | 1,571,614                   | 47,181                                                  |
| <b>Total Revenues</b>                                         | <b>\$ 5,023,433</b> | <b>\$ 4,169,764</b> | <b>\$ 4,094,961</b>         | <b>\$ (74,803)</b>                                      |
| <b>EXPENDITURES</b>                                           |                     |                     |                             |                                                         |
| Special Programs                                              | \$ 3,071,676        | \$ 2,322,950        | \$ 2,316,645                | \$ 6,305                                                |
| Pupil Personnel Services                                      | 378,438             | 433,379             | 438,288                     | (4,909)                                                 |
| Instructional Services                                        | 79,903              | 17,237              | 17,145                      | 92                                                      |
| Administrative Services                                       | 920,909             | 923,664             | 899,364                     | 24,300                                                  |
| Pupil Health                                                  | 329,460             | 276,949             | 242,195                     | 34,754                                                  |
| <b>Total Expenditures</b>                                     | <b>\$ 4,780,386</b> | <b>\$ 3,974,179</b> | <b>\$ 3,913,637</b>         | <b>\$ 60,542</b>                                        |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 243,047</b>   | <b>\$ 195,585</b>   | <b>\$ 181,324</b>           | <b>\$ (14,261)</b>                                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                     |                             |                                                         |
| Operating Transfers In                                        | \$ 23,883           | \$ 26,931           | \$ 37,890                   | \$ 10,959                                               |
| Operating Transfers <Out>                                     | (266,930)           | (222,516)           | (219,214)                   | 3,302                                                   |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (243,047)</b> | <b>\$ (195,585)</b> | <b>\$ (181,324)</b>         | <b>\$ 14,261</b>                                        |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>                 | <b>\$ -</b>                                             |
| FUND BALANCE - JULY 1, 2015                                   | -                   | -                   | -                           | -                                                       |
| <b>FUND BALANCE - JUNE 30, 2016</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, 2016**

|                                                               | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|---------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
|                                                               | Original            | Final               | (Budgetary Basis)   | Positive<br>(Negative)        |
| <b>REVENUES</b>                                               |                     |                     |                     |                               |
| Local Sources                                                 | \$ 800              | \$ 600              | \$ 1,617            | \$ 1,017                      |
| State Sources                                                 | 3,423,544           | 3,814,433           | 3,858,081           | 43,648                        |
| <b>Total Revenues</b>                                         | <b>\$ 3,424,344</b> | <b>\$ 3,815,033</b> | <b>\$ 3,859,698</b> | <b>\$ 44,665</b>              |
| <b>EXPENDITURES</b>                                           |                     |                     |                     |                               |
| Student Transportation Services                               | \$ 3,268,447        | \$ 3,644,104        | \$ 3,493,226        | \$ 150,878                    |
| <b>Total Expenditures</b>                                     | <b>\$ 3,268,447</b> | <b>\$ 3,644,104</b> | <b>\$ 3,493,226</b> | <b>\$ 150,878</b>             |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 155,897</b>   | <b>\$ 170,929</b>   | <b>\$ 366,472</b>   | <b>\$ 195,543</b>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                     |                     |                               |
| Operating Transfers <Out>                                     | \$ (157,111)        | \$ (172,141)        | \$ (165,079)        | \$ 7,062                      |
| Operating Transfers In                                        | 1,214               | 1,212               | 1,203               | (9)                           |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (155,897)</b> | <b>\$ (170,929)</b> | <b>\$ (163,876)</b> | <b>\$ 7,053</b>               |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 202,596</b>   | <b>\$ 202,596</b>             |
| FUND BALANCE - JULY 1, 2015                                   | -                   | -                   | (43,813)            | (43,813)                      |
| <b>FUND BALANCE - JUNE 30, 2016</b>                           | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 158,783</b>   | <b>\$ 158,783</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, 2016**

|                                                               | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|---------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
|                                                               | Original            | Final               | (Budgetary Basis)   | Positive<br>(Negative)        |
| <b>REVENUES</b>                                               |                     |                     |                     |                               |
| Local Sources                                                 | \$ -                | \$ -                | \$ 34,000           | \$ 34,000                     |
| State Sources                                                 | 2,203,062           | 2,359,946           | 2,360,892           | 946                           |
| <b>Total Revenues</b>                                         | <b>\$ 2,203,062</b> | <b>\$ 2,359,946</b> | <b>\$ 2,394,892</b> | <b>\$ 34,946</b>              |
| <b>EXPENDITURES</b>                                           |                     |                     |                     |                               |
| Special Programs                                              | \$ 1,576,388        | \$ 1,579,752        | \$ 1,581,695        | \$ (1,943)                    |
| Pupil Personnel Services                                      | 510,354             | 530,637             | 530,504             | 133                           |
| Instructional Services                                        | -                   | 1,640               | 1,640               | -                             |
| Pupil Health                                                  | -                   | 104,679             | 138,343             | (33,664)                      |
| Business Services                                             | 6,007               | -                   | -                   | -                             |
| <b>Total Expenditures</b>                                     | <b>\$ 2,092,749</b> | <b>\$ 2,216,708</b> | <b>\$ 2,252,182</b> | <b>\$ (35,474)</b>            |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 110,313</b>   | <b>\$ 143,238</b>   | <b>\$ 142,710</b>   | <b>\$ (528)</b>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                     |                     |                               |
| Operating Transfers In                                        | \$ -                | \$ 12,441           | \$ 12,969           | \$ 528                        |
| Operating Transfers <Out>                                     | (110,313)           | (155,679)           | (155,679)           | -                             |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (110,313)</b> | <b>\$ (143,238)</b> | <b>\$ (142,710)</b> | <b>\$ 528</b>                 |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>                   |
| FUND BALANCE - JULY 1, 2015                                   | -                   | -                   | -                   | -                             |
| <b>FUND BALANCE - JUNE 30, 2016</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 POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2016**

|                                           | <b><u>INTERNAL<br/>SERVICE FUND</u></b> |
|-------------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                             |                                         |
| <b>Current Assets:</b>                    |                                         |
| Cash and Cash Equivalents                 | \$ 3,533                                |
| Other Accounts Receivable                 | 1,610                                   |
| <b>TOTAL CURRENT ASSETS</b>               | <b><u>\$ 5,143</u></b>                  |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 5,143</u></b>                  |
| <b>LIABILITIES</b>                        |                                         |
| <b>Current Liabilities:</b>               |                                         |
| Bid Bond Escrow                           | \$ 3,523                                |
| Due to Other Funds                        | 1,620                                   |
| <b>TOTAL CURRENT LIABILITIES</b>          | <b><u>\$ 5,143</u></b>                  |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ 5,143</u></b>                  |
| <b>NET POSITION</b>                       |                                         |
| Unrestricted                              | \$ -                                    |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ -</u></b>                      |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 5,143</u></b>                  |

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                               | <b>INTERNAL<br/>SERVICE FUND</b> |
|-----------------------------------------------|----------------------------------|
| <b><u>OPERATING REVENUES</u></b>              |                                  |
| Charges for Services                          | \$ 5,931                         |
| <b>Total Operating Revenues</b>               | <b>\$ 5,931</b>                  |
| <b><u>OPERATING EXPENSES</u></b>              |                                  |
| Purchased Professional and Technical Services | \$ 5,468                         |
| Other Purchased Services                      | 463                              |
| <b>Total Operating Expenses</b>               | <b>\$ 5,931</b>                  |
| <b>OPERATING INCOME/(LOSS)</b>                | <b>\$ -</b>                      |
| NET POSITION - JULY 1, 2015                   | -                                |
| <b>NET POSITION - JUNE 30, 2016</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, 2016**

|                                                                                                                     | <b><u>INTERNAL<br/>SERVICE FUND</u></b> |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                                  |                                         |
| Cash Received from Users                                                                                            | \$ 6,721                                |
| Cash Payments to Suppliers for Goods and Services                                                                   | (8,809)                                 |
| <b>Net Cash (Used for) Operating Activities</b>                                                                     | <b><u>\$ (2,088)</u></b>                |
| <br>                                                                                                                |                                         |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                         | <b>\$ (2,088)</b>                       |
| <br>                                                                                                                |                                         |
| CASH AND CASH EQUIVALENTS - JULY 1, 2015                                                                            | <u>5,621</u>                            |
| <br>                                                                                                                |                                         |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2016</b>                                                                    | <b><u>\$ 3,533</u></b>                  |
| <br>                                                                                                                |                                         |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b> |                                         |
| <br>                                                                                                                |                                         |
| Operating Income (Loss)                                                                                             | \$ -                                    |
| <br>                                                                                                                |                                         |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH (USED FOR) OPERATING ACTIVITIES:</b>            |                                         |
| (Increase) Decrease in Other Accounts Receivable                                                                    | 790                                     |
| Increase (Decrease) in Bid Bond Escrow                                                                              | (2,088)                                 |
| Increase (Decrease) in Due to Other Funds                                                                           | (790)                                   |
| <b>Total Adjustments</b>                                                                                            | <b><u>\$ (2,088)</u></b>                |
| <br>                                                                                                                |                                         |
| <b>NET CASH (USED FOR) OPERATING ACTIVITIES</b>                                                                     | <b><u>\$ (2,088)</u></b>                |

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

**EXHIBIT N**

|                                           | -- PRIVATE PURPOSE TRUST FUNDS -- |                          | ----- PENSION TRUST FUNDS -----      |                                             |                             |
|-------------------------------------------|-----------------------------------|--------------------------|--------------------------------------|---------------------------------------------|-----------------------------|
|                                           | SELF-INSURED<br>BENEFITS<br>FUND  | EXCELLENCE<br>FOUNDATION | UNEMPLOYMENT<br>COMPENSATION<br>FUND | OTHER<br>POST-EMPLOYMENT<br>BENEFIT<br>FUND | TOTAL<br>FIDUCIARY<br>FUNDS |
| <b>ASSETS:</b>                            |                                   |                          |                                      |                                             |                             |
| Cash and Cash Equivalents                 | \$ 208,033                        | \$ 10,545                | \$ 423,004                           | \$ 246,617                                  | \$ 888,199                  |
| Investments                               | 245,000                           | -                        | -                                    | 245,000                                     | 490,000                     |
| <b>TOTAL ASSETS</b>                       | <b>\$ 453,033</b>                 | <b>\$ 10,545</b>         | <b>\$ 423,004</b>                    | <b>\$ 491,617</b>                           | <b>\$ 1,378,199</b>         |
| <b>LIABILITIES AND NET POSITION</b>       |                                   |                          |                                      |                                             |                             |
| <b>LIABILITIES:</b>                       |                                   |                          |                                      |                                             |                             |
| Accounts Payable                          | \$ 8,484                          | \$ -                     | \$ -                                 | \$ -                                        | \$ 8,484                    |
| <b>TOTAL LIABILITIES</b>                  | <b>\$ 8,484</b>                   | <b>\$ -</b>              | <b>\$ -</b>                          | <b>\$ -</b>                                 | <b>\$ 8,484</b>             |
| <b>NET POSITION:</b>                      |                                   |                          |                                      |                                             |                             |
| Unrestricted                              | \$ 444,549                        | \$ 10,545                | \$ 423,004                           | \$ 491,617                                  | \$ 1,369,715                |
| <b>TOTAL NET POSITION</b>                 | <b>\$ 444,549</b>                 | <b>\$ 10,545</b>         | <b>\$ 423,004</b>                    | <b>\$ 491,617</b>                           | <b>\$ 1,369,715</b>         |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ 453,033</b>                 | <b>\$ 10,545</b>         | <b>\$ 423,004</b>                    | <b>\$ 491,617</b>                           | <b>\$ 1,378,199</b>         |

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                     | -- PRIVATE PURPOSE TRUST FUNDS -- |                          | ----- PENSION TRUST FUNDS -----      |                                             | TOTAL<br>FIDUCIARY<br>FUNDS |
|-------------------------------------|-----------------------------------|--------------------------|--------------------------------------|---------------------------------------------|-----------------------------|
|                                     | SELF-INSURED<br>BENEFITS<br>FUND  | EXCELLENCE<br>FOUNDATION | UNEMPLOYMENT<br>COMPENSATION<br>FUND | OTHER<br>POST-EMPLOYMENT<br>BENEFIT<br>FUND |                             |
| <b>ADDITIONS:</b>                   |                                   |                          |                                      |                                             |                             |
| Interfund Transfers In              | \$ -                              | \$ -                     | \$ -                                 | \$ 5,216                                    | \$ 5,216                    |
| Other Additions                     | 131,113                           | 4                        | 38,200                               | 148,152                                     | 317,469                     |
| <b>Total Additions</b>              | <b>\$ 131,113</b>                 | <b>\$ 4</b>              | <b>\$ 38,200</b>                     | <b>\$ 153,368</b>                           | <b>\$ 322,685</b>           |
| <b>DEDUCTIONS:</b>                  |                                   |                          |                                      |                                             |                             |
| Interfund Transfers Out             | \$ 11,739                         | \$ -                     | \$ 881                               | \$ 134,756                                  | \$ 147,376                  |
| Other Deductions                    | 116,169                           | 435                      | 8,527                                | 204,218                                     | 329,349                     |
| <b>Total Deductions</b>             | <b>\$ 127,908</b>                 | <b>\$ 435</b>            | <b>\$ 9,408</b>                      | <b>\$ 338,974</b>                           | <b>\$ 476,725</b>           |
| <b>CHANGE IN NET POSITION</b>       | <b>\$ 3,205</b>                   | <b>\$ (431)</b>          | <b>\$ 28,792</b>                     | <b>\$ (185,606)</b>                         | <b>\$ (154,040)</b>         |
| FUND BALANCE - JULY 1, 2015         | 441,344                           | 10,976                   | 394,212                              | 677,223                                     | 1,523,755                   |
| <b>FUND BALANCE - JUNE 30, 2016</b> | <b>\$ 444,549</b>                 | <b>\$ 10,545</b>         | <b>\$ 423,004</b>                    | <b>\$ 491,617</b>                           | <b>\$ 1,369,715</b>         |

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 AIUs 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 AIUs on a rotating basis.

The financial statements of the ARIN Intermediate Unit have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). During 2015-2016, ARIN Intermediate Unit adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 72, '*Fair Value Measurement and Application*'; Statement No. 76, '*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*'; and Statement No 79, '*Certain External Investment Pools and Pool Participants*'. The most significant of the School District's accounting policies are as follows:

**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. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the Intermediate Unit's reporting entity because of the significance of their operating or financial relationships with the Intermediate Unit. Based on the application of these criteria, the ARIN Intermediate Unit 28 has no component units.

The Intermediate Unit is associated with one public entity risk pool - Armstrong-Indiana Insurance Trust - as described in Note 13.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (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 reconciliations (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.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

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. The focus of the governmental and enterprise 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 the ARIN Intermediate Unit 28, 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.

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 position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the Intermediate Unit finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**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:

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**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.

**NON-MAJOR GOVERNMENTAL FUNDS:**

**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 position and changes in net position. 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 maintains 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.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**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.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

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, 2016 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, 2016 and **2)** billings to participating AIUs for services performed during the 2015-2016 fiscal year.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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, 2016 under the modified accrual basis are **1)** salaries, retirement, and social security budgeted and pertaining to the 2015-2016 fiscal year, but which were paid in July and August of 2016 in accordance with labor agreements **2)** the Intermediate Unit's share of retirement cost on salaries and wages earned during the second quarter of 2016 and **3)** other operating and grant related costs obligated prior to June 30, 2016.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

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

**BUDGETS**

The Board of Directors of the ARIN Intermediate Unit 28 adopted the fiscal year June 30, 2016 annual budget for the general fund totaling \$12,805,009 in accordance with the provisions of the Pennsylvania Public School Code. The budget was ratified by a majority of the participating AIUs during the period of February through April of 2015 and forwarded to the Pennsylvania Department of Education on April 22, 2015. The Board of Directors also approved budgets for the Intermediate Unit's special revenue funds (special education, transportation, and early intervention) totaling \$10,385,327. 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**

For the purposes of these basic financial statements, 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 AIU Liquid Asset Fund (PSDLAF), and the Pennsylvania Local Government Investment Trust (PLGIT). These investments in external investment pools are stated at amortized cost per the implementation of GASB 79. These investments are stated at fair value which approximates market.

State statutes authorize the Intermediate Unit to invest in:

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government of its agencies or instrumentalities
- III. 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.
- IV. Obligations of the United States 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.



**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVESTMENTS (Continued)**

- V. Shares of an investment company registered under the Investment Company Act of 1940, and registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

Pooled investments (PLGIT and PSDLAF) do not operate under the provisions of the Public School Code. These investments are authorized under the Intergovernmental Cooperation Act of 1972.

**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 position, 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 net position.

**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 consumed. 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 position.

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 position. 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<br/>ACTIVITIES</u></b> |
|-------------------------|-------------------------------------------|
| Land Improvements       | 15 Years                                  |
| Buildings               | 50 Years                                  |
| Building Improvements   | 20 Years                                  |
| Machinery and Equipment | 3-30 Years                                |

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION (Continued)**

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 position 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 position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**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 \$75 per day not to exceed a maximum of \$11,000.
- 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 \$55 per day not to exceed a maximum of \$5,500.
- 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 \$3,675 (200 work days or less/year) and a maximum of \$4,550 (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 \$90 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 2015-2016 year for these benefits was \$17,667. Transfers from the OPEB Fund to cover General and Special Revenue Fund sick day payment obligations totaled \$60,880 for the 2015-2016 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.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**COMPENSATED ABSENCES (Continued)**

- 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.

The entire compensated absences liability of \$671,041 is shown as a non-current liability in the government-wide statement of net position. This liability is comprised of the following as of June 30, 2016:

|                  |                   |
|------------------|-------------------|
| Personal Days    | \$ 118,572        |
| Vacation Pay     | 175,377           |
| Sick Leave       | 273,057           |
| Sabbatical Leave | <u>104,035</u>    |
|                  | <u>\$ 671,041</u> |

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

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 10.

**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.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position 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 position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned revenue arises when the Intermediate Unit receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Intermediate Unit has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy Intermediate Unit obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position 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, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Intermediate Unit’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity’s fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory) 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 – amount 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 government 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 – amount 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.

**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.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

At June 30, 2016, the ARIN Intermediate Unit 28 had the following bank deposit balances and carrying values on its cash and cash equivalent accounts:

|            | <b>BANK<br/>BALANCE</b> | <b>CARRYING<br/>VALUE</b> |
|------------|-------------------------|---------------------------|
| All Funds  | \$ 2,078,308            | \$ 643,189                |
| Petty Cash | -                       | 50                        |
|            | <b>\$ 2,078,308</b>     | <b>\$ 643,239</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. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

**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 does not have a separate policy for custodial credit risk in addition to the requirements of State Law. As of June 30, 2016, \$1,828,308 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.

**INVESTMENTS:**

The fair value and maturity term of ARIN Intermediate Unit 28's investments as of June 30, 2016 is as follows:

|        | <b>Fair Value</b>   | <b>No Stated<br/>Maturity</b> | <b>0-1 Year</b>   | <b>Credit<br/>Rating</b> |
|--------|---------------------|-------------------------------|-------------------|--------------------------|
| PSDLAF | \$ 4,304,378        | \$ 3,814,378                  | \$ 490,000        | AAAm                     |
| PLGIT  | 212,748             | 212,748                       | -                 | AAAm                     |
|        | <b>\$ 4,517,126</b> | <b>\$ 4,027,126</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 AIU Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) is to enable their available funds for investments authorized under Intergovernmental Cooperation Act of 1972. 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 position 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. These funds are rated by a nationally recognized statistical rating organization as shown above. PSDLAF and PLGIT do not put any limitations or restrictions on with withdrawals.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS: (Continued)**

**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. The Intermediate Unit's investments in PLGIT and PSDLAF are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Intermediate Unit does not have a specific policy that would limit its investment choices to those with certain credit ratings.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The Intermediate Unit has no 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.

**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.

**Concentration of Credit Risk:**

In order to limit the Intermediate Unit's exposure to loss of principal due to market changes in interest rates, investments of this type shall be limited to not more than 10% of Intermediate Unit funds available for investment on any single date.

**Fair Value Measurements:**

The ARIN Intermediate Unit's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS: (Continued)**

The following schedule presents the Investments of the District by level within the fair value hierarchy:

|        | Value<br>at 6/30/16 | Fair Value Measurements |             |             |
|--------|---------------------|-------------------------|-------------|-------------|
|        |                     | Level 1                 | Level 2     | Level 3     |
| PLGIT  | \$ 212,748          | \$ -                    | \$ -        | \$ -        |
| PSDLAF | 4,304,378           | -                       | -           | -           |
|        | <u>\$ 4,517,126</u> | <u>\$ -</u>             | <u>\$ -</u> | <u>\$ -</u> |

Investments held in external investment pools such as PLGIT and PSDLAF are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

**NOTE 3 – 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          | \$ 1,620          | \$ -            |
| Internal Service Fund | -                 | 1,620           |
|                       | <u>\$ 1,620</u>   | <u>\$ 1,620</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 2014-2015 fiscal year, the Intermediate Unit had the following fund transfers:

|                       | <u>TRANSFER IN</u> | <u>TRANSFERS OUT</u> |
|-----------------------|--------------------|----------------------|
| General Fund          | \$ 635,287         | \$ 192,527           |
| Special Revenue Funds | 52,062             | 539,972              |
| Capital Project Fund  | 20,000             | -                    |
| Debt Service Fund     | 172,527            | 134,756              |
| Fiduciary Funds       | -                  | 12,620               |
|                       | <u>\$ 879,876</u>  | <u>\$ 879,875</u>    |

The General Fund transferred \$167,311 for debt service obligations on its Educational Facilities Revenue Note to the Debt Service Fund. Payments totaling \$134,756 were transferred out of the Debt Service Fund to the General and Special Revenue Funds for payment of employee benefits and unemployment compensation claim reimbursements. Special Revenue Funds transferred \$539,972 and the Fiduciary Fund transferred \$12,620 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 position.



**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

Intergovernmental receivables totaling \$1,098,334, as reflected on Exhibits A and C, represents state and federal grant/subsidy funds due the ARIN Intermediate Unit 28 from the Pennsylvania Department of Education and other governmental units.

**NOTE 5 – UNEARNED REVENUE**

Unearned revenue totaling \$1,444,079, as reflected on Exhibits A and C, is comprised of grant revenues received during the 2015-2016 fiscal year that are deferred to future years as they are unspent monies.

**NOTE 6 – OTHER ACCOUNTS RECEIVABLE**

Other accounts receivable totaling \$1,042,410, as reflected in Exhibits A and C, represents billings due from member AIUs and other local agencies for services provided. Receivables due the Intermediate Unit are recorded at net realizable value.

**NOTE 7 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2015-2016 fiscal year was as follows:

|                                                        | <b>Balance<br/>7/1/2015</b> | <b>Additions</b>          | <b>Deductions</b>         | <b>Balance<br/>6/30/2016</b> |
|--------------------------------------------------------|-----------------------------|---------------------------|---------------------------|------------------------------|
| <b>Governmental Activities</b>                         |                             |                           |                           |                              |
| Land                                                   | \$ 89,567                   | \$ -                      | \$ -                      | \$ 89,567                    |
| Land Improvements                                      | 323,580                     | -                         | -                         | 323,580                      |
| Buildings                                              | 2,086,018                   | -                         | -                         | 2,086,018                    |
| Building Improvements                                  | 529,989                     | 5,500                     | -                         | 535,489                      |
| Machinery and Equipment                                | 1,345,281                   | 42,540                    | 103,158                   | 1,284,663                    |
|                                                        | <u>\$ 4,374,435</u>         | <u>\$ 48,040</u>          | <u>\$ 103,158</u>         | <u>\$ 4,319,317</u>          |
| <b>Less: Accumulated depreciation</b>                  |                             |                           |                           |                              |
| Land Improvements                                      | \$ (199,400)                | \$ (14,615)               | -                         | \$ (214,015)                 |
| Buildings                                              | (1,338,747)                 | (52,500)                  | -                         | (1,391,247)                  |
| Building Improvements                                  | (124,156)                   | (23,240)                  | -                         | (147,396)                    |
| Machinery and Equipment                                | (1,327,206)                 | (40,384)                  | (136,137)                 | (1,231,453)                  |
|                                                        | <u>\$ (2,989,509)</u>       | <u>\$ (130,739)</u>       | <u>\$ (136,137)</u>       | <u>\$ (2,984,111)</u>        |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <b><u>\$ 1,384,926</u></b>  | <b><u>\$ (82,699)</u></b> | <b><u>\$ (32,979)</u></b> | <b><u>\$ 1,335,206</u></b>   |

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

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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. A summary of the Intermediate Unit's remaining obligation on its Educational Facility Revenue Note at June 30, 2016 is as follows:

| <b>Year End<br/>June 30,</b> | <b>Principal</b>         | <b>Interest</b>         | <b>Total</b>             |
|------------------------------|--------------------------|-------------------------|--------------------------|
| 2017                         | \$ 147,042               | \$ 20,269               | \$ 167,311               |
| 2018                         | 152,500                  | 14,811                  | 167,311                  |
| 2019                         | 158,160                  | 9,151                   | 167,311                  |
| 2020                         | 166,591                  | 3,282                   | 167,311                  |
|                              | <b><u>\$ 624,293</u></b> | <b><u>\$ 47,513</u></b> | <b><u>\$ 669,244</u></b> |

The following represents the changes in the Intermediate Unit's long-term liabilities during the 2015-2016 fiscal year:

|                              | <b>Balance<br/>7/1/2015</b> | <b>Additions</b>           | <b>Reductions</b>        | <b>Balance<br/>6/30/2016</b> | <b>Due Within<br/>One Year</b> |
|------------------------------|-----------------------------|----------------------------|--------------------------|------------------------------|--------------------------------|
| Educational Facility Revenue |                             |                            |                          |                              |                                |
| Note - Series of 2010        | \$ 765,597                  | \$ -                       | \$ 141,304               | \$ 624,293                   | \$ 147,042                     |
| Compensated Absences         | 783,718                     | -                          | 112,677                  | 671,041                      | -                              |
| Net Pension Liability        | 23,155,000                  | 2,748,000                  | -                        | 25,903,000                   | -                              |
| Net OPEB Obligation          | 999,892                     | 57,888                     | -                        | 1,057,780                    | -                              |
|                              | <b><u>\$ 25,704,207</u></b> | <b><u>\$ 2,805,888</u></b> | <b><u>\$ 253,981</u></b> | <b><u>\$ 28,256,114</u></b>  | <b><u>\$ 147,042</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 36 months to 60 months. Lease expense for the fiscal year 2015-2016 was approximately \$27,778 on this equipment.

**OFFICE SPACE**

The ARIN Intermediate Unit 28 has entered into operating lease agreements with the Indiana County Development Program and the Tri-County Workforce Investment Board for operating space in connection with the administration of its Adult Education Program. The terms of these lease agreement with the Indiana County Development Corporation call for the payment of rent totaling \$20,004 for the lease period July 1, 2015 to June 30, 2016. The terms of the lease agreement with the Tri-County Investment Board call for the payment of \$11,125 for the lease rental term of July 1, 2015 to June 30, 2016.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - PENSION PLAN**

The ARIN Intermediate Unit 28 participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description:**

PSERS is a governmental cost-sharing multiple-employer defined-benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided:**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than ninety two with a minimum of thirty-five years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

**Health Insurance Premium Assistance Program:**

In addition, PSERS provides a Health Insurance Premium Assistance Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Health Insurance Premium Assistance Program: (Continued)**

Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement 68.

**Contribution Rates:**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (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% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (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. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

**Employer Contributions** – The Intermediate Unit's contractually required contribution rate for the fiscal year ended June 30, 2016 was 25.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 25.84% is comprised of a pension contribution rate of 25.00% for pension benefits and .84% for healthcare insurance premium assistance. Contributions to the pension plan from the Intermediate Unit were \$1,889,182 for the year ended June 30, 2016.

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

At June 30, 2016, the AIU reported a liability of \$25,903,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The Intermediate Unit's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the AIU's proportion was .0598%, which was an increase of .0013% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the AIU recognized pension expense of \$2,175,748 in the Statement of Activities (Exhibit B).

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

At June 30, 2016 the Intermediate Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                 | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|-----------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience              | \$ -                                      | \$ 107,000                               |
| Changes in assumptions                                          | -                                         | -                                        |
| Net difference between projected and actual investment earnings | -                                         | 52,000                                   |
| Changes in proportions                                          | 441,000                                   | 826,000                                  |
| Contributions subsequent to the measurement date                | 1,827,768                                 | -                                        |
|                                                                 | <u>\$ 2,268,768</u>                       | <u>\$ 985,000</u>                        |

The \$1,827,768 reported as deferred outflows of resources related to pensions resulting from AIU contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>30-Jun</b> | <b>Amortization<br/>Amount</b> |
|---------------------------------------------------------|-----------------------------------------------------|--------------------------------|
| 2016                                                    | 2017                                                | \$ (296,000)                   |
| 2017                                                    | 2018                                                | (298,000)                      |
| 2018                                                    | 2019                                                | (298,000)                      |
| 2019                                                    | 2020                                                | 348,000                        |

**Actuarial Assumptions:**

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3%
- Salary increases – Effective average of 5.5%, which reflects an allowance for inflation of 3%, real wage growth of 1%, and merit or seniority increases of 1.5%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three (3) years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven (7) years for males and three (3) years for females

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Actuarial Assumptions: (Continued)**

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Investment Asset Allocation:**

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

| <u>Asset Class</u>           | <u>Target<br/>Allocation</u> | <u>Expected Real<br/>Rate of Return</u> |
|------------------------------|------------------------------|-----------------------------------------|
| Public markets global equity | 22.5%                        | 4.80%                                   |
| Private markets (equity)     | 15.0%                        | 6.60%                                   |
| Private real estate          | 12.0%                        | 4.50%                                   |
| Global fixed income          | 7.5%                         | 2.40%                                   |
| U.S. long treasuries         | 3.0%                         | 1.40%                                   |
| TIPS                         | 12.0%                        | 1.10%                                   |
| High yield bonds             | 6.0%                         | 3.30%                                   |
| Cash                         | 3.0%                         | .70%                                    |
| Absolute return              | 10.0%                        | 4.90%                                   |
| Risk parity                  | 10.0%                        | 3.70%                                   |
| MLPs/Infrastructure          | 5.0%                         | 5.20%                                   |
| Commodities                  | 8.0%                         | 3.10%                                   |
| Financing (LIBOR)            | -14.0%                       | 1.10%                                   |
|                              | <u>100%</u>                  |                                         |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Sensitivity of the ARIN IU's proportionate share of the net pension liability to changes in the discount rate:**

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

|                                                               | <b>1%<br/>Decrease<br/>6.50%</b> | <b>Current Discount<br/>Rate<br/>7.50%</b> | <b>1%<br/>Increase<br/>8.50%</b> |
|---------------------------------------------------------------|----------------------------------|--------------------------------------------|----------------------------------|
| ARIN IU's proportionate share of<br>the net pension liability | \$ 31,927,000                    | \$ 25,903,000                              | \$ 20,839,000                    |

**Pension plan fiduciary net position:**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**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, 2012, 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. \$2,160 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.

Effective July 1, 2012, the Intermediate Unit support staff will receive \$2,000 per year payable in monthly installments to the retiree.

The benefit is available for a maximum of eight 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 2015-2016 year, the rate charged was \$800 per FTE employee and the amount transferred to the OPEB Fund was \$129,332. Thirty-two retirees were covered under this benefit at a cost of \$196,323 for the 2015-2016 year. The projected total retiree benefit liability as of June 30, 2016 is \$510,861. Management calculated the liability using prior year actual percentage increases and projected future costs based on prior years' average increases. As of June 30, 2016, \$340 was available in the OPEB Fund to cover future retiree benefit costs.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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 2015-2016 two retirees were eligible at a cost of \$2,679 for the benefits. As of June 30, 2016, the amount of \$18,083 was available in the OPEB Fund for such benefits.

**Type of plans covered:**

Medical prescription, dental and vision benefits are covered. The Intermediate Unit self-insures the healthcare benefits of PPO and PPO Blue Qualified High Deductible Health Plan 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 8 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



**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Benefits: (Continued)**

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 contributes annually 100% to each Health Savings Account applicable to the retiree's coverage.

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               | \$ 491,540                 |
| Interest on net OPEB obligation            | -                          |
| Adjustment to annual required contribution | <u>(49,252)</u>            |
| Annual OPEB cost (expense)                 | \$ 442,288                 |
| Contributions made (estimate)              | <u>(384,400)</u>           |
| (Decrease) in net OPEB obligation          | \$ 57,888                  |
| Net OPEB obligation at July 1, 2015        | <u>999,892</u>             |
| Net OPEB obligation at June 30, 2016       | <u><u>\$ 1,057,780</u></u> |

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)**

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:

| <b>FISCAL YEAR<br/>ENDED</b> | <b>ANNUAL OPEB<br/>COST</b> | <b>PERCENTAGE<br/>CONTRIBUTED</b> | <b>NET OPEB<br/>OBLIGATION</b> |
|------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| 6/30/2016                    | \$ 442,000                  | 86.9%                             | \$ 1,058,000                   |
| 6/30/2015                    | 426,000                     | 81.3%                             | 1,000,000                      |
| 6/30/2014                    | 439,000                     | 76.2%                             | 920,000                        |
| 6/30/2013                    | 418,000                     | 73.5%                             | 816,000                        |
| 6/30/2012                    | 401,000                     | 86.2%                             | 705,000                        |
| 6/30/2011                    | 466,000                     | 51.2%                             | 650,000                        |

**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, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

**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, 2014 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 2.75% annually. The Discount Rate used was 4%.

The Net OPEB obligation of \$1,057,780 is reflected as part of Noncurrent Liabilities in the government-wide financial statement of net position (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, 2016**

**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 2013-2014, no premiums were charged due to the accumulated fund balance and current employment status. Beginning in 2014-15, premiums were calculated at ½% of gross wages.

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. The 2015-2016 revenues exceeded expenses by \$28,792 and the June 30, 2016 unreserved fund balance was \$423,004.

**VISION INSURANCE COVERAGE:**

Beginning July 1, 1996, the Intermediate Unit established a self-insurance plan to provide vision benefits to employees. Fiscal year 2015-2016 monthly premiums for all employees are \$90 for single coverage and \$186 for family coverage. Maximum yearly payout of claims is \$185 for single coverage and \$305 for family coverage.

Revenues received for fiscal year 2015-2016 totaled \$25,171 while expenses paid totaled \$21,189. Claims liabilities are reviewed each year and adjustments to the premium rates are made accordingly. Current year operations added \$3,982 to the unreserved fund balance which totals \$182,380 as of June 30, 2016.

**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 \$660.

Revenues received for the fiscal year 2015-2016 totaled \$105,942 while dental claim expenses totaled \$106,718. Claims liabilities are reviewed each year and adjustments to the premium are made accordingly. Current year operations deducted \$776 to the unreserved fund balance which totals \$262,169 as of June 30, 2016.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**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 each year as funds are available. As of June 30, 2016, \$106,233 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. As of June 30, 2016, \$35,890 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 a Point of Service (POS) Plan. The 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 \$300,000. Aggregate coverage is based on claim losses over 120% of an annual composite factor used for single and family coverage under the POS medical plan. 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).

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 Trust Equity (TE). 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, 2016 is \$5,561,220. The second level reserve CCR is to be used to cover unknown future claims. The CCR is set at 20% of the expected claims for the next fiscal year as calculated by Highmark Blue Cross Blue Shield. Twenty percent of the expected claims of \$42,064,141 is \$8,412,828 in CCR fund balance.

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**HEALTH INSURANCE CONSORTIUM: (Continued)**

The third reserve is TE and is any remaining funds after the TLR/CCR have been deducted from the total fund balance. The TE funded balance is \$5,561,220. AIIT's goal is to adequately fund both TLR and CCR over the future years. The Intermediate Unit paid \$2,179,444 in annual premiums during the 2015-2016 fiscal year. The Intermediate Unit's allocated share of AIIT's equity as of June 30, 2016 is approximately (\$63,287).

**NOTE 14 – PENDING GASB PRONOUNCEMENTS**

In June of 2015, GASB issued Statement No. 74, 'Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans'. The primary objective of this Statement is to address reporting by governments that provide Other Post-Employment Benefits (OPEB) to their employees. The provisions of this Statement are effective for ARIN Intermediate Unit's June 30, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 75, 'Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.' The primary objective of this Statement is to replace GASB 45 with a requirement to report a liability on the financial statements for the OPEB that governments provide to employees. The provisions of this Statement are effective for ARIN Intermediate Unit's June 30, 2018 financial statements.

In August of 2015, the Government Accounting Standards Board (GASB) issued Statement No. 77, *Tax Abatement Disclosures*. The primary objective of this Statement is the requirement of certain disclosures in regards to tax abatement agreements. The provisions of this Statement are effective for the ARIN Intermediate Unit's June 30, 2017 financial statements.

In March of 2016, the GASB issued Statement No. 82, 'Pension Issues'. The primary objective of this Statement is to address for certain issues that have been raised with respect to GASB Statements No. 67, 68 and 73. The provisions of this Statement are effective for the ARIN Intermediate Unit's June 30, 2017 financial statements.

The effects of the implementation of these standards on ARIN Intermediate Unit's financial statements have not yet been determined.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has determined that there are no events subsequent to June 30, 2016 through the date of the 'Independent Audit Report', which is the date the financial statements were available to be issued, that require additional disclosure.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ARIN INTERMEDIATE UNIT 28**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30, 2016**

**SCHEDULE OF ARIN IU CONTRIBUTIONS:**

| <b>June 30,</b>                                                     | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  |
|---------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Contractually required contributions                                | \$ 1,889,182 | \$ 1,615,819 | \$ 1,268,754 | \$ 953,639   |
| Contribution in relation to the contractually required contribution | (1,889,182)  | (1,615,819)  | (1,268,754)  | (953,639)    |
| Contribution deficiency (excess)                                    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| ARIN IU's covered-employee payroll                                  | \$ 7,437,362 | \$ 7,699,707 | \$ 7,494,109 | \$ 7,927,246 |
| Contributions as a percentage of covered-employee payroll           | 25.40%       | 20.99%       | 16.93%       | 12.03%       |

**SCHEDULE OF THE ARIN IU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY:**

| <b>As of the measurement date of June 30,</b>                                                              | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   |
|------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|
| ARIN IU's proportion of the net pension liability                                                          | 0.0598%       | 0.0585%       | 0.0618%       |
| ARIN IU's proportionate share of the net pension liability                                                 | \$ 25,903,000 | \$ 23,155,000 | \$ 25,298,000 |
| ARIN IU's covered-employee payroll                                                                         | \$ 7,699,707  | \$ 7,494,109  | \$ 7,927,246  |
| ARIN IU's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 336.42%       | 308.98%       | 319.13%       |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 54.36%        | 57.24%        | 54.49%        |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**ARIN INTERMEDIATE UNIT 28**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFIT PLANS**  
**JUNE 30, 2016**

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.

| <u>ACTUARIAL<br/>VALUATION<br/>DATE</u> | <u>ACTUARIAL<br/>VALUE OF<br/>ASSETS</u> | <u>ACTUARIAL<br/>ACCRUED<br/>LIABILITY</u> | <u>(UAAL)<br/>UNFUNDED<br/>ACTUARIAL<br/>ACCRUED<br/>LIABILITY</u> | <u>FUNDED<br/>RATIO</u> | <u>COVERED<br/>PAYROLL</u> | <u>UAAL AS A %<br/>OF COVERED<br/>PAYROLL</u> |
|-----------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------------------------------|-------------------------|----------------------------|-----------------------------------------------|
| 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%                                        |
| 7/1/11                                  | -                                        | 3,922,300                                  | 3,922,300                                                          | 0%                      | To Be Determined           |                                               |
| 7/1/14                                  | -                                        | 3,962,000                                  | 3,962,000                                                          | 0%                      | To Be Determined           |                                               |



***SUPPLEMENTARY  
SCHEDULES***

**ARIN INTERMEDIATE UNIT 28**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**JUNE 30, 2016**

**SCHEDULE 1**

|                                                | <b>SPECIAL<br/>EDUCATION<br/>FUND</b> | <b>SPECIAL<br/>EDUCATION<br/>TRANSPORTATION<br/>FUND</b> | <b>EARLY<br/>INTERVENTION<br/>FUND</b> | <b>TOTAL</b>            |
|------------------------------------------------|---------------------------------------|----------------------------------------------------------|----------------------------------------|-------------------------|
| <b>ASSETS:</b>                                 |                                       |                                                          |                                        |                         |
| Cash and Cash Equivalents                      | \$ 632,286                            | \$ 106,393                                               | \$ (382,698)                           | \$ 355,981              |
| Investments                                    | (554,362)                             | 137,942                                                  | 602,475                                | 186,055                 |
| Due From Other Governments                     | 49,639                                | -                                                        | 97,736                                 | 147,375                 |
| Other Receivables                              | 510,695                               | -                                                        | 15,383                                 | 526,078                 |
| Prepaid Expenses                               | 26,180                                | 975                                                      | 10,530                                 | 37,685                  |
| <b>TOTAL ASSETS</b>                            | <b>\$ 664,438</b>                     | <b>\$ 245,310</b>                                        | <b>\$ 343,426</b>                      | <b>\$ 1,253,174</b>     |
| <br><b>LIABILITIES AND FUND BALANCES</b>       |                                       |                                                          |                                        |                         |
| <b>LIABILITIES:</b>                            |                                       |                                                          |                                        |                         |
| Accounts Payable                               | \$ 13,773                             | \$ 86,527                                                | \$ 3,897                               | \$ 104,197              |
| Accrued Salaries and Benefits                  | 423,818                               | -                                                        | 300,576                                | 724,394                 |
| Unearned Revenues                              | 226,847                               | -                                                        | 38,953                                 | 265,800                 |
| <b>TOTAL LIABILITIES</b>                       | <b>\$ 664,438</b>                     | <b>\$ 86,527</b>                                         | <b>\$ 343,426</b>                      | <b>\$ 1,094,391</b>     |
| <br><b>FUND BALANCES:</b>                      |                                       |                                                          |                                        |                         |
| Assigned                                       | \$ -                                  | \$ 158,783                                               | \$ -                                   | \$ 158,783              |
| <b>TOTAL FUND BALANCES (Deficit)</b>           | <b>\$ -</b>                           | <b>\$ 158,783</b>                                        | <b>\$ -</b>                            | <b>\$ 158,783</b>       |
| <br><b>TOTAL LIABILITIES AND FUND BALANCES</b> | <br><b>\$ 664,438</b>                 | <br><b>\$ 245,310</b>                                    | <br><b>\$ 343,426</b>                  | <br><b>\$ 1,253,174</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, 2016**

|                                                              | <b>SPECIAL<br/>EDUCATION<br/>FUND</b> | <b>SPECIAL<br/>EDUCATION<br/>TRANSPORTATION<br/>FUND</b> | <b>EARLY<br/>INTERVENTION<br/>FUND</b> | <b>TOTAL</b>         |
|--------------------------------------------------------------|---------------------------------------|----------------------------------------------------------|----------------------------------------|----------------------|
| <b>REVENUES</b>                                              |                                       |                                                          |                                        |                      |
| Local Sources                                                | \$ 2,523,347                          | \$ 1,617                                                 | \$ 34,000                              | \$ 2,558,964         |
| State Sources                                                | 1,571,614                             | 3,858,081                                                | 2,360,892                              | 7,790,587            |
| <b>Total Revenues</b>                                        | <b>\$ 4,094,961</b>                   | <b>\$ 3,859,698</b>                                      | <b>\$ 2,394,892</b>                    | <b>\$ 10,349,551</b> |
| <b>EXPENDITURES</b>                                          |                                       |                                                          |                                        |                      |
| Instruction                                                  | \$ 2,316,645                          | \$ -                                                     | \$ 1,581,695                           | \$ 3,898,340         |
| Support Services                                             | 1,596,992                             | 3,493,226                                                | 670,487                                | 5,760,705            |
| <b>Total Expenditures</b>                                    | <b>\$ 3,913,637</b>                   | <b>\$ 3,493,226</b>                                      | <b>\$ 2,252,182</b>                    | <b>\$ 9,659,045</b>  |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 181,324</b>                     | <b>\$ 366,472</b>                                        | <b>\$ 142,710</b>                      | <b>\$ 690,506</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                       |                                                          |                                        |                      |
| Operating Transfers In                                       | \$ 37,890                             | \$ 1,203                                                 | \$ 12,969                              | \$ 52,062            |
| Operating Transfers (Out)                                    | (219,214)                             | (165,079)                                                | (155,679)                              | (539,972)            |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (181,324)</b>                   | <b>\$ (163,876)</b>                                      | <b>\$ (142,710)</b>                    | <b>\$ (487,910)</b>  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ -</b>                           | <b>\$ 202,596</b>                                        | <b>\$ -</b>                            | <b>\$ 202,596</b>    |
| FUND BALANCE - JULY 1, 2015                                  | -                                     | (43,813)                                                 | -                                      | (43,813)             |
| <b>FUND BALANCE - JUNE 30, 2016</b>                          | <b>\$ -</b>                           | <b>\$ 158,783</b>                                        | <b>\$ -</b>                            | <b>\$ 158,783</b>    |

The accompanying notes are an integral part of these financial statements

**ARIN INTERMEDIATE UNIT 28**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

**SCHEDULE 3**

|                                            | <b>CAPITAL<br/>PROJECT<br/>FUND</b> | <b>DEBT<br/>SERVICE<br/>FUND</b> | <b>TOTAL</b>    |
|--------------------------------------------|-------------------------------------|----------------------------------|-----------------|
| <b>ASSETS:</b>                             |                                     |                                  |                 |
| Cash and Cash Equivalents                  | \$ 2,311                            | \$ -                             | \$ 2,311        |
| <b>TOTAL ASSETS</b>                        | <b>\$ 2,311</b>                     | <b>\$ -</b>                      | <b>\$ 2,311</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                     |                                  |                 |
| <b>LIABILITIES:</b>                        |                                     |                                  |                 |
| Accounts Payable                           | \$ -                                | \$ -                             | \$ -            |
| <b>TOTAL LIABILITIES</b>                   | <b>\$ -</b>                         | <b>\$ -</b>                      | <b>\$ -</b>     |
| <b>FUND BALANCES:</b>                      |                                     |                                  |                 |
| Assigned                                   | \$ 2,311                            | \$ -                             | \$ 2,311        |
| <b>TOTAL FUND BALANCES</b>                 | <b>\$ 2,311</b>                     | <b>\$ -</b>                      | <b>\$ 2,311</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 2,311</b>                     | <b>\$ -</b>                      | <b>\$ 2,311</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, 2015**

|                                                              | CAPITAL<br>PROJECT<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL               |
|--------------------------------------------------------------|----------------------------|-------------------------|---------------------|
| <b>REVENUES</b>                                              |                            |                         |                     |
| Local Sources                                                | \$ 3                       | \$ -                    | \$ 3                |
| <b>Total Revenues</b>                                        | <b>\$ 3</b>                | <b>\$ -</b>             | <b>\$ 3</b>         |
| <b>EXPENDITURES</b>                                          |                            |                         |                     |
| Capital Outlay                                               | \$ 19,181                  | \$ -                    | \$ 19,181           |
| Debt Service                                                 | -                          | 167,311                 | 167,311             |
| <b>Total Expenditures</b>                                    | <b>\$ 19,181</b>           | <b>\$ 167,311</b>       | <b>\$ 186,492</b>   |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ (19,178)</b>         | <b>\$ (167,311)</b>     | <b>\$ (186,489)</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                         |                     |
| Operating Transfers In                                       | \$ 20,000                  | \$ 167,311              | \$ 187,311          |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 20,000</b>           | <b>\$ 167,311</b>       | <b>\$ 187,311</b>   |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 822</b>              | <b>\$ -</b>             | <b>\$ 822</b>       |
| FUND BALANCE - JULY 1, 2015                                  | 1,489                      | -                       | 1,489               |
| <b>FUND BALANCE - JUNE 30, 2016</b>                          | <b>\$ 2,311</b>            | <b>\$ -</b>             | <b>\$ 2,311</b>     |

The accompanying notes are an integral part of these financial statements

# **ARIN INTERMEDIATE UNIT 28**

## ***OTHER INFORMATION***

***AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

**INDEPENDENT AUDITOR'S 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 Management and Board of Directors  
ARIN Intermediate Unit 28**

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ARIN Intermediate Unit 28 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise ARIN Intermediate Unit 28's basic financial statements, and have issued my report thereon dated March 8, 2017.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the ARIN Intermediate Unit 28's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion 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. Accordingly, I do not express an opinion on the effectiveness of the ARIN Intermediate Unit 28's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the ARIN Intermediate Unit 28's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

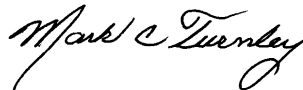
**To the Management and Board of Directors  
ARIN Intermediate Unit 28**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**Purpose of this Report**

This purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ARIN Intermediate Unit 28's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the ARIN Intermediate Unit 28's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

March 8, 2017  
New Brighton, Pennsylvania



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Education  
ARIN Intermediate Unit**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

I have audited the ARIN Intermediate Unit compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the ARIN Intermediate Unit major federal programs for the year ended June 30, 2016. The ARIN Intermediate Unit major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the ARIN Intermediate Unit major federal programs based on my audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 the ARIN Intermediate Unit 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 on compliance for each major federal program. However, my audit does not provide a legal determination on the ARIN Intermediate Unit compliance.

**Opinion on Each Major Federal Program**

In my opinion, ARIN Intermediate Unit 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, 2016.

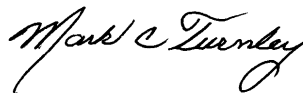
## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of ARIN Intermediate Unit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the ARIN Intermediate Unit internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the ARIN Intermediate Unit internal control over compliance.

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

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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

March 8, 2017  
New Brighton, Pennsylvania

**ARIN INTERMEDIATE UNIT 28  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

| 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 | Total Passed Through to Subrecipients |
|---------------------------------------------------------------------------|----------------|---------------------|-----------------------------|--------------------------------------|----------------------|----------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|---------------------------------------|
| <b>U.S. Department of Education:</b>                                      |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                                       |
| <b>Passed through Pa. Dept. of Education:</b>                             |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                                       |
| IDEA - B (EI Comp 1)                                                      | Indirect       | 84.027              | 131-150028                  | F 7/1/15-6/30/16                     | \$ 380,800           | \$ 380,800                 | \$ -                              | \$ 380,800          | \$ 380,800          | (1) \$ -                           | \$ -                                  |
| IDEA - B (EI Comp 1)                                                      | Direct         |                     |                             | S 7/1/15-6/30/16                     | 32,979               | 32,979                     | -                                 | 32,979              | 32,979              | -                                  | -                                     |
| IDEA - B (EI Comp 1)                                                      | Direct         |                     |                             | L 7/1/15-6/30/16                     | 13,180               | 13,180                     | -                                 | 13,180              | 13,180              | -                                  | -                                     |
| IDEA - B (EI Comp 1)                                                      | Indirect       | 84.027              | 131-140028                  | F 7/1/14-6/30/15                     | 360,602              | 30,050                     | 30,050                            | -                   | -                   | -                                  | -                                     |
| IDEA - B (SA Comp 2-3)                                                    | Indirect       | 84.027              | 062-160028                  | F 7/1/15-6/30/16                     | 3,946,471            | 3,946,471                  | -                                 | 3,927,206           | 3,927,206           | (1) (19,265)                       | 1,807,091                             |
| IDEA - B (SA Comp 2-3)                                                    | Indirect       | 84.027              | 062-150028                  | F 7/1/14-9/30/15                     | 3,982,895            | 1,062,105                  | 1,054,707                         | 7,398               | 7,398               | (1) -                              | -                                     |
| IDEA - B (SA Comp 2-3)                                                    | Direct         |                     |                             | S 7/1/15-6/30/16                     | 179,006              | 179,006                    | -                                 | 179,006             | 179,006             | -                                  | -                                     |
| IDEA - B (SA Comp 2-3)                                                    | Direct         |                     |                             | L 7/1/15-6/30/16                     | -                    | 25,596                     | -                                 | 25,596              | 25,596              | -                                  | -                                     |
| IDEA Pre-School                                                           | Indirect       | 84.173              | 131-150028                  | F 7/1/15-6/30/16                     | 138,204              | 138,204                    | -                                 | 136,702             | 136,702             | (1) (1,502)                        | 34,549                                |
| IDEA Pre-School                                                           | Direct         |                     |                             | S 7/1/15-6/30/16                     | 9,370                | 9,370                      | -                                 | 9,370               | 9,370               | -                                  | -                                     |
| IDEA Pre-School                                                           | Direct         |                     |                             | L 7/1/15-6/30/16                     | 596                  | 596                        | -                                 | 596                 | 596                 | -                                  | -                                     |
| IDEA Pre-School                                                           | Indirect       |                     | 131-140028                  | F 7/1/14-6/30/15                     | 135,337              | 11,278                     | 11,278                            | -                   | -                   | -                                  | -                                     |
| <b>IDEA Cluster Total</b>                                                 |                |                     |                             |                                      | <b>\$ 9,179,440</b>  | <b>\$ 5,829,635</b>        | <b>\$ 1,096,035</b>               | <b>\$ 4,712,833</b> | <b>\$ 4,712,833</b> | <b>\$ (20,767)</b>                 | <b>\$ 1,841,640</b>                   |
| Title I PIMS                                                              | Indirect       | 84.010              | 147-160010                  | F 7/1/15-9/30/16                     | 20,000               | 15,000                     | -                                 | 15,084              | 15,084              | 84                                 | -                                     |
| Title I PIMS                                                              | Direct         |                     |                             | S 7/1/15-9/30/16                     | 1,558                | 1,558                      | -                                 | 1,558               | 1,558               | -                                  | -                                     |
| Title I PIMS                                                              | Direct         |                     |                             | L 7/1/15-9/30/16                     | 93                   | 93                         | -                                 | 93                  | 93                  | -                                  | -                                     |
| Title I PIMS                                                              | Indirect       | 84.010              | 013-150628                  | F 7/1/14-9/30/15                     | 20,000               | 20,000                     | 15,151                            | 4,849               | 4,849               | -                                  | -                                     |
| Title I Capacity KE; CC                                                   | Indirect       | 84.010              | 148-160009                  | F 7/1/15-9/30/16                     | 9,777                | 9,777                      | -                                 | 8,469               | 8,469               | (1,308)                            | -                                     |
| Title I Capacity KE; CC                                                   | Indirect       | 84.010              | 013-140628                  | F 7/1/14-9/30/15                     | 20,222               | 20,222                     | 20,090                            | 132                 | 132                 | -                                  | -                                     |
| Title I Capacity Building                                                 | Indirect       | 84.010              | 151-160009                  | F 7/1/15-9/30/16                     | 10,000               | 7,500                      | -                                 | 7,747               | 7,747               | 247                                | -                                     |
| Title I Capacity Building                                                 | Direct         |                     |                             | S 7/1/15-9/30/16                     | 656                  | 656                        | -                                 | 656                 | 656                 | -                                  | -                                     |
| Title I Capacity Building                                                 | Direct         |                     |                             | L 7/1/15-9/30/16                     | 50                   | 50                         | -                                 | 50                  | 50                  | -                                  | -                                     |
| Title I Capacity Building                                                 | Indirect       | 84.010              | 013-150628                  | F 7/1/14-9/30/15                     | 34,500               | 34,500                     | 26,292                            | 8,208               | 8,208               | -                                  | -                                     |
| Support for Effective Standards                                           | Indirect       | 84.010              | 149-160009                  | F 7/1/15-6/30/16                     | 57,514               | 52,721                     | -                                 | 44,980              | 44,980              | (7,741)                            | -                                     |
| Support for Effective Standards                                           | Direct         |                     |                             | S 7/1/15-6/30/16                     | 23,491               | 21,533                     | -                                 | 20,075              | 20,075              | (1,458)                            | -                                     |
| <b>Title I Cluster Total</b>                                              |                |                     |                             |                                      | <b>\$ 197,861</b>    | <b>\$ 183,610</b>          | <b>\$ 61,533</b>                  | <b>\$ 111,901</b>   | <b>\$ 111,901</b>   | <b>\$ (10,176)</b>                 | <b>\$ -</b>                           |
| Federal Adult Ed Section 322                                              | Indirect       | 84.002              | 64-160004                   | F 7/1/15-6/30/16                     | \$ 286,051           | \$ 286,051                 | \$ -                              | \$ 286,051          | \$ 286,051          | \$ -                               | \$ -                                  |
| Federal Adult Ed Section 322                                              | Direct         |                     |                             | S 7/1/15-6/30/16                     | 22,362               | 22,362                     | -                                 | 22,362              | 22,362              | -                                  | -                                     |
| Federal Adult Ed Section 322                                              | Direct         |                     |                             | L 7/1/15-6/30/16                     | 30,153               | 30,153                     | -                                 | 20,789              | 20,789              | (9,364)                            | -                                     |
| Federal Adult Ed Section 322                                              | Indirect       | 84.002              | 64-150004                   | F 7/1/14-6/30/15                     | 312,474              | -                          | (58)                              | 58                  | 58                  | -                                  | -                                     |
| Federal Adult Ed Section 322                                              | Direct         |                     |                             | L 7/1/14-6/30/15                     | 22,459               | -                          | (12,535)                          | 12,535              | 12,535              | -                                  | -                                     |
| Homeless Children & Youth                                                 | Indirect       | 84.196A             | 081-150152                  | F 7/1/15-9/30/16                     | 140,758              | 121,990                    | -                                 | 120,494             | 120,494             | (1,496)                            | -                                     |
| Homeless Children & Youth                                                 | Direct         |                     |                             | S 7/1/15-9/30/16                     | 8,892                | 8,892                      | -                                 | 8,892               | 8,892               | -                                  | -                                     |
| Homeless Children & Youth                                                 | Direct         |                     |                             | L 7/1/15-9/30/16                     | 630                  | 630                        | -                                 | 630                 | 630                 | -                                  | -                                     |
| 21st Century CLC Aftersch. Prgm.                                          | Indirect       | 84.287C             | 4100060832                  | F 10/1/15-9/30/16                    | 147,500              | 91,188                     | -                                 | 115,256             | 115,256             | 24,068                             | -                                     |
| 21st Century CLC Aftersch. Prgm.                                          | Indirect       | 84.287C             | 4100071618                  | F 1/1/16-12/31/16                    | 400,000              | 100,000                    | -                                 | 82,299              | 82,299              | (17,701)                           | -                                     |
| 21st Century CLC Aftersch. Prgm.                                          | Indirect       | 84.287C             | 4100060832                  | F 10/1/14-9/30/15                    | 147,520              | 69,047                     | 50,457                            | 18,590              | 18,590              | -                                  | -                                     |
| 21st Century CLC Aftersch. Prgm.                                          | Direct         |                     |                             | S 1/1/16-12/31/16                    | 206                  | 206                        | -                                 | 206                 | 206                 | -                                  | -                                     |
| 21st Century CLC Aftersch. Prgm.                                          | Direct         |                     |                             | L 1/1/16-12/31/16                    | 13                   | 13                         | -                                 | 13                  | 13                  | -                                  | -                                     |
| Math Design Collaborative                                                 | Indirect       | 84.413A             | B413A120004                 | F 7/1/15-9/30/16                     | 10,000               | 10,000                     | -                                 | 10,000              | 10,000              | -                                  | -                                     |
| Math Design Collaborative                                                 | Direct         |                     |                             | S 7/1/15-9/30/16                     | 1,008                | 1,008                      | -                                 | 1,008               | 1,008               | -                                  | -                                     |
| Math Design Collaborative                                                 | Direct         |                     |                             | L 7/1/15-9/30/16                     | 61                   | 61                         | -                                 | 61                  | 61                  | -                                  | -                                     |
| Title II Improving Teacher Quality                                        | Indirect       | 84.367              | 020-160628                  | F 7/1/15-9/30/16                     | 3,821                | 2,802                      | -                                 | 2,294               | 2,294               | (508)                              | -                                     |
| Title II Improving Teacher Quality                                        | Indirect       | 84.367              | 020-150628                  | F 7/1/14-9/30/15                     | 3,821                | 1,019                      | (270)                             | 1,289               | 1,289               | -                                  | -                                     |
| Title II Improving Teacher Quality                                        | Direct         |                     |                             | L 7/1/14-9/30/15                     | 5,518                | 5,518                      | (2,908)                           | 3,870               | 3,870               | (4,556)                            | -                                     |
| ARRA - Race to the Top - Phase 3                                          | Indirect       | 84.413A             | 4100061571                  | F 7/1/12-9/30/16                     | 31,702               | 7,253                      | -                                 | 6,076               | 6,076               | (1,177)                            | 3,476                                 |
| ARRA - Race to the Top - Phase 3                                          | Indirect       | 84.413A             | 4100061571                  | F 7/1/12-9/30/15                     | 31,702               | 5,735                      | 5,735                             | -                   | -                   | -                                  | -                                     |
| <b>TOTAL U.S. DEPT. OF EDUCATION PASSED THROUGH PA DEPT. OF EDUCATION</b> |                |                     |                             |                                      | <b>\$ 10,983,952</b> | <b>\$ 6,777,173</b>        | <b>\$ 1,197,989</b>               | <b>\$ 5,537,507</b> | <b>\$ 5,537,507</b> | <b>\$ (41,677)</b>                 | <b>\$ 1,845,116</b>                   |

**ARIN INTERMEDIATE UNIT 28  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

| 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 | EXPENDITURES        |
|-------------------------------------------------------------------------------------------|-----------------------------------------|----------------|---------------------|-----------------------------|--------------------------------------|----------------------|----------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|---------------------|
| <b>U.S. Department of Education:</b>                                                      |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
| <b>Passed through United School District:</b>                                             |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
|                                                                                           | 21st Century CLC Afterschool Program    | Indirect       | 84.287C             | 4100068106                  | F 10/1/15-9/30/16                    | \$ 400,000           | \$ 226,139                 | \$ -                              | \$ 245,404          | \$ 245,404          | \$ 19,265                          | \$ -                |
|                                                                                           | 21st Century CLC Afterschool Program    | Direct         |                     |                             | S 10/1/15-9/30/16                    | 197                  | 197                        | -                                 | 197                 | 197                 | -                                  | -                   |
|                                                                                           | 21st Century CLC Afterschool Program    | Direct         |                     |                             | L 10/1/15-9/30/16                    | 12                   | 12                         | -                                 | 12                  | 12                  | -                                  | -                   |
|                                                                                           | 21st Century CLC Afterschool Program    | Indirect       | 84.287C             | 4100068106                  | F 10/1/14-9/30/16                    | 400,000              | 257,982                    | 112,388                           | 145,594             | 145,594             | -                                  | -                   |
|                                                                                           | 21st Century CLC Afterschool Program    | Direct         |                     |                             | S 10/1/14-9/30/15                    | 750                  | 750                        | -                                 | 750                 | 750                 | -                                  | -                   |
|                                                                                           | 21st Century CLC Afterschool Program    | Direct         |                     |                             | L 10/1/14-9/30/15                    | 3,035                | 3,035                      | -                                 | 3,035               | 3,035               | -                                  | -                   |
|                                                                                           | 21st Century CLC Afterschool Program    | Indirect       | 84.287C             | 4100060881                  | F 10/1/14-9/30/15                    | 500,000              | 231,850                    | 36,723                            | 195,127             | 195,127             | -                                  | -                   |
|                                                                                           | 21st Century CLC Afterschool Program    | Direct         |                     |                             | S 10/1/14-9/30/15                    | 461                  | 461                        | -                                 | 461                 | 461                 | -                                  | -                   |
|                                                                                           | 21st Century CLC Afterschool Program    | Direct         |                     |                             | L 10/1/14-9/30/15                    | 30                   | 30                         | -                                 | 30                  | 30                  | -                                  | -                   |
| <b>TOTAL U.S. DEPT. OF EDUCATION PASSED THROUGH UNITED SCHOOL DISTRICT</b>                |                                         |                |                     |                             |                                      | <b>\$ 1,304,485</b>  | <b>\$ 720,456</b>          | <b>\$ 149,111</b>                 | <b>\$ 590,610</b>   | <b>\$ 590,610</b>   | <b>\$ 19,265</b>                   | <b>\$ -</b>         |
| <b>U.S. Department of Education:</b>                                                      |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
| <b>Passed through Blairsville-Saltsburgh School District:</b>                             |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
|                                                                                           | Keystones to Opportunity                | Indirect       | 84.371              | N/A                         | F 7/1/14-6/30/15                     | \$ 41,673            | \$ 4,443                   | \$ 4,443                          | \$ -                | \$ -                | \$ -                               | \$ -                |
|                                                                                           | 21st Century CLC Afterschool Program    | Indirect       | 84.287C             | 4100071619                  | F 1/1/16-12/31/16                    | 400,000              | 35,831                     | -                                 | 57,552              | 57,552              | 21,721                             | -                   |
|                                                                                           | 22nd Century CLC Afterschool Program    | Direct         |                     |                             | S 1/1/16-12/31/16                    | 196                  | 196                        | -                                 | 196                 | 196                 | -                                  | -                   |
|                                                                                           | 23rd Century CLC Afterschool Program    | Direct         |                     |                             | L 1/1/16-12/31/16                    | 12                   | 12                         | -                                 | 12                  | 12                  | -                                  | -                   |
| <b>TOTAL U.S. DEPT. OF EDUCATION PASSED THROUGH BLAIRSVILLE-SALTSBURG SCHOOL DISTRICT</b> |                                         |                |                     |                             |                                      | <b>\$ 441,881</b>    | <b>\$ 40,482</b>           | <b>\$ 4,443</b>                   | <b>\$ 57,760</b>    | <b>\$ 57,760</b>    | <b>\$ 21,721</b>                   | <b>\$ -</b>         |
| <b>U.S. Department of Education:</b>                                                      |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
| <b>Passed through Montgomery County Intermediate Unit:</b>                                |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
|                                                                                           | Project Max                             | Indirect       | 84.323A             | N/A                         | F 7/1/14-6/30/16                     | \$ 11,000            | \$ 5,000                   | \$ (4,363)                        | \$ 322              | \$ 322              | \$ (9,041)                         | \$ -                |
| <b>TOTAL U.S. DEPT. OF EDUCATION PASSED THROUGH MONTGOMERY COUNTY INTERMEDIATE UNIT</b>   |                                         |                |                     |                             |                                      | <b>\$ 11,000</b>     | <b>\$ 5,000</b>            | <b>\$ (4,363)</b>                 | <b>\$ 322</b>       | <b>\$ 322</b>       | <b>\$ (9,041)</b>                  | <b>\$ -</b>         |
| <b>U.S. Department of Education:</b>                                                      |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
| <b>Passed through Capital Area Intermediate Unit:</b>                                     |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
|                                                                                           | PA Institute for Instructional Coaching | Indirect       | 84.367              |                             | F 7/1/15-6/30/16                     | \$ 37,500            | \$ 36,791                  | \$ -                              | \$ 36,902           | \$ 36,902           | \$ 111                             | \$ -                |
|                                                                                           | PA Institute for Instructional Coaching | Direct         |                     |                             | S 7/1/15-6/30/16                     | 3,721                | 3,721                      | -                                 | 3,721               | 3,721               | -                                  | -                   |
|                                                                                           | PA Institute for Instructional Coaching | Direct         |                     |                             | L 7/1/15-6/30/16                     | 225                  | 225                        | -                                 | 225                 | 225                 | -                                  | -                   |
|                                                                                           | PA Institute for Instructional Coaching | Indirect       | 84.367              |                             | F 7/1/14-6/30/15                     | 37,500               | 2,703                      | 2,703                             | -                   | -                   | -                                  | -                   |
| <b>TOTAL U.S. DEPT. OF EDUCATION PASSED THROUGH CAPITAL INTERMEDIATE UNIT</b>             |                                         |                |                     |                             |                                      | <b>\$ 78,946</b>     | <b>\$ 43,440</b>           | <b>\$ 2,703</b>                   | <b>\$ 40,848</b>    | <b>\$ 40,848</b>    | <b>\$ 111</b>                      | <b>\$ -</b>         |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                                                 |                                         |                |                     |                             |                                      | <b>\$ 12,820,264</b> | <b>\$ 7,586,551</b>        | <b>\$ 1,349,883</b>               | <b>\$ 6,227,047</b> | <b>\$ 6,227,047</b> | <b>\$ (9,621)</b>                  | <b>\$ 1,845,116</b> |
| <b>U.S. Department of Agriculture:</b>                                                    |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
| <b>Passed through Pa. Dept. of Education:</b>                                             |                                         |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
|                                                                                           | ELECT & Fatherhood Initiative           | Indirect       | 10.561              | 4100060951                  | F 7/1/15-6/30/16                     | \$ 29,612            | \$ 29,612                  | \$ -                              | \$ 29,612           | \$ 29,612           | \$ -                               | \$ -                |
|                                                                                           | ELECT & Fatherhood Initiative           | Indirect       |                     |                             | S 7/1/15-6/30/16                     | 400,000              | -                          | -                                 | 400,000             | 400,000             | 400,000                            | -                   |
|                                                                                           | ELECT & Fatherhood Initiative           | Indirect       |                     |                             | L 7/1/15-6/30/16                     | 1,860                | 1,860                      | -                                 | 1,860               | 1,860               | -                                  | -                   |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>                                                    |                                         |                |                     |                             |                                      | <b>\$ 431,472</b>    | <b>\$ 31,472</b>           | <b>\$ -</b>                       | <b>\$ 431,472</b>   | <b>\$ 431,472</b>   | <b>\$ 400,000</b>                  | <b>\$ -</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 7/1/14-6/30/15                     | \$ 59,734            | \$ 7,010                   | \$ 7,010                          | \$ -                | \$ -                | \$ -                               | \$ -                |
|                                                                                           | Summer Youth                            | Indirect       | 17.259              | TRI-SER-002-10              | F 7/1/15-6/30/16                     | 62,353               | 49,165                     | -                                 | 62,353              | 62,353              | 13,188                             | -                   |
|                                                                                           | Summer Youth                            | Direct         |                     |                             | S 7/1/14-6/30/15                     | 4,366                | 4,366                      | -                                 | 4,366               | 4,366               | -                                  | -                   |
|                                                                                           | Summer Youth                            | Direct         |                     |                             | L 7/1/14-6/30/15                     | 312                  | 312                        | -                                 | 312                 | 312                 | -                                  | -                   |
|                                                                                           | WIA Title V Incentive                   | Indirect       | 17.267              | 41000071307                 | F 7/1/15-6/30/16                     | 11,091               | 11,091                     | -                                 | 11,091              | 11,091              | -                                  | -                   |
| <b>TOTAL DEPARTMENT OF LABOR &amp; INDUSTRY</b>                                           |                                         |                |                     |                             |                                      | <b>\$ 137,856</b>    | <b>\$ 71,944</b>           | <b>\$ 7,010</b>                   | <b>\$ 78,122</b>    | <b>\$ 78,122</b>    | <b>\$ 13,188</b>                   | <b>\$ -</b>         |

**ARIN INTERMEDIATE UNIT 28  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

| 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 | EXPENDITURES        |
|-------------------------------------------------------------------------------------------------------|----------------|---------------------|-----------------------------|--------------------------------------|----------------------|----------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|---------------------|
| <b>U.S. Department of Health and Human Services:</b>                                                  |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
| <b>Passed through PA Department of Public Welfare</b>                                                 |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
| Maternal, Infant & Early Childhood Home Visitation                                                    | Indirect       | 93.505              | 4100060994                  | F 7/1/15-6/30/16                     | \$ 400,000           | \$ 350,000                 | \$ -                              | \$ 400,000          | \$ 400,000          | \$ 50,000                          | \$ -                |
| Maternal, Infant & Early Childhood Home Visitation                                                    | Direct         |                     |                             | S 7/1/15-6/30/16                     | 25,292               | 25,292                     | -                                 | 25,292              | 25,292              | -                                  | -                   |
| Maternal, Infant & Early Childhood Home Visitation                                                    | Direct         |                     |                             | L 7/1/15-6/30/16                     | 4,422                | 4,422                      | -                                 | 4,422               | 4,422               | -                                  | -                   |
| Maternal, Infant & Early Childhood Home Visitation                                                    | Indirect       | 93.505              | 4100060994                  | F 7/1/14-6/30/15                     | 350,000              | 43,750                     | 42,021                            | 1,729               | 1,729               | -                                  | -                   |
| Parent-Child Home Program                                                                             | Indirect       | 93.556              | 4100057474                  | F 7/1/15-6/30/16                     | 211,746              | 185,278                    | -                                 | 211,458             | 211,458             | 26,180                             | -                   |
| Parent-Child Home Program                                                                             | Direct         |                     |                             | S 7/1/15-6/30/16                     | 10,912               | 10,912                     | -                                 | 10,912              | 10,912              | -                                  | -                   |
| Parent-Child Home Program                                                                             | Direct         |                     |                             | L 7/1/15-6/30/16                     | 2,968                | 2,968                      | -                                 | 1,128               | 1,128               | (1,840)                            | -                   |
| Parent-Child Home Program                                                                             | Indirect       | 93.556              | 4100057474                  | F 7/1/14-6/30/15                     | 211,746              | 26,468                     | 22,930                            | 3,538               | 3,538               | -                                  | -                   |
| Medical Assistance Reimbursement for Health-Related Transportation and Admin                          | Indirect       | 93.778              | N/A                         | F 7/1/15-6/30/16                     | 30,683               | 13,229                     | (248,301)                         | -                   | -                   | (261,530)                          | -                   |
| <b>TOTAL U.S. DEPT. OF HEALTH &amp; HUMAN SERVICES PASSED THROUGH PA DEPARTMENT OF PUBLIC WELFARE</b> |                |                     |                             |                                      | <b>\$ 1,247,769</b>  | <b>\$ 662,319</b>          | <b>\$ (183,350)</b>               | <b>\$ 658,479</b>   | <b>\$ 658,479</b>   | <b>\$ (187,190)</b>                | <b>\$ -</b>         |
| <b>Passed through PA Department of Education</b>                                                      |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |                     |
| ELECT & Fatherhood Initiative                                                                         | Indirect       | 93.558              | 4100060951                  | F 7/1/15-6/30/16                     | \$ 400,000           | \$ -                       | \$ -                              | \$ 400,000          | \$ 400,000          | \$ 400,000                         | \$ -                |
| ELECT & Fatherhood Initiative                                                                         | Indirect       |                     |                             | S 7/1/15-6/30/16                     | 29,612               | 29,612                     | -                                 | 29,612              | 29,612              | -                                  | -                   |
| ELECT & Fatherhood Initiative                                                                         | Indirect       |                     |                             | L 7/1/15-6/30/16                     | 1,860                | 1,860                      | -                                 | 1,860               | 1,860               | -                                  | -                   |
| ELECT & Fatherhood Initiative                                                                         | Indirect       | 93.558              | 4100060951                  | F 7/1/14-6/30/15                     | 294,142              | 176,938                    | 176,938                           | -                   | -                   | -                                  | -                   |
| ELECT & Fatherhood Initiative                                                                         | Direct         |                     |                             | F 7/1/14-6/30/15                     | 34,372               | 25,779                     | 25,779                            | -                   | -                   | -                                  | -                   |
| ELECT & Fatherhood Initiative                                                                         | Direct         |                     |                             | S 7/1/14-6/30/15                     | 23,966               | 17,974                     | 17,974                            | -                   | -                   | -                                  | -                   |
| <b>TOTAL U.S. DEPT. OF HEALTH &amp; HUMAN SERVICES PASSED THROUGH PA DEPARTMENT OF EDUCATION</b>      |                |                     |                             |                                      | <b>\$ 783,952</b>    | <b>\$ 252,163</b>          | <b>\$ 220,691</b>                 | <b>\$ 431,472</b>   | <b>\$ 431,472</b>   | <b>\$ 400,000</b>                  | <b>\$ -</b>         |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                                  |                |                     |                             |                                      | <b>\$ 2,031,721</b>  | <b>\$ 914,482</b>          | <b>\$ 37,341</b>                  | <b>\$ 1,089,951</b> | <b>\$ 1,089,951</b> | <b>\$ 212,810</b>                  | <b>\$ -</b>         |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>                                                             |                |                     |                             |                                      | <b>\$ 15,421,313</b> | <b>\$ 8,604,449</b>        | <b>\$ 1,394,234</b>               | <b>\$ 7,826,592</b> | <b>\$ 7,826,592</b> | <b>\$ 616,377</b>                  | <b>\$ 1,845,116</b> |

# **Reconciliation with Federal Subsidy Confirmation:**

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Per above                                          | \$ 8,604,449        |
| Pre-K Counts                                       | 802,900             |
| State Early Intervention                           | 2,198,574           |
| Adult Literacy                                     | 85,633              |
| Safe Schools Support                               | 6,483               |
| United School District                             | (720,457)           |
| Blairsville-Saltsburg School District              | (40,483)            |
| Montgomery County Intermediate Unit                | (5,000)             |
| Capital Area Intermediate Unit                     | (43,440)            |
| Maternal, Infant & Early Childhood Home Visitation | (393,750)           |
| ELECT & Fatherhood Initiative - Federal            | (232,329)           |
| Parent Child Home Program                          | (211,746)           |
| Medical Assistance - Federal                       | (13,229)            |
| Tri-County Private Industry Council                | (71,944)            |
| Medical Assistance - Access Early Intervention     | 188,681             |
| 21st Century CLC                                   | (260,235)           |
| ARRA Race to the Top                               | (12,988)            |
| Keystone to Opportunities                          | (4,443)             |
| Math Design Collaborative                          | (10,000)            |
| State Source Revenue                               | (361,360)           |
| Local Source Revenue                               | (61,021)            |
| Per confirmation from PDE                          | <b>\$ 9,444,295</b> |

**SUMMARY OF EXPENDITURES:**

|         |                     |
|---------|---------------------|
| FEDERAL | \$ 6,984,666        |
| STATE   | 751,619             |
| LOCAL   | 87,399              |
|         | <b>\$ 7,823,684</b> |

(1) - Major Programs Tested

**ARIN INTERMEDIATE UNIT 28**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2016**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the ARIN Intermediate Unit for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the Intermediate Unit, it is not intended to and does not present the financial position or changes in net position of the ARIN Intermediate Unit.

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

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the 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.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C, and is referenced in Note 5 to the Financial Statements.

**NOTE 5 – INDIRECT COST RATE**

The IU uses an indirect cost rate that is approved by the Pennsylvania Department of Education that is used to charge all indirect costs. The approved indirect cost rate for the 2015-2016 fiscal year was 4.68%.

**ARIN INTERMEDIATE UNIT 28**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X no

Noncompliance material to financial statements noted? \_\_\_yes    X no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_yes    X no

Identification of major programs:

| <u>CFDA number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 84.027                | IDEA                                      |
| 84.173                | IDEA - Preschool                          |

The dollar threshold for distinguishing type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes    \_\_\_no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None

**ARIN INTERMEDIATE UNIT 28**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2016**

The audit report of the ARIN Intermediate Unit 28 for the year ended June 30, 2015, dated February 29, 2016, contained no audit findings.