

COMBINED FINANCIAL STATEMENTS AND  
ACCOMPANYING INFORMATION

FARRELL AREA SCHOOL DISTRICT  
HEAD START PROGRAMS

June 30, 2014 and 2013

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December 2, 2014

Board of Directors  
Farrell Area School District  
Head Start Programs  
Farrell, Pennsylvania

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying combined financial statements of Farrell Area School District (District) Head Start Programs; Head Start Program, Early Head Start Program, Head Start Supplemental Assistance Program and Pre-K Counts Program (collectively "the Programs"), which comprise the combined balance sheets as of June 30, 2014 and 2013, and the related combined statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the combined financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

### **Auditor's Responsibility (Continued)**

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

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

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Programs as of June 30, 2014 and 2013, and the changes in their fund balances for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note A, the combined financial statements present only the Programs and do not purport to, and do not, present fairly the combined financial position of the District, as of June 30, 2014 and 2013, and the changes in its financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic combined financial statements. Such missing information, although not a part of the basic combined 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 combined financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic combined financial statements is not affected by this missing information.

## **Other Matters (Continued)**

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining statements of revenues, expenditures and changes in fund balances and unassigned program activity expenditures are presented for purposes of additional analysis, and are not a required part of the basic combined financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic combined 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 combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic combined financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2014, on our consideration of the Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Programs' internal control over financial reporting and compliance.

*Hill, Barth & King LLC*  
Certified Public Accountants

COMBINED BALANCE SHEETS

FARRELL AREA SCHOOL DISTRICT HEAD START PROGRAMS

June 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 137,766	\$ 409,115
Grant receivable - U.S. Department of Agriculture	23,982	52,846
Grant receivable - Department of Health and Human Services	518,788	527,930
Grant receivable - PA Department of Education	11,970	153,827
Other receivables	11,913	15,553
Prepaid expenses	51,070	40,023
TOTAL CURRENT ASSETS	<u>755,489</u>	<u>1,199,294</u>
<u>VEHICLES AND EQUIPMENT</u>		
Vehicles	65,638	65,638
Equipment	66,061	48,243
	<u>131,699</u>	<u>113,881</u>
Less accumulated depreciation	50,814	37,093
NET VEHICLES AND EQUIPMENT	<u>80,885</u>	<u>76,788</u>
TOTAL ASSETS	<u>\$ 836,374</u>	<u>\$ 1,276,082</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 101,319	\$ 116,203
Due to Farrell Area School District - Cafeteria Fund	-	3,082
Due to Farrell Area School District - General Fund	242,524	777,662
Due to Farrell Area School District - General Fund		
State Subsidies	95,823	95,823
Accrued wages and benefits	197,577	105,858
Current portion of capital lease obligation	2,855	2,491
TOTAL CURRENT LIABILITIES	<u>640,098</u>	<u>1,101,119</u>
<u>LONG-TERM DEBT</u>		
Capital lease obligation less current portion	8,392	11,247
TOTAL LIABILITIES	<u>648,490</u>	<u>1,112,366</u>
<u>FUND BALANCES</u>		
Unassigned	69,637	63,049
Restricted	118,247	100,667
TOTAL FUND BALANCES	<u>187,884</u>	<u>163,716</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 836,374</u>	<u>\$ 1,276,082</u>

See accompanying notes to combined financial statements

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FARRELL AREA SCHOOL DISTRICT HEAD START PROGRAMS

Years ended June, 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b><u>PROGRAM ACTIVITIES - UNASSIGNED</u></b>		
Program activity revenues:		
Local sources:		
Non-Federal share	\$ 680,866	\$ 722,423
Miscellaneous	166	117
Federal and state sources:		
Department of Health and Human Services Grants	2,683,788	2,831,923
Pennsylvania Department of Education Grants	<u>1,051,120</u>	<u>1,063,888</u>
TOTAL PROGRAM ACTIVITY REVENUES	<u>4,415,940</u>	<u>4,618,351</u>
Program activity expenditures:		
Program expenditures	3,728,486	3,885,245
Non-Federal share	<u>680,866</u>	<u>722,423</u>
TOTAL PROGRAM ACTIVITY EXPENDITURES	<u>4,409,352</u>	<u>4,607,668</u>
EXCESS OF REVENUES OVER EXPENDITURES - PROGRAM ACTIVITIES - UNASSIGNED	<u>6,588</u>	<u>10,683</u>
<b><u>CHILD AND ADULT CARE FOOD PROGRAM ACTIVITIES - RESTRICTED</u></b>		
Food program activity revenues:		
U.S. Department of Agriculture Grants	209,999	219,384
Food program activity expenditures:		
U.S. Department of Agriculture Expenditures	<u>192,419</u>	<u>201,712</u>
EXCESS OF REVENUES OVER EXPENDITURES - CHILD AND ADULT CARE FOOD PROGRAM ACTIVITIES - RESTRICTED	<u>17,580</u>	<u>17,672</u>
NET CHANGES IN FUND BALANCES	24,168	28,355
<b><u>FUND BALANCES AT BEGINNING OF YEAR</u></b>	<u>163,716</u>	<u>135,361</u>
<b><u>FUND BALANCES AT END OF YEAR</u></b>	<u>\$ 187,884</u>	<u>\$ 163,716</u>

See accompanying notes to combined financial statements

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FARRELL AREA SCHOOL DISTRICT HEAD START PROGRAMS

June 30, 2014 and 2013

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Operations:

The Farrell Area School District (District) operates four Head Start Programs (collectively, "the Programs") in Mercer County. The Head Start Program (Head Start) and Head Start Supplemental Assistance Program (Head Start Supplemental) provide comprehensive early child development for disadvantaged preschool children and their families. The Early Head Start Program (Early Head Start) provides comprehensive early child development for disadvantaged preschool children, infant through age 3, and their families. The Pre-K Counts Program (Pre-K) provides quality half-day and full-day preschool to children age 3 and up until the entry age for Kindergarten. The Head Start Supplemental and Pre-K programs are funded by the Commonwealth of Pennsylvania's Department of Education.

The Programs are included in the financial statements of the District as special revenue funds. The following are significant factors for inclusion: the District is responsible for approving the Programs' budgets and establishing spending limitations; the District may be responsible for funding deficits; the District has responsibility for fiscal management and controls personnel.

These combined financial statements present only the financial position and the results of operations of the Programs and are not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

##### Combination:

The accompanying combined financial statements include the accounts of the Programs. All interprogram transactions and balances have been eliminated in the combination.

##### Federal Programs:

As a federally or state assisted grant program, the Programs are subject to program compliance audits by the grantors or their representatives. The Programs are potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

##### Basis of Accounting:

The combined financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded when goods are received or services are provided.

##### Use of Estimates:

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

FARRELL AREA SCHOOL DISTRICT  
HEAD START PROGRAMS

June 30, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmonetary Contributions:

The Head Start and Early Head Start programs recognize contribution revenue, stated as "Non-Federal share" on the combined statements of revenues, expenditures and changes in fund balances for certain services received at the fair value of those services. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs:

Advertising costs are expensed as they are incurred.

Receivables and Payables:

Activity between the Programs and the District are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are referred to as "due from/due to Farrell Area School District".

Property and Equipment:

Property and equipment are stated at cost or donated value. The Programs capitalize property and equipment with a cost in excess of \$5,000 and a useful life of at least one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset and amounted to \$13,721 and \$10,259 for the years ended June 30, 2014 and 2013, respectively. The estimated useful lives are as follows:

Furniture and fixtures	5-10 years
General office equipment	5 years
Computer equipment	2-5 years
Leased assets	Lesser of the assets useful life or the life of the lease

Expenditures for maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of an asset are capitalized.

Compensated Absences:

Certain employees of the Programs are entitled to paid vacation and paid sick days depending on the length of service and other factors. It is not practicable for the Programs to estimate the amount of compensation for future absences for paid vacation and paid sick days; accordingly, no liability for compensated absences has been recorded in the accompanying combined financial statements. The Programs' policy is to recognize the costs of compensated absences for vacation and paid sick days when actually paid to employees.



NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

FARRELL AREA SCHOOL DISTRICT  
HEAD START PROGRAMS

June 30, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances:

Fund balances may be divided into five classifications, unassigned, restricted, committed, assigned and nonspendable, based primarily on the extent to which the Programs are bound to observe constraints imposed upon the use of the resources. The Programs' fund balances do not have any committed, assigned or nonspendable resources. The Programs' unassigned fund balances relate to the net vehicles and equipment less outstanding capital lease obligation. The Program's restricted fund balances relate to the Child and Adult Care Food Program that has restrictions within the grant agreement that requires excess funds be used for operating the food program.

Subsequent Events:

Management evaluated all activity of the Programs through December 2, 2014, the date the combined financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the combined financial statements or notes.

NOTE B - CASH

The Programs maintain their cash balances at one bank. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) subject to various limits and conditions. Periodically these balances are in excess of FDIC insured limits. The Programs' accounts have not experienced any losses. Deposits of the Programs in excess of FDIC insured limits are collateralized as public fund deposits by securities pledged to pooled public funds accounts as required by law under the Deposits of Public Monies Act Number 72 of the 1971 Pennsylvania Session. This significantly minimizes the concentration of credit risk.

NOTE C - RETIREMENT PLAN

Participation:

The Programs participate with the District's pension plan.

Plan Description:

The District contributes to the Public School Employees' Retirement System of Pennsylvania (PSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by PSERS. PSERS provides retirement and disability benefits, legislative mandated ad hoc cost of living adjustments, and health care insurance premium assistance to qualifying annuitants.

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended, 24 Pa. C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the PSERS Board of Trustees. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

FARRELL AREA SCHOOL DISTRICT  
HEAD START PROGRAMS

June 30, 2014 and 2013

NOTE C - RETIREMENT PLAN (CONTINUED)

Funding Policy:

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth of Pennsylvania. Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (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 employees as of July 1, 2001 contribute at 6.25% (Membership Class TC) or 7.50% (Membership Class TD) of the member's qualifying compensation. Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50% (automatic Membership Class TD). For all new hires and for members who elected Class TD 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 7.50% (base rate) of the members 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 T-F are affected by a "shared risk" provision of Act 120 of 2010 that in future fiscal 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 10.30% and 12.30%. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll or 8.465% for both the District and the Commonwealth. Effective July 1, 2014, the employer contribution rate becomes 21.40%.

The District's contributions to PSERS for the years ended June 30, 2014, 2013 and 2012 were, \$1,375,304, \$1,140,616 and \$838,614, respectively, and were equal to the required contributions for each year. One half of the required contributions noted above were paid by the Commonwealth of Pennsylvania as a reimbursement to the District.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

FARRELL AREA SCHOOL DISTRICT  
HEAD START PROGRAMS

June 30, 2014 and 2013

NOTE C - RETIREMENT PLAN (CONTINUED)

The PSERS Plan's annual pension cost for the past three years was as follows:

Required Fiscal Year Ended Contributions	Dollar Amounts (In Thousands)	Total Contributions as a Percentage of Annual
June 30, 2014:		
Annual required contribution	\$ 3,410,373	
Contribution made	1,986,384	58%
June 30, 2013:		
Annual required contribution	\$ 3,110,429	
Contribution made	1,434,815	46%
June 30, 2012:		
Annual required contribution	\$ 2,629,244	
Contribution made	1,001,140	38%

NOTE D - CAPITAL LEASE OBLIGATION

In October 2012, the Programs entered into a capital lease with Graybar Financial Services to purchase equipment with a cost of \$16,073. The lease obligation calls for 60 monthly lease payments of \$352 until October 2017. The asset is being depreciated over the estimated life of 5 years. Depreciation of \$3,215 was included in depreciation expense for the year ended June 30, 2014. Accumulated depreciation was \$5,626 for the year ended June 30, 2014.

Future minimum capital lease payments are as follows

Year Ending June 30,	Amount
2015	\$ 4,224
2016	4,224
2017	4,224
2018	1,408
Total minimum lease payments	14,080
Amount representing interest	(2,833)
Present value of minimum lease payments	11,247
Current maturities of capital lease obligation	(2,855)
Long-term capital lease obligation	<u>\$ 8,392</u>

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

FARRELL AREA SCHOOL DISTRICT  
HEAD START PROGRAMS

June 30, 2014 and 2013

NOTE E - OPERATING LEASES

The Programs lease copiers under various operating leases. These leases call for monthly payments of \$1,236 at various dates through July 2017.

The Programs have an operating lease for building space, which began in August 2005, for monthly payments of \$1,225, increasing 5% annually. The lease was automatically renewed after June 2013 and will automatically renew on a yearly basis if neither party requests termination. The lease was terminated in September 2013. The lease required the lessors to pay utilities and real estate taxes and the Programs were responsible for building maintenance, janitorial services and insurance.

Total lease expense was \$29,321 and \$45,460 for the years ended June 30, 2014 and 2013, respectively. Future minimum rentals on non-cancelable operating leases for years subsequent to June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 9,124
2016	8,412
2017	8,056
	<u>\$ 25,592</u>

NOTE F - CONCENTRATION OF REVENUE

During the years ended June 30, 2014 and 2013, the Programs received approximately 85% of its revenue from federal and state agencies. A significant reduction in this level of support, if it were to occur, would have an adverse effect on the Programs and their activities.

NOTE G - RELATED PARTY TRANSACTIONS

The Community Action Partnership of Mercer County (CAPMC) is the grantee for the Programs. Certain activity between the Programs and CAPMC are representative of lending/borrowing arrangements. CAPMC also holds the license for the new accounting software utilized by the Programs and provides training and oversight of this software. The total amount expended by the Programs for these services was \$48,197 and \$41,323 for the years ended June 30, 2014 and 2013, respectively.

The 2012/2013 fiscal year policy council chairperson donated his services and performed a real estate appraisal for the Programs. This appraisal is used to determine the market value of the space occupied by the Programs to determine if they are in compliance with their matching requirement.

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FARRELL AREA SCHOOL DISTRICT HEAD START PROGRAMS

Year ended June, 30, 2014

	<u>Head Start Programs</u>				
	<u>Head Start</u>	<u>Early Head Start</u>	<u>Head Start Supplemental</u>	<u>Pre-K</u>	<u>Total</u>
<b><u>PROGRAM ACTIVITIES - UNASSIGNED</u></b>					
Program activity revenues:					
Local sources:					
Non-Federal share	\$ 547,141	\$ 133,725	\$ -	\$ -	\$ 680,866
Miscellaneous	166	-	-	-	166
Federal and state sources:					
Department of Health and Human Services Grants	2,146,757	537,031	-	-	2,683,788
Pennsylvania Department of Education Grants	-	-	453,219	597,901	1,051,120
TOTAL PROGRAM ACTIVITY REVENUES	<u>2,694,064</u>	<u>670,756</u>	<u>453,219</u>	<u>597,901</u>	<u>4,415,940</u>
Program activity expenditures:					
Program expenditures	2,154,819	522,921	452,920	597,826	3,728,486
Non-Federal share	547,141	133,725	-	-	680,866
TOTAL PROGRAM ACTIVITY EXPENDITURES	<u>2,701,960</u>	<u>656,646</u>	<u>452,920</u>	<u>597,826</u>	<u>4,409,352</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - PROGRAM ACTIVITIES - UNASSIGNED	<u>(7,896)</u>	<u>14,110</u>	<u>299</u>	<u>75</u>	<u>6,588</u>
<b><u>CHILD AND ADULT CARE FOOD PROGRAM ACTIVITIES - RESTRICTED</u></b>					
Food program activity revenues:					
U.S. Department of Agriculture Grants	138,829	112	26,149	44,909	209,999
Food program activity expenditures:					
U.S. Department of Agriculture Expenditures	121,249	112	26,149	44,909	192,419
EXCESS OF REVENUES OVER EXPENDITURES - CHILD AND ADULT CARE FOOD PROGRAM ACTIVITIES - RESTRICTED	<u>17,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,580</u>
NET CHANGES IN FUND BALANCES	9,684	14,110	299	75	24,168
<b><u>FUND BALANCES AT BEGINNING OF YEAR</u></b>	<u>119,637</u>	<u>26,452</u>	<u>20,061</u>	<u>(2,434)</u>	<u>163,716</u>
<b><u>FUND BALANCES AT END OF YEAR</u></b>	<u>\$ 129,321</u>	<u>\$ 40,562</u>	<u>\$ 20,360</u>	<u>\$ (2,359)</u>	<u>\$ 187,884</u>

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

FARRELL AREA SCHOOL DISTRICT HEAD START PROGRAMS

Year ended June, 30, 2013

	<u>Head Start Programs</u>				<u>Total</u>
	<u>Head Start</u>	<u>Early Head Start</u>	<u>Head Start Supplemental</u>	<u>Pre-K</u>	
<b><u>PROGRAM ACTIVITIES - UNASSIGNED</u></b>					
Program activity revenues:					
Local sources:					
Non-Federal share	\$ 578,274	\$ 144,149	\$ -	\$ -	\$ 722,423
Miscellaneous	117	-	-	-	117
Federal and state sources:					
Department of Health and Human Services Grants	2,255,837	576,086	-	-	2,831,923
Pennsylvania Department of Education Grants	-	-	451,008	612,880	1,063,888
TOTAL PROGRAM ACTIVITY REVENUES	<u>2,834,228</u>	<u>720,235</u>	<u>451,008</u>	<u>612,880</u>	<u>4,618,351</u>
Program activity expenditures:					
Program expenditures	2,262,936	558,701	450,868	612,740	3,885,245
Non-Federal share	578,274	144,149	-	-	722,423
TOTAL PROGRAM ACTIVITY EXPENDITURES	<u>2,841,210</u>	<u>702,850</u>	<u>450,868</u>	<u>612,740</u>	<u>4,607,668</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - PROGRAM ACTIVITIES - UNASSIGNED	<u>(6,982)</u>	<u>17,385</u>	<u>140</u>	<u>140</u>	<u>10,683</u>
<b><u>CHILD AND ADULT CARE FOOD PROGRAM ACTIVITIES - RESTRICTED</u></b>					
Food program activity revenues:					
U.S. Department of Agriculture Grants	161,484	117	22,182	35,601	219,384
Food program activity expenditures:					
U.S. Department of Agriculture Expenditures	142,214	117	20,057	39,324	201,712
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - CHILD AND ADULT CARE FOOD PROGRAM ACTIVITIES - RESTRICTED	<u>19,270</u>	<u>-</u>	<u>2,125</u>	<u>(3,723)</u>	<u>17,672</u>
NET CHANGES IN FUND BALANCES	12,288	17,385	2,265	(3,583)	28,355
<b><u>FUND BALANCES AT BEGINNING OF YEAR</u></b>	<u>107,349</u>	<u>9,067</u>	<u>17,796</u>	<u>1,149</u>	<u>135,361</u>
<b><u>FUND BALANCES AT END OF YEAR</u></b>	<u>\$ 119,637</u>	<u>\$ 26,452</u>	<u>\$ 20,061</u>	<u>\$ (2,434)</u>	<u>\$ 163,716</u>

COMBINING STATEMENTS OF UNASSIGNED PROGRAM ACTIVITY EXPENDITURES

FARRELL AREA SCHOOL DISTRICT HEAD START PROGRAMS

Year ended June, 30, 2014

	Head Start Programs				Total
	Head Start	Early Head Start	Head Start Supplemental	Pre-K	
Program expenditures:					
Salaries	\$ 1,330,859	\$ 327,810	\$ 271,303	\$ 373,806	\$ 2,303,778
Payroll taxes and benefits	507,489	104,598	90,841	126,489	829,417
Supplies	77,710	9,503	34,911	37,586	159,710
Professional services	81,326	21,713	20,889	23,259	147,187
Training	34,408	15,315	5,268	4,145	59,136
Travel	17,347	15,878	898	2,444	36,567
Communications	22,099	4,420	2,669	240	29,428
Equipment	13,181	1,303	14,337	-	28,821
Repair and maintenance	12,938	7,060	1,454	2,984	24,436
Insurance	13,492	3,081	3,422	3,765	23,760
Equipment and vehicle rental	15,480	3,958	2,723	293	22,454
Food	-	717	721	20,700	22,138
Depreciation	9,490	4,231	-	-	13,721
Dues and memberships	5,652	1,160	872	956	8,640
Miscellaneous	5,640	692	956	815	8,103
Utilities	4,709	1,118	948	167	6,942
Transportation costs	1,890	-	500	-	2,390
Interest	1,109	364	208	52	1,733
Contracted service providers	-	-	-	125	125
	<u>2,154,819</u>	<u>522,921</u>	<u>452,920</u>	<u>597,826</u>	<u>3,728,486</u>
Non-Federal share:					
Head Start State Collaboration	383,324	81,698	-	-	465,022
Volunteers	56,293	49,514	-	-	105,807
Rental	83,127	2,513	-	-	85,640
Purchased services	19,488	-	-	-	19,488
Supplies	2,626	-	-	-	2,626
Utilities	2,283	-	-	-	2,283
	<u>547,141</u>	<u>133,725</u>	<u>-</u>	<u>-</u>	<u>680,866</u>
TOTAL UNASSIGNED PROGRAM ACTIVITY EXPENDITURES	<u>\$ 2,701,960</u>	<u>\$ 656,646</u>	<u>\$ 452,920</u>	<u>\$ 597,826</u>	<u>\$ 4,409,352</u>

COMBINING STATEMENTS OF UNASSIGNED PROGRAM ACTIVITY EXPENDITURES (CONTINUED)

FARRELL AREA SCHOOL DISTRICT HEAD START PROGRAMS

Year ended June 30, 2013

	Head Start Programs				Total
	Head Start	Early Head Start	Head Start Supplemental	Pre-K	
<b>Program expenditures:</b>					
Salaries	\$ 1,408,042	\$ 331,129	\$ 252,923	\$ 441,770	\$ 2,433,864
Payroll taxes and benefits	526,385	104,985	96,635	117,214	845,219
Professional services	80,448	46,899	28,770	25,298	181,415
Supplies	66,037	14,526	23,344	7,767	111,674
Equipment	44,808	13,250	14,299	-	72,357
Training	45,433	10,251	10,820	1,875	68,379
Travel	19,189	14,201	5,490	1,340	40,220
Communications	17,876	6,686	6,753	5,331	36,646
Repair and maintenance	15,815	6,374	2,815	2,242	27,246
Insurance	8,439	1,767	1,422	2,052	13,680
Equipment and vehicle rental	4,555	3,455	4,664	316	12,990
Utilities	6,192	1,784	1,236	1,126	10,338
Depreciation	8,686	1,573	-	-	10,259
Miscellaneous	4,543	630	414	1,657	7,244
Dues and memberships	3,541	606	828	527	5,502
Food	-	385	-	3,707	4,092
Transportation costs	1,973	-	375	-	2,348
Interest	974	200	80	80	1,334
Contracted service providers	-	-	-	438	438
	<u>2,262,936</u>	<u>558,701</u>	<u>450,868</u>	<u>612,740</u>	<u>3,885,245</u>
<b>Non-Federal share:</b>					
Head Start State Collaboration	367,322	56,091	-	-	423,413
Volunteers	83,774	68,408	-	-	152,182
Rental	92,777	19,650	-	-	112,427
Purchased services	28,716	-	-	-	28,716
Supplies	4,053	-	-	-	4,053
Utilities	1,632	-	-	-	1,632
	<u>578,274</u>	<u>144,149</u>	<u>-</u>	<u>-</u>	<u>722,423</u>
<b>TOTAL UNASSIGNED PROGRAM ACTIVITY EXPENDITURES</b>	<u>\$ 2,841,210</u>	<u>\$ 702,850</u>	<u>\$ 450,868</u>	<u>\$ 612,740</u>	<u>\$ 4,607,668</u>



December 2, 2014

Board of Directors  
Farrell Area School District  
Head Start Programs  
Farrell, Pennsylvania

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the combined financial statements of Farrell Area School District (District) Head Start Programs; Head Start Program, Early Head Start Program, Head Start Supplemental Assistance Program and Pre-K Counts Program (collectively "the Programs"), which comprise the combined balance sheet as of June 30, 2014, and the related combined statements of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 2, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Programs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

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

### **Internal Control Over Financial Reporting (Continued)**

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Hill, Barth & King LLC*  
Certified Public Accountants