

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2009**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>Page (s)</u>
Introductory Section	
Transmittal Letter	1
Letter to Governance/Management.....	2 - 6
Report Distribution List	7
Financial Section	
Independent Auditor's Report.....	8 - 9
Management's Discussion and Analysis	10 - 18
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	24 - 25
Statement of Net Assets - Proprietary Funds.....	26
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28 - 29
Statement of Net Assets - Fiduciary Funds.....	30
Statement of Changes in Net Assets - Fiduciary Funds	31

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS (continued)

	<u>Page (s)</u>
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	32
Notes to Basic Financial Statements.....	33 - 64
Required Supplemental Information:	
Schedule of Funding Progress	65
Other Supplemental Information:	
Combining Balance Sheet – All Non-Major Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Non-Major Governmental Funds	67
Combining Balance Sheet – All Capital Project Funds	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Capital Project Funds	69
Combining Balance Sheet – All Debt Service Funds	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Debt Service Funds	70
General Fund - Schedule on Tax Collectors' Receipts	71
General Fund - Statement of Revenue, Expenditures and Changes in Fund Balance	72 -76
Food Service Fund - Statement of Revenues, Expenses, and Changes in Net Assets.....	77
Food Service Fund - Statement of Net Assets	78
Capital Reserve Fund - Statement of Revenues and Expenditures.....	78
Athletic Fund - Statement of Revenues and Expenditures	79
2005 Construction Fund - Statement of Revenues and Expenditures	80
2008 Construction Fund - Statement of Revenues and Expenditures	81
2009 GOB Bond Fund - Statement of Revenues and Expenditures.....	82

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS (continued)

	<u>Page (s)</u>
2009 GON Bond Fund - Statement of Revenues and Expenditures.....	82
2009A GOB Bond Fund – Statement of Revenues and Expenditures	83
 General Long-Term Debt:	
Schedule on General Obligation Bonds - Series of 2007	84
Schedule on General Obligation Bonds - Series of 2009	84
Schedule on General Obligation Bonds - Series A of 2009.....	84
Schedule on General Obligation Notes – Series of 2009	85
 Single Audit Section	
Schedule of Expenditures of Federal Awards.....	86
Notes to the Schedule of Expenditures of Federal Awards.....	87
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 Governmental Auditing Standards.....	88 - 89
Independent Auditor’s Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in accordance with OMB Circular A-133.....	90 - 91
Schedule of Findings and Questioned Costs.....	92 - 93

INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Board of School Directors
Hamburg Area School District
Windsor Street
Hamburg, PA 19526

We have performed the Single Audit of the Hamburg Area School District for the fiscal year ended June 30, 2009, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards, and our report thereon; and,
4. An opinion on compliance with requirements applicable to each major program and a review of internal control over compliance in accordance with OMB Circular A-133, and our report thereon.

As part of our report, we have enclosed our management letter.

Respectfully submitted,

December 15, 2009



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Board of School Directors
Mr. Steven Keifer, Superintendent
Hamburg Area School District
Windsor Street
Hamburg, PA 19526

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hamburg Area School District for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether your financial statements are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities, including having compensating controls in place to ensure our preparation of your financial statements and note disclosures are not materially misstated.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on July 27, 2009.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hamburg Area School District are described in the notes to the financial statements. No new accounting policies were adopted during this past year and the existing policies were properly applied. We did not discover any transactions entered into by the District that lacked authoritative guidance or consensus. In addition, there are no significant transactions affecting the financial statements that have been recognized incorrectly in the wrong year.

Accounting estimates, which are part of the significant accounting policies, are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation taken on capital assets based upon the estimated useful life of each asset and calculated on the straight-line basis of depreciation. We have evaluated the factors and assumptions used to develop this estimate and have determined the estimate to be reasonable in relation to the financial statements taken as a whole.

We wish to inform you that the disclosures in your financial statements are neutral, consistent, and clear. From time to time, certain disclosures are more sensitive than others due to their significance to financial statement users. The most sensitive disclosures involve capital assets and long-term debt.

We have requested certain representations from management that are included in the management representation letter provided to us on December 15, 2009. We advise the governing body to request this letter from management for their review. In conjunction with their representation, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant on any related accounting or auditing issue.

Board of School Directors - Mr. Steven Keifer, Superintendent

In addition, the representation letters provided to us, by management, confirmed there were no uncorrected misstatements. Management has recorded all of our adjusting journal entries, and has agreed to the conversion entries necessary to convert governmental funds and proprietary funds to governmental activities and business-type activities, respectively.

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2008-09 basic financial statements.

Our consideration of the District's internal control components was not designed for the purpose of making detailed recommendations and would not necessarily disclose all significant deficiencies within the components. Our audit procedures have been appropriately adjusted to compensate for any observed significant deficiencies. The following three paragraphs define the three different types of deficiencies that can occur:

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

As the primary purpose of our audit is to form an opinion on the basic financial statements, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against errors and fraud which audit procedures may not disclose. The objective of internal control over financial reporting is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and that financial records are reliable for preparing financial statements in accordance with generally accepted accounting principles and for maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the related benefits; to operationalize this concept, management is required to formulate estimates and judgments of the cost/benefit ratios of alternative controls.

There are inherent limitations that should be recognized in considering the potential effectiveness of internal control over financial reporting. Errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, fatigue, and other personnel factors. Control procedures whose effectiveness depends upon the segregation of duties can be circumvented by collusion or by management. What's more, any projection of internal control evaluations to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or due to the deterioration of the degree of compliance with control procedures.

Board of School Directors - Mr. Steven Keifer, Superintendent

As an adjunct to our audit, we remained alert throughout for opportunities to enhance internal controls and operating efficiency. These matters were discussed with management as the audit progressed and have subsequently been reviewed in detail to formulate practical recommendations. We wish to thank your staff for their courtesies and cooperation, which facilitated the efficient performance of audit procedures. The remainder of this letter will explain any internal control deficiencies discovered during the audit, other auditor recommendations, and other information pertinent to the District.

A control deficiency is determined to be considered a material weakness or significant deficiency based upon the magnitude of the problem as it pertains to a particular opinion unit. In other words, what is considered a significant deficiency in one fund may only be a control deficiency in another fund of greater size.

The following section in this governance/management letter is separated by categories based on importance, with any material weaknesses or significant deficiencies listed in the beginning:

CONTROL DEFICIENCIES

Construction Funds

During our review of construction fund invoices, we discovered \$2,352,141 of invoices in both construction funds were miscoded to object code 430 (repairs and maintenance) versus object code 450 (construction costs) during the year. We would like to recommend the business office review the chart of accounts under the PA School Accounting Manual to make sure all expenditures are properly coded in the future.

Athletic Fund – Game Receipts

During our review of the athletic game receipts, we discovered the starting ticket number was unaccounted for at the September 5, 2008 football game. The failure to account for the beginning ticket number and ending ticket number makes it impossible to determine the number of tickets sold. In addition, without knowing the tickets sold you cannot determine if the money deposited for this event is complete.

As we did last year, we wish to recommend that all events conducted by the District for a fee should utilize tickets to be sold and later collected to enhance the audit trail by knowing the cash collected and deposited, equals the cost, per ticket, times the total tickets sold. Each event should have an event form attaching the next ticket to be sold before the event, and attaching the next ticket to be sold after the event.

OTHER INFORMATION

GASB Statement No. 53 – Derivatives

During the 2008 calendar year, the Governmental Accounting Standards Board issued the latest accounting principle standard for all governments to follow. GASB Statement No. 53 is associated with the proper accounting and reporting of derivative instruments. The only derivative instruments to be acquired, in the Commonwealth of Pennsylvania, by governments are derivatives pertaining to debt; i.e. interest rate swaps, forward swaptions, constant maturity basis swaps, and etc.

Governments who use this type of financial instrument are now required to record the fair value of the derivative onto the government-wide financial statements reflected as an asset or liability. The recording

of the net change in fair value depends on the effectiveness of the hedge. These types of financial instruments can potentially save governments money, but are as risky as adjustable rate mortgages versus fixed rate mortgages. If the District would like further clarification of this accounting standard, we will be happy to discuss it with you. The effective date for this standard is the 2009-10 fiscal year.

GASB Statement No. 54 – Fund Balance Reporting

In February 2009, the Governmental Accounting Standards Board issued Statement No. 54 redefining the various components of fund balance that is used in governmental funds (General Fund, Capital Reserve Fund, Athletic Fund, Capital Project Fund, and Debt Service Funds). This standard goes into effect for the 2010-11 fiscal year.

The new categories of fund balance are:

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

The ***Nonspendable*** fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” includes items not expected to be converted into cash, for example, inventories and prepaid amounts. The corpus (principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

The ***Restricted*** fund balance classification occurs when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used for the specific purpose stipulated in the legislation.

The ***Committed*** fund balance classification is used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, ordinance, or resolution). The formal action of the government’s highest level of decision-making authority that commits fund balance to a specific purpose should occur prior to the end of the reporting period, but the amount, if any, subject to the constraint, may be determined in the subsequent period.

The ***Assigned*** fund balance classification involves amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The authority to create an assigned amount does not require formal action of the governing body.

Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are

Board of School Directors - Mr. Steven Keifer, Superintendent

neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

The **Unassigned** fund balance is the residual classification for the general fund. The general fund should be the only governmental fund that reports a positive unassigned fund balance account. In the other governmental funds, this account is only used to show negative fund balance amounts after all restricted, committed, and/or assigned amounts have been extinguished.

The management and governing body needs to formulate new accounting policies pertaining to these new classifications of fund balance. We are recommending the School Board adopt a policy establishing the person or persons responsible to assigning any portion of the fund balance. The policy could stipulate the superintendent, business manager, members of the governing body or any combination thereof, to authorize the assignment of fund balance. Unlike committed fund balance, assignments should not be approved by the entire governing body by formal resolution.

In addition, the policy should provide a pecking order of which category of fund balance should be eliminated before other categories. In other words, should committed fund balance be eliminated before assigned fund balance or vice versa? Should restricted fund balance be eliminated before committed or vice versa?

This letter is required by our standards and has been combined with, what we previously referred to as, the management letter. The intent of this letter is to communicate with those charged with governance on matters pertaining to the audit and includes information that we believe can help you correct or improve operating efficiency, under the limitations of staff availability, within the District.

Respectively submitted,



Gorman & Associates, P.C.

December 15, 2009

REPORT DISTRIBUTION LIST

The Hamburg Area School District has distributed copies of the Single Audit Act Package to the following:

ONE COPY TO: FEDERAL AUDIT CLEARINGHOUSE
(Submitted Electronically) BUREAU OF THE CENSUS

ONE COPY TO: COMMONWEALTH OF PENNSYLVANIA
(Submitted Electronically) OFFICE OF THE BUDGET/BUREAU OF AUDITS

ONE COPY TO: BERKS COUNTY INTERMEDIATE UNIT
RIVER CHASE BUSINESS CENTER
1111 COMMONS BOULEVARD
P. O. BOX 16050
READING, PA 19612-6050

FINANCIAL SECTION



Board of School Directors
Hamburg Area School District
Windsor Street
Hamburg, PA 19526

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hamburg Area School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hamburg Area School District as of June 30, 2009; as well as the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles, generally accepted in the United States of America.

In accordance with Government Auditing Standards we have also issued our report dated December 15, 2009, on our consideration of the Hamburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, on pages 10 to 18, and the Schedule of Funding Progress on page 65 are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Board of Directors
Hamburg Area School District**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamburg Area School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the combining and individual fund financial statements and schedules, listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements of the Hamburg Area School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Amman & Associates, P.C.

December 15, 2009

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2009

The Hamburg Area School District's Management's Discussion & Analysis (MD&A) is designed to provide an overview of the District's financial activity and identify changes in the District's financial position.

The following Discussion and Analysis provides an overall review of the Hamburg Area School District's financial activities for the fiscal year ended June 30, 2009.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by 987,510, resulting in an increase in fund balance of \$987,510. Primary reasons for this surplus were local revenues and state revenues coming in \$617,095 and \$541,168 respectively in excess of budgeted figures and expenditures coming in slightly over budget resulting from a non-budgeted \$2 million dollar transfer to the capital reserve fund. This \$2 million transfer was a result of surplus funds from the 2007-08 fiscal year being moved during the 2008-09 fiscal year.

The Board of Directors passed a 2008-09 budget with a real estate tax increase of .98 mills. The increase was necessitated by contractual obligations, the continuing increases for special education costs, charter schools, and financing of debt. There are plans currently under construction for a large multi-retailer commercial development in Tilden Township; with a planned completion date of late 2010 to early 2011. Future plans are also underway for additional commercial developments in Tilden Township and a commercial land redevelopment plan in the Hamburg Borough.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Figure A-1 summarizes the major features of the District's financial statements. The remainder of this overview highlights the structure and contents of the statements.

a) Figure A-1

A. Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects.	Activities the District operates similar to private businesses, such as food services.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of Changes in Net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Reporting –

Two statements provide comprehensive information regarding both the short and long term operation of the district. All assets and liabilities are presented and the full accrual accounting is used. These statements are:

- Statement of Net Assets – Identifies the assets owned by the district and the debt owed by the district. Over time this statement measures the financial health of the district by revealing whether net assets are increasing or decreasing.
- Statement of Activities – identifies the costs of providing services to the district and the financial resources obtained to finance the services.

Both statements report two activities:

- Governmental Activities – Most of the district's programs and services are reported here including instruction, support services, operation of plant, pupil transportation and student activities. Property taxes and state and federal subsidies finance most of this activity.
- Business-type Activities – The school district operates a food service operation. Students and staff are charged fees to cover some of the costs of operation. State and federal breakfast and lunch programs further subsidize food service costs.

District Fund Reporting -

Fund financial statements provide the next level of detail. The District's funds fall into three categories –

- Governmental Funds – Major governmental funds of the District are the General Fund, Capital Reserve Fund, and Capital Projects Fund. Non-major funds include the Athletic Fund and Debt Service Fund. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental funds present a short-term view of the District's operations and the services it provides.
- Proprietary Funds – Reports the activities of the District's Food Service operation. These statements mirror those as provided by the Business-type activities in the Governmental-wide statements, while providing more detail and additional information such as cash flows.
- Fiduciary Funds – The School District acts as a trustee to manage assets belonging to others. The Scholarship (Private Purpose) Fund and Student Activities Funds are reported on a separate statement of fiduciary net assets and statement of the changes in fiduciary net assets because these funds may not be used to finance district operations.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

DISTRICT-WIDE FINANCIAL ANALYSIS

The District's net assets were \$29,688,330 at June 30, 2009, an increase of \$4,506,007 (or 17.9%). The governmental net assets increased by \$4,559,049 (or 18.5%), while business-type net assets decreased by \$(53,041) (or -10%).

Table A-1
Fiscal Year Ended June 30, 2009
Net Assets

	2009			2008		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and Other Assets	\$ 14,111,332	\$ 335,175	\$ 14,446,507	\$ 15,225,795	\$ 416,172	\$ 15,641,967 (1)
Non-Current Assets	<u>58,616,887</u>	<u>216,501</u>	<u>58,833,388</u>	<u>56,115,740</u>	<u>174,763</u>	<u>56,290,503</u>
Total Assets	72,728,219	551,676	73,279,895	71,341,535	590,935	71,932,470
Current and Other Liabilities	26,264,413	30,912	26,295,325	6,014,982	46,198	6,061,180 (1)
Long-term Liabilities	<u>17,246,069</u>	<u>50,171</u>	<u>17,296,240</u>	<u>40,667,982</u>	<u>20,986</u>	<u>40,688,968</u>
Total Liabilities	43,510,482	81,083	43,591,565	46,682,964	67,184	46,750,148
Net Assets						
Invested in Capital Assets, net of related debt	18,438,442	216,501	18,654,943	16,788,876	174,763	16,963,639
Restricted	130,816		130,816	31,788		31,788
Unrestricted	<u>10,648,362</u>	<u>254,209</u>	<u>10,902,571</u>	<u>7,837,907</u>	<u>348,988</u>	<u>8,186,895</u>
Total Net Assets	<u>\$ 29,217,620</u>	<u>\$ 470,710</u>	<u>\$ 29,688,330</u>	<u>\$ 24,658,571</u>	<u>\$ 523,751</u>	<u>\$ 25,182,322</u>

(1) internal balances do not represent assets or liabilities of the total primary government - (2008-2009)

The largest component of Net Assets is the Investment in Capital Assets Net of Related Debt. It represents the current value of capital assets (less depreciation) less the related debt outstanding to finance the acquisition of such assets. The remaining net assets are comprised of unrestricted balances net of restricted balances.

The results of this year's operations as a whole are reported in the Statement of Activities. Table A-2 takes information from that statement and rearranges it slightly. All revenues are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities supported by other general revenues. The largest general revenues are the Basic Education subsidy provided by the Commonwealth of Pennsylvania and real estate taxes assessed to the owners of property in the Hamburg Area School District.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-2
Fiscal Year Ended June 30, 2009
Changes in Net Assets

	2009			2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 149,527	\$ 750,855	\$ 900,382	\$ 102,385	\$ 722,491	\$ 824,876
Operating grants and contributions	5,113,883	491,598	5,605,481	5,424,527	408,717	5,833,244
Capital grants and contributions	697,041	-	697,041	1,073,493	7,652	1,081,145
<i>General Revenues</i>						
Property taxes	19,573,454	-	19,573,454	19,378,552	-	19,378,552
Other taxes	2,080,918	-	2,080,918	2,091,582	-	2,091,582
Grants, subsidies and contributions	6,891,239	-	6,891,239	5,604,626	-	5,604,626
Other	<u>491,875</u>	<u>3,733</u>	<u>495,608</u>	<u>1,370,645</u>	<u>15,618</u>	<u>1,386,263</u>
Total Revenues	34,997,937	1,246,186	36,244,123	35,045,810	1,154,478	36,200,288
Expenses						
Instruction	17,562,679	-	17,562,679	16,824,597	-	16,824,597
Instructional student support	2,400,131	-	2,400,131	2,445,436	-	2,445,436
Administrative and financial support	2,730,687	-	2,730,687	2,333,971	-	2,333,971
Operation and maintenance of plant	3,130,541	-	3,130,541	4,351,783	-	4,351,783
Pupil transportation	1,679,427	-	1,679,427	1,552,579	-	1,552,579
Student activities	582,330	-	582,330	550,435	-	550,435
Community services	17,364	-	17,364	23,769	-	23,769
Interest on long-term debt	1,624,047	-	1,624,047	1,886,635	-	1,886,635
Unallocated depreciation expense	711,683	-	711,683	683,444	-	683,444
Food services	-	1,299,227	1,299,227	-	1,158,057	1,158,057
Total Expenses	30,438,889	1,299,227	31,738,116	30,652,649	1,158,057	31,810,706
Increase (decrease) in net assets	\$ 4,559,048	\$ (53,041)	\$ 4,506,007	\$ 4,393,161	\$ (3,579)	\$ 4,389,582

Table A-3 shows the total cost of program expenses and the net costs of programs offset by charges for services and grant revenue. Net Cost of Services is supported by unrestricted grants including the basic education subsidy, local taxes, and other miscellaneous revenues. Local real estate taxes support 64% of the total cost of governmental activities in the school district.

**HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis**

**Table A-3
Fiscal Year Ended June 30, 2009
Governmental Activities**

Functions/Programs	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 17,562,679	\$ 13,730,323	\$ 16,824,597	\$ 12,686,389
Instructional Student Support	2,400,131	2,167,418	2,445,436	2,237,450
Administrative	2,730,687	2,626,440	2,333,971	2,223,669
Operation and Maintenance	3,130,541	3,051,458	4,351,783	4,285,121
Pupil Transportation	1,679,427	741,383	1,552,579	601,050
Student Activities	582,330	506,096	550,435	348,210
Community Services	17,364	16,631	23,769	23,769
Interest on Long-term Debt	1,624,047	927,006	1,886,635	963,142
Unallocated Depreciation Expense	711,683	711,683	683,444	683,444
Total Governmental Activities	\$ 30,438,889	\$ 24,478,438	\$ 30,652,649	\$ 24,052,244
Less:				
Unrestricted Grants and Subsidies		6,891,239		5,604,626
Total Contribution from Local Taxes and other Revenues		\$ 17,587,199		\$ 18,447,618

The only Business-type entity of the school district is the Food Service operation. As shown in Table A-4, the Food Service Department ended the fiscal year with (\$53,041) in revenues net of costs. The increase in cost of services and is primarily attributable to personnel and food supplies. Subsequently, the decrease in net revenue is due to large capital purchase of serving lines. Food service operations have been evaluated in light of the net loss and lunch prices have been adjusted for the 2009-10 year to reflect the increased costs of personnel and food supplies.

The statement of Revenues, Expenses and Changes in Net Assets for this Proprietary Fund will further detail actual results of operation.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-4
Fiscal Year ended June 30, 2009
Business-type Activities

Functions/Programs	2009		2008	
	Total Cost of		Total Cost of	
	Services	Net Revenue	Services	Net Revenue
Food Services	\$ 1,299,227	\$ (56,774)	\$ 1,158,057	\$ (19,197)
Less:				
Investment Earnings		3,733		15,618
Gain/Loss Asset Sale		-		-
Total business-type Activities		\$ (53,041)		\$ (3,579)

The District Funds:

At June 30, 2009, the District governmental funds reported a combined fund balance of \$10,950,807. This represents a increase of \$103,587 from the prior year. The reason for this increase is due to several factors. The Capital Projects Fund, decreased \$2,909,429 from 6/30/08 relative to the completion of the Tilden Elementary Construction project. Conversely, the capital reserve and general funds increased \$2,040,230 and \$987,510 respectively. The gains of the capital reserve and general fund offset the decrease in capital projects resulting in a net overall increase on the combined fund balance as of 6/30/09.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets net of accumulated depreciation increased \$2,288,654 or 4.1%. Tables A-5 and A-6 summarize the capital assets of both the governmental and business activities of the School District.

Table A-5
Capital Assets – Net of Depreciation
Governmental Activities

	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>Change</u>
Land and Land Improvements (net of Accum Depreciation)	\$ 911,521	\$ 940,317	\$ (28,796)
Building and Building Improvements (net of Accum Depreciation)	29,397,904	28,556,384	841,520
Furniture and Equipment (net of Accum Depreciation)	776,722	646,707	130,015
Construction in Progress	<u>26,807,810</u>	<u>25,461,895</u>	<u>1,345,915</u>
TOTAL	<u>\$ 57,893,957</u>	<u>\$ 55,605,303</u>	<u>\$ 2,288,654</u>

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-6
Capital Assets – Net of Depreciation
Business Activities

	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 216,501	\$ 174,763	\$ 41,738
Total	<u>\$ 216,501</u>	<u>\$174,763</u>	<u>\$ 41,738</u>

DEBT ADMINISTRATION:

As of June 30, 2009, the District had outstanding debt of \$41,050,000. The district retired \$2,050,000 of its debt during the 2008-09 fiscal year. In addition, the District refinanced the 2003, 2003A, 2005 G.O. bonds and 2008 G.O. note into the 2008, 2009, and 2009 G.O. debt. Figure A-7 shows outstanding debt at June 30, 2009.

Table A-7
Outstanding Debt

	<u>2009</u>	<u>2008</u>
General Obligation Bonds		
-Series of 2003	\$ -	\$ 6,170,000
-Series of 2003A	-	5,520,000
-Series of 2005	-	23,200,000
-Series of 2007	5,375,000	6,160,000
-Series of 2008 (G.O.N.)	-	2,050,000
-Series of 2009 (G.O.N.)	22,390,000	-
-Series of 2009	5,885,000	-
-Series of 2009A	7,400,000	-
Total	<u>\$ 41,050,000</u>	<u>\$ 43,100,000</u>

LOOKING TO THE FUTURE:

CAPITAL PROJECTS:

The District has completed the process of consolidating five aging elementary buildings into two facilities. The first building, Tilden Elementary, has been demolished and construction is complete for a new facility. Students returned to the new Tilden Elementary as of the 2008-09 school year. Discussion continues on the 2nd phase of construction relative to our Perry Elementary facility

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)

BUDGET 2009-10

Rising costs for bond payments, energy costs, special education, technology, charter schools, and contractual obligations, have necessitated a millage increase for 2009-10. The increase of .25 mills from 24.71 to 24.96 mills was needed to balance the budget. This means that property owners will pay \$24.96 for each \$1,000.00 of assessed valuation.

The 2009-10 budget includes major enhancements to the technology, covering major energy cost increases, and substantial curriculum/textbook enhancements. Further cost constraints come from the rate increase in special education, and charter school enrollment growth.

Revenue constraints continue relative to the current economic conditions. Real estate transfer and interim tax revenues are down sharply along with a dramatic decrease in bank interest earnings. In addition, final outcome of the state budget discussions could have a significant impact on our revenue projections.

The comparison of revenue and expenditure categories is as follows:

Table A-8

BUDGETED REVENUES

	<u>2009-2010</u>	<u>2008-2009</u>
Local	63.1%	65.2%
State	33.9%	33.3%
Federal/Other	3.0%	1.5%

BUDGETED EXPENDITURES

	<u>2009-2010</u>	<u>2008-2009</u>
Instruction	54.6%	55.3%
Support Services	30.1%	29.3%
Non Instruction/Community	0.3%	0.4%
Fund Transfers/Debt	15.0%	15.0%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT:

If you have questions about this report, or wish to receive additional financial information please contact Stuart Whiteleather, Business Manager/Board Treasurer at Hamburg Area School District, 701 Windsor Street, Hamburg PA 19526. 610-562-2241.

BASIC FINANCIAL STATEMENTS

**Hamburg Area School District
Statement of Net Assets
As of June 30, 2009**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 9,002,962	\$ 298,214	\$ 9,301,176
Investments	3,152,551	-	3,152,551
Receivables, net	1,316,173	-	1,316,173
Internal Balances	-	117	-
Due From Other Governments	496,483	-	496,483
Other Receivables	92,534	-	92,534
Inventories	50,629	36,961	87,590
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	14,111,332	335,292	14,446,507
NON-CURRENT ASSETS:			
Restricted Cash and Cash Equivalents	-	-	-
Land	552,760	-	552,760
Site Improvements (net of depreciation)	358,761	-	358,761
Building and Bldg. Improvements (net of depreciation)	29,397,904	-	29,397,904
Furniture and Equipment (net of depreciation)	776,722	216,501	993,223
Construction in Progress	26,807,810	-	26,807,810
Bond Issue Costs (net of amortization)	722,930	-	722,930
TOTAL NON-CURRENT ASSETS	58,616,887	216,501	58,833,388
TOTAL ASSETS	\$ 72,728,219	\$ 551,793	\$ 73,279,895
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ 117	\$ -	\$ -
Due to other governments	-	-	-
Accounts Payable	358,319	13,144	371,463
Current Portion of Long-Term Obligations	24,283,941	-	24,283,941
Accrued Salaries and Benefits	1,539,541	12,895	1,552,436
Payroll Deductions and Withholdings	-	-	-
Insurance Claims Payable	-	-	-
Deferred Revenue	84	4,873	4,957
Other Current Liabilities	82,528	-	82,528
Total Current Liabilities	26,264,530	30,912	26,295,325
NON-CURRENT LIABILITIES:			
Bonds Payable	16,013,444	-	16,013,444
Other Retirement Benefits	-	-	-
Net OPEB Obligation	454,550	21,018	475,568
Long-Term Portion of Compensated Absences	778,075	29,153	807,228
Other Long-Term Liabilities	-	-	-
TOTAL LIABILITIES	43,510,599	81,083	43,591,565
NET ASSETS			
Invested in capital assets, net of related debt	18,438,442	216,501	18,654,943
RESTRICTED FOR:			
Retirement of Long-Term Debt	-	-	-
Capital Projects (deficit)	-	-	-
Other Restrictions	130,816	-	130,816
Unrestricted (deficit)	10,648,362	254,209	10,902,571
TOTAL NET ASSETS	29,217,620	470,710	29,688,330
TOTAL LIABILITIES AND NET ASSETS	\$ 72,728,219	\$ 551,793	\$ 73,279,895

The Accompanying Notes are an integral part of these financial statements.

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

**Hamburg Area School District
Statement of Activities
For the Year Ended June 30, 2009**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 17,562,679	\$ 90,374	\$ 3,741,982	\$ -	\$ (13,730,323)	\$ -	\$ (13,730,323)
Instructional Student Support	2,400,131	-	232,713	-	(2,167,418)	-	(2,167,418)
Admin. & Fin'l Support Services	2,730,687	-	104,247	-	(2,626,440)	-	(2,626,440)
Oper. & Maint. Of Plant Svcs.	3,130,541	-	79,083	-	(3,051,458)	-	(3,051,458)
Pupil Transportation	1,679,427	-	938,044	-	(741,383)	-	(741,383)
Student activities	582,330	59,153	17,081	-	(506,096)	-	(506,096)
Community Services	17,364	-	733	-	(16,631)	-	(16,631)
Interest on Long-Term Debt	1,624,047	-	-	697,041	(927,006)	-	(927,006)
Unallocated Depreciation Expense	711,683	-	-	-	(711,683)	-	(711,683)
TOTAL GOVERNMENTAL ACTIVITIES	30,438,889	149,527	5,113,883	697,041	(24,478,438)	-	(24,478,438)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,299,227	750,855	491,598	-	-	(56,774)	(56,774)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 31,738,116	\$ 900,382	\$ 5,605,481	\$ 697,041	\$ (24,478,438)	\$ (56,774)	\$ (24,535,212)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 19,573,454	\$ -	\$ 19,573,454
Taxes levied for specific purposes					2,080,918	-	2,080,918
Grants, subsidies, & contributions not restricted					6,891,239	-	6,891,239
Investment Earnings					413,098	4,829	417,927
Miscellaneous Income					65,220	134	65,354
Special Item - Gain or (Loss) on sale of capital assets					13,557	(1,230)	12,327
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					29,037,486	3,733	29,041,219
CHANGE IN NET ASSETS					4,559,048	(53,041)	4,506,007
NET ASSETS - BEGINNING					24,658,572	523,751	25,182,323
NET ASSETS - ENDING					\$ 29,217,620	\$ 470,710	\$ 29,688,330

The Accompanying Notes are an integral part of these financial statements.

**Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2009**

	<u>GENERAL</u>	<u>CAPITAL RESERVE</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 8,143,739	\$ 818,052	\$ 27	\$ 41,145	\$ 9,002,963
Investments	402,552	2,750,000	-	-	3,152,552
Taxes Receivable, net	1,134,748	-	-	-	1,134,748
Due from other funds	-	-	-	-	-
Due from Other Governments	496,483	-	-	-	496,483
Other Receivables	82,021	6,432	-	4,082	92,535
Inventories	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-
Other Current Assets	-	-	-	-	-
TOTAL ASSETS	<u>\$ 10,259,543</u>	<u>\$ 3,574,484</u>	<u>\$ 27</u>	<u>\$ 45,227</u>	<u>\$ 13,879,281</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Due to Other Funds	\$ 117	\$ -	\$ -	\$ -	\$ 117
Due to Other Governments	-	-	-	-	-
Accounts Payable	255,827	14,345	-	1,612	271,784
Current Portion of Long-Term Debt	109,965	-	-	8,976	118,941
Accrued Salaries and Benefits	1,322,683	-	-	-	1,322,683
Payroll Deductions and Withholdings	216,858	-	-	-	216,858
Deferred Revenues	965,826	-	-	-	965,826
Other Current Liabilities	32,265	-	-	-	32,265
TOTAL LIABILITIES	<u>2,903,541</u>	<u>14,345</u>	<u>-</u>	<u>10,588</u>	<u>2,928,474</u>
<u>FUND BALANCES</u>					
Reserve for Prepaid Expenditures	-	-	-	-	-
Reserve for Next Year Appropriations	-	-	-	-	-
Specific Fund Balance Reserves	-	-	-	-	-
Unreserved-Designated Fund Balances	1,681,000	-	-	-	1,681,000
Unreserved-Undesignated Fund Balances -					
- General Fund	5,675,002	-	-	-	5,675,002
- Capital Reserve Fund	-	3,560,139	-	-	3,560,139
- Capital Projects Fund	-	-	27	-	27
- Athletic Fund	-	-	-	34,639	34,639
TOTAL FUND BALANCES	<u>7,356,002</u>	<u>3,560,139</u>	<u>27</u>	<u>34,639</u>	<u>10,950,807</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,259,543</u>	<u>\$ 3,574,484</u>	<u>\$ 27</u>	<u>\$ 45,227</u>	<u>\$ 13,879,281</u>

The Accompanying Notes are an integral part of these financial statements.

**Hamburg Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of June 30, 2009**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 10,950,807

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$70,253,469 and the accumulated depreciation is \$12,359,512. 57,893,957

Additional receivables established that do not meet the availability criteria reflected in the fund financial statements. This amount represents the difference between the prior year receivables and the current year receivables established under the accrual basis of accounting. -

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds, but not in the government-wide statement of net assets. 1,147,167

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net assets uses the consumption method of inventory. 50,629

An estimate of incurred but not reported claims (IBNR) on the District's self-insurance plan is reported as an expense on the government-wide statement of activities, but not in the fund financial statements. (86,537)

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

Bonds payable	\$ (39,455,515)	
Accrued interest on the bonds	(50,263)	
Compensated absences	(778,075)	
Net OPEB Obligation	(454,550)	(40,738,403)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 29,217,620**

The Accompanying Notes are an integral part of these financial statements.

Hamburg Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>GENERAL</u>	<u>CAPITAL RESERVE</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES					
Local Sources	\$ 22,545,729	\$ 77,886	\$ 20,618	\$ 81,799	\$ 22,726,032
State Sources	11,739,521	-	-	13,920	11,753,441
Federal Sources	539,967	-	-	-	539,967
TOTAL REVENUES	<u>34,825,217</u>	<u>77,886</u>	<u>20,618</u>	<u>95,719</u>	<u>35,019,440</u>
EXPENDITURES					
Instruction	17,370,514	-	-	-	17,370,514
Support Services	9,117,903	-	110,112	660,159	9,888,174
Operation of Non-Instructional Services	74,385	-	-	534,383	608,768
Capital Outlay	480,117	82,601	2,819,574	-	3,382,292
Debt Service	4,334,471	-	-	8,539	4,343,010
TOTAL EXPENDITURES	<u>31,377,390</u>	<u>82,601</u>	<u>2,929,686</u>	<u>1,203,081</u>	<u>35,592,758</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,447,827</u>	<u>(4,715)</u>	<u>(2,909,068)</u>	<u>(1,107,362)</u>	<u>(573,318)</u>
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	-	-	-	-	-
Refunding Bond Proceeds	-	-	-	36,145,000	36,145,000
Proceeds from Extended Term Financing	-	-	-	-	-
Interfund Transfers in	486	2,044,945	156,378	430,000	2,631,809
Sale/Compensation for Fixed Assets	14,267	-	-	-	14,267
Bond Premium	-	-	-	237,738	237,738
Bond Discount	-	-	-	(29,222)	(29,222)
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	-	(35,690,878)	(35,690,878)
Operating Transfers Out	(2,475,070)	-	(156,739)	-	(2,631,809)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,460,317)</u>	<u>2,044,945</u>	<u>(361)</u>	<u>1,092,638</u>	<u>676,905</u>
SPECIAL/EXTRAORDINARY ITEMS					
Special Items	-	-	-	-	-
Extraordinary Items	-	-	-	-	-
NET CHANGE IN FUND BALANCES	987,510	2,040,230	(2,909,429)	(14,724)	103,587
FUND BALANCES - BEGINNING	<u>6,368,492</u>	<u>1,519,909</u>	<u>2,909,456</u>	<u>49,363</u>	<u>10,847,220</u>
FUND BALANCES - ENDING	<u>\$ 7,356,002</u>	<u>\$ 3,560,139</u>	<u>\$ 27</u>	<u>\$ 34,639</u>	<u>\$ 10,950,807</u>

The Accompanying Notes are an integral part of these financial statements.

**Hamburg Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2009**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 103,587

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense	\$ 819,467	
less - capital outlays	<u>3,108,829</u>	2,289,362

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities.

-

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of fixed assets sold.

(710)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount this year.

(35,057)

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

2,655,000

In the statement of activities, certain operating expenses--compensated absences (vacations), other post employment benefits, and special termination benefits (early retirement)--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. This amount represents the difference between the amount earned versus the amount used.

(162,782)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING

4,849,400

**Hamburg Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2009**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) \$ 4,849,400

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, interest expense is recognized as the interest accrues, regardless of when it is due. This would include accumulated interest accreted on capital appreciation bonds. The additional interest accrued in the statement of activities over the amount due is shown here. 294,971

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available. -

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Refunding bond issues becomes a use of current financial resources in governmental funds, but refundings represent payments of long-term debt in the statement of net assets. This figure represents the difference between bond proceeds and refunding payments made to paying agents. (605,000)

The governmental funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, this adjustment reflects the inventory difference. 19,677

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 4,559,048**

The Accompanying Notes are an integral part of these financial statements.

**Hamburg Area School District
Statement of Net Assets
Proprietary Funds
For the Year Ended June 30, 2009**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 298,214	\$ -	\$ 298,214
Investments	-	-	-
Due from other funds	117	-	117
Due From Other Governments	-	-	-
Other Receivables	-	-	-
Inventories	36,961	-	36,961
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	335,292	-	335,292
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	216,501	-	216,501
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	216,501	-	216,501
 TOTAL ASSETS	\$ 551,793	\$ -	\$ 551,793
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
Accounts Payable	13,144	-	13,144
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	12,895	-	12,895
Deferred Revenue	4,873	-	4,873
TOTAL CURRENT LIABILITIES	30,912	-	30,912
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	29,153	-	29,153
Net OPEB Obligation	21,018	-	21,018
TOTAL NON-CURRENT LIABILITIES	50,171	-	50,171
 TOTAL LIABILITIES	81,083	-	81,083
<u>NET ASSETS</u>			
Invested in capital assets, with no related debt Restricted for Legal Purposes	216,501	-	216,501
Unrestricted	254,209	-	254,209
TOTAL NET ASSETS	470,710	-	470,710
 TOTAL LIABILITIES AND NET ASSETS	\$ 551,793	\$ -	\$ 551,793

The Accompanying Notes are an integral part of these financial statements.

Hamburg Area School District
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 724,932	\$ -	\$ 724,932
Other Operating Revenues	<u>26,057</u>	<u>-</u>	<u>26,057</u>
TOTAL OPERATING REVENUES	<u>750,989</u>	<u>-</u>	<u>750,989</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	443,040	-	443,040
Employee Benefits	207,338	-	207,338
Purchased Professional and Technical Services	1,450	-	1,450
Purchased Property Service	42,651	-	42,651
Other Purchased Services	14,695	-	14,695
Supplies	547,902	-	547,902
Depreciation	25,236	-	25,236
Dues and Fees	-	-	-
Other Operating Expenses	<u>16,915</u>	<u>-</u>	<u>16,915</u>
TOTAL OPERATING EXPENSES	<u>1,299,227</u>	<u>-</u>	<u>1,299,227</u>
	-----	-----	-----
OPERATING INCOME (LOSS)	<u>(548,238)</u>	<u>-</u>	<u>(548,238)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	4,829	-	4,829
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	(1,230)	-	(1,230)
State Sources	72,139	-	72,139
Federal Sources	419,459	-	419,459
Interest Expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>495,197</u>	<u>-</u>	<u>495,197</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(53,041)</u>	<u>-</u>	<u>(53,041)</u>
Capital contributions	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
CHANGES IN NET ASSETS	<u>(53,041)</u>	<u>-</u>	<u>(53,041)</u>
	-----	-----	-----
NET ASSETS - BEGINNING	<u>523,751</u>	<u>-</u>	<u>523,751</u>
	-----	-----	-----
NET ASSETS - ENDING	<u>\$ 470,710</u>	<u>\$ -</u>	<u>\$ 470,710</u>
	-----	-----	-----

The Accompanying Notes are an integral part of these financial statements.

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2009**

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 729,948	\$ -	\$ 729,948
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	26,057	-	26,057
Cash Payments to Employees for Services	(621,027)	-	(621,027)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(561,750)	-	(561,750)
Cash Payments to Other Operating Expenses	(16,915)	-	(16,915)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(443,687)</u>	<u>-</u>	<u>(443,687)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	76,863	-	76,863
Federal Sources	383,094	-	383,094
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>459,957</u>	<u>-</u>	<u>459,957</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	(68,204)	-	(68,204)
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
Capital Contributions	-	-	-
Principal paid on Financing Agreements	-	-	-
Interest paid on Financing Agreements	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(68,204)</u>	<u>-</u>	<u>(68,204)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	4,829	-	4,829
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>4,829</u>	<u>-</u>	<u>4,829</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(47,105)	-	(47,105)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>345,319</u>	<u>-</u>	<u>345,319</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 298,214</u>	<u>\$ -</u>	<u>\$ 298,214</u>

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2009**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING INCOME (LOSS)	\$ (548,238)	\$ -	\$ (548,238)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	25,236	-	25,236
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	65,402	-	65,402
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	-	-
(Increase) Decrease in Advances from Other Funds	5,016	-	5,016
(Increase) Decrease in Inventories	130	-	130
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	(905)	-	(905)
Increase (Decrease) in Accrued Salaries and Benefits	8,333	-	8,333
Increase (Decrease) in Net OPEB Obligation	21,018	-	21,018
Increase (Decrease) in Advances to Other Funds	(9,127)	-	(9,127)
Increase (Decrease) in Deferred Revenue	(10,552)	-	(10,552)
TOTAL ADJUSTMENTS	<u>104,551</u>	<u>-</u>	<u>104,551</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (443,687)</u>	<u>\$ -</u>	<u>\$ (443,687)</u>

The Accompanying Notes are an integral part of these financial statements.

**Hamburg Area School District
Statement of Net Assets
Fiduciary Funds
As of June 30, 2009**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 158,615
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 158,615
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	158,615
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	158,615
NET ASSETS			
Restricted	-	-	-
Unrestricted	-	-	-
TOTAL NET ASSETS	\$ -	\$ -	\$ -

The Accompanying Notes are an integral part of these financial statements.

**Hamburg Area School District
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009**

	PRIVATE- PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ -	\$ -
Transfers from other funds	-	-
INVESTMENT EARNINGS:		
Interest and Dividends	-	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	-	-
 DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	-	-
TOTAL DEDUCTIONS	-	-
 CHANGE IN NET ASSETS	-	-
 NET ASSETS - BEGINNING OF YEAR	-	-
 NET ASSETS - END OF YEAR	\$ -	\$ -

The Accompanying Notes are an integral part of these financial statements.

Hamburg Area School District
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE</u>	<u>BUDGET TO GAAP DIFFERENCE</u>	<u>ACTUAL AMOUNTS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>		<u>GAAP BASIS</u>
REVENUES						
Local Sources	\$ 21,928,634	\$ 21,928,634	\$ 22,545,729	\$ 617,095	\$ -	\$ 22,545,729
State Sources	11,198,354	11,198,353	11,739,521	541,168	-	11,739,521
Federal Sources	498,901	498,901	539,967	41,066	-	539,967
TOTAL REVENUES	<u>33,625,889</u>	<u>33,625,888</u>	<u>34,825,217</u>	<u>1,199,329</u>	<u>-</u>	<u>34,825,217</u>
EXPENDITURES						
Regular Instruction	13,256,191	12,949,192	12,946,408	2,784	-	12,946,408
Special Programs	3,612,181	3,142,558	3,134,837	7,721	-	3,134,837
Vocational Programs	925,942	955,815	954,007	1,808	-	954,007
Other Instructional Programs	818,014	339,014	335,262	3,752	-	335,262
Adult Education Programs	-	-	-	-	-	-
Community/Junior College Ed. Programs	-	-	-	-	-	-
Pupil Personnel Services	913,957	959,707	957,499	2,208	-	957,499
Instructional Staff Services	1,223,183	1,112,183	1,107,705	4,478	-	1,107,705
Administrative Services	1,734,819	1,603,818	1,596,707	7,111	-	1,596,707
Pupil Health	340,325	294,325	291,938	2,387	-	291,938
Business Services	529,273	473,273	471,053	2,220	-	471,053
Operation & Maintenance of Plant Services	2,989,434	2,815,433	2,806,990	8,443	-	2,806,990
Student Transportation Services	1,907,160	1,681,160	1,678,765	2,395	-	1,678,765
Central Support Services	178,433	180,433	177,989	2,444	-	177,989
Other Support Services	29,037	30,037	29,257	780	-	29,257
Student Activities	67,900	58,900	57,021	1,879	-	57,021
Community Services	36,600	18,600	17,364	1,236	-	17,364
Facilities, Acquisition and Construction	40,000	482,000	480,117	1,883	-	480,117
Debt Service	4,296,584	4,336,584	4,334,471	2,113	-	4,334,471
TOTAL EXPENDITURES	<u>32,899,033</u>	<u>31,433,032</u>	<u>31,377,390</u>	<u>55,642</u>	<u>-</u>	<u>31,377,390</u>
Excess (deficiency) of revenues over expenditures	726,856	2,192,856	3,447,827	1,254,971	-	3,447,827
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers in	-	-	486	486	-	486
Sale/Compensation for Fixed Assets	2,000	2,000	14,267	12,267	-	14,267
Debt Service-Refunded bond issues	-	-	-	-	-	-
Fund Transfers out	(528,856)	(2,194,856)	(2,475,070)	(280,214)	-	(2,475,070)
Budgetary Reserve	(200,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(726,856)</u>	<u>(2,192,856)</u>	<u>(2,460,317)</u>	<u>(267,461)</u>	<u>-</u>	<u>(2,460,317)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	987,510	987,510	-	987,510
FUND BALANCE - JULY 1, 2008	<u>\$ 2,567,422</u>	<u>\$ 2,567,422</u>	<u>\$ 6,368,492</u>	<u>\$ 3,801,070</u>	<u>\$ -</u>	<u>\$ 6,368,492</u>
FUND BALANCE - JUNE 30, 2009	<u>\$ 2,567,422</u>	<u>\$ 2,567,422</u>	<u>\$ 7,356,002</u>	<u>\$ 4,788,580</u>	<u>\$ -</u>	<u>\$ 7,356,002</u>

The Accompanying Notes are an integral part of these financial statements.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Note 1 - Description of the School District and Reporting Entity

School District

The Hamburg Area School District is located in Hamburg, Pennsylvania. The District's tax base consists of five Townships; Perry, Upper Tulpehocken, Upper Bern, Tilden, and Windsor, and three Boroughs; Hamburg, Shoemakersville, and Strausstown.

The Hamburg Area School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act." (Article II, Section 211).

Board of School Directors

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The Hamburg Area School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

The Business Manager, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Hamburg Area School District. The Business Manager is directly responsible to the Superintendent.

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Hamburg Area School District, this includes general operations, food service, and student related activities of the School District.

Hamburg Area School District is a municipal Corporation governed by an elected nine-member board. As required by generally accepted accounting principles, these financial statements are to present Hamburg Area School District (the primary government) and organizations for which the primary government is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the School District in that the School District approved the budget, the issuance of debt, or the levying of taxes. The Hamburg Area School District does not have any component units.

Joint Ventures

Berks Career and Technology Center

The School District is a participating member of the Berks Career and Technology Center. The Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the Center's annual operating budget. Each participating district pays a pro-rata share of the Center's operating costs based on the number of students attending the Center from each District. The District's share of the Center's operating costs for 2008-09 was \$868,432.

On dissolution of the Berks Career and Technology Center, the net assets of the Center will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have any equity interest in the Center as defined by GASB Statement No. 14, except a residual interest in the net assets upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the Center can be obtained from the Center's administrative office at 1057 County Road, Leesport, PA 19533.

Jointly Governed Organizations

Berks County Intermediate Unit

The School District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the BCIU's annual operating budget. The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no on-going financial interest or financial responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and acts as a conduit for certain federal programs.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Note 2 - Summary of significant accounting policies

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for one business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 School District's **major** governmental funds:

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds

The District has established a Capital Reserve Fund in accordance with the PA School Laws. This fund is used to account for the proceeds of specific revenue sources as outlined by school laws that are legally restricted to expenditures for specified purposes.

Capital Reserve Fund

This fund was created in accordance with Section 1432 of the Municipal Code. As such, the PA Department of Education has decided this fund should be classified as a major fund regardless of whether or not GASB's major fund criteria are met.

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by the proprietary fund). The District has the following Capital Project Funds:

2005 Construction Fund

This fund received the proceeds from the \$25,000,000 General Obligation Bonds – Series of 2005. The purpose of this issue is to provide funds for new construction and renovations of the Tilden Elementary School. This fund was closed during the 2008-09 fiscal year.

2008 Construction Fund

This fund received the proceeds from the \$2,050,000 General Obligation Note – Series of 2008. The purpose of this issue is to provide funds for and towards costs of the acquisition and construction of certain capital costs, including the stadium project.

Proprietary Funds Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Fiduciary Funds Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on 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 also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions. 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 become 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the Board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The Board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this Option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2008-09 budget transfers.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the District's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Any encumbrances are presented as a reservation for encumbrances on the balance sheet of the General Fund. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the District's legally adopted budget.

F. Use of Estimates

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

G. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust, Federated Institution Treasury Obligations, and Pennsylvania School District Liquid Asset Fund) are recorded at the pool's share price.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2009, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred revenue in the fund financial statements.

In the government-wide financial statements, all property taxes levied during the fiscal year are recognized as revenue, net of estimated uncollectible amount.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2009, shows \$50,629 as an asset in the governmental activities column of the government-wide statement of net assets and \$36,961 as an asset in the business-type activities column of the government-wide statement of net assets.

Inventory type items in governmental funds utilize the purchase method; that is, they are charged to expenditures when purchased.

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, and purchased food.

Inventories on hand at June 30, 2009, consist of:

Purchased Food & Supplies	\$ 19,439
Donated Commodities	<u>17,522</u>
TOTAL	<u><u>\$ 36,961</u></u>

Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred (\$2,500) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

All reported capital assets except land, certain land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 -50 years	20 -50 years
Furniture and Equipment	5 - 20 years	5 -20 years
Vehicles	up to 10 years	N/A

Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, bond issuance costs, and deferred amounts on refundings are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and any deferred amount on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts or premiums on debt issuances are reported as other financing uses and sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2009, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by higher governmental body or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. There was no outside capital contributions this past fiscal year in the proprietary fund.

Note 3 - Reconciliation of government-wide and fund financial statements

A. *Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.*

The governmental fund balance sheet includes a reconciliation between "fund balance -total governmental funds" and "net assets - governmental activities" as reported in the government-wide statement of net

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds".

The details of this \$40,738,403, difference are:

Bonds payable	\$ 41,050,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(1,076,910)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(722,930)
Less: Issuance discount (to be amortized as interest expense)	(30,734)
Add: Issuance premium (to be amortized as a credit to interest expense)	236,089
Accrued interest payable	50,263
Capital leases payable	-
Net OPEB Obligation	454,550
Compensated absences	778,075
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	\$ 40,738,403

B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Explanation of Differences between Governmental Fund Statements and District-Wide Statements

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT ITEMS	TOTAL FOR STATEMENT OF ACTIVITIES
<u>REVENUES AND OTHER SOURCES</u>					
LOCAL SOURCES:					
Property Taxes	\$ 19,561,769	\$ 11,685	\$ -	\$ -	\$ 19,573,454
Taxes levied for specific purposes	2,127,660	(46,742)	-	-	2,080,918
Interest and investment earnings	413,098	-	-	-	413,098
Miscellaneous	61,127	-	-	-	61,127
Contributions and Donations	4,093	-	-	-	4,093
Charges for Services	70,843	-	-	-	70,843
Grants, subsidies & contributions not restricted	6,891,239	-	-	-	6,891,239
Proceeds from Bond Issues	-	-	-	-	-
INTERMEDIATE SOURCES:					
Charges for Services	78,684	-	-	-	78,684
Operating grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating & Capital grants and contributions	4,960,189	-	-	-	4,960,189
FEDERAL SOURCES:					
Operating & Capital grants and contributions	850,735	-	-	-	850,735
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	36,145,000	-	-	(36,145,000)	-
Gain or (Loss) on disposal of assets	14,267	-	(710)	-	13,557
TOTAL REVENUES	<u>71,178,704</u>	<u>(35,057)</u>	<u>(710)</u>	<u>(36,145,000)</u>	<u>34,997,937</u>
<u>EXPENDITURES/EXPENSES</u>					
Instruction	17,370,514	39,354	18,596	134,215	17,562,679
Instructional Student Support	2,357,142	1,754	25,007	16,228	2,400,131
Admin. & Fin'l Support Services	3,045,278	(48,042)	3,096	(269,645)	2,730,687
Oper. & Maint. Of Plant Svcs.	3,120,232	(31,205)	31,309	10,205	3,130,541
Pupil Transportation	1,678,765	64	-	598	1,679,427
Student activities	591,403	418	(10,006)	515	582,330
Community Services	17,364	-	-	-	17,364
Capital Outlay	3,069,049	-	(3,069,049)	-	-
Debt Service	39,825,371	-	-	(38,201,324)	1,624,047
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	711,683	-	711,683
TOTAL EXPENDITURES/EXPENSES	<u>71,075,118</u>	<u>(37,657)</u>	<u>(2,289,364)</u>	<u>(38,309,208)</u>	<u>30,438,889</u>
NET CHANGE FOR THE YEAR	<u>\$ 103,586</u>	<u>\$ 2,600</u>	<u>\$ 2,288,654</u>	<u>\$ 2,164,208</u>	<u>\$ 4,559,048</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit fund balance or net assets of individual funds.

No individual fund contains a deficit fund balance or net assets at June 30, 2009.

C. Excess of expenditures over appropriations in individual funds

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations, except the General Fund's expenditures, exceeded appropriations by \$974,757, which is a result of transfers made to the Capital Reserve Fund. This is not considered a violation of the School Laws of the Commonwealth of PA, according to PDE.

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2009.

Note 5 - Detailed notes on all funds and account groups

Assets

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2009, \$3,690,533 of the District's bank balance of \$6,669,115 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the District's name	3,690,533
TOTAL	\$ 3,690,533

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 3,690,533
Plus: Insured Amount	3,008,582
Less: Outstanding Checks	(822,039)
Carrying Amount - Bank Balances	5,877,076
Plus: Petty Cash	100
Deposits in Investment Pools Considered Cash Equivalents	6,332,615
Less: Certificates of Deposit considered Investment by School Code	(2,750,000)
TOTAL CASH PER FINANCIAL STATEMENTS	\$ 9,459,791

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Investments

As of June 30, 2009, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	Varies	\$ 2,750,000
PA Local Gov't Investment Trust		5,514,536
PA School District Liquid Asset Fund		818,079
US Treasury Notes		-
M & T Bank		-
Sovereign Gov't Banking		402,552
TOTAL		\$ 9,485,167

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2009, the District's investment in the PA School District Liquid Asset Fund, and the PA Local Government Investment Trust were rated AAA by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the District's investments, 7.09% is in a government banking investment at Sovereign Bank. Of the Governmental Activities' investments, 4.35% is in a government banking investment at Sovereign Bank and 29.74% in Certificates of Deposit. Of the Capital Reserve Fund's investments, 7.01% is in collateralized certificates of deposit. Of the General Fund's investments, 11.02% is in a government bank investment at Sovereign Bank.

Custodial Credit Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District does not have any uninsured investments.

Reconciliation to Financial Statements

Total Investments Above	\$ 9,485,167
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(6,332,615)</u>
Total Investments Per Financial Statements	\$ 3,152,552

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$840,526,100. In accordance with Act 1 of 2006, the District received \$829,183 in property tax reduction funds for the 2008-2009 fiscal year. The tax rate for the year was \$2.471 per \$100 of assessed valuation or 24.71 mills.

The property tax calendar is:

- | | | |
|--------------------------|---|---|
| July 1 | - | Full year tax assessed for current year. |
| July 1 - August 31 | - | Discount period during which a 2% discount is allowed. |
| September 1 - October 31 | - | Face amount of tax is due |
| November 1 - January 31 | - | A 10% penalty is added to all payments. |
| February 1 | - | All unpaid taxes become delinquent and are turned over to the County Tax Claim Bureau for Collection. |

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Receivables

Receivables for the government's individual major funds, non-major, and fiduciary funds in the aggregate as of year end, including the applicable allowances for uncollectible accounts, are:

	GENERAL FUND	CAPITAL RESERVE FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:							
Interest	\$ -	\$ 6,432	\$ -	\$ -	\$ -	\$ -	\$ 6,432
Taxes	1,134,748	-	-	-	-	-	1,134,748
Accounts	82,021	-	-	-	4,082	-	86,103
Intergovernmental	496,483	-	-	-	-	-	496,483
GROSS RECEIVABLES	1,713,252	6,432	-	-	4,082	-	1,723,766
Less: Allowance for Uncollectibles	-	-	-	-	-	-	-
NET RECEIVABLES	\$ 1,713,252	\$ 6,432	\$ -	\$ -	\$ 4,082	\$ -	\$ 1,723,766

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were:

Schedule on Deferred Revenue - Unavailable and Unearned

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 965,742	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	84
TOTAL	\$ 965,742	\$ 84

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Capital Assets

Capital asset balances and activity for the year ending June 30, 2009, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 552,760	\$ -	\$ -	\$ 552,760
Construction in Progress	25,461,895	1,345,915	-	26,807,810
Total Capital Assets not being depreciated	26,014,655	1,345,915	-	27,360,570
Capital Assets being depreciated:				
Site Improvements	1,210,228	-	-	1,210,228
Buildings and Bldg. Improvements	37,223,251	1,533,332	-	38,756,583
Furniture and Equipment	2,703,606	229,582	(7,100)	2,926,088
TOTAL CAPITAL ASSETS BEING DEPRECIATED	41,137,085	1,762,914	(7,100)	42,892,899
Less accumulated depreciation for:				
Site Improvements	(822,671)	(28,796)	-	(851,467)
Buildings and Bldg. Improvements	(8,666,867)	(691,812)	-	(9,358,679)
Furniture and Equipment	(2,056,899)	(98,857)	6,390	(2,149,366)
TOTAL ACCUMULATED DEPRECIATION	(11,546,437)	(819,465)	6,390	(12,359,512)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	29,590,648	943,449	(710)	30,533,387
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 55,605,303	\$ 2,289,364	\$ (710)	\$ 57,893,957
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 882,373	\$ 68,204	\$ (12,300)	\$ 938,277
Less accumulated depreciation	(707,610)	(25,236)	11,070	(721,776)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 174,763	\$ 42,968	\$ (1,230)	\$ 216,501

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

***DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:**

Regular Instruction	\$	20,474
Special Instruction		-
Vocational Instruction		-
Other Instruction		641
Adult Instruction		-
Community College Instruction		-
Pupil Services		2,531
Instructional Staff Svcs.		22,330
Administrative Services		1,147
Health Services		146
Business Services		1,950
Operation & Maintenance of Plant Svcs.		56,058
Pupil Transportation		-
Central Services		-
Other Support Services		-
Student Activities		2,507
Community Services		-
		-
Depreciation - unallocated		711,683
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$	819,467

The District's governmental activities disposed of \$7,100 of obsolete equipment during the year. \$6,390 depreciation was recaptured, resulting in a gain from disposition of \$13,557.

Construction Commitments

The District had the following Construction Commitments at June 30, 2009:

<u>NEW HAMBURG ELEMENTARY EAST</u>	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/07</u>	<u>OUTSTANDING COMMITMENTS</u>
AEM ARCHITECTS-ARCHITECTURAL ENGINEERING	\$ 1,707,418	\$ 1,707,418	\$ -
DUAL TEMP - HVAC	2,439,395	2,416,395	23,000
H.B. FRAZER CO - ELECTRICAL	2,549,486	2,549,486	-
LOBAR - GENERAL CONSTRUCTION	17,312,396	17,297,396	15,000
VISION MECHANICAL - PLUMBING	1,358,084	1,358,084	-
EASTERN AIR BALANCE CORP	185,890	184,300	1,560
SINGER EQUIPMENT	526,902	513,730	13,172
TOTAL	\$ 26,079,571	\$ 26,026,809	\$ 52,732

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2009:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ -	\$ 117
Special Revenue (Capital Reserve) Fund	-	-
Special Revenue (Athletic) Fund	-	-
2008 Construction Fund	-	-
Enterprise (Food Service) Fund	117	-
Agency (Activity) Fund	-	-
TOTAL	<u><u>\$ 117</u></u>	<u><u>\$ 117</u></u>

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2009:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 486	\$ 2,475,070
Food Service Fund	-	-
Athletic fund	430,000	-
2005 Construction Fund	4,701	151,677
2008 Construction Fund	151,677	5,062
Capital Reserve Fund	2,044,945	-
Activity Fund	-	-
TOTAL	<u><u>\$ 2,631,809</u></u>	<u><u>\$ 2,631,809</u></u>

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2009, were:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 42,236,321	\$ 36,306,492	\$ 38,364,369	\$ 40,178,444	\$ 24,165,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	42,236,321	36,306,492	38,364,369	40,178,444	24,165,000
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	137,120	-	98,851	38,269	7,485
Sick pay	782,890	75,857	-	858,747	111,456
Net OPEB Obligation	273,788	180,762	-	454,550	-
Total other liabilities	1,193,798	256,619	98,851	1,351,566	118,941
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 43,430,119	\$ 36,563,111	\$ 38,463,220	\$ 41,530,010	\$ 24,283,941
BUSINESS-TYPE ACTIVITIES					
<i>Other liabilities:</i>					
Vested employee benefits:					
Net OPEB Obligation	\$ -	\$ 21,018	\$ -	\$ 21,018	\$ -
Sick pay	20,986	8,167	-	29,153	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 20,986	\$ 29,185	\$ -	\$ 50,171	\$ -

Payments on bonds and notes are made by the general fund. Vested employee benefits will be

Payments on bonds and notes are made by the general fund. Vested employee benefits will be liquidated by governmental and proprietary funds. The School District currently does not have any bonds or notes payable in business-type activities.

Total Interest paid and accrued during the year:

	EXPENSE	PAID
GOVERNMENTAL ACTIVITIES		
General obligation debt	\$ 1,624,047	\$ 1,743,010
Short-term borrowings	-	-
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	\$ 1,624,047	\$ 1,743,010

General Obligation Bonds – Series of 2003

On March 19, 2003, the District issued \$9,005,000 of General Obligation Bonds – Series of 2003. The purpose of this issue is to provide funds for: (a) the advance refunding of the General Obligation Bonds – Series 1998, and (b) paying the costs of issuing and insuring the bonds. In accordance with the Local Government Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from May 1, 2003 to May 2018. Interest rates range from 1.20% to 4.25%. On February 27, 2009, the remaining outstanding bonds of this issue were currently refunded with the Series of 2009 General Obligation Bonds.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

General Obligation Bonds - Series A of 2003

On April 15, 2003, the District issued \$6,725,000 of General Obligation Bonds - Series A of 2003. The purpose of this issue is to provide funds for: (a) the partial advance refunding of the General Obligation Bonds - Series of 2000, and (b) paying the costs of issuing and insuring the bonds. In accordance with the Local Government Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from May 1, 2004, to May 1, 2020. Interest rates range from 1.00% to 4.15%. On May 1, 2009, the remaining outstanding bonds of this issue were currently refunded with the issuance of Series A of 2009 General Obligation Bonds.

General Obligation Bonds – Series of 2005

On May 13, 2005, the District issued \$25,000,000 of General Obligation Bonds – Series of 2005. The purpose of this issue is to provide funds for: (a) new construction and renovations of the High School and miscellaneous capital expenditures of the School District, and; (2) paying costs and expenses of financing, including the costs and expenses of issuance of the bonds. In accordance with the Local Governmental Unit Debt Act, a Sinking fund has been established with the paying agent. The interest rate is variable based on the BMA index. The bonds mature from May 15, 2007, to May 15, 2025. On May 15, 2009, the remaining outstanding bonds of this issue were refunded with the issuance of the Series of 2009 General Obligation Notes.

General Obligation Bonds – Series of 2007

On March 15, 2007, the District issued \$6,815,000 of General Obligation Bonds – Series of 2007. The purpose of this issue is to advance refund the Series of 2002 General Obligation Bonds and paying costs and expenses of financing. In accordance with the Local Governmental Unit Debt Act, a Sinking Fund has been established with the paying agent. The interest rates range from 3.55% to 3.70%, with total interest indebtedness of \$1,224,321. The bonds mature from May 1, 2008 to May 1, 2015.

The debt service requirements on this bond issue at June 30, 2009, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2009-10	\$ 820,000	\$ 199,122
2010-11	845,000	166,323
2011-12	880,000	135,902
2012-13	910,000	103,783
2013-14	945,000	70,568
2014-15	975,000	36,075
Sub-Total	5,375,000	\$ 711,773
Unamortized Premium	-	
Unamortized Discount	(1,512)	
Unamortized Deferred Amt.	(190,201)	
TOTAL OUTSTANDING	\$ 5,183,287	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

General Obligation Notes – Series of 2008

On May 7, 2008, the District issued \$2,050,000 of General Obligation Notes – Series of 2008. The purpose of this issue is to provide funds for and towards costs of the acquisition and construction of the stadium project and costs of issuance. In accordance with the Governmental Unit Debt Act, a Sinking Fund has been established with the paying agent. The interest rate is 3.94%, per annum until May 15, 2015, thereafter; the Note shall bear interest at a variable rate subject to a maximum rate of 6.5%. The note was refunded during 2008-2009 fiscal year with the issuance of Series A of 2009 General Obligation Bonds.

General Obligation Bonds – Series of 2009

On February 27, 2009, the District issued \$6,355,000 of General Obligation Bonds – Series of 2009. The purpose of this issue is to refund the outstanding General Obligation Bonds – Series of 2003, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The interest rate ranges from 2.50% to 3.20% payable on May 1, and November 1, each year. Total Interest indebtedness is \$957,285.14. The bonds mature from May 1, 2009 to May 1, 2018. The debt service requirements on this bond issue at June 30, 2009, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2009-10	\$ 585,000	\$ 170,062
2010-11	600,000	156,900
2011-12	615,000	141,900
2012-13	635,000	123,450
2013-14	655,000	104,400
2014-18	<u>2,795,000</u>	<u>222,190</u>
Sub-Total	5,885,000	<u>\$ 918,902</u>
Unamortized Deferred Amount on Refunding	(173,567)	
Unamortized Premium	<u>39,504</u>	
TOTAL OUTSTANDING	<u>\$ 5,750,937</u>	

General Obligation Bonds – Series A of 2009

On May 1, 2009, the District issued \$7,400,000 of General Obligation Bonds – Series A of 2009. The purpose of this issue is to provide funds to (1) finance a current refunding of the Series A of 2003 outstanding bonds; (2) finance the refunding of the outstanding 2008 Bank Note; and (3) to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The interest rate ranges from 2.00% to 3.75% payable on May 1, and November 1, each year. Total Interest indebtedness is \$1,561,551.45. The bonds mature from May 1, 2010 to May 1, 2020. The debt service requirements on this bond issue at June 30, 2009, are:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

FISCAL YEAR	PRINCIPAL	INTEREST
2009-10	\$ 370,000	\$ 199,924
2010-11	455,000	209,385
2011-12	460,000	201,422
2012-13	475,000	192,222
2013-14	490,000	182,722
2014-19	4,595,000	555,063
2019-20	<u>555,000</u>	<u>20,813</u>
Sub-Total	7,400,000	\$ <u>1,561,551</u>
Unamortized Deferred Amount on Refunding	(479,146)	
Unamortized Discount	<u>(29,222)</u>	
TOTAL OUTSTANDING	\$ <u>6,891,632</u>	

General Obligation Notes – Series of 2009

On May 15, 2009, the District issued \$22,390,000 of General Obligation Notes – Series of 2009. The purpose of this issue is to refund the outstanding General Obligation Bonds – Series of 2005, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The interest rate is fixed at 2.00% per annum until May 15, 2010, at which time the Note is due. The debt service requirements on this bond issue at June 30, 2009, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2009-10	\$ 22,390,000	\$ 447,800
2010-11	-	-
2011-12	-	-
2012-13	-	-
2013-14	-	-
2014-19	<u>-</u>	<u>-</u>
Sub-Total	22,390,000	\$ <u>447,800</u>
Unamortized Deferred Amount on Refunding	(233,995)	
Unamortized Premium	<u>196,583</u>	
TOTAL OUTSTANDING	\$ <u>22,352,588</u>	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Interest Rate Swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in May 13, 2005, the School District entered into an interest rate swap in connection with its \$25,000,000, Series of 2005 variable-rate general obligation bonds. The intention of the swap was to effectively change the School District's variable interest rate on the bonds to a synthetic fixed rate. During the 2008-2009 fiscal year, the outstanding bonds of this issue were refunded with a General Obligation Note – Series of 2009. The interest rate swap remains in effect.

Terms. The Note matures on May 15, 2010, but the related swap agreement matures on May 15, 2025, and the swap's notional amount is \$25,000,000. The swap was entered into on May 15, 2005. Starting on May 15, 2006, the notional value of the swap and the principal amount of the associated debt begin to decline. Under the swap, the School District pays the counterparty (Royal Bank of Canada) a fixed payment of 3.68% and receives a variable payment computed as 67% of the London Interbank Offered Rate (LIBOR). Conversely, the new notes fixed rate is 2%.

Fair Value. The swap has a negative fair value of \$2,264,151 as of June 30, 2009. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated by the counterparty.

Interest Rate Risk. As of June 30, 2009, the School District was exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the School District would not be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's, AA- by Standard & Poor's and AA by Fitch.

Credit Risk. The Risk is associated with the swap agreement if the counterparty to the transaction does not make good on its promise to pay the government.

Basis Risk. The swap exposes the government to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2009. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2009, the fixed rate was 2.00%, whereas 67% of LIBOR was 0.231%.

Termination Risk. The School District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the School District, if the counterparty's short-term debt credit rating is withdrawn or reduced to a rating below P-1 for Moody's and the rating by S&P is withdrawn or reduced to a rating that is below A-1. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2009, debt service requirements of the fixed rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, fixed rate note interest payments and net swap payments will vary.

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009

FIXED RATE NOTE				
FISCAL YEAR ENDING	PRINCIPAL	INTEREST	INTEREST RATE	
			SWAPS, NET	TOTAL
June 30				
2009-10	\$ 22,390,000	\$ 447,800	\$ 767,408	\$ 23,605,208
2010-11	-	-	732,927	732,927
2011-42	-	-	696,940	696,940
2012-13	-	-	659,657	659,657
2013-14	-	-	620,694	620,694
2014-19	-	-	2,457,728	2,457,728
2019-24	-	-	1,200,759	1,200,759
2024-25	-	-	64,871	64,871
TOTAL OUTSTANDING	<u>\$ 22,390,000</u>	<u>\$ 447,800</u>	<u>\$ 7,200,984</u>	<u>\$ 30,038,784</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years, except for compensated absences, are:

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B SERIES 2007	G.O.B SERIES 2009	G.O.B SERIES A OF 2009	G.O.N SERIES 2009	TOTAL PRINCIPAL PAYMENTS
2009-10	820,000	585,000	370,000	22,390,000	24,165,000
2010-11	845,000	600,000	455,000	-	1,900,000
2011-12	880,000	615,000	460,000	-	1,955,000
2012-13	910,000	635,000	475,000	-	2,020,000
2013-14	945,000	655,000	490,000	-	2,090,000
2014-19	975,000	2,795,000	4,595,000	-	8,365,000
2019-24	-	-	555,000	-	555,000
2024-25	-	-	-	-	-
TOTAL	5,375,000	5,885,000	7,400,000	22,390,000	41,050,000
LESS- Payable within one year	820,000	585,000	370,000	22,390,000	24,165,000
PRINCIPAL DUE AFTER ONE YEAR	\$ 4,555,000	\$ 5,300,000	\$ 7,030,000	\$ -	\$ 16,885,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B. SERIES 2007	G.O.B. SERIES 2009	G.O.B SERIES A OF 2009	G.O.N. SERIES 2009	TOTAL DEBT SERVICE PAYMENTS
2009-10	1,019,122	755,062	569,924	22,837,800	25,181,908
2010-11	1,011,323	756,900	664,385	-	2,432,608
2011-12	1,015,902	756,900	661,422	-	2,434,224
2012-13	1,013,783	758,450	667,222	-	2,439,455
2013-14	1,015,568	759,400	672,722	-	2,447,690
2014-19	1,011,075	3,017,190	5,150,063	-	9,178,328
2019-24	-	-	575,813	-	575,813
2024-25	-	-	-	-	-
TOTAL	\$ 6,086,773	\$ 6,803,902	\$ 8,961,551	\$ 22,837,800	\$ 44,690,026

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Lease Rental Debt

On November 15, 1998, the Berks County Vocational Technical School Authority issued \$34,850,000 in revenue bonds, Series of 1998. The Bonds are being issued under the Municipality Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust Indenture, dated as of November 15, 1998, between the Authority and Bank of Pennsylvania, a division of Dauphin Deposit Bank and Trust Company, as trustee. Under the Indenture, the Authority has pledged and assigned to the Trustee the sublease rentals to be paid pursuant to a Lease and Sublease, dated as of November 15, 1998, between the Authority, as lessee and sublessor, and Berks Vocational Technical School, a/k/a Berks Career and Technology Center (BCTC), as lessor and sublessee.

The governing body of the Authority is its Board consisting of sixteen (16) members appointed to staggered terms of five years by the Antietam School District, with the advice of the joint operating committee of BCTC.

BCTC was created and operates under Articles of Agreement by and among sixteen participating school districts located in Berks County and portions of Montgomery and Chester Counties, Pennsylvania.

Under the Articles of Agreement, dated June 1, 1965, between BCTC and the participating school districts, the annual operating expenses of BCTC are allocated to and paid by the participating school districts in proportion to the three-year average daily number of students enrolled by each in BCTC computed at the end of each school year. Lease rental payments (including payments under the Sublease) or capital outlays are shared in proportion to each participating school district's market valuation of taxable real estate to the total valuation of all participating school districts. As a result of this debt, the participating school districts amended Section 11 of the BCTC's By-Laws to read: the obligations of each of the participating school districts to pay its proportionate share of the rentals shall be subject to an annual appropriation by each school district. Any school district that does not budget, appropriate and pay its proportionate share of the rentals payable hereunder shall lose all of its rights as a participating school district, including the right to send students to the Center. It is the intent of Hamburg Area School District to continue to participate.

The proceeds to be realized by the Authority will be used to finance certain capital projects of BCTC, including renovations, alterations, and additions to the East Campus and West Campus of the Berks Career and Technology Center, to pay capitalized interest on the Bonds, to fund a debt service reserve fund and to pay the costs of issuance of the Bonds.

The lease rental debt owed by BCTC to the Authority is equal to the bond principal and interest of the Authority's revenue bonds. This debt is not considered general obligation debt of the School District. The bonds mature from June 1, 2002 to June 1, 2019, at interest rates between 3.6% and 5.0%. Since market values fluctuate year to year, the District's future share of the lease rental debt, as shown below, is an estimate using current market values:

FISCAL YEAR	RENTAL PAYMENT
2009-10	\$ 148,895
2010-11	148,500
2011-12	148,906
2012-13	148,995
2013-14	149,023
2014-19	744,974
TOTAL OUTSTANDING	\$ 1,489,293

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Compensated Absences

Sick-Pay

Under the District's various bargaining agreements and plans, professional and management employees accumulate unused sick days from year to year. During the employee's tenure, unused sick days are non-vesting. Upon retirement, these employees are eligible for remuneration for unused sick days under the following bargaining agreements:

- a) ***Management Employees*** - each unused sick day times \$70.
- a) ***Classified Personnel*** - each unused sick day times \$17.50.
- b) ***Professional Employees*** - employees with fifteen (15) or more credited years of service to the District, shall receive \$45 per each unused sick day.

The District maintains a record of each employee's accumulated sick days and the District has valued the accumulated sick days that are earned by employees who are eligible to retire. In accordance with GASB Statement No. 16, a long-term liability of \$747,291 including FICA tax (net of reimbursement) has been established within the governmental activities column in the government-wide statement of net assets. A long-term liability of \$29,153 including FICA tax (net of reimbursement) has been established in the business-type activity column in the statement of net assets. In addition, liabilities of \$102,480, \$8,976, and \$29,153, including FICA tax, have been established within the General Fund, Athletic Fund, and Food Service Fund, respectively. The General Fund and Athletic Fund liability is reflected as a current liability in the government-wide statement of net assets.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2009, that will use currently available financial resources is \$7,485, including FICA tax and retirement contributions, which has been recorded in the General Fund and as a current liability within the governmental activities column in the government-wide statement of net assets. The remaining vacation pay earned at June 30, 2009, of \$30,784, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net assets.

Defined benefit pension plans

Plan Description

Name of plan: The Public School Employees' Retirement System (the System).

Type of Plan: Governmental cost sharing multiple-employer defined benefit plan.

Benefits: Retirement and disability legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA C.S. 8101-8535). Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Barbara D. Flurie, Office of Financial Management, Public School Employees' Retirement System, P. O. Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS website at www.psers.state.pa.us.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution Rates

Member Contributions: Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (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.

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2009, the rate of employer contribution was 4.76 percent of covered payroll. The 4.76 percent rate is comprised of a pension contribution rate of 4.00 percent for pension benefits and 0.76 or healthcare insurance premium assistance.

The employer's current year covered payroll was \$15,674,081 and total payroll was \$15,290,760.

The total employee and employer contributions for this current year were \$1,085,074 and \$702,539, respectively.

Other Post Employment Benefits

Plan Description. Hamburg Area School District has two single-employer defined benefit plans:

1. In accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy based upon GASB Statement No. 45, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus an age-adjusted rate, as defined in the GASB Statement.
2. Final Year of Service increment to eligible employees, who will retire under the auspices of the Public School Employees Retirement Board. This payment is structured as follows:

<u>Years of Service</u>	<u>Payment per Year of Service</u>
15 – 20	\$110
21 – 30	\$140
31 +	\$170

Funding Policy and Annual OPEB Cost. The first benefit is state mandated via the School Code statute. The second benefit is determined by contractual agreement between the Board of School Directors and each eligible class of employees. The District's annual other post-employment benefit (OPEB) cost (expense) for each plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost, each year, and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information is as follows:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Contribution Rates:

	Actuarially Determined
School District	5.0%
Plan Members	350
Annual Required Contribution	\$ 585,038
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	585,038
Contributions made	(383,258)
Increase in net OPEB obligation	201,780
Net OPEB obligation - beginning of year	273,788
Net OPEB obligation - end of year	\$ 475,568

Since this is only the second year of implementation for GASB Statement 45, prior year data has been omitted for the third preceding year. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the fiscal year ending 6/30/09 for the benefits were as follows:

Year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 585,038	65.5%	\$ 475,568
6/30/2008	586,518	53.3%	273,788
6/30/2007	-	0.0%	-

Funded Status and Funding Progress. The funded status of the benefits as of June 30, 2009, was as follows:

	State-mandated Healthcare Benefit	Years of Service Increment Benefit
Actuarial accrued liability (a)	\$ 2,096,822	\$ 262,944
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	\$ 2,096,822	\$ 262,944
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 14,452,556	\$ 10,906,204
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	14.5%	2.4%

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the benefits and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the district and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	State-mandated Healthcare Benefit	Years of Service Increment Benefit
Actuarial valuation date	7/1/2007	7/1/2007
Actuarial cost method	Unit Credit	Unit Credit
Amortization method	Level dollar method over a weighted average	Level dollar method over a weighted average
Remaining amortization period	4 years	4 years
Asset valuation method	pay as you go basis	pay as you go basis
Actuarial assumptions:		
Investment rate of return	5.0%	5.0%
Projected salary increases	5.0%	5.0%
Healthcare inflation rate		
2008	10.0%	N/A
2009	9.0%	N/A
2010	8.0%	N/A
2011	7.0%	N/A
2012	6.0%	N/A
2013 +	5.0%	N/A

Note 6 - Risk Management

The District is subject to risk of loss from employee risks, property damage, personal injury, auto accidents, etc. The District lowers these risks through the purchase of commercial insurance. The District's workers' compensation policy is a retrospectively rated policy. The final premium is based on actual payroll for the policy year and is determined by the insurance company. Any settlements received by the District or its employees did not exceed insurance charges in the last three years.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2009**

Note 7 - Fund Balance Reserves/Designations

Reserved Fund Balance

There are no fund balance reserves in any fund.

Designated Fund Balance

The School District has designated \$1,681,000 of its general fund's June 30, 2009 fund balance to cover future GASB Statement 45 liabilities.

Note 8 - Restricted Net Assets

Invested in Capital Assets, Net of Related Debt

The components of this restriction in the governmental activities column is total capital assets of \$57,893,956, with related debt of \$39,455,514, which includes unamortized bonds discounts, premiums, issuance costs and deferred refunding charges. The business-type activities column reflects \$216,501 invested in capital assets with no related debt.

Other Restrictions

At year end, the District has \$130,816 restricted in governmental activities for federal grants.

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2009.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Schedule of Funding Progress
For the year ended June 30, 2009**

State mandated healthcare benefit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$ -	\$ 2,096,822	\$ 2,096,822	0.0%	\$ 14,452,556	14.51%
7/1/2005	-	-	-	0.0%	-	0.00%
7/1/2003	-	-	-	0.0%	-	0.00%

Years of Service Increment

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$ -	\$ 262,944	\$ 262,944	0.0%	\$ 10,906,204	2.41%
7/1/2005	-	-	-	0.0%	-	0.00%
7/1/2003	-	-	-	0.0%	-	0.00%

**OTHER
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Combining Balance Sheet
All Non-Major Governmental Funds
As of June 30, 2009**

	SPECIAL REVENUE FUND			TOTAL DEBT SERVICE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	ATHLETIC FUND	2009 GOB BOND FUND	2009 GON BOND FUND		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 41,145	\$ -	\$ -	\$ -	\$ 41,145
Investments	-	-	-	-	-
Other Receivables	4,082	-	-	-	4,082
Due from other funds	-	-	-	-	-
Receivables from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
TOTAL ASSETS	<u>\$ 45,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,227</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts Payable	\$ 1,612	\$ -	\$ -	\$ -	\$ 1,612
Due to other funds	-	-	-	-	-
Compensated Absences	8,976	-	-	-	8,976
Payable to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>10,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,588</u>
 FUND BALANCES:					
Reserved for:					
Inventories	-	-	-	-	-
Debt Service	-	-	-	-	-
Unreserved	34,639	-	-	-	34,639
TOTAL FUND BALANCES	<u>34,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,639</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,227</u>

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended June 30, 2009

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			TOTAL DEBT SERVICE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	ATHLETIC FUND	2009 GOB BOND FUND	2009 GON BOND FUND	2009 A GOB BOND FUND		
REVENUES						
Local Sources	\$ 75,739	\$ 6,060	\$ -	\$ -	\$ 6,060	\$ 81,799
State Sources	13,920	-	-	-	-	13,920
Federal Sources	-	-	-	-	-	-
TOTAL REVENUES	<u>89,659</u>	<u>6,060</u>	<u>-</u>	<u>-</u>	<u>6,060</u>	<u>95,719</u>
	-----	-----	-----	-----	-----	-----
EXPENDITURES						
Instruction	-	-	-	-	-	-
Support Services	-	148,733	346,584	164,842	660,159	660,159
Operation of Non-Instructional Services	534,383	-	-	-	-	534,383
Capital Outlay	-	-	-	-	-	-
Debt Service	-	8,539	-	-	8,539	8,539
TOTAL EXPENDITURES	<u>534,383</u>	<u>157,272</u>	<u>346,584</u>	<u>164,842</u>	<u>668,698</u>	<u>1,203,081</u>
	-----	-----	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(444,724)</u>	<u>(151,212)</u>	<u>(346,584)</u>	<u>(164,842)</u>	<u>(662,638)</u>	<u>(1,107,362)</u>
	-----	-----	-----	-----	-----	-----
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term capital-related debt	-	-	-	-	-	-
Proceeds from Refunding Bond Issues	-	6,355,000	22,390,000	7,400,000	36,145,000	36,145,000
Bond Premium	-	41,154	196,584	-	237,738	237,738
Bond Discount	-	-	-	29,222	29,222	29,222
Payment to bond refunding escrow agent	-	6,244,942	22,240,000	7,205,936	35,690,878	35,690,878
Sale/Compensation for Fixed Assets	-	-	-	-	-	-
Transfers in	430,000	-	-	-	-	430,000
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>430,000</u>	<u>151,212</u>	<u>346,584</u>	<u>164,842</u>	<u>662,638</u>	<u>1,092,638</u>
	-----	-----	-----	-----	-----	-----
NET CHANGE IN FUND BALANCES	<u>(14,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,724)</u>
	-----	-----	-----	-----	-----	-----
FUND BALANCES - BEGINNING	<u>49,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,363</u>
	-----	-----	-----	-----	-----	-----
FUND BALANCES - ENDING	<u>\$ 34,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,639</u>
	-----	-----	-----	-----	-----	-----

Hamburg Area School District
Combining Balance Sheet
All Capital Project Funds
For the Year Ended June 30, 2009

	<u>2005</u> <u>CONSTRUCTION</u> <u>FUND</u>	<u>2008</u> <u>CONSTRUCTION</u> <u>FUND</u>	<u>TOTAL</u> <u>CAPITAL</u> <u>PROJECT</u> <u>FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 27	\$ 27
Investments	-	-	-
Other Receivables	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 27</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ -
Compensated Absences	-	-	-
Due to other funds	-	-	-
Interest Payable	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Reserved for:			
Unreserved	-	27	27
TOTAL FUND BALANCES	<u>-</u>	<u>27</u>	<u>27</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 27</u>

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2009

	2005 CONSTRUCTION FUND	2008 CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 7,794	\$ 12,824	\$ 20,618
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUE	<u>7,794</u>	<u>12,824</u>	<u>20,618</u>
EXPENDITURES			
Instruction	-	-	-
Support Services	110,112	-	110,112
Operation of Non-Instructional Services	-	-	-
Capital Outlay	944,529	1,875,045	2,819,574
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>1,054,641</u>	<u>1,875,045</u>	<u>2,929,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,046,847)</u>	<u>(1,862,221)</u>	<u>(2,909,068)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term capital-related debt	-	-	-
Payment to bond refunding escrow agent	-	-	-
Bond Premium	-	-	-
Bond Discount	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	4,701	151,677	156,378
Transfers out	(151,677)	(5,062)	(156,739)
TOTAL OTHER FINANCING SOURCES AND USES	<u>(146,976)</u>	<u>146,615</u>	<u>(361)</u>
NET CHANGE IN FUND BALANCES	(1,193,823)	(1,715,606)	(2,909,429)
FUND BALANCES - BEGINNING	<u>1,193,823</u>	<u>1,715,633</u>	<u>2,909,456</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 27</u>

Hamburg Area School District
Combining Balance Sheet - All Debt Service Funds
As of June 30, 2009

	<u>2009 GOB BOND FUND</u>	<u>2009 GON BOND FUND</u>	<u>2009 A GOB BOND FUND</u>	<u>TOTAL</u>
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Accrued Interest Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Interest Payable	-	-	-	-
Unreserved Fund Balances	-	-	-	-
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Combining Statement of Revenues, Expenditures, and
Changes in Funds Balances - All Debt Service Funds**
For the Year Ended June 30, 2009

	<u>2009 GOB BOND FUND</u>	<u>2009 GON BOND FUND</u>	<u>2009 A GOB BOND FUND</u>	<u>TOTAL</u>
REVENUES AND OTHER FINANCING SOURCES				
Investment Income	\$ 6,060	\$ -	\$ -	\$ 6,060
Proceeds From Refunding of Bonds	6,355,000	22,390,000	7,400,000	36,145,000
Bond Premium	41,154	196,584	-	237,738
Interfund Transfers	-	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>6,402,214</u>	<u>22,586,584</u>	<u>7,400,000</u>	<u>36,388,798</u>
EXPENDITURES AND OTHER FINANCING USES				
Instruction	-	-	-	-
Support Services	148,733	346,584	164,842	660,159
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	8,539	-	-	8,539
Bond Discount	-	-	29,222	29,222
Payment to Refunded Bonds Escrow Agent	6,244,942	22,240,000	7,205,936	35,690,878
Interfund Transfers	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>6,402,214</u>	<u>22,586,584</u>	<u>7,400,000</u>	<u>36,388,798</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE - JULY 1, 2008	-	-	-	-
FUND BALANCE - JUNE 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2009**

	<u>HAMBURG BOROUGH</u>	<u>PERRY TOWNSHIP</u>	<u>SHOEMAKERSVILLE BOROUGH</u>
<u>CURRENT REAL ESTATE TAXES</u>			
Assessed Value	\$ 166,116,100	\$ 134,534,000	\$ 48,183,600
Millage Rate	0.02471	0.02471	0.02471
TOTAL	4,104,729	3,324,335	1,190,617
Less: Act 1 Reduction	175,289	131,052	58,311
TOTAL TAXABLE DUPLICATE	3,929,440	3,193,283	1,132,306
Plus - Additions	40	-	-
Prior Year Unpaid Additions	1,305	33	-
Penalties	7,904	4,465	1,174
TOTAL TAXES TO BE COLLECTED	3,938,689	3,197,781	1,133,480
Less - Discounts	65,430	53,189	19,801
Reductions	-	-	-
Refunds	1,118	1,590	-
Returned to County	195,613	126,094	37,154
Cabela's	-	-	-
Outstanding	-	-	-
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 3,676,528</u>	<u>\$ 3,016,908</u>	<u>\$ 1,076,525</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 18,309</u>	<u>\$ 15,961</u>	<u>\$ 4,269</u>
<u>CURRENT PER CAPITA TAXES</u>			
No. of Persons Assessed	3,344	1,976	1,136
Tax Rate	\$ 10	\$ 10	\$ 10
Taxable Valuation	33,440	19,760	11,360
Plus - Additions	660	240	220
Penalties	308	141	82
TAXES TO BE COLLECTED	34,408	20,141	11,662
Less - Discounts	410	274	140
Exonerations	2,510	930	1,280
Refunds	-	-	-
Outstanding	4,890	1,990	1,410
Reductions	-	-	-
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 26,598</u>	<u>\$ 16,947</u>	<u>\$ 8,832</u>

STRAUSSTOWN BOROUGH	TILDEN TOWNSHIP	UPPER BERN TOWNSHIP	UPPER TULPEHOCKEN TOWNSHIP	WINDSOR TOWNSHIP	TOTAL
\$ 11,745,100	\$ 202,638,800	\$ 85,797,800	\$ 74,524,000	\$ 116,986,700	\$ 840,526,100
<u>0.02471</u>	<u>0.02471</u>	<u>0.02471</u>	<u>0.02471</u>	<u>0.02471</u>	<u>0.02471</u>
290,221	5,007,205	2,120,064	1,841,488	2,890,741	20,769,400
<u>11,638</u>	<u>168,552</u>	<u>88,873</u>	<u>72,240</u>	<u>123,278</u>	<u>829,233</u>
278,583	4,838,653	2,031,191	1,769,248	2,767,463	19,940,167
1	2,716	66,068	13,278	1	82,104
-	-	-	-	-	1,338
<u>559</u>	<u>7,212</u>	<u>8,398</u>	<u>2,328</u>	<u>9,553</u>	<u>41,593</u>
279,143	4,848,581	2,105,657	1,784,854	2,777,017	20,065,202
4,346	81,716	29,166	29,088	45,483	328,219
-	11,734	59,961	6,462	-	78,157
-	2	4,017	1,988	4,061	12,776
22,249	281,031	104,624	85,028	88,582	940,375
-	362,043	-	-	-	362,043
-	-	-	6,052	665	6,717
<u>\$ 252,548</u>	<u>\$ 4,112,055</u>	<u>\$ 1,907,889</u>	<u>\$ 1,656,236</u>	<u>\$ 2,638,226</u>	<u>\$ 18,336,915</u>
<u>\$ 1,297</u>	<u>\$ 21,213</u>	<u>\$ 38,620</u>	<u>\$ 14,491</u>	<u>\$ 29,546</u>	<u>\$ 143,706</u>
250	2,904	1,354	1,168	1,862	13,994
<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
2,500	29,040	13,540	11,680	18,620	139,940
30	340	250	240	250	2,230
<u>26</u>	<u>238</u>	<u>126</u>	<u>68</u>	<u>122</u>	<u>1,111</u>
2,556	29,618	13,916	11,988	18,992	143,281
26	340	164	162	261	1,777
50	2,380	810	470	600	9,030
-	-	-	-	-	-
590	4,680	1,480	1,090	2,040	18,170
-	-	-	-	-	-
<u>\$ 1,890</u>	<u>\$ 22,218</u>	<u>\$ 11,462</u>	<u>\$ 10,266</u>	<u>\$ 16,091</u>	<u>\$ 114,304</u>

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2009**

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 18,336,915	
Interim Real Estate Taxes	143,706	
Public Utility	26,357	
Payment in Lieu of Taxes	11,158	
Current Per Capita Taxes - 511	57,152	
Current Per Capita Taxes - 679	57,152	
Occupational Privilege Tax	-	
Earned Income Tax	1,667,691	
Real Estate Transfer Tax	298,296	
Amusement Taxes	-	
Delinquent Real Estate Taxes	1,081,148	
Delinquent Interim Real Estate Taxes	-	
Delinquent Per Capita Taxes - 511	4,927	
Delinquent Per Capita Taxes - 679	4,927	
Delinquent OPT Taxes	-	
Interest	307,889	
Gain on Sale of Investments	-	
Revenue from Local Sources	-	
Revenue Received from I.S. - State	59,988	
Fed Rev Rec From Other Fed Sources	-	
I/U Services - Federal	348,768	
Rentals	24,756	
Contributions	750	
Tuition	-	
Summer School	11,690	
Adult School	-	
Receipts from Other LEA's - Education	78,684	
All Other Services Provided other LEA's	-	
Miscellaneous	23,669	
Refunds of Prior Yr. Expenditures,	106	
TOTAL LOCAL SOURCE REVENUE		\$ 22,545,729

STATE SOURCES:

Basic Subsidy - ESBE	6,024,056
Read to Succeed	-
Charter Schools	141,543
School Performance	-
Orphan Tuition	313,748
Homebound	326
Vocational Education	114
Alternative Education	11,070
Driver Education	1,400
Migratory Children	-
Special Education	1,296,080
SUB-TOTAL	7,788,337

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2009**

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$ 7,788,337	
Transportation	935,071	
Rentals	697,041	
Health Services	47,470	
State Property Tax Reduction Allocation	829,183	
PA Accountability Grants	353,520	
Project 720 H. S. Reform	50,911	
Extra Grants	3,092	
Dual Enrollment Grants	44,959	
FICA Revenue	556,760	
Retirement Revenue	384,204	
Classrooms for the Future	48,973	
TOTAL STATE SOURCE REVENUE	\$ 11,739,521	

FEDERAL SOURCES:

Title I	385,880	
Title III	-	
Title II	91,591	
Other Restricted Federal Grants-In-Aid Direct	22,359	
Other Restricted Federal Grants	1,860	
Medical Assistance Reimbursement	38,277	
TOTAL FEDERAL SOURCE REVENUE	539,967	
TOTAL REVENUE		34,825,217

Expenditures

Instruction - Regular	12,479,972
Instruction - Federally Funded Programs	466,436
Life Skills Support - Public	590,870
Life Skills Support - PRRI	325,839
Deaf or Hearing Impaired Support	45,653
Blind or Visually Impaired Support	22,114
Speech & Language Impaired	197,883
Emotional Support - Public	593,121
Autistic Support	-
Learning Support - Public	1,183,397
Gifted Support	135,264
Physical Support	-
Multi-Handicapped Support	-
Early Intervention Support	1,394
Other Support	39,302
SUB-TOTAL	16,081,245

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2009**

SUB-TOTAL (CARRIED FORWARD)	\$ 16,081,245
Agricultural Education	7,432
Industrial Arts Education	-
Trade and Industrial Education	78,143
Other Vocational Education	868,432
Drivers' Education	97,352
Summer School	1,318
Homebound Instruction	6,409
Adjudicated/Court Placed Programs	-
Alternative Education Program	228,323
Other Instructional Programs	1,860
Guidance Services	659,864
Psychological Services	105,652
Student Accounting Services	28,684
Other Pupil Personnel Services	163,299
Instructional Staff	7,297
Technology Support Services	505,312
Computer Assisted Instruction Support Service	-
School Library Services	458,778
Instruction and Curriculum Development Services	-
Instructional Staff Development Services	136,318
Board Services	72,815
Board Treasurer Services	245
Tax Assessment and Collection Services	134,368
Staff Relations	-
Legal Services	9,803
Office of the Superintendent Services	364,732
Community Relations Services	5,440
Office of the Principal Services	1,009,304
Other Administration Services	-
Medical Services	1,562
Dental Services	520
Nursing Services	289,856
Support Services - Business	442,016
SUB-TOTAL	21,766,379

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2009**

SUB-TOTAL (CARRIED FORWARD)	\$ 21,766,379	
Financial Accounting Services	20,928	
Warehousing and Distributing Services	8,109	
Operation and Maintenance of Plant Services	797,935	
Supervision of Operation and Maint. of Plant Svcs.	117,225	
Operation of Building Services	1,872,365	
Care and Upkeep of Grounds Services	10,988	
Care and Upkeep of Equipment Services	6,100	
Vehicle Operation and Maint. Services	2,377	
Student Transportation Services	1,462,349	
Transportation Services	-	
Supervision of Student Transportation Services	58,083	
Non-Public Transportation	158,333	
System-Wide Technology Services	167,039	
State and Federal Agency Liaison Services	10,950	
Other Support Services	29,257	
Student Activities	57,021	
Community Services	17,364	
Site Acquisition Services - Original and Additional	-	
Existing Site Improvement Services	-	
Architecture and Engineering Services - Org/Add.	-	
Existing Building Improvement Services	480,117	
Debt Service	4,334,394	
Refund of Prior Yr. Receipts	<u>77</u>	
TOTAL Expenditures,		\$ 31,377,390
 EXCESS (DEFICIENCY) OF REVENUES OVER Expenditures,		 \$ 3,447,827

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2009**

EXCESS (DEFICIENCY) OF REVENUES OVER Expenditures, (carried forward)	\$	3,447,827
 <u>OTHER FINANCING SOURCES (USES)</u>		
Proceeds from Extended Term Financing	\$	-
Debt Service Fund Transfers		-
Transfer from Trust Funds		-
Transfer from Activity Funds		
Sale of Fixed Assets	14,267	
Special Revenue Fund Transfers in		-
Capital Projects Funds Transfers in	486	
Special Revenue Fund Transfers out	(2,475,070)	
Transfer to Food Service Fund		-
Debt Service Fund Transfers out		-
Activity Fund Transfers		-
TOTAL OTHER FINANCING SOURCES (USES)	(2,460,317)	
 Special Items	 -	
Extraordinary Items	 -	 <u>(2,460,317)</u>
 NET CHANGE IN FUND BALANCE		 987,510
 FUND BALANCE - JULY 1, 2008		 <u>6,368,492</u>
 FUND BALANCE - JUNE 30, 2009	 \$	 <u>7,356,002</u>

**Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009**

REVENUES

Lunches	\$ 724,932	
Special Functions	25,923	
Federal Subsidy	347,277	
Donated Commodities Received	72,182	
State Subsidy	45,402	
State Reimbursement - FICA & Retirement	26,737	
Other Food Service Revenue	134	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	(1,230)	
Interest	4,829	
TOTAL REVENUES		\$ 1,246,186

COST OF GOODS SOLD

Inventory - July 1, 2008	30,311	
Food and Milk	447,953	
Donated Commodities	72,182	
Supplies	34,417	
LESS - Inventory - June 30, 2009	(36,961)	
TOTAL COST OF GOODS SOLD		547,902

GROSS PROFIT

698,284

EXPENSES

Salaries	443,040	
Benefits	207,338	
Professional Fees	1,450	
Travel	1,983	
Repairs	42,651	
Food Handling Costs	5,026	
Depreciation	25,236	
Purchased Services	7,686	
Uncapitalized Equipment	16,877	
Dues and Fees	-	
Other	38	
TOTAL EXPENSES		751,325

CHANGES IN NET ASSETS

(53,041)

NET ASSETS - BEGINNING

523,751

NET ASSETS - ENDING

\$ 470,710

**Hamburg Area School District
Food Service Fund
Statement of Net Assets
As of June 30, 2009**

ASSETS

Cash and Cash Equivalents	\$ 298,214	
Due From Other Funds	117	
Intergovernmental Receivables	-	
Other Receivables	-	
Inventory		
- Food	19,439	
- Supplies	-	
- Federal Commodities	17,522	
Prepaid Expenses	-	
Equipment (net of accum. Depreciation)	<u>216,501</u>	
TOTAL ASSETS		<u>\$ 551,793</u>

LIABILITIES

Accounts Payable	\$ 13,144	
Due to Other Funds	-	
Compensated Absences	29,153	
Deferred Revenue	4,873	
Net OPEB Obligation	21,018	
Accrued Salaries and Benefits	<u>12,895</u>	
TOTAL LIABILITIES		81,083
NET ASSETS		<u>470,710</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 551,793</u>

**Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2009**

FUND BALANCE - JULY 1, 2008		\$ 1,519,909
REVENUES AND OTHER FINANCING SOURCES		
Interest	\$ 77,886	
Interfund Transfers In	<u>2,044,945</u>	<u>2,122,831</u>
TOTAL FUNDS AVAILABLE		3,642,740
EXPENDITURES		
CAPITAL OUTLAY:		
Existing Site Improvement Services	14,345	
Professional Services	2,000	
Construction Services	53,083	
Repairs and Maintenance	13,173	
OTHER FINANCING USES		
Interfund Transfers Out	<u>-</u>	<u>82,601</u>
FUND BALANCE - JUNE 30, 2009		<u>\$ 3,560,139</u>

**Hamburg Area School District
Athletic Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2009**

FUND BALANCE - JULY 1, 2008		\$	49,363
 REVENUES AND OTHER FINANCING SOURCES			
Interest	\$	646	
Gate Receipts		45,238	
Tournament Entry Fees		9,400	
Playoff Proceeds		866	
Fees		3,650	
Facility Rentals		4,250	
Donations		3,343	
Miscellaneous		8,346	
FICA Revenue		9,932	
Retirement Revenue		3,988	
Gain on Sale of Fixed Assets		-	
Transfer from General Fund		430,000	519,659
TOTAL FUNDS AVAILABLE			569,022
 EXPENDITURES			
Salaries		263,370	
Medical Benefits		16,503	
Social Security		20,194	
Retirement		7,977	
Unemployment Compensation		446	
Workers' Compensation		1,720	
Other Professional Services		58,343	
Advertising		1,131	
Security		4,163	
Repairs and Maintenance		10,069	
Insurance		5,400	
Transportation		33,370	
Travel		10,002	
Supplies		68,980	
Gasoline		99	
Equipment		17,686	
Miscellaneous		4,122	
Dues and Fees		10,808	534,383
FUND BALANCE - JUNE 30, 2009		\$	<u>34,639</u>

**Hamburg Area School District
2005 Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2009**

FUND BALANCE - JULY 1, 2008		\$ 1,193,823
REVENUES AND OTHER FINANCING SOURCES		
Proceeds from Bond Issues	\$ -	
Transfer from Capital Projects Fund	4,701	
Interest	7,794	12,495
TOTAL FUNDS AVAILABLE	12,495	1,206,318
EXPENDITURES		
INSTRUCTIONAL:		
Equipment	-	
SUPPORT SERVICES:		
Repairs and Maintenance	-	
Other Administrative Services	110,112	
NON-INSTRUCTIONAL SERVICES:		
Supplies	-	
CAPITAL OUTLAY:		
Professional Services	98,175	
Repairs and Maintenance	-	
Advertising	-	
Water & Sewer	3,319	
Administrative Software	860	
Supplies	208,549	
Construction Services	622,280	
Equipment	11,346	
Project Fuel	-	
OTHER FINANCING USES		
Transfer to Capital Projects Fund	151,677	1,206,318
FUND BALANCE - JUNE 30, 2009	151,677	1,206,318
		\$ -

**Hamburg Area School District
2008 Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2009**

FUND BALANCE - JULY 1, 2008		\$ 1,715,633
REVENUES AND OTHER FINANCING SOURCES		
Transfer from Capital Project Fund	\$ 151,677	
Interest	12,824	164,501
TOTAL FUNDS AVAILABLE		1,880,134
<u>EXPENDITURES</u>		
INSTRUCTIONAL:		
Equipment	-	
SUPPORT SERVICES:		
Bond Issue Costs	-	
Repairs and Maintenance	-	
Supplies	-	
NON-INSTRUCTIONAL SERVICES:		
Supplies	-	
CAPITAL OUTLAY:		
Professional Services	124,804	
Repairs and Maintenance	1,756	
Advertising	-	
Insurance	-	
Travel	-	
Supplies	607	
Construction Services	1,730,917	
Equipment	15,711	
Miscellaneous	1,250	
OTHER FINANCING USES		
Transfer to General Fund	361	
Transfer to Capital Project Fund	4,701	1,880,107
FUND BALANCE - JUNE 30, 2009		\$ 27

**Hamburg Area School District
2009 GOB Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2009**

FUND BALANCE - JULY 1, 2008	\$	-
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ 6,355,000	
Bond Premium	41,154	
Interest	6,060	6,402,214
	6,060	6,402,214
TOTAL FUNDS AVAILABLE		6,402,214
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	124,603	
Insurance	24,130	
DEBT SERVICE:		
Bond Principal	8,539	
Bond Interest	-	
OTHER FINANCING USES:		
Bond Discount		
Payment to Refunded Bonds Escrow Agent	6,244,942	6,402,214
	6,244,942	6,402,214
FUND BALANCE - JUNE 30, 2009	\$	-

**2009 GON Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2009**

FUND BALANCE - JULY 1, 2008	\$	-
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issue	\$ 22,390,000	
Bond Premium	196,584	
Interest	-	22,586,584
	-	22,586,584
TOTAL FUNDS AVAILABLE		22,586,584
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Bond Issue Costs	346,584	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	-	
OTHER FINANCING USES:		
Bond Discount	-	
Payment to Refunded Bonds Escrow Agent	22,240,000	22,586,584
	22,240,000	22,586,584
FUND BALANCE - JUNE 30, 2009	\$	-

Hamburg Area School District
2009 A GOB Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2009

FUND BALANCE - JULY 1, 2008	\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding Bond Issue	\$ 7,400,000	
Interest	-	7,400,000
TOTAL FUNDS AVAILABLE		<u>7,400,000</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Bond Issue Costs	164,842	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	-	
OTHER FINANCING USES:		
Bond Discount	29,222	
Payment to Refunded Bonds Escrow Agent	<u>7,205,936</u>	<u>7,400,000</u>
FUND BALANCE - JUNE 30, 2009	\$	<u>-</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series of 2007
For the Year Ended June 30, 2009**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2009-10	4.00	\$ 199,122	\$ 820,000
2010-11	3.60	166,323	845,000
2011-12	3.65	135,902	880,000
2012-13	3.65	103,783	910,000
2013-14	3.65	70,568	945,000
2014-15	3.70	36,075	975,000
TOTAL OUTSTANDING		\$ 711,773	\$ 5,375,000

**Schedule on General Obligation Bonds
Series of 2009
For the Year Ended June 30, 2009**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL AMOUNT</u>
2009-10	2.25	\$ 170,062	\$ 585,000
2010-11	2.50	156,900	600,000
2011-12	3.00	141,900	615,000
2012-13	3.00	123,450	635,000
2013-14	3.00	104,400	655,000
2014-15	2.50	84,750	670,000
2015-16	3.20	68,000	685,000
2016-17	3.20	46,080	710,000
2017-18	3.20	23,360	730,000
TOTAL OUTSTANDING		\$ 918,902	\$ 5,885,000

**Schedule on General Obligation Bonds
Series A of 2009
For the Year Ended June 30, 2009**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL AMOUNT</u>
2009-10	2.00	\$ 199,924	\$ 370,000
2010-11	1.75	209,385	455,000
2011-12	2.00	201,422	460,000
2012-13	2.00	192,222	475,000
2013-14	3.00	182,722	490,000
2014-15	2.70	168,023	500,000
2015-16	3.00	154,522	1,250,000
2016-17	3.20	117,023	1,300,000
2017-18	3.50	75,423	1,010,000
2018-19	3.60	40,072	535,000
2019-20	3.75	20,813	555,000
TOTAL OUTSTANDING		\$ 1,561,551	\$ 7,400,000

**Hamburg Area School District
Schedule on General Obligation Notes
Series of 2009
For the Year Ended June 30, 2009**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2009-10	2.00	\$ 447,800	\$ 22,390,000

SINGLE AUDIT SECTION

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2009**

<u>FEDERAL GRANTOR/ PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>CFDA NUMBER</u>	<u>GRANTOR PASS THROUGH NUMBER</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>TOTAL RECEIVED</u>	<u>ACCRUED OR (DEFERRED) AT 7/01/08</u>	<u>REVENUE</u>	<u>EXPENDI- TURES</u>	<u>ACCRUED OR (DEFERRED) AT 6/30/09</u>	<u>FOOTNOTES</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>											
<u>OFFICE OF JUSTICE PROGRAMS</u>											
EDWARD BYRNE MEMORIAL STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE DISCRETIONARY GRANTS PROGRAM	D	16.580	N/A	8/1/08-1/31/2010	22,359	22,359	-	22,359	22,359	-	
<u>U. S. DEPARTMENT OF EDUCATION</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF EDUCATION</u>											
ESEA - TITLE I	I	84.010	013-080178	7/1/07-9/30/08	366,020	\$ -	\$ (79)	\$ 79	\$ 79	\$ -	
ESEA - TITLE I	I	84.010	013-090178	7/1/08-9/30/09	385,528	277,713	-	385,528	385,528	107,815	
ESEA - ACADEMIC ACHIEVEMENT AWARD	I	84.010	077-090178	7/1/08-9/30/09	1,000	357	-	273	273	(84)	
ESEA - TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-080178	7/1/07-9/30/08	89,005	11,867	11,867	-	-	-	
ESEA - TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-090178	7/1/08-9/30/09	91,591	78,506	-	91,591	91,591	13,085	
<u>PASSED THROUGH THE BERKS COUNTY I.U.</u>											
IDEA	I	84.027	N/A	7/01/08 - 6/30/09	331,472	331,472	-	331,472	331,472	-	1
DRUG FREE SCHOOLS	I	84.186	N/A	7/01/07 - 6/30/08	9,826	2,792	-	2,792	2,792	-	1
DRUG FREE SCHOOLS	I	84.186	N/A	7/1/08-6/30/09	8,385	4,504	-	4,504	4,504	-	1
<u>PASSED THROUGH THE ALLEGHENY I.U.</u>											
MINIGRANT - IDEA B	I	84.027	N/A	7/01/07 - 6/30/08	20,820	20,000	20,000	-	-	-	1
MINIGRANT - IDEA B	I	84.027	N/A	7/01/08 - 6/30/09	10,000	-	-	10,000	10,000	10,000	1
<u>U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF PUBLIC WELFARE</u>											
ESEA - TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/07-9/30/08	N/A	277	-	277	277	-	
<u>CORPORATION FOR NATIONAL & COMMUNITY SERVICES</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF EDUCATION</u>											
LEARN & SERVE AMERICA	I	94.004	019-082005	1/1/09-6/30/09	1,860	1,860	-	1,860	1,860	-	
<u>U. S. DEPT. OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPT. OF EDUCATION</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/01/07 - 6/30/08	N/A - F	33,604	33,604	-	-	-	4
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/01/07 - 6/30/08	N/A	4,448	4,448	-	-	-	
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/01/08 - 6/30/09	N/A - F	306,495	-	306,495	306,495	-	4
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/01/08 - 6/30/09	N/A	40,857	-	40,857	40,857	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/01/07 - 6/30/08	N/A - F	2,213	2,213	-	-	-	4
BREAKFAST PROGRAM	S	N/A	N/A	7/01/07 - 6/30/08	N/A	276	276	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/01/08 - 6/30/09	N/A - F	40,782	-	40,782	40,782	-	4
BREAKFAST PROGRAM	S	N/A	N/A	7/01/08 - 6/30/09	N/A	4,545	-	4,545	4,545	-	
<u>PASSED THROUGH THE PA</u>											
<u>DEPARTMENT OF AGRICULTURE</u>											
USDA COMMODITIES	I	10.550	N/A	7/01/08 - 6/30/09	N/A	72,182	(10,742)	65,402	65,402	(17,522)	2,3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>505,402</u>	<u>29,799</u>	<u>458,081</u>	<u>458,081</u>	<u>(17,522)</u>	
TOTAL AWARDS						\$ 1,257,109	\$ 61,587	\$ 1,308,816	\$ 1,308,816	\$ 113,294	
LESS: STATE SHARE						<u>(50,126)</u>	<u>(4,724)</u>	<u>(45,402)</u>	<u>(45,402)</u>	-	
TOTAL FEDERAL AWARDS						<u>\$ 1,206,983</u>	<u>\$ 56,863</u>	<u>\$ 1,263,414</u>	<u>\$ 1,263,414</u>	<u>\$ 113,294</u>	

SOURCE: D-DIRECT, I-INDIRECT, F-FEDERAL SHARE, S-STATE SHARE

**Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009**

Note 1 - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting for all federal awards charged to governmental funds and on the accrual basis of accounting for all federal awards charged to proprietary funds, as contemplated by accounting principles, generally accepted in the United States of America.

Note 2 - Organization and Scope

The District recognized 2.6% of its total general fund revenue in federal awards and 33.7% of its total enterprise fund revenue.

Note 3 - Program Disclosure – Footnotes

U.S. Department of Education

1. The federal awards passed through the Berks County Intermediate Unit, and the Allegheny Intermediate Unit, are part of a consortium of participating school districts and are reflected as local source revenue on the basic financial statements.

U.S. Department of Agriculture

2. The District received non-monetary assistance of \$72,182 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2008-09 fiscal year, the District used \$65,402 in commodities and established a year-end inventory of \$17,522 at June 30, 2009.
3. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards represents the commodities used versus the commodities received which are recognized as revenue in the financial statements.
4. The National School Lunch, Breakfast Programs, and Donated Commodities, are considered a cluster program in accordance with OMB Circular A-133 Compliance Supplement.

FINANCIAL STATEMENT RECONCILIATION		
General Fund Federal Source Revenues	\$	539,967
Federal Grants in Local Sources		348,768
Food Service Fund Federal Revenue		419,459
Total Federal Revenue, per financial statements		1,308,194
Less - Medical Access		-
ADD - Indirect Costs		(38,000)
Change in Donated Commodities		(6,780)
Federal Revenue on SEFA	\$	1,263,414



Board of School Directors
Hamburg Area School District
Windsor Street
Hamburg, PA 19526

**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 the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of Hamburg Area School District as of and for the year ended June 30, 2009, which collectively comprise Hamburg Area School District's basic financial statements and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Hamburg Area School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Hamburg Area School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Hamburg Area School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

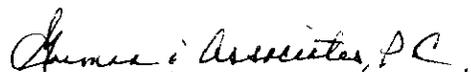
Compliance and Other Matters

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

We noted certain matters that we reported to management of Hamburg Area School District in a separate letter dated December 15, 2009.

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

Respectfully submitted,



December 15, 2009



Board of School Directors
Hamburg Area School District
Windsor Street
Hamburg, PA 19526

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Hamburg Area School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Hamburg Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hamburg Area School District's management. Our responsibility is to express an opinion on Hamburg Area School District's compliance based on our audit.

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

In our opinion, Hamburg Area School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of Hamburg Area School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hamburg Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

Hamburg Area School District

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Respectfully submitted,



December 15, 2009

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) Identified? yes no
- Significant Deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) Identified? yes no
- Significant Deficiencies identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of **OMB** Circular A-133? yes no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
10.555*	National School Lunch
10.553*	Breakfast Program
10.550*	Donated Commodities

*** These programs are considered a cluster of programs in accordance with OMB Circular A-133**

Percentage of programs tested to total awards 32.7%

Dollar threshold used to distinguish between type A and type B program: \$ 300,000

Auditee qualified as low-risk auditee? yes no

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

Section II - Financial Statement Findings

There were no findings discovered, relating to the financial statements, which are required to be reported in accordance with generally accepted government auditing standards.

Section III - Findings and Questioned Costs for Federal Awards

There were no findings discovered, relating to the federal awards, which are required to be reported in accordance with OMB Circular A-133, Section 510.

Audit Follow-Up Procedures

We did not perform any follow-up procedures, since there were no findings from the previous year.