

**REPORT ON  
HAMBURG AREA SCHOOL DISTRICT  
SINGLE AUDIT REPORT  
FISCAL YEAR ENDED JUNE 30, 2011**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS (continued)

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	<u>Page (s)</u>
<b>Introductory Section</b>	
Transmittal Letter .....	1
Letter to Governance/Management.....	2 - 6
Report Distribution List .....	7
<b>Financial Section</b>	
Independent Auditor's Report.....	8 - 9
Management's Discussion and Analysis .....	10 - 18
<b>Basic Financial Statements</b>	
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, 2011

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 - 62
<b>Required Supplemental Information:</b>	
Schedule of Funding Progress .....	63
<b>Other Supplemental Information:</b>	
Combining Balance Sheet – All Non-Major Governmental Funds .....	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Non-Major Governmental Funds .....	65
Combining Balance Sheet – All Capital Project Funds.....	66
Combing Statement of Revenues, Expenditures, and Changes in Fund Balances – All Capital Project Funds.....	67
General Fund - Schedule on Tax Collectors' Receipts .....	68
General Fund - Statement of Revenue, Expenditures, and Changes in Fund Balance .....	69 -73
Food Service Fund - Statement of Revenues, Expenses, and Changes in Net Assets.....	74
Food Service Fund - Statement of Net Assets.....	75
Capital Reserve Fund - Statement of Revenues and Expenditures.....	76
2011B Construction Fund - Statement of Revenues and Expenditures.....	77
2011 A Bond Fund - Statement of Revenues and Expenditures.....	78
Debt Service Stabilization Fund - Statement of Revenues and Expenditures .....	78
<b>General Long-Term Debt:</b>	
Schedule on General Obligation Bonds - Series of 2007 .....	79

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS (continued)

---

	<u>Page (s)</u>
Schedule on General Obligation Bonds – Series A of 2009 .....	79
Schedule on General Obligation Bonds - Series A of 2011 .....	80
Schedule on General Obligation Bonds – Series B of 2011 .....	81
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards.....	82
Notes to the Schedule of Expenditures of Federal Awards.....	83
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.....	84 - 85
Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in accordance with OMB Circular A-133.....	86 - 87
Schedule of Findings and Questioned Costs.....	88 - 89

## 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, 2011, 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,

*Gorman & Associates, P.C.*

December 10, 2011



# 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, 2011, and have issued our report thereon dated December 10, 2011.

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, 2011.

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 estimates 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, the actuary's estimate of Other Post Employment Benefits, and the valuation of derivative instruments. We have evaluated the factors and assumptions used to develop these estimates 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 10, 2011. We advise the governing body to request this letter from management for their review. In conjunctions 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.

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In addition, the representation letter 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 2010-11 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 in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.**

**A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.**

**A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.**

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**

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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:**

***RECOMMENDATIONS***

**Food Service Fund**

During our review of the account balances within this fund, we discovered a liability account for insurance with a debit balance at year end of \$119,580. Upon further investigation, we discovered that the food service director should have cleared this balance and charged expenses for this amount. Although this appears to be an oversight, our concern is that the any reports issued during the year may have distorted the true profit or loss in the cafeteria, since expenses were understated by this amount at year end. We suggest management provide proper instruction to eliminate this error in future years by changing the accounts being charged for this expense. It should be noted, this error was also present in the previous year.

**Journal Entries**

During the course of the audit, we review journal entries made by staff during the year. Currently, as was the case in the prior year, the business office keeps these journal entries commingled with receipts in monthly folders. The only evidence showing is a batch proof report of the journal entry. There are a lot of entries that do not have supporting documentation attached explaining the reason for the entry.

We would like to suggest improving the recordkeeping of journal entries by maintaining all entries in a three ring binder, numbered in numeric sequence, with proper documentation attached explaining the reason for the entries made, with proof showing why the entries were made, and separated by a monthly tab. In this manner, management and auditors will be able to find information on a more efficient basis.

**PayPal Account**

The District maintains a PayPal account during the year. However, we could not find any evidence that this account is being reconciled during the course of the year. We would like to suggest that someone besides the person who handles the purchasing and transferring of the money into and out of this account, reconcile the transactions on a consistent and timely basis.

**OTHER INFORMATION**

**New Accounting Principles**

As you may remember, this year's financial statements are prepared using revised fund balance categories and governmental fund definitions required by GASB Statement No. 54. These new categories and definitions are explained in the notes to the basic financial statements.

Since Statement No. 54 was issued, the Governmental Accounting Standards Board has issued nine new statements on governmental accounting principles that can potentially have a future effect on the District. GASB Statements 55 and 56 were effective immediately upon issuance and pertain to removing accounting literature from auditing standards and incorporating them under accounting literature. These new standards deal with the hierarchy of generally accepted accounting principles, related party transactions, subsequent events, and going concern issues.

GASB Statements 57, 59, and 61 pertain to corrections from previous issued standards dealing with Other Post Employment Benefits with agent employers, who belong to a agent multiple employer OPEB Plan, corrections associated with financial instruments, and clarifications dealing with component units and joint ventures. There are presently no transactions of the District that are affected by these corrections.

GASB Statement No. 58 was issued to help governments to properly report and account for filing Chapter 9 bankruptcy under the U.S. Bankruptcy Code. This Chapter of the Bankruptcy Code allows governments to file for bankruptcy protection from creditors by filing a petition.

GASB Statement 60 was issued to address the accounting and reporting issues involved in Service Concession Arrangements. Without getting into the specifics of the criteria needed for this Statement to affect governments, these arrangements occur when one government allows a third party operator to use a government's facilities to generate income. We cannot foresee this statement affecting the District in the future.

GASB Statement 62 was issued to incorporate previous accounting guidance found in the Financial Accounting Standards Board's statements in existence prior to September 1989, which governments are allowed to use as an election. You will notice in this year's financial statements this guidance being used as a result of a change in accounting principles that is described in the notes to the basic financial statements.

Last, but certainly not least, the newest GASB Statement No. 63, was issued in June 2011. This statement has far reaching changes in reporting the government-wide financial statements for all governments in the future. The effective date of this standard will be the 2012-13 fiscal year. This Statement will change the Statement of Net Assets on the government-wide financial statements to the Statement of *Net Position*. More importantly, it adds two new elements to what most people know as the Balance Sheet, deferred inflows of resources and deferred outflows of resources.

Deferred Outflows of Resources is a consumption of net assets by the government that is applicable to a future reporting period. Deferred Inflows of Resources is an acquisition of net assets by the government that is applicable to a future reporting period.

As a result of these new elements to the statement of financial position, the net position of the entire government at year end will equal total assets, plus total deferred outflows of resources, minus total liabilities and total deferred inflows of resources.

**Board of School Directors · Mr. Steven Keifer, Superintendent**

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The Governmental Accounting Standards Board is presently having controversial discussions on changing the measurement focus for governmental funds, which determines when a government recognizes revenues and expenditures, along with discussions on changing the reporting of pension liabilities on governmental financial statements. As an ongoing service to our clients, we constantly stay abreast on these and other potential changes that can be positive or detrimental to you.

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 10, 2011

***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



**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

### **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, 2011, 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, 2011; 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.

As discussed in Note 2-F to the financial statements, Hamburg Area School District implemented GASB Statement No. 54 this fiscal year. The new accounting principle is associated with revised classifications of fund balance for governmental funds and revised definitions of governmental funds.

In accordance with Government Auditing Standards we have also issued our report dated December 10, 2011, 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.

**Board of Directors  
Hamburg Area School District**

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Management's Discussion and Analysis, on pages 10 to 18, and the Schedule of Funding Progress on page 63, 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.

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,

 Associates, P.C.

December 10, 2011

**HAMBURG AREA SCHOOL DISTRICT**  
**Hamburg, Pennsylvania**

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**Management's Discussion & Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**(UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2011**

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, 2011.

**Financial Highlights**

During the year, the District's general fund revenues exceeded expenditures by \$1,641,454, resulting in an increase in fund balance of \$1,641,454. The primary reasons for this surplus were expenditures coming in \$1,513,825 less than budgeted, which offset all revenues and other financing resources coming in \$127,629 more than budgeted.

The Board of Directors passed a 2010-11 budget with a real estate tax increase of .25 mills. The increase was necessitated by contractual obligations; PSERS rate increases, the continuing increases for special education costs, charter schools, and financing of debt. Future plans are underway for additional commercial developments in Tilden Township and commercial land redevelopment plans are underway in 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

<b>A. Major Features of the District-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of Changes in Net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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**

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**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 \$35,084,134 at June 30, 2011, an increase of \$4,545,036 (or 14.9%). The governmental net assets increased by \$4,507,031 (or 15 %), while business-type net assets increased by \$38,005 or 7.7%.

**Table A-1**  
**Fiscal Year Ended June 30, 2011**  
**Net Assets**

	2011			2010			
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total	
Current and Other Assets	\$ 36,077,316	\$ 481,185	\$ 36,558,501	\$ 17,036,601	\$ 405,289	\$ 17,441,890	(1)
Non-Current Assets	<u>58,874,704</u>	<u>165,468</u>	<u>59,040,172</u>	<u>58,311,374</u>	<u>194,949</u>	<u>58,506,323</u>	
Total Assets	94,952,020	646,653	95,598,673	75,347,975	600,238	75,948,213	
Current and Other Liabilities	4,908,979	46,916	4,955,895	26,551,661	42,159	26,593,820	(1)
Long-term Liabilities	<u>55,492,014</u>	<u>66,630</u>	<u>55,558,644</u>	<u>18,752,318</u>	<u>62,977</u>	<u>18,815,295</u>	
Total Liabilities	60,400,993	113,546	60,514,539	45,303,979	105,136	45,409,115	
Net Assets							
Invested in Capital Assets, net of related debt	24,814,969	165,468	24,980,437	20,559,140	216,501	20,775,641	
Restricted	338		338	360,332		360,332	
Unrestricted	<u>9,735,720</u>	<u>367,639</u>	<u>10,103,359</u>	<u>9,124,524</u>	<u>278,601</u>	<u>9,403,125</u>	
<b>Total Net Assets</b>	<b><u>\$ 34,551,027</u></b>	<b><u>\$ 533,107</u></b>	<b><u>\$ 35,084,134</u></b>	<b><u>\$ 30,043,996</u></b>	<b><u>\$ 495,102</u></b>	<b><u>\$ 30,539,098</u></b>	

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

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, 2011**  
**Changes in Net Assets**

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>						
<i>Program Revenues</i>						
Charges for Services	\$ 132,778	\$ 747,045	\$ 879,823	\$ 147,686	\$ 729,667	\$ 877,353
Operating grants and contribution	6,092,862	550,525	6,643,387	5,992,698	563,154	6,555,852
Capital grants and contributions	626,339	-	626,339	655,137	-	655,137
<i>General Revenues</i>						
Property taxes	20,073,371	-	20,073,371	19,854,036	-	19,854,036
Other taxes	2,006,048	-	2,006,048	2,068,516	-	2,068,516
Grants, subsidies and contribution	6,509,097	-	6,509,097	6,543,969	-	6,543,969
Other	517,072	(7,939)	509,133	(2,628,604)	1,076	(2,627,528)
<b>Total Revenues</b>	<b>35,957,567</b>	<b>1,289,631</b>	<b>37,247,198</b>	<b>32,633,438</b>	<b>1,293,897</b>	<b>33,927,335</b>
<b>Expenses</b>						
Instruction	18,897,797	-	18,897,797	18,073,144	-	18,073,144
Instructional student support	2,256,247	-	2,256,247	2,154,120	-	2,154,120
Administrative and financial supp	2,591,686	-	2,591,686	2,443,570	-	2,443,570
Operation and maintenance of pl	2,922,528	-	2,922,528	3,800,409	-	3,800,409
Pupil transportation	1,777,406	-	1,777,406	1,702,145	-	1,702,145
Student activities	623,583	-	623,583	584,840	-	584,840
Community services	21,660	-	21,660	34,979	-	34,979
Interest on long-term debt	1,337,101	-	1,337,101	2,302,277	-	2,302,277
Unallocated depreciation expens	1,022,528	-	1,022,528	711,578	-	711,578
Food services	-	1,251,626	1,251,626	-	1,269,505	1,269,505
<b>Total Expenses</b>	<b>31,450,536</b>	<b>1,251,626</b>	<b>32,702,162</b>	<b>31,807,062</b>	<b>1,269,505</b>	<b>33,076,567</b>
<b>Increase (decrease) in net asse</b>	<b>\$ 4,507,031</b>	<b>\$ 38,005</b>	<b>\$ 4,545,036</b>	<b>\$ 826,376</b>	<b>\$ 24,392</b>	<b>\$ 850,768</b>

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 63.8% 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, 2011**  
**Governmental Activities**

<b>Functions/Programs</b>	<b>2011</b>		<b>2010</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 18,897,797	14,087,960	\$ 18,073,144	\$ 13,310,948
Instructional Student Support	2,256,247	2,065,874	2,154,120	1,912,725
Administrative	2,591,686	2,475,173	2,443,570	2,334,877
Operation and Maintenance	2,922,528	2,864,624	3,800,409	3,732,508
Pupil Transportation	1,777,406	809,754	1,702,145	806,915
Student Activities	623,583	540,968	584,840	488,047
Community Services	21,660	20,914	34,979	34,803
Interest on Long-term Debt	1,337,101	710,762	2,302,277	1,679,140
Unallocated Depreciation Expense	1,022,528	1,022,528	711,578	711,578
<b>Total Governmental Activities</b>	<b>\$ 31,450,536</b>	<b>\$ 24,598,557</b>	<b>\$ 31,807,062</b>	<b>\$ 25,011,541</b>
Less:				
Unrestricted Grants and Subsidies		6,509,097		6,543,969
<b>Total Contribution from Local Taxes and other Revenues</b>		<b>\$ 18,089,460</b>		<b>\$ 18,467,572</b>

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 \$38,005 in revenues net of costs. A decrease in cost of services is primarily attributable to personnel and food supplies. Subsequently, the increase in net revenue is due to operational cost savings. Food service operations have been evaluated in light of the current costs of operations and lunch prices have been adjusted for the 2011-12 year to reflect the contractual increased costs of personnel and anticipated 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, 2011  
Business-type Activities**

<b>Functions/Programs</b>	<b>2011</b>		<b>2010</b>	
	<b>Total Cost of Services</b>	<b>Net Revenue</b>	<b>Total Cost of Services</b>	<b>Net Revenue</b>
Food Services	\$ 1,251,626	\$ 45,944	\$ 1,296,505	\$ 23,316
Less:				
Investment Earnings		(7,939)		1,076
Gain/Loss Asset Sale		-		-
<b>Total business-type Activities</b>		<b>\$ 38,005</b>		<b>\$ 24,392</b>

The District Funds:

At June 30, 2011, the District governmental funds reported a combined fund balance of \$32,380,011. This represents an increase of \$19,731,469 from the prior year. The reason for this increase is due to several factors. The Capital Projects, General, and Non-Major Governmental Funds increased \$17,550,719, \$1,641,454, and \$539,296 respectively.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The School District's investment in capital assets net of accumulated depreciation decreased \$(19,491) or 0.3%. 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**

	<b>6/30/2011</b>	<b>6/30/2010</b>	<b>Change</b>
Land and Land Improvements (net of Accum Depreciation)	\$ 2,401,079	\$ 883,068	\$ 1,518,011
Building and Building Improvements (net of Accum Depreciation)	54,693,986	28,774,261	25,919,725
Furniture and Equipment (net of Accum Depreciation)	717,427	663,776	53,651
Construction in Progress	10,364	27,521,242	(27,510,878)
<b>TOTAL</b>	<b>\$ 57,822,856</b>	<b>\$ 57,842,347</b>	<b>\$ (19,491)</b>

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

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

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 165,468	\$ 194,949	\$ (29,481)
<b>Total</b>	<b>\$ 165,468</b>	<b>\$ 194,949</b>	<b>\$ (29,481)</b>

**DEBT ADMINISTRATION:**

As of June 30, 2011, the District had outstanding debt of \$56,765,000. The district incurred a net additional debt of \$18,490,000 during the 2011-11 fiscal year. Figure A-7 shows outstanding debt at June 30, 2011.

**Table A-7  
Outstanding Debt**

	<u>2011</u>	<u>2010</u>
General Obligation Bonds		
-Series of 2011A	23,160,000	-
-Series of 2011B	18,620,000	-
-Series of 2010	-	21,390,000
-Series of 2009	4,700,000	5,300,000
-Series of 2009A	6,575,000	7,030,000
-Series of 2007	3,710,000	4,555,000
<b>Total</b>	<b>\$ 56,765,000</b>	<b>\$ 38,275,000</b>

**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 2009-10 school year. The District has borrowed \$17.3 million of new money during the 2010-11 fiscal year for the construction of a new Perry Elementary facility. Site selection for this new construction is nearly complete and construction completion is anticipated toward the end of the 2012-2013 fiscal year.

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

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**BUDGET 2011-12**

Rising costs for bond payments, energy costs, special education, technology, charter schools, and contractual obligations, have necessitated a millage increase for 2011-12. The increase of .25 mills from 25.21 to 25.46 mills was needed to balance the budget. This means that property owners will pay \$25.46 for each \$1,000.00 of assessed valuation.

The 2011-12 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 and PSERS rate increases.

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 2011-12 state budget discussions reduced our yearly state funding by nearly \$1 million dollars.

The comparison of revenue and expenditure categories is as follows:

**Table A-8**

**BUDGETED REVENUES**

	<b>2011-2012</b>	<b>2010-2011</b>
Local	66.5%	62.5%
State	32.3%	35.3%
Federal/Other	1.2%	2.2%

**BUDGETED EXPENDITURES**

	<b>2011-2012</b>	<b>2010-2011</b>
Instruction	55.0%	54.7%
Support Services	30.0%	30.6%
Non-Instruction/Community	0.3%	0.4%
Fund Transfers/Debt	14.7%	14.3%

**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, 2011**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 11,663,414	\$ 421,771	\$ 12,085,185
Investments	22,206,300	-	22,206,300
Receivables, net	1,376,665	-	1,376,665
Internal Balances	184	7,251	-
Due From Other Governments	690,772	14,659	705,431
Other Receivables	80,107	-	80,107
Inventories	59,874	37,504	97,378
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>36,077,316</b>	<b>481,185</b>	<b>36,551,066</b>
<b>NON-CURRENT ASSETS:</b>			
Deferred Outflows - Interest Rate Swap	-	-	-
Land	605,413	-	605,413
Site Improvements (net of depreciation)	1,795,666	-	1,795,666
Building and Bldg. Improvements (net of depreciation)	54,693,986	-	54,693,986
Furniture and Equipment (net of depreciation)	717,427	165,468	882,895
Construction in Progress	10,364	-	10,364
Bond Issue Costs (net of amortization)	1,051,848	-	1,051,848
<b>TOTAL NON-CURRENT ASSETS</b>	<b>58,874,704</b>	<b>165,468</b>	<b>59,040,172</b>
<b>TOTAL ASSETS</b>	<b>\$ 94,952,020</b>	<b>\$ 646,653</b>	<b>\$ 95,591,238</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Internal Balances	\$ 7,251	\$ 184	\$ -
Due to other governments	-	-	-
Accounts Payable	438,961	14,482	453,443
Current Portion of Long-Term Obligations	2,091,437	-	2,091,437
Accrued Salaries and Benefits	1,829,730	14,569	1,844,299
Payroll Deductions and Withholdings	-	-	-
Insurance Claims Payable	-	-	-
Deferred Revenue	-	17,681	17,681
Other Current Liabilities	541,600	-	541,600
<b>Total Current Liabilities</b>	<b>4,908,979</b>	<b>46,916</b>	<b>4,948,460</b>
<b>NON-CURRENT LIABILITIES:</b>			
Bonds Payable	53,732,905	-	53,732,905
Other Retirement Benefits	-	-	-
Net OPEB Obligation	1,025,859	39,148	1,065,007
Long-Term Portion of Compensated Absences	733,250	27,482	760,732
Derivative Instrument Liability	-	-	-
<b>TOTAL LIABILITIES</b>	<b>60,400,993</b>	<b>113,546</b>	<b>60,507,104</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	24,814,969	165,468	24,980,437
<b>RESTRICTED FOR:</b>			
Retirement of Long-Term Debt	338	-	338
Capital Projects	-	-	-
Other Restrictions	-	-	-
Unrestricted (deficit)	9,735,720	367,639	10,103,359
<b>TOTAL NET ASSETS</b>	<b>34,551,027</b>	<b>533,107</b>	<b>35,084,134</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 94,952,020</b>	<b>\$ 646,653</b>	<b>\$ 95,591,238</b>

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, 2011**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction	\$ 18,897,797	\$ 69,808	\$ 4,740,029	\$ -	\$ (14,087,960)	\$ -	\$ (14,087,960)
Instructional Student Support	2,256,247	-	190,373	-	(2,065,874)	-	(2,065,874)
Admin. & Fin'l Support Services	2,591,686	-	116,513	-	(2,475,173)	-	(2,475,173)
Oper. & Maint. Of Plant Svcs.	2,922,528	-	57,904	-	(2,864,624)	-	(2,864,624)
Pupil Transportation	1,777,406	-	967,652	-	(809,754)	-	(809,754)
Student activities	623,583	62,970	19,645	-	(540,968)	-	(540,968)
Community Services	21,660	-	746	-	(20,914)	-	(20,914)
Interest on Long-Term Debt	1,337,101	-	-	626,339	(710,762)	-	(710,762)
Unallocated Depreciation Expense	1,022,528	-	-	-	(1,022,528)	-	(1,022,528)
<b>TOTAL GOVERNMENT ACTIVITIES</b>	<b>31,450,536</b>	<b>132,778</b>	<b>6,092,862</b>	<b>626,339</b>	<b>(24,598,557)</b>	<b>-</b>	<b>(24,598,557)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Services	1,251,626	747,045	550,525	-	-	45,944	45,944
Other Enterprise Funds	-	-	-	-	-	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 32,702,162</b>	<b>\$ 879,823</b>	<b>\$ 6,643,387</b>	<b>\$ 626,339</b>	<b>\$ (24,598,557)</b>	<b>\$ 45,944</b>	<b>\$ (24,552,613)</b>
<b>GENERAL REVENUES:</b>							
Property taxes. Levied for general purposes, net					\$ 20,073,371	\$ -	\$ 20,073,371
Taxes levied for specific purposes					2,006,048	-	2,006,048
Grants, subsidies, & contributions not restricted					6,509,097	-	6,509,097
Investment Earnings					145,827	692	146,519
Miscellaneous Income					133,429	169	133,598
Special Item - Gain or (Loss) on sale of capital assets					237,816	(8,800)	229,016
Transfers					-	-	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>29,105,588</b>	<b>(7,939)</b>	<b>29,097,649</b>
<b>CHANGE IN NET ASSETS</b>					<b>4,507,031</b>	<b>38,005</b>	<b>4,545,036</b>
<b>NET ASSETS - BEGINNING</b>					<b>30,043,996</b>	<b>495,102</b>	<b>30,539,098</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 34,551,027</b>	<b>\$ 533,107</b>	<b>\$ 35,084,134</b>

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

**Hamburg Area School District  
Balance Sheet  
Governmental Funds  
As of June 30, 2011**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 9,725,218	\$ 1,398,901	\$ 539,296	\$ 11,663,415
Investments	1,973,000	20,233,300	-	22,206,300
Taxes Receivable, net	1,058,894	-	-	1,058,894
Due from other funds	184	-	-	184
Due from Other Governments	550,706	-	-	550,706
Other Receivables	74,136	5,970	-	80,106
Inventories	-	-	-	-
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 13,382,138</u></b>	<b><u>\$ 21,638,171</u></b>	<b><u>\$ 539,296</u></b>	<b><u>\$ 35,559,605</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Due to Other Funds	\$ 7,251	\$ -	\$ -	\$ 7,251
Due to Other Governments	-	-	-	-
Accounts Payable	311,290	-	-	311,290
Current Portion of Long-Term Debt	126,437	-	-	126,437
Accrued Salaries and Benefits	1,586,942	-	-	1,586,942
Payroll Deductions and Withholdings	242,788	-	-	242,788
Deferred Revenues	877,901	-	-	877,901
Other Current Liabilities	26,985	-	-	26,985
<b>TOTAL LIABILITIES</b>	<b><u>3,179,594</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,179,594</u></b>
<b><u>FUND BALANCES</u></b>				
Nonspendable	-	-	-	-
Restricted	-	21,638,171	338	21,638,509
Committed	2,060,289	-	-	2,060,289
Assigned	3,742,646	-	538,958	4,281,604
Unassigned	4,399,609	-	-	4,399,609
<b>TOTAL FUND BALANCES</b>	<b><u>10,202,544</u></b>	<b><u>21,638,171</u></b>	<b><u>539,296</u></b>	<b><u>32,380,011</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 13,382,138</u></b>	<b><u>\$ 21,638,171</u></b>	<b><u>\$ 539,296</u></b>	<b><u>\$ 35,559,605</u></b>

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, 2011**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 32,380,011

**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 \$71,012,624 and the accumulated depreciation is \$13,189,768. 57,822,856

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. 140,066

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. 1,195,672

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. 59,874

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. (127,671)

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	\$ (54,646,057)		
	Accrued interest on the bonds	(514,615)		
	Compensated absences	(733,250)		
	Derivative Instrument Liability	-		
	Net OPEB Obligation	(1,025,859)		(56,919,781)

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ 34,551,027**

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, 2011**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>				
Local Sources	\$ 23,092,018	\$ 23,857	\$ 2,958	\$ 23,118,833
State Sources	10,787,204	-	-	10,787,204
Federal Sources	1,844,519	-	-	1,844,519
<b>TOTAL REVENUES</b>	<u>35,723,741</u>	<u>23,857</u>	<u>2,958</u>	<u>35,750,556</u>
	-----	-----	-----	-----
<b>EXPENDITURES</b>				
Instruction	18,676,414	-	-	18,676,414
Support Services	9,496,873	373,575	431,225	10,301,673
Operation of Non-Instructional Services	664,132	-	-	664,132
Capital Outlay	7,922	1,019,965	-	1,027,887
Debt Service	3,139,525	-	2,386,000	5,525,525
<b>TOTAL EXPENDITURES</b>	<u>31,984,866</u>	<u>1,393,540</u>	<u>2,817,225</u>	<u>36,195,631</u>
	-----	-----	-----	-----
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>3,738,875</u>	<u>(1,369,683)</u>	<u>(2,814,267)</u>	<u>(445,075)</u>
	-----	-----	-----	-----
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	-	18,620,000	-	18,620,000
Refunding Bond Proceeds	-	-	23,160,000	23,160,000
Proceeds from Extended Term Financing	-	-	-	-
Interfund Transfers in	-	820,300	1,576,000	2,396,300
Sale/Compensation for Fixed Assets	298,879	-	-	298,879
Bond Premium	-	-	7,563	7,563
Bond Discount	-	(519,898)	-	(519,898)
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	(21,390,000)	(21,390,000)
Operating Transfers Out	(2,396,300)	-	-	(2,396,300)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,097,421)</u>	<u>18,920,402</u>	<u>3,353,563</u>	<u>20,176,544</u>
	-----	-----	-----	-----
<b>SPECIAL/EXTRAORDINARY ITEMS</b>				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
	-----	-----	-----	-----
<b>NET CHANGE IN FUND BALANCES</b>	1,641,454	17,550,719	539,296	19,731,469
<b>FUND BALANCES - BEGINNING</b>	<u>8,561,090</u>	<u>4,087,452</u>	<u>-</u>	<u>12,648,542</u>
	-----	-----	-----	-----
<b>FUND BALANCES - ENDING</b>	<u>\$ 10,202,544</u>	<u>\$ 21,638,171</u>	<u>\$ 539,296</u>	<u>\$ 32,380,011</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, 2011**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 19,731,469

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	\$ 1,122,025	
less - capital outlays	<u>1,146,836</u>	24,811

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. (44,300)

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. (153,108)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,900,000

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. (288,160)

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING** **21,170,712**

**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, 2011**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd)** **\$ 21,170,712**

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. (580,337)

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. 105,540

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. (16,204,104)

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. 15,220

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 4,507,031**

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, 2011**

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 421,771	\$ -	\$ 421,771
Investments	-	-	-
Due from other funds	7,251	-	7,251
Due From Other Governments	14,659	-	14,659
Other Receivables	-	-	-
Inventories	37,504	-	37,504
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>481,185</u>	<u>-</u>	<u>481,185</u>
<b>NON-CURRENT ASSETS:</b>			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	165,468	-	165,468
Other Long-Term Receivables	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<u>165,468</u>	<u>-</u>	<u>165,468</u>
<b>TOTAL ASSETS</b>	<u>\$ 646,653</u>	<u>\$ -</u>	<u>\$ 646,653</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Due to Other Funds	\$ 184	\$ -	\$ 184
Accounts Payable	14,482	-	14,482
Current Portion of Long-Term Debt	-	-	-
Accrued Salaries and Benefits	14,569	-	14,569
Deferred Revenue	17,681	-	17,681
<b>TOTAL CURRENT LIABILITIES</b>	<u>46,916</u>	<u>-</u>	<u>46,916</u>
<b>NON-CURRENT LIABILITIES:</b>			
Long-Term Portion of Compensated Absences	27,482	-	27,482
Net OPEB Obligation	39,148	-	39,148
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>66,630</u>	<u>-</u>	<u>66,630</u>
<b>TOTAL LIABILITIES</b>	<u>113,546</u>	<u>-</u>	<u>113,546</u>
<b>NET ASSETS</b>			
Invested in capital assets, with no related debt Restricted for Legal Purposes	165,468	-	165,468
Unrestricted	367,639	-	367,639
<b>TOTAL NET ASSETS</b>	<u>533,107</u>	<u>-</u>	<u>533,107</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 646,653</u>	<u>\$ -</u>	<u>\$ 646,653</u>

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, 2011**

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
<b>OPERATING REVENUES:</b>			
Food Service Revenue	\$ 714,104	\$ -	\$ 714,104
Other Operating Revenues	<u>33,110</u>	<u>-</u>	<u>33,110</u>
<b>TOTAL OPERATING REVENUES</b>	<u>747,214</u>	<u>-</u>	<u>747,214</u>
	-----	-----	-----
<b>OPERATING EXPENSES:</b>			
Salaries	446,354	-	446,354
Employee Benefits	207,786	-	207,786
Purchased Professional and Technical Services	2,285	-	2,285
Purchased Property Service	20,262	-	20,262
Other Purchased Services	7,385	-	7,385
Supplies	539,147	-	539,147
Depreciation	17,181	-	17,181
Dues and Fees	50	-	50
Other Operating Expenses	<u>11,176</u>	<u>-</u>	<u>11,176</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,251,626</u>	<u>-</u>	<u>1,251,626</u>
	-----	-----	-----
<b>OPERATING INCOME (LOSS)</b>	<u>(504,412)</u>	<u>-</u>	<u>(504,412)</u>
	-----	-----	-----
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Earnings on investments	692	-	692
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	(8,800)	-	(8,800)
State Sources	75,295	-	75,295
Federal Sources	475,230	-	475,230
Interest Expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>542,417</u>	<u>-</u>	<u>542,417</u>
	-----	-----	-----
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	38,005	-	38,005
Capital contributions	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
<b>CHANGES IN NET ASSETS</b>	38,005	-	38,005
<b>NET ASSETS - BEGINNING</b>	<u>495,102</u>	<u>-</u>	<u>495,102</u>
	-----	-----	-----
<b>NET ASSETS - ENDING</b>	<u>\$ 533,107</u>	<u>\$ -</u>	<u>\$ 533,107</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, 2011

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Users	\$ 708,703	\$ -	\$ 708,703
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	33,110	-	33,110
Cash Payments to Employees for Services	(649,685)	-	(649,685)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(490,774)	-	(490,774)
Cash Payments to Other Operating Expenses	(11,226)	-	(11,226)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>(409,872)</u>	<u>-</u>	<u>(409,872)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Local Sources	-	-	-
State Sources	75,830	-	75,830
Federal Sources	410,048	-	410,048
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<u>485,878</u>	<u>-</u>	<u>485,878</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Facilities Acquisition/Const./Improvement Svcs.	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	3,500	-	3,500
Capital Contributions	-	-	-
Principal paid on Financing Agreements	-	-	-
Interest paid on Financing Agreements	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	692	-	692
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>692</u>	<u>-</u>	<u>692</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	80,198	-	80,198
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>341,573</u>	<u>-</u>	<u>341,573</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 421,771</u>	<u>\$ -</u>	<u>\$ 421,771</u>

**Hamburg Area School District  
Statement of Cash Flows  
Proprietary Funds  
As of June 30, 2011**

**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>
<b>OPERATING INCOME (LOSS)</b>	\$ (504,412)	\$ -	\$ (504,412)
	-----	-----	-----
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Depreciation and Net Amortization	17,181	-	17,181
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	69,116	-	69,116
<b>CHANGE IN ASSETS AND LIABILITIES:</b>			
(Increase) Decrease in Accounts Receivable	-	-	-
(Increase) Decrease in Advances from Other Funds	(5,401)	-	(5,401)
(Increase) Decrease in Inventories	5,233	-	5,233
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	1,264	-	1,264
Increase (Decrease) in Accrued Salaries and Benefits	(248)	-	(248)
Increase (Decrease) in Net OPEB Obligation	4,703	-	4,703
Increase (Decrease) in Advances to Other Funds	184	-	184
Increase (Decrease) in Deferred Revenue	2,508	-	2,508
<b>TOTAL ADJUSTMENTS</b>	<u>94,540</u>	<u>-</u>	<u>94,540</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ (409,872)</u>	<u>\$ -</u>	<u>\$ (409,872)</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, 2011**

	<b>PRIVATE PURPOSE TRUST</b>	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST</b>	<b>AGENCY</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 141,606
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	99
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 141,705</u></b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 707
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	140,998
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>141,705</u></b>
<b>NET ASSETS</b>			
Restricted	-	-	-
Unrestricted	-	-	-
<b>TOTAL NET ASSETS</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

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, 2011**

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

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, 2011**

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
<b>REVENUES</b>						
Local Sources	\$ 22,438,418	\$ 22,488,163	\$ 23,092,018	\$ 603,855	\$ -	\$ 23,092,018
State Sources	12,668,955	12,347,261	10,787,204	(1,560,057)	-	10,787,204
Federal Sources	795,267	795,267	1,844,519	1,049,252	-	1,844,519
<b>TOTAL REVENUES</b>	<u>35,902,640</u>	<u>35,630,691</u>	<u>35,723,741</u>	<u>93,050</u>	<u>-</u>	<u>35,723,741</u>
<b>EXPENDITURES</b>						
Regular Instruction	13,951,636	13,888,913	13,771,643	117,270	-	13,771,643
Special Programs	4,272,185	3,552,184	3,537,620	14,564	-	3,537,620
Vocational Programs	957,616	1,041,616	1,038,533	3,083	-	1,038,533
Other Instructional Programs	460,237	339,238	328,618	10,620	-	328,618
Adult Education Programs	-	-	-	-	-	-
Community/Junior College Ed. Programs	-	-	-	-	-	-
Pupil Personnel Services	994,868	1,046,868	1,035,516	11,352	-	1,035,516
Instructional Staff Services	1,658,358	937,358	928,040	9,318	-	928,040
Administrative Services	1,919,878	1,838,779	1,827,638	11,141	-	1,827,638
Pupil Health	369,704	369,704	324,311	45,393	-	324,311
Business Services	769,657	452,157	442,611	9,546	-	442,611
Operation & Maintenance of Plant Services	3,121,048	2,926,047	2,872,999	53,048	-	2,872,999
Student Transportation Services	1,865,019	1,792,647	1,776,466	16,181	-	1,776,466
Central Support Services	253,248	266,248	258,956	7,292	-	258,956
Other Support Services	28,844	30,844	30,336	508	-	30,336
Student Activities	72,878	671,477	642,472	29,005	-	642,472
Community Services	42,000	42,000	21,660	20,340	-	21,660
Facilities, Acquisition and Construction	40,000	8,000	7,922	78	-	7,922
Debt Service	4,293,611	4,294,611	3,139,525	1,155,086	-	3,139,525
<b>TOTAL EXPENDITURES</b>	<u>35,070,787</u>	<u>33,498,691</u>	<u>31,984,866</u>	<u>1,513,825</u>	<u>-</u>	<u>31,984,866</u>
Excess (deficiency) of revenues over expenditures	831,853	2,132,000	3,738,875	1,606,875	-	3,738,875
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Bonds	-	-	-	-	-	-
Proceeds From Extended Term Financing	-	-	-	-	-	-
Interfund Transfers in	-	534,854	-	(534,854)	-	-
Sale/Compensation for Fixed Assets	3,000	3,000	298,879	295,879	-	298,879
Debt Service-Refunded bond issues	-	-	-	-	-	-
Fund Transfers out	(584,854)	(2,419,854)	(2,396,300)	23,554	-	(2,396,300)
Budgetary Reserve	(500,000)	(250,000)	-	250,000	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,081,854)</u>	<u>(2,132,000)</u>	<u>(2,097,421)</u>	<u>34,579</u>	<u>-</u>	<u>(2,097,421)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(250,001)	-	1,641,454	1,641,454	-	1,641,454
<b>FUND BALANCE - JULY 1, 2010</b>	<u>\$ 3,122,480</u>	<u>\$ 3,122,480</u>	<u>\$ 8,561,090</u>	<u>\$ 5,438,610</u>	<u>\$ -</u>	<u>\$ 8,561,090</u>
<b>FUND BALANCE - JUNE 30, 2011</b>	<u>\$ 2,872,479</u>	<u>\$ 3,122,480</u>	<u>\$ 10,202,544</u>	<u>\$ 7,080,064</u>	<u>\$ -</u>	<u>\$ 10,202,544</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, 2011**

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**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, 2011**

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***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 2010-11 was \$919,831.

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, 2011**

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**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.

**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

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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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 should be used to account for and report all financial resources not accounted for and reported in another fund.

***Special Revenue Funds***

Special Revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establish that one or more specific restricted or committed revenues should be the foundation for a special reserve fund. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the special purpose of the fund.

Under this new definition, effective for this year, the District does not have any special revenue funds.

***Capital Project Funds***

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The District has the following Capital Project Funds:

*2011 B Construction Fund*

This fund received the proceeds from the \$18,620,000 General Obligation Bonds – Series B of 2011. The purpose of this issue is to finance various capital projects, including planning, designing, acquisition, and furnishing of elementary school facilities, and financing capitalized interest. The costs of issuance were expended in the year paid.

*Capital Reserve Fund*

This fund was created in accordance with Section 1432 of the Municipal Code. Because of a change in accounting principles, it is being restated as a Capital Projects Fund. The Municipal Code restricts how the resources are spent within this fund.

***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-

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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purpose trust funds and agency funds. Trust funds are used to account for assets held by the School 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 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.

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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**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 2010-11 budget transfers.

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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**F. Change in Accounting Principle**

During this past fiscal year, the District was required to implement the provisions of GASB Statement No. 54 on Fund Balance Classifications and Definitions. The revised definition for Special Revenue Funds and Capital Project Funds has caused two previous governmental funds to be reclassified as part of the General Fund. Thus, the prior year ending fund balance in the general fund of \$8,523,528, has increased by \$37,562.

In addition, the Capital Reserve Fund, which was previously categorized as a Special Revenue Fund, is being reclassified as a Capital Project Fund because of this change in accounting principle. As a result, the prior year Combined Capital Project Fund's fund balance of \$0 is increased by \$4,087,452.

Since both of these funds are governmental funds, there is no change in the prior year's governmental activities net asset balances.

**G. 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.

**H. 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, 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".

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2011, 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, 2011, shows \$59,874 as an asset in the governmental activities column of the government-wide statement of net assets and \$37,504 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, 2011, consist of:

Purchased Food & Supplies	\$ 19,280
Donated Commodities	<u>18,224</u>
<b>TOTAL</b>	<b><u>\$ 37,504</u></b>

*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, 2011**

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*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, 2011**

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*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, 2011, 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 Categories:*

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used are explained in Note 7 to the financial statements:

**Nonspendable Fund Balance**

This category 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.

**Restricted Fund Balance**

Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or other government laws or regulations, or the constraint is imposed by enabling legislation or constitutional provisions.

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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Committed Fund Balance

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The 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.

This government's governing body is the School Board and the formal action taken to commit resources is done by resolution.

Assigned Fund Balance

This category includes all remaining amounts that are reported in governmental funds, except the general fund, that are not classified in one of the above-mentioned categories. In the general fund, this category represents the District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The District's policy dictates the business manager is responsible to make these assignments.

Unassigned Fund Balance

This category of fund balance represents the residual classification for the general fund after segregating resources used in the other categories listed above. Unassigned fund balance will only be shown in other governmental funds if those governmental funds have a negative net fund balance.

The District's policy on fund balance does not dictate which category of unrestricted fund balance is spent first, when resources are available to be spent in various categories. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts. The District's policy also does not dictate whether restricted (nonspendable or restricted) or unrestricted (committed, assigned, and unassigned) is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first followed by the unrestricted categories.

*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 reconciliation between "fund balance -total governmental funds" and "net assets - governmental activities" as reported in the government-wide statement of net 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".

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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The details of this \$56,919,781, difference are:

Bonds payable	\$ 56,765,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(557,909)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(1,051,848)
Less: Issuance discount (to be amortized as interest expense)	(542,197)
Add: Issuance premium (to be amortized as a credit to interest expense)	33,011
Accrued interest payable	514,615
Net OPEB Obligation	1,025,859
Compensated absences	733,250
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<b>\$ 56,919,781</b>

**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, 2011**

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

	<b>TOTAL GOVERN- MENTAL FUNDS</b>	<b>LONG-TERM REVENUES/ EXPENSES</b>	<b>CAPITAL RELATED ITEMS</b>	<b>LONG-TERM DEBT ITEMS</b>	<b>TOTAL FOR STATEMENT OF ACTIVITIES</b>
<b><u>REVENUES AND OTHER SOURCES</u></b>					
<b>LOCAL SOURCES:</b>					
Property Taxes	\$ 20,241,284	\$ (167,913)	\$ -	\$ -	\$ 20,073,371
Taxes levied for specific purposes	1,991,242	14,806	-	-	2,006,048
Interest and investment earnings	145,827	-	-	-	145,827
Miscellaneous	128,240	(34,525)	16,762	-	110,477
Contributions and Donations	22,952	-	-	-	22,952
Charges for Services	66,990	-	-	-	66,990
Grants, subsidies & contributions not restricted	6,509,097	-	-	-	6,509,097
<b>INTERMEDIATE SOURCES:</b>					
Charges for Services	65,788	-	-	-	65,788
Operating & Capital grants and contributions	-	-	-	-	-
<b>STATE SOURCES:</b>					
Operating & Capital grants and contributions	4,307,629	140,065	-	-	4,447,694
<b>FEDERAL SOURCES:</b>					
Operating & Capital grants and contributions	2,271,507	-	-	-	2,271,507
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>					
Proceeds from Bond Issues	41,780,000	-	-	(41,780,000)	-
Bond Premium	7,563	-	-	(7,563)	-
Gain or (Loss) on disposal of assets	298,879	-	(61,063)	-	237,816
<b>TOTAL REVENUES</b>	<b>77,836,998</b>	<b>(47,567)</b>	<b>(44,301)</b>	<b>(41,787,563)</b>	<b>35,957,567</b>
<b><u>EXPENDITURES/EXPENSES</u></b>					
Instruction	18,676,414	214,233	7,150	-	18,897,797
Instructional Student Support	2,287,867	24,651	(56,271)	-	2,256,247
Admin. & Fin'l Support Services	3,364,341	26,548	5,597	(804,800)	2,591,686
Oper. & Maint. Of Plant Svcs.	2,909,949	5,981	6,598	-	2,922,528
Pupil Transportation	1,776,466	940	-	-	1,777,406
Student activities	642,472	587	(19,476)	-	623,583
Community Services	21,660	-	-	-	21,660
Capital Outlay	990,937	-	(990,937)	-	-
Debt Service	26,915,525	-	-	(25,578,424)	1,337,101
Bond Discount	519,898	-	-	(519,898)	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,022,528	-	1,022,528
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>58,105,529</b>	<b>272,940</b>	<b>(24,811)</b>	<b>(26,903,122)</b>	<b>31,450,536</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ 19,731,469</b>	<b>\$ (320,507)</b>	<b>\$ (19,490)</b>	<b>\$ (14,884,441)</b>	<b>\$ 4,507,031</b>

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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**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, 2011.

**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.

**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, 2011.

**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, 2011, \$10,127,986 of the District's bank balance of \$33,013,031 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	10,127,986
<b>TOTAL</b>	<b><u>\$ 10,127,986</u></b>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 10,127,986
Plus: Insured Amount	22,885,045
Less: Outstanding Checks	<u>(741,085)</u>
Carrying Amount - Bank Balances	32,271,946
Plus: Petty Cash	100
Deposits in Investment Pools Considered Cash Equivalents	2,161,045
Less: Certificates of Deposit considered Investment by School Code	<u>(22,206,300)</u>
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b><u>\$ 12,226,791</u></b>

*Investments*

As of June 30, 2011, the District had the following investments:

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

<i>Investment</i>	<b>Maturities</b>	<b>Fair Value</b>
Certificates of Deposit	Varies	\$ 22,206,300
PA Local Gov't Investment Trust		763,897
PA School District Liquid Asset Fund		1,397,148
US Treasury Notes		-
M & T Bank		-
<b>TOTAL</b>		<b>\$ 24,367,345</b>

*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, 2011, 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 Governmental Activities' 91.69% investments, is in Certificates of Deposit. Of the Capital Reserve Fund's investments, 95.19% is in collateralized certificates of deposit. Of the Capital Project Fund's investments, 93.17% is in collateralized certificates of deposit.

*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	\$ 24,367,345
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(2,161,045)</u>
<b>Total Investments Per Financial Statements</b>	<b>\$ 22,206,300</b>

*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 \$848,862,200. In accordance with Act 1 of 2006, the District received \$827,316 in property tax reduction funds for the 2010-11 fiscal year. The tax rate for the year was \$2.521 per \$100 of assessed valuation or 25.21 mills.

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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.

*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 PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
<b>RECEIVABLES:</b>						
Interest	\$ 13,480	\$ 5,970	\$ -	\$ -	\$ -	\$ 19,450
Taxes	1,058,894	-	-	-	-	1,058,894
Accounts	60,656	-	-	-	99	60,755
Intergovernmental	550,706	-	14,659	-	-	565,365
<b>GROSS RECEIVABLES</b>	<b>1,683,736</b>	<b>5,970</b>	<b>14,659</b>	<b>-</b>	<b>99</b>	<b>1,704,464</b>
Less: Allowance for Uncollectibles	-	-	-	-	-	-
<b>NET RECEIVABLES</b>	<b>\$ 1,683,736</b>	<b>\$ 5,970</b>	<b>\$ 14,659</b>	<b>\$ -</b>	<b>\$ 99</b>	<b>\$ 1,704,464</b>

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	\$ 877,901	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
<b>TOTAL</b>	<b>\$ 877,901</b>	<b>\$ -</b>

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

*Capital Assets*

Capital asset balances and activity for the year ending June 30, 2011, were:

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital Assets not being depreciated:				
Land	\$ 552,760	\$ 52,653	\$ -	\$ 605,413
Construction in Progress	<u>27,521,242</u>	<u>10,364</u>	<u>(27,521,242)</u>	<u>10,364</u>
Total Capital Assets not being depreciated	<u>28,074,002</u>	<u>63,017</u>	<u>(27,521,242)</u>	<u>615,777</u>
Capital Assets being depreciated:				
Site Improvements	1,210,228	1,531,761	-	2,741,989
Buildings and Bldg. Improvements	38,813,659	26,917,400	(443,000)	65,288,059
Furniture and Equipment	<u>2,210,900</u>	<u>155,899</u>	<u>-</u>	<u>2,366,799</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>42,234,787</u>	<u>28,605,060</u>	<u>(443,000)</u>	<u>70,396,847</u>
Less accumulated depreciation for:				
Site Improvements	(879,920)	(66,403)	-	(946,323)
Buildings and Bldg. Improvements	(10,039,398)	(953,375)	398,700	(10,594,073)
Furniture and Equipment	<u>(1,547,124)</u>	<u>(102,248)</u>	<u>-</u>	<u>(1,649,372)</u>
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(12,466,442)</u>	<u>(1,122,026)</u>	<u>398,700</u>	<u>(13,189,768)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION</b>	<u>29,768,345</u>	<u>27,483,034</u>	<u>(44,300)</u>	<u>57,207,079</u>
 <b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	 <b><u>\$ 57,842,347</u></b>	 <b><u>\$ 27,546,051</u></b>	 <b><u>\$(27,565,542)</u></b>	 <b><u>\$ 57,822,856</u></b>
 <b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 938,277	\$ -	\$ (123,000)	\$ 815,277
Less accumulated depreciation	<u>(743,328)</u>	<u>(17,181)</u>	<u>110,700</u>	<u>(649,809)</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b><u>\$ 194,949</u></b>	<b><u>\$ (17,181)</u></b>	<b><u>\$ (12,300)</u></b>	<b><u>\$ 165,468</u></b>

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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

Regular Instruction	\$	12,087
Special Instruction		488
Vocational Instruction		-
Other Instruction		-
Adult Instruction		-
Community College Instruction		-
Pupil Services		1,199
Instructional Staff Svcs.		21,944
Administrative Services		769
Health Services		146
Business Services		1,797
Operation & Maintenance of Plant Svcs.		52,438
Pupil Transportation		-
Central Services		3,031
Other Support Services		-
Student Activities		5,599
Community Services		-
		-
Depreciation - unallocated		<u>1,022,528</u>
<b>TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>1,122,026</u></b>

The District's governmental activities disposed of \$443,000 of obsolete equipment during the year. \$398,700 depreciation was recaptured, resulting in a *gain* from disposition of \$237,816. The business-type activities disposed of \$123,000 of equipment with accumulated depreciation of \$110,700, resulting in a loss on disposition of \$8,800.

***Commitments***

*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.

*Construction Commitments*

The District had no Construction Commitments at June 30, 2011.

***Short-term debt***

*Interfund receivables and payables*

The following interfund receivables and payables were in existence on June 30, 2011:

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

	<b>INTERFUND RECEIVABLES</b>	<b>INTERFUND PAYABLES</b>
General Fund	\$ 184	\$ 7,251
2011 B Construction Fund	-	-
Enterprise (Food Service) Fund	7,251	184
Agency (Activity) Fund	-	-
<b>TOTAL</b>	<b>\$ 7,435</b>	<b>\$ 7,435</b>

*Interfund Transfers*

The District also made the following interfund transfers during the fiscal year ended June 30, 2011:

	<b>TRANSFER IN</b>	<b>TRANSFER OUT</b>
General Fund	\$ -	\$ 2,396,300
Food Service Fund	-	-
2011 A Bond Fund	1,040,000	-
2011 B Construction Fund	-	-
Capital Reserve Fund	820,300	-
Debt Stabilization Fund	536,000	-
<b>TOTAL</b>	<b>\$ 2,396,300</b>	<b>\$ 2,396,300</b>

***Long-term liabilities***

Long-term liability balances and activity for the year ended June 30, 2011, were:

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<b><i>General Obligation Debt:</i></b>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 37,752,234	\$ 41,930,164	\$ 23,984,493	\$ 55,697,905	\$ 1,965,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
<b>Total general obligation debt</b>	<b>37,752,234</b>	<b>41,930,164</b>	<b>23,984,493</b>	<b>55,697,905</b>	<b>1,965,000</b>
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	72,209	19,310	-	91,519	71,190
Sick pay	770,983	-	2,815	768,168	55,247
Net OPEB Obligation	694,608	331,251	-	1,025,859	-
Derivative Instrument Liability	2,868,762	-	2,868,762	-	-
<b>Total other liabilities</b>	<b>4,406,562</b>	<b>350,561</b>	<b>2,871,577</b>	<b>1,885,546</b>	<b>126,437</b>
<b>TOTAL GOVERNMENTAL ACTIVITY</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 42,158,796</b>	<b>\$ 42,280,725</b>	<b>\$ 26,856,070</b>	<b>\$ 57,583,451</b>	<b>\$ 2,091,437</b>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Net OPEB Obligation	\$ 34,445	\$ 4,703	\$ -	\$ 39,148	\$ -
Sick pay	28,532	-	1,050	27,482	-
<b>TOTAL BUSINESS-TYPE ACTIVITY</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 62,977</b>	<b>\$ 4,703</b>	<b>\$ 1,050</b>	<b>\$ 66,630</b>	<b>\$ -</b>

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:

	<u>EXPENSE</u>	<u>PAID</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General obligation debt	\$ 1,337,101	\$ 1,238,759
Short-term borrowings	-	-
<b>TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,337,101</b>	<b>\$ 1,238,759</b>

***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.

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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The debt service requirements on this bond issue at June 30, 2011, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 880,000	\$ 135,902
2012-13	910,000	103,783
2013-14	945,000	70,568
2014-15	975,000	36,075
<b>Sub-Total</b>	<b>\$ 3,710,000</b>	<b>\$ 346,328</b>
Unamortized Premium	-	
Unamortized Discount	(736)	
Unamortized Deferred Amt.	(92,546)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 3,616,718</b>	

***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, 2011, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 615,000	\$ 141,900
2012-13	635,000	123,450
2013-14	655,000	104,400
2014-15	670,000	84,750
2015-16	685,000	68,000
2016-18	1,440,000	69,440
<b>Sub-Total</b>	<b>\$ 4,700,000</b>	<b>\$ 591,940</b>
Unamortized Deferred Amount on Refunding	(111,809)	
Unamortized Premium	25,448	
<b>TOTAL OUTSTANDING</b>	<b>\$ 4,613,639</b>	

***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

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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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, 2011, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2011-12	\$ 460,000	\$ 201,422
2012-13	475,000	192,222
2013-14	490,000	182,722
2014-15	500,000	168,023
2015-16	1,250,000	154,522
2016-20	<u>3,400,000</u>	<u>253,331</u>
<b>Sub-Total</b>	<b>\$ 6,575,000</b>	<b>\$ 1,152,242</b>
Unamortized Deferred Amount on Refunding	(353,554)	
Unamortized Discount	<u>(21,563)</u>	
<b>TOTAL OUTSTANDING</b>	<b>\$ 6,199,883</b>	

***General Obligation Bonds – Series of 2010***

On April 27, 2010, the District issued \$22,390,000 of General Obligation Bonds, Series of 2010. Proceeds of the bonds to be used as follows: (1) to refund the outstanding General Obligation Notes – Series of 2009; and (2) to pay related costs of issuance. Interest on bonds maturing on June 1, 2010 are fixed at 1.5%. Interest on the bonds maturing on May 16, 2010, shall be fixed at 1.5% for the first quarterly interest period. The rate of interest on the three successive quarterly interest periods shall be 1.5%, plus 10% of SIFMA rounded to the nearest one hundredth of a percent, and for the first quarterly interest period the rate shall be 1.5%, plus 20% of SIFMA rounded to the nearest one hundredth of a percent. On April 27, 2011, this bond was refunded with the issuance of Series A of 2011 bonds.

***Interest Rate Swap***

The swap agreement between the District and the Royal Bank of Canada (counterparty) was terminated this fiscal year. In addition, a termination fee of \$2,386,000 was paid to terminate the derivative financial instrument created by the underlying swap agreement.

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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***General Obligation Bonds – Series A of 2011***

On April 27, 2011, the District issued \$23,160,000 of General Obligation Bonds, Series A of 2011. The purpose of this issue is to refund the outstanding General Obligation Bonds – Series of 2010, pay a fee of \$2,386,000 to the Royal Bank of Canada with respect to the termination of a swap agreement related to the General Obligation Bonds, Series of 2010, of the School District, 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 bonds mature from October 2011 to April 2033, with fixed interest rate ranging from 1% to 5.5%, with a total projected indebtedness of \$13,765,699.

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 5,000	\$ 972,671
2012-13	5,000	1,048,338
2013-14	5,000	1,048,278
2014-15	5,000	1,048,198
2015-16	80,000	1,048,098
2016-21	5,660,000	5,030,581
2021-26	12,160,000	3,178,980
2026-31	5,230,000	389,768
2031-33	10,000	787
<b>Sub-Total</b>	<b>\$ 23,160,000</b>	<b>\$ 13,765,699</b>
Unamortized Premium	7,563	
<b>TOTAL OUTSTANDING</b>	<b>\$ 23,167,563</b>	

***General Obligation Bonds – Series B of 2011***

On April 27, 2011, the District issued \$18,620,000 of General Obligation Bonds, Series B of 2011. The purpose of this issue is to (1) finance various capital improvement projects of the District, (2) finance capitalized interest on the Series B of 2011 and (3) to pay the related costs of issuance. In accordance with Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from October 2011 to April 2033, with fixed interest rate ranging from 1% to 5.125%, with a total projected indebtedness of \$18,882,850.

FISCAL YEAR	PRINCIPAL	INTEREST
2011-12	\$ 5,000	\$ 879,771
2012-13	5,000	948,206
2013-14	5,000	948,146
2014-15	5,000	948,066
2015-16	5,000	947,966
2016-21	25,000	4,737,219
2021-26	25,000	4,731,844
2026-31	10,815,000	4,142,519
2031-33	7,730,000	599,113
<b>Sub-Total</b>	<b>\$ 18,620,000</b>	<b>\$ 18,882,850</b>
Unamortized Premium	(519,898)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 18,100,102</b>	

Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011

**SUMMARY OF PRINCIPAL REQUIREMENTS**

<b>FISCAL YEAR</b>	<b>G.O.B SERIES OF 2007</b>	<b>G.O.B SERIES OF 2009</b>	<b>G.O.B SERIES A OF 2009</b>	<b>G.O.B SERIES A OF 2011</b>	<b>G.O.B SERIES B OF 2011</b>	<b>TOTAL PRINCIPAL PAYMENTS</b>
2011-12	\$ 880,000	\$ 615,000	\$ 460,000	\$ 5,000	\$ 5,000	\$ 1,965,000
2012-13	910,000	635,000	475,000	5,000	5,000	2,030,000
2013-14	945,000	655,000	490,000	5,000	5,000	2,100,000
2014-15	975,000	670,000	500,000	5,000	5,000	2,155,000
2015-16		685,000	1,250,000	80,000	5,000	2,020,000
2016-21		1,440,000	3,400,000	5,660,000	25,000	10,525,000
2021-26		-	-	12,160,000	25,000	12,185,000
2026-31		-	-	5,230,000	10,815,000	16,045,000
2031-33	-	-	-	10,000	7,730,000	7,740,000
<b>TOTAL</b>	<b>3,710,000</b>	<b>4,700,000</b>	<b>6,575,000</b>	<b>23,160,000</b>	<b>18,620,000</b>	<b>56,765,000</b>
<b>LESS- Payable within one year</b>	<b>880,000</b>	<b>615,000</b>	<b>460,000</b>	<b>5,000</b>	<b>5,000</b>	<b>1,965,000</b>
<b>PRINCIPAL DUE AFTER ONE YEAR</b>	<b><u>\$ 2,830,000</u></b>	<b><u>\$ 4,085,000</u></b>	<b><u>\$ 6,115,000</u></b>	<b><u>\$ 23,155,000</u></b>	<b><u>\$ 18,615,000</u></b>	<b><u>\$ 54,800,000</u></b>

**SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS**

<b>FISCAL YEAR</b>	<b>G.O.B. OF 2007</b>	<b>G.O.B. OF 2009</b>	<b>G.O.B SERIES A OF 2009</b>	<b>G.O.B SERIES A OF 2011</b>	<b>G.O.B SERIES B OF 2011</b>	<b>TOTAL DEBT SERVICE PAYMENTS</b>
2011-12	\$ 1,015,902	\$ 756,900	\$ 661,422	\$ 977,671	\$ 884,771	\$ 4,296,666
2012-13	1,013,783	758,450	667,222	1,053,338	953,206	4,445,999
2013-14	1,015,568	759,400	672,722	1,053,278	953,146	4,454,114
2014-15	1,011,075	754,750	668,023	1,053,198	953,066	4,440,112
2015-16		753,000	1,404,522	1,128,098	952,966	4,238,586
2016-21		1,509,440	3,653,331	10,690,581	4,762,219	20,615,571
2021-26		-	-	15,338,980	4,756,844	20,095,824
2026-31		-	-	5,619,768	14,957,519	20,577,287
2031-33	-	-	-	10,787	8,329,113	8,339,900
<b>TOTAL</b>	<b><u>\$ 4,056,328</u></b>	<b><u>\$ 5,291,940</u></b>	<b><u>\$ 7,727,242</u></b>	<b><u>\$ 36,925,699</u></b>	<b><u>\$ 37,502,850</u></b>	<b><u>\$ 91,504,059</u></b>

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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*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
2011-12	\$ 148,906
2012-13	148,995
2013-14	149,023
2014-15	148,968
2015-16	149,072
2016-19	446,934
<b>TOTAL OUTSTANDING</b>	<b>\$ 1,191,898</b>

### ***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 \$25.
- b) ***Professional Employees*** - employees with fifteen (15) or more credited years of service to the District, shall receive \$50 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 \$712,921 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 \$27,482 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 \$55,247, and \$27,482, including FICA tax, have been established within the General Fund, and Food Service Fund, respectively. The General 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, 2011, that will use currently available financial resources is \$71,190, 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, 2011, of \$20,329, 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 Diane J. Wert, 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](http://www.psers.state.pa.us).

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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*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, 2011, the rate of employer contribution was 5.64 percent of covered payroll. The 5.64 percent rate is comprised of a pension contribution rate of 5.00 percent for pension benefits and 0.64 or healthcare insurance premium assistance.

The employer's current year covered payroll was \$15,467,658 and total payroll was \$16,005,164.

The total employee and employer contributions for this current year were \$1,147,033 and \$893,365, 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, 2011**

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**Contribution Rates:**

	<b>Actuarially Determined</b>
School District	5.0%
Plan Members	412
Annual Required Contribution	\$ 622,098
Interest on net OPEB obligation	25,490
Adjustment to annual required contribution	(50,980)
Annual OPEB cost	596,608
Contributions made	(260,654)
Increase in net OPEB obligation	335,954
Net OPEB obligation - beginning of year	729,053
Net OPEB obligation - end of year	\$ 1,065,007

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the four fiscal years ending June 30, 2011, for the benefits were as follows:

Year <u>ended</u>	Annual OPEB <u>Cost</u>	Percentage of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2011	\$ 583,854	43.7%	\$ 1,065,007
6/30/2010	\$ 596,608	57.5%	\$ 729,053
6/30/2009	\$ 585,038	53.5%	\$ 475,568
6/30/2008	\$ 586,518	59.4%	\$ 273,788

*Funded Status and Funding Progress.* The funded status of the benefits as of June 30, 2011, was as follows:

	<b>State-mandated Healthcare Benefit</b>	<b>Years of Service Increment Benefit</b>
Actuarial accrued liability (a)	\$ 1,864,962	\$ 322,974
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	\$ 1,864,962	\$ 322,974
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 14,402,704	\$ 13,966,275
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	12.9%	2.3%

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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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:

	<b>State-mandated Healthcare Benefit</b>	<b>Years of Service Increment Benefit</b>
Actuarial valuation date	7/1/2009	7/1/2009
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	3 years	3 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		
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.

**Note 7 - Fund Balance Allocations**

**Hamburg Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2011**

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*Restricted Fund Balance*

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$3,924,456 fund balance at year end is restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes.

In addition, the debt covenant on the 2011B Bond issue restricts the proceeds shown in the 2011 B Construction Fund for the purposes outlined in the bond resolution. As such, the \$17,713,715, in fund balance at year end within this fund is considered restricted

The 2011 A Bond Fund's \$338 fund balance is restricted as a result of the bond covenant with the Series A of 2011 General Obligation Issue.

*Committed Fund Balance*

The governing body (Board of School Directors) has committed \$2,060,289, of the General Fund's year end fund balance for eventual payment to be made for Other Post Employment Benefits, which equals the entire actuarial accrued liability.

*Assigned Fund Balance*

The General Fund has \$3,742,646, assigned for the replacement of roofs at the middle school (\$1,742,646) and high school (\$2,000,000).

The fund balance of \$538,958, in the Debt Stabilization Fund is assigned for the purpose of the debt service fund.

**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 \$57,822,856, unspent proceeds of \$21,638,171, with related debt of \$54,646,058, which includes unamortized bonds discounts, premiums, issuance costs and deferred refunding charges. The business-type activities column reflects \$165,468 invested in capital assets with no related debt.

*Restricted for Retirement of Long-Term Debt*

At year end, the District 2011 A Bond Fund (Debt Service) had \$338 in restricted fund balance as a result of the bond covenant.

**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, 2011.

*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, 2011**

**State mandated healthcare benefit**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
7/1/2009	\$ -	\$ 1,864,962	\$ 1,864,962	0.0%	\$ 14,402,704	12.95%
7/1/2007	-	2,096,822	2,096,822	0.0%	14,452,556	14.51%
7/1/2005	-	-	-	0.0%	-	0.00%

**Years of Service Increment**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
7/1/2009	\$ -	\$ 322,974	\$ 322,974	0.0%	\$ 13,966,275	2.31%
7/1/2007	-	262,944	262,944	0.0%	10,906,204	2.41%
7/1/2005	-	-	-	0.0%	-	0.00%

**OTHER  
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District  
Combining Balance Sheet  
All Non-major Governmental Funds  
As of June 30, 2011**

	<b>DEBT SERVICE FUNDS</b>		
	<b>2011A BOND FUND</b>	<b>DEBT SERVICE STABILIZATION FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 338	\$ 538,958	\$ 539,296
Investments	-	-	-
Other Receivables	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
	<b>\$ 338</b>	<b>\$ 538,958</b>	<b>\$ 539,296</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Deferred revenue	-	-	-
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
 <b>FUND BALANCES:</b>			
Restricted Fund Balance	338	-	338
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	538,958	538,958
	<b>338</b>	<b>538,958</b>	<b>539,296</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 338</b>	<b>\$ 538,958</b>	<b>\$ 539,296</b>

**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, 2011**

	<u>DEBT SERVICE FUNDS</u>		
	<u>2011A BOND FUND</u>	<u>DEBT SERVICE STABILIZATION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>			
Local Sources	\$ -	\$ 2,958	\$ 2,958
State Sources	-	-	-
Federal Sources	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>2,958</u>	<u>2,958</u>
	-----	-----	-----
<b>EXPENDITURES</b>			
Instruction	-	-	-
Support Services	431,225	-	431,225
Operation of Non-Instructional Services	-	-	-
Capital Outlay	-	-	-
Debt Service	<u>2,386,000</u>	<u>-</u>	<u>2,386,000</u>
<b>TOTAL EXPENDITURES</b>	<u>2,817,225</u>	<u>-</u>	<u>2,817,225</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,817,225)</u>	<u>2,958</u>	<u>(2,814,267)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of long-term capital-related debt	-	-	-
Proceeds from Refunding Bond Issues	23,160,000	-	23,160,000
Bond Premium	7,563	-	7,563
Bond Discount	-	-	-
Payment to bond refunding escrow agent	(21,390,000)	-	(21,390,000)
Transfers in	1,040,000	536,000	1,576,000
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>2,817,563</u>	<u>536,000</u>	<u>3,353,563</u>
<b>SPECIAL/EXTRAORDINARY ITEMS</b>			
Special Items	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	338	538,958	539,296
<b>FUND BALANCES - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 338</u>	<u>\$ 538,958</u>	<u>\$ 539,296</u>

**Hamburg Area School District  
Combining Balance Sheet  
All Capital Project Funds  
As of June 30, 2011**

	<b>CAPITAL RESERVE FUND</b>	<b>2011B CONSTRUCTION FUND</b>	<b>TOTAL CAPITAL PROJECT FUNDS</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 188,441	\$ 1,210,460	\$ 1,398,901
Investments	3,733,300	16,500,000	20,233,300
Other Receivables	2,715	3,255	5,970
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
	<u>-\$ 3,924,456</u>	<u>\$ 17,713,715</u>	<u>\$ 21,638,171</u>
<b>TOTAL ASSETS</b>			
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Deferred revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	-----	-----	-----
 <b>FUND BALANCES:</b>			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	3,924,456	17,713,715	21,638,171
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
	<u>3,924,456</u>	<u>17,713,715</u>	<u>21,638,171</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,924,456</u>	<u>\$ 17,713,715</u>	<u>\$ 21,638,171</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, 2011**

	<u>CAPITAL RESERVE FUND</u>	<u>2011B CONSTRUCTION FUND</u>	<u>TOTAL CAPITAL PROJECT FUNDS</u>
<b>REVENUES</b>			
Local Sources	\$ 17,795	\$ 6,062	\$ 23,857
State Sources	-	-	-
Federal Sources	-	-	-
<b>TOTAL REVENUES</b>	<u>17,795</u>	<u>6,062</u>	<u>23,857</u>
	-----	-----	-----
<b>EXPENDITURES</b>			
Instruction	-	-	-
Support Services	-	373,575	373,575
Operation of Non-Instructional Services	-	-	-
Capital Outlay	1,001,091	18,874	1,019,965
Debt Service	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,001,091</u>	<u>392,449</u>	<u>1,393,540</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(983,296)</u>	<u>(386,387)</u>	<u>(1,369,683)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of long-term capital-related debt	-	18,620,000	18,620,000
Proceeds from Refunding Bond Issues	-	-	-
Bond Premium	-	-	-
Bond Discount	-	519,898	519,898
Payment to bond refunding escrow agent	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	820,300	-	820,300
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>820,300</u>	<u>18,100,102</u>	<u>18,920,402</u>
<b>NET CHANGE IN FUND BALANCES</b>	(162,996)	17,713,715	17,550,719
<b>FUND BALANCES - BEGINNING</b>	<u>4,087,452</u>	<u>-</u>	<u>4,087,452</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,924,456</u>	<u>\$ 17,713,715</u>	<u>\$ 21,638,171</u>

**Hamburg Area School District  
General Fund  
Schedule on Tax Collectors' Receipts  
For the Year Ended June 30, 2011**

	<u>HAMBURG BOROUGH</u>	<u>PERRY TOWNSHIP</u>	<u>SHOEMAKERSVILLE BOROUGH</u>
<b><u>CURRENT REAL ESTATE TAXES</u></b>			
Assessed Value	\$ 166,844,600	\$ 134,608,500	\$ 48,370,700
Millage Rate	<u>0.02521</u>	<u>0.02521</u>	<u>0.02521</u>
<b>TOTAL</b>	4,206,148	3,393,477	1,219,424
Less: Act 1 Reduction	<u>171,218</u>	<u>132,185</u>	<u>56,301</u>
<b>TOTAL TAXABLE DUPLICATE</b>	4,034,930	3,261,292	1,163,123
Plus - Additions	1,223	7,569	-
Prior Year Unpaid Additions		28	-
Penalties	<u>8,283</u>	<u>4,536</u>	<u>2,903</u>
<b>TOTAL TAXES TO BE COLLECTED</b>	4,044,436	3,273,425	1,166,026
Less - Discounts	65,468	55,524	20,499
Reductions	2,017	5,052	-
Refunds	1,182	-	7,226
Returned to County	192,089	108,967	32,922
Cabela's / Lowe's	-	-	-
Outstanding	<u>-</u>	<u>3,301</u>	<u>-</u>
<b>NET CURRENT REAL ESTATE TAXES COLLECTED</b>	<u>\$ 3,783,680</u>	<u>\$ 3,100,581</u>	<u>\$ 1,105,379</u>
<b>CURRENT INTERIM REAL ESTATE TAXES COLLECTED</b>	<u>\$ 8,971</u>	<u>\$ 13,946</u>	<u>\$ 611</u>
<b><u>CURRENT PER CAPITA TAXES</u></b>			
No. of Persons Assessed	3,350	1,975	1,096
Tax Rate	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
Taxable Valuation	33,500	19,750	10,960
Plus - Additions	790	310	230
Penalties	<u>292</u>	<u>141</u>	<u>80</u>
<b>TAXES TO BE COLLECTED</b>	34,582	20,201	11,270
Less - Discounts	400	280	139
Exonerations	2,440	920	790
Refunds	-	-	-
Outstanding	5,600	2,230	1,570
Reductions	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CURRENT PER CAPITA TAXES COLLECTED</b>	<u>\$ 26,142</u>	<u>\$ 16,771</u>	<u>\$ 8,771</u>

<b>STRAUSSTOWN BOROUGH</b>	<b>TILDEN TOWNSHIP</b>	<b>UPPER BERN TOWNSHIP</b>	<b>UPPER TULPEHOCKEN TOWNSHIP</b>	<b>WINDSOR TOWNSHIP</b>	<b>TOTAL</b>
\$ 11,691,700	\$ 204,974,800	\$ 89,393,100	\$ 74,376,800	\$ 118,602,000	\$ 848,862,200
<u>0.02521</u>	<u>0.02521</u>	<u>0.02521</u>	<u>0.02521</u>	<u>0.02521</u>	<u>0.02521</u>
294,747	5,167,411	2,253,598	1,875,038	2,989,954	21,399,797
<u>13,560</u>	<u>169,337</u>	<u>87,779</u>	<u>73,897</u>	<u>124,618</u>	<u>828,895</u>
281,187	4,998,074	2,165,819	1,801,141	2,865,336	20,570,902
-	128,696	41,994	366	30,560	210,408
-	-	-	-	1,825	1,853
<u>670</u>	<u>7,537</u>	<u>7,407</u>	<u>3,734</u>	<u>7,365</u>	<u>42,435</u>
281,857	5,134,307	2,215,220	1,805,241	2,905,086	20,825,598
4,389	87,444	33,031	30,074	47,423	343,852
-	5,639	46,398	-	28,409	87,515
-	3,103	541	1,781	3,445	17,278
14,136	261,843	92,736	70,366	78,923	851,982
-	480,241	-	-	-	480,241
<u>-</u>	<u>3,875</u>	<u>-</u>	<u>-</u>	<u>744</u>	<u>7,920</u>
<u>\$ 263,332</u>	<u>\$ 4,292,162</u>	<u>\$ 2,042,514</u>	<u>\$ 1,703,020</u>	<u>\$ 2,746,142</u>	<u>\$ 19,036,810</u>
<u>\$ 122</u>	<u>\$ 8,524</u>	<u>\$ 34,475</u>	<u>\$ 6,952</u>	<u>\$ 23,112</u>	<u>\$ 96,713</u>
260	2,841	1,349	1,183	1,893	13,947
<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
2,600	28,410	13,490	11,830	18,930	139,470
-	520	570	260	300	2,980
<u>34</u>	<u>241</u>	<u>107</u>	<u>96</u>	<u>128</u>	<u>1,119</u>
2,634	29,171	14,167	12,186	19,358	143,569
26	343	174	158	257	1,777
120	2,050	570	560	520	7,970
-	-	-	-	-	-
570	4,490	1,870	1,070	2,200	19,600
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,918</u>	<u>\$ 22,288</u>	<u>\$ 11,553</u>	<u>\$ 10,398</u>	<u>\$ 16,381</u>	<u>\$ 114,222</u>

**Hamburg Area School District  
General Fund  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30, 2011**

**REVENUES**

**LOCAL SOURCES:**

Current Real Estate Taxes	\$ 19,036,810	
Interim Real Estate Taxes	96,713	
Public Utility	31,095	
Payment in Lieu of Taxes	11,158	
Current Per Capita Taxes - 511	57,111	
Current Per Capita Taxes - 679	57,111	
Occupational Privilege Tax	-	
Earned Income Tax	1,685,902	
Real Estate Transfer Tax	140,719	
Amusement Taxes	-	
Delinquent Real Estate Taxes	1,107,761	
Delinquent Interim Real Estate Taxes	-	
Delinquent Per Capita Taxes - 511	4,073	
Delinquent Per Capita Taxes - 679	4,073	
Delinquent OPT Taxes	-	
Interest	122,212	
Gain on Sale of Investments	-	
Admissions	59,760	
Fees	3,210	
Fed Rev Rec From Other Fed Sources	-	
I/U Services - Federal	456,510	
Rentals	26,545	
Contributions	22,952	
Tuition	480	
Summer School	3,540	
Adult School	-	
Receipts from Other LEA's - Education	65,788	
All Other Services Provided other LEA's	-	
Miscellaneous	63,447	
Refunds of Prior Yr. Expenditures	35,048	
<b>TOTAL LOCAL SOURCE REVENUE</b>	<b>23,092,018</b>	<b>\$ 23,092,018</b>

**STATE SOURCES:**

Basic Subsidy - ESBE	5,652,259
Read to Succeed	-
Charter Schools	110,466
School Performance	-
Orphan Tuition	1,168
Homebound	-
Vocational Education	-
Alternative Education	-
Driver Education	5,495
Migratory Children	-
Special Education	1,304,967
<b>SUB-TOTAL</b>	<b>7,074,355</b>

**Hamburg Area School District  
General Fund  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30, 2011**

**REVENUE (CONT'D)**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$	7,074,355	
Transportation		964,282	
Rentals		486,274	
Health Services		45,370	
State Property Tax Reduction Allocation		827,316	
PA Accountability Grants		331,510	
Project 720 H. S. Reform		-	
Extra Grants		-	
Dual Enrollment Grants		13,503	
FICA Revenue		594,659	
Retirement Revenue		449,935	
Classrooms for the Future		-	
<b>TOTAL STATE SOURCE REVENUE</b>		<u>                    </u>	\$ 10,787,204

**FEDERAL SOURCES:**

Title I	369,956	
Title I - ARRA	107,896	
Title II	91,207	
State Fiscal Stabilization Fund - ARRA	782,383	
Ed Jobs Grant	463,243	
Medical Assistance Reimbursement	<u>29,834</u>	
<b>TOTAL FEDERAL SOURCE REVENUE</b>		<u>1,844,519</u>
<b>TOTAL REVENUE</b>		<u>35,723,741</u>

**Expenditures.**

Instruction - Regular	11,970,090
Instruction - Federally Funded Programs	1,801,553
Life Skills Support - Public	696,939
Life Skills Support - PRRI	502,666
Deaf or Hearing Impaired Support	18,296
Blind or Visually Impaired Support	61,589
Speech & Language Impaired	272,572
Emotional Support - Public	494,294
Autistic Support	-
Learning Support - Public	1,288,594
Gifted Support	153,497
Physical Support	-
Multi-Handicapped Support	-
Early Intervention Support	34,933
Other Support	<u>14,240</u>
<b>SUB-TOTAL</b>	<b>17,309,263</b>

**Hamburg Area School District  
General Fund  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30, 2011**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 17,309,263
Agricultural Education	32,046
Industrial Arts Education	-
Trade and Industrial Education	86,656
Other Vocational Education	919,831
Drivers' Education	106,892
Summer School	6,056
Homebound Instruction	4,272
Adjudicated/Court Placed Programs	-
Alternative Education Program	201,911
Other Instructional Programs	9,487
Guidance Services	634,903
Counseling Services	20,502
Psychological Services	122,637
Student Accounting Services	31,759
Other Pupil Personnel Services	225,715
Instructional Staff	-
Technology Support Services	361,908
Computer Assisted Instruction Support Service	-
School Library Services	530,056
Instruction and Curriculum Development Services	-
Instructional Staff Development Services	36,076
Board Services	61,188
Board Treasurer Services	245
Tax Assessment and Collection Services	152,370
Staff Relations	-
Legal Services	50,857
Office of the Superintendent Services	409,924
Community Relations Services	5,526
Office of the Principal Services	1,147,528
Other Administration Services	-
Medical Services	1,514
Dental Services	386
Nursing Services	322,411
Support Services - Business	410,144
<b>SUB-TOTAL</b>	<b>23,202,063</b>

**Hamburg Area School District  
General Fund  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30, 2011**

<b>SUB-TOTAL (CARRIED FORWARD)</b>	\$ 23,202,063	
Financial Accounting Services	21,340	
Warehousing and Distributing Services	11,127	
Operation and Maintenance of Plant Services	709,103	
Supervision of Operation and Maint. of Plant Svcs.	128,049	
Operation of Building Services	2,014,004	
Care and Upkeep of Grounds Services	10,157	
Care and Upkeep of Equipment Services	8,057	
Vehicle Operation and Maint. Services	3,629	
Student Transportation Services	1,551,497	
Transportation Services	-	
Supervision of Student Transportation Services	74,572	
Non-Public Transportation	150,397	
System-Wide Technology Services	246,570	
State and Federal Agency Liaison Services	12,386	
Other Support Services	30,336	
Student Activities/Athletics	642,472	
Community Services	21,660	
Site Acquisition Services - Original and Additional	-	
Existing Site Improvement Services	-	
Architecture and Engineering Services - Org/Add.	-	
Existing Building Improvement Services	7,922	
Debt Service	3,138,759	
Refund of Prior Yr. Receipts	766	
<b>TOTAL Expenditures</b>	766	<b>\$ 31,984,866</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		<b>\$ 3,738,875</b>

**Hamburg Area School District  
General Fund  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30, 2011**

<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (carried forward)</b>		\$	3,738,875
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Proceeds from Extended Term Financing	\$	-	
Debt Service Fund Transfers		(1,576,000)	
Transfer from Trust Funds		-	
Transfer from Activity Funds			
Sale of Fixed Assets		298,879	
Special Revenue Fund Transfers in		-	
Capital Projects Funds Transfers		(820,300)	
Special Revenue Fund Transfers out		-	
Transfer to Food Service Fund		-	
Debt Service Fund Transfers out		-	
Activity Fund Transfers		-	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>(2,097,421)</u>	
<b>Special Items</b>		-	
<b>Extraordinary Items</b>		<u>-</u>	<u>(2,097,421)</u>
 <b>NET CHANGE IN FUND BALANCE</b>			 1,641,454
 <b>FUND BALANCE - JULY 1, 2010</b>			 <u>8,561,090</u>
 <b>FUND BALANCE - JUNE 30, 2011</b>			 <b><u>\$ 10,202,544</u></b>

**Hamburg Area School District  
Food Service Fund  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended June 30, 2011**

**REVENUES**

Lunches	\$ 714,104	
Special Functions	32,941	
Federal Subsidy	407,317	
Donated Commodities Received	67,913	
State Subsidy	42,536	
State Reimbursement - FICA & Retirement	32,759	
Other Food Service Revenue	169	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	(8,800)	
Interest	692	
<b>TOTAL REVENUES</b>	<u>                    </u>	<b>\$ 1,289,631</b>

**COST OF GOODS SOLD**

Inventory - July 1, 2010	43,941	
Food and Milk	423,290	
Donated Commodities	67,912	
Supplies	41,508	
LESS - Inventory - June 30, 2011	(37,504)	
<b>TOTAL COST OF GOODS SOLD</b>	<u>                    </u>	<b>539,147</b>

**GROSS PROFIT**

750,484

**EXPENSES**

Salaries	446,354	
Benefits	207,786	
Professional Fees	2,285	
Travel	1,037	
Repairs	20,262	
Food Handling Costs	4,541	
Depreciation	17,181	
Purchased Services	1,807	
Uncapitalized Equipment	11,176	
Dues and Fees	50	
Other	-	
<b>TOTAL EXPENSES</b>	<u>                    </u>	<b>712,479</b>

**CHANGES IN NET ASSETS**

38,005

**NET ASSETS - BEGINNING**

495,102

**NET ASSETS - ENDING**

**\$ 533,107**

**Hamburg Area School District  
Food Service Fund  
Statement of Net Assets  
As of June 30, 2011**

**ASSETS**

Cash and Cash Equivalents	\$ 421,771	
Due From Other Funds	7,251	
Intergovernmental Receivables	14,659	
Other Receivables	-	
Inventory		
- Food	19,280	
- Supplies	-	
- Federal Commodities	18,224	
Prepaid Expenses	-	
Equipment (net of accum. Depreciation)	<u>165,468</u>	
<b>TOTAL ASSETS</b>		<b><u>\$ 646,653</u></b>

**LIABILITIES**

Accounts Payable	\$ 14,482	
Due to Other Funds	184	
Compensated Absences	27,482	
Deferred Revenue	17,681	
Net OPEB Obligation	39,148	
Accrued Salaries and Benefits	<u>14,569</u>	
<b>TOTAL LIABILITIES</b>		113,546
<b>NET ASSETS</b>		<u>533,107</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 646,653</u></b>

**Hamburg Area School District  
Capital Reserve Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2011**

<b>FUND BALANCE - JULY 1, 2010</b>		\$ 4,087,452
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Interest	\$ 14,595	
Refund of Prior Year Expenditures	3,200	
Interfund Transfers In	820,300	838,095
<b>TOTAL FUNDS AVAILABLE</b>		<u>4,925,547</u>
<b>EXPENDITURES</b>		
<b>NON-INSTRUCTIONAL SERVICES:</b>		
Equipment	-	
<b>CAPITAL OUTLAY:</b>		
Professional Services	3,611	
Construction Services	26,007	
Land Purchases	950,795	
Supplies	261	
Equipment	19,700	
Dues and Fees	717	
<b>OTHER FINANCING USES</b>		
Interfund Transfers Out	-	1,001,091
<b>FUND BALANCE - JUNE 30, 2011</b>		<u><u>\$ 3,924,456</u></u>

**Hamburg Area School District  
2011B Construction Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2011**

<b>FUND BALANCE - JULY 1, 2010</b>	\$	-
 <b>REVENUES AND OTHER FINANCING SOURCES</b>		
Proceeds from Bond Issues	\$ 18,620,000	
Interest	<u>6,062</u>	<u>18,626,062</u>
<b>TOTAL FUNDS AVAILABLE</b>		<b>18,626,062</b>
 <b><u>EXPENDITURES</u></b>		
<b>INSTRUCTIONAL:</b>		
Equipment	-	
<b>SUPPORT SERVICES:</b>		
Bond Issue Costs	373,575	
Repairs and Maintenance	-	
Supplies	-	
 <b>NON-INSTRUCTIONAL SERVICES:</b>		
Supplies	-	
<b>CAPITAL OUTLAY:</b>		
Professional Services	18,874	
Repairs and Maintenance	-	
Advertising	-	
Insurance	-	
Travel	-	
Supplies	-	
Construction Services	-	
Equipment	-	
Miscellaneous	-	
<b>OTHER FINANCING USES</b>		
Transfer to General Fund	-	
Bond Discounts	<u>519,898</u>	<u>912,347</u>
 <b>FUND BALANCE - JUNE 30, 2011</b>	 <b>\$</b>	 <b><u>17,713,715</u></b>

**Hamburg Area School District  
2011A Bond Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2011**

<b>FUND BALANCE - JULY 1, 2010</b>	\$	-
 <b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Proceeds from Refunding of Bonds	\$ 23,160,000	
Bond Premium	7,563	
Transfer from General Fund	1,040,000	
Interest	-	24,207,563
	-	24,207,563
<b>TOTAL FUNDS AVAILABLE</b>		<b>24,207,563</b>
 <b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>SUPPORT SERVICES:</b>		
Professional Services	297,412	
Insurance	129,240	
Printing	4,573	
<b>DEBT SERVICE:</b>		
Bond Principal	-	
Bond Interest	-	
<b>OTHER FINANCING USES:</b>		
Termination Fee on Derivatives	2,386,000	
Payment to Refunded Bonds Escrow Agent	21,390,000	24,207,225
	21,390,000	24,207,225
 <b>FUND BALANCE - JUNE 30, 2011</b>	 <b>\$</b>	 <b><u>338</u></b>

**Debt Service Stabilization Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2011**

<b>FUND BALANCE - JULY 1, 2010</b>	\$	-
 <b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Proceeds from Refunding of Bonds	\$ -	
Transfer from General Fund	536,000	
Interest	2,958	538,958
	2,958	538,958
<b>TOTAL FUNDS AVAILABLE</b>		<b>538,958</b>
 <b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>SUPPORT SERVICES:</b>		
Professional Services	-	
Insurance	-	
Printing	-	
<b>DEBT SERVICE:</b>		
Bond Principal	-	
Bond Interest	-	
<b>OTHER FINANCING USES:</b>		
Bond Discount		
Payment to Refunded Bonds Escrow Agent	-	-
	-	-
 <b>FUND BALANCE - JUNE 30, 2011</b>	 <b>\$</b>	 <b><u>538,958</u></b>

**Hamburg Area School District  
Schedule on General Obligation Bonds  
Series of 2007  
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
<b>TOTAL OUTSTANDING</b>		<b><u>\$ 346,328</u></b>	<b><u>\$ 3,710,000</u></b>

**Schedule on General Obligation Bonds  
Series of 2009  
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL AMOUNT</u>
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
<b>TOTAL OUTSTANDING</b>		<b><u>\$ 591,940</u></b>	<b><u>\$ 4,700,000</u></b>

**Schedule on General Obligation Bonds  
Series A of 2009  
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL AMOUNT</u>
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
<b>TOTAL OUTSTANDING</b>		<b><u>\$ 1,152,242</u></b>	<b><u>\$ 6,575,000</u></b>

**Hamburg Area School District  
Schedule on General Obligation Bonds  
Series A of 2011  
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2011-12	1.00	\$ 972,671	\$ 5,000
2012-13	1.20	1,048,338	5,000
2013-14	1.60	1,048,278	5,000
2014-15	2.00	1,048,198	5,000
2015-16	2.45	1,048,098	80,000
2016-17	2.75	1,046,137	70,000
2017-18	3.00	1,044,212	375,000
2018-19	3.38	1,032,962	1,510,000
2019-20	3.63	982,000	1,565,000
2020-21	3.75	925,270	2,140,000
2021-22	4.00	845,018	2,225,000
2022-23	4.13	756,019	2,310,000
2023-24	5.50	660,731	2,405,000
2024-25	5.50	528,456	2,540,000
2025-26	4.625	388,756	2,680,000
2026-27	4.625	264,806	2,805,000
2027-28	5.00	121,812	2,410,000
2028-29	5.25	1,312	5,000
2029-30	5.25	1,050	5,000
2030-31	5.25	788	5,000
2031-32	5.25	525	5,000
2032-33	5.25	262	5,000
<b>TOTAL OUTSTANDING</b>		<b><u>\$ 13,765,699</u></b>	<b><u>\$ 23,160,000</u></b>

**Hamburg Area School District  
Schedule on General Obligation Bonds  
Series B of 2011  
For the Year Ended June 30, 2011**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2011-12	1.00	\$ 879,771	\$ 5,000
2012-13	1.20	948,206	5,000
2013-14	1.60	948,146	5,000
2014-15	2.00	948,066	5,000
2015-16	2.45	947,966	5,000
2016-17	4.00	947,844	5,000
2017-18	4.00	947,644	5,000
2018-19	4.00	947,444	5,000
2019-20	4.00	947,243	5,000
2020-21	4.00	947,044	5,000
2021-22	4.75	946,844	5,000
2022-23	4.75	946,606	5,000
2023-24	4.75	946,369	5,000
2024-25	4.75	946,131	5,000
2025-26	4.75	945,894	5,000
2026-27	5.00	945,656	5,000
2027-28	5.00	945,407	570,000
2028-29	5.00	916,906	3,245,000
2029-30	5.125	754,656	3,410,000
2030-31	5.125	579,894	3,585,000
2031-32	5.125	396,163	3,770,000
2032-33	5.125	202,950	3,960,000
<b>TOTAL OUTSTANDING</b>		<b><u>\$ 18,882,850</u></b>	<b><u>\$ 18,620,000</u></b>

## **SINGLE AUDIT SECTION**

**HAMBURG AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/10	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/11	FOOTNOTES
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>											
<b><u>PASSED THROUGH THE PA.</u></b>											
<b><u>DEPARTMENT OF EDUCATION</u></b>											
ESEA - TITLE I	I	84.010	013-100178	7/1/09-9/30/10	\$ 380,516	\$ 279,045	\$ 279,045	\$ -	\$ -	\$ -	<b>2</b>
ESEA - TITLE I	I	84.010	013-110178	7/1/10-9/30/11	\$ 369,956	283,832	-	369,956	369,956	86,124	<b>2</b>
ESEA - ACADEMIC ACHIEVEMENT AWARD	I	84.010	077-100178	7/1/09-9/30/10	\$ 1,800	1,320	1,320	-	-	-	<b>2</b>
ESEA - TITLE IIIA IMPROVING TEACHER QUALITY	I	84.367	020-100178	7/1/09-9/30/10	\$ 92,482	67,820	67,820	-	-	-	
ESEA - TITLE IIIA IMPROVING TEACHER QUALITY	I	84.367	020-110178	7/1/10-9/30/11	\$ 91,207	84,455	-	91,207	91,207	6,752	
ESEA - ARRA TITLE I	I	84.389	127-100178	5/13/09-9/30/11	\$ 203,492	35,605	(59,658)	107,896	107,896	12,633	<b>2,6</b>
ESEA - ARRA STATE FISCAL STABILIZATION FUND	I	84.394	126-110178	7/1/10-6/30/11	\$ 782,383	782,383	-	782,383	782,383	-	<b>6</b>
ESEA - ARRA EDUCATION JOBS FUND	I	84.410	140-110178	8/10/10-6/30/11	\$ 463,243	-	-	463,243	463,243	463,243	<b>6</b>
<b><u>PASSED THROUGH THE BERKS COUNTY I.U.</u></b>											
IDEA	I	84.027	N/A	7/1/10-6/30/11	\$ 310,809	310,809	-	310,809	310,809	-	<b>1,2</b>
ARRA - IDEA	I	84.391	N/A	2/17/09 -9/30/11	\$ 428,055	70,916	70,916	145,701	145,701	145,701	<b>1,2,6</b>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						1,916,185	359,443	2,271,195	2,271,195	714,453	
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>											
<b><u>PASSED THROUGH THE PA.</u></b>											
<b><u>DEPARTMENT OF PUBLIC WELFARE</u></b>											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/09-9/30/10	N/A	312	-	312	312	-	
<b><u>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICES</u></b>											
<b><u>PASSED THROUGH THE PA.</u></b>											
<b><u>DEPARTMENT OF EDUCATION</u></b>											
LEARN & SERVE AMERICA	I	94.004	019-092005	10/13/09 - 6/30/10	N/A	4,889	4,889	-	-	-	
<b><u>U. S. DEPT. OF AGRICULTURE</u></b>											
<b><u>PASSED THROUGH THE PA</u></b>											
<b><u>DEPARTMENT OF EDUCATION</u></b>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/09-6/30/10	N/A - F	14,616	14,616	-	-	-	<b>5</b>
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/1/09-6/30/10	N/A	1,638	1,638	-	-	-	
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/10-6/30/11	N/A - F	352,621	-	364,452	364,452	11,831	<b>5</b>
NATIONAL SCHOOL LUNCH	S	N/A	N/A	7/1/10-6/30/11	N/A	37,474	-	38,653	38,653	1,179	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/09-6/30/10	N/A - F	1,464	1,464	-	-	-	<b>5</b>
BREAKFAST PROGRAM	S	N/A	N/A	7/1/09-6/30/10	N/A	208	208	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/10-6/30/11	N/A - F	41,347	-	42,865	42,865	1,518	<b>5</b>
BREAKFAST PROGRAM	S	N/A	N/A	7/1/10-6/30/11	N/A	3,752	-	3,883	3,883	131	
<b><u>PASSED THROUGH THE PA</u></b>											
<b><u>DEPARTMENT OF AGRICULTURE</u></b>											
USDA COMMODITIES	I	10.555	N/A	7/01/10 - 6/30/11	N/A	67,913	(19,428)	69,116	69,116	(18,225)	<b>3,4,5</b>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						521,033	(1,502)	518,969	518,969	(3,566)	
<b>TOTAL AWARDS</b>						\$ 2,442,419	\$ 362,830	\$ 2,790,476	\$ 2,790,476	\$ 710,887	
LESS: STATE SHARE						(43,072)	(1,846)	(42,536)	(42,536)	(1,310)	
<b>TOTAL FEDERAL AWARDS</b>						\$ 2,399,347	\$ 360,984	\$ 2,747,940	\$ 2,747,940	\$ 709,577	

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, 2011**

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**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 6.4% of its total general fund revenue in federal awards and 36.9% of its total enterprise fund revenue.

**Note 3 - Program Disclosure – Footnotes**

1. The federal awards passed through the Berks County Intermediate Unit, under the U.S. Department of Education heading, are part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenue.
2. The Title I grants using CFDA No. 84.010, under the U.S. Department of Education heading, are part of a cluster program in accordance with OMB Circular A-133 Compliance Supplement with ARRA-Title I grants using CFDA No. 84.389, under the U.S. Department of Education heading. In addition, the IDEA grants using CFDA No. 84.027, under the U.S. Department of Education heading, are part of a cluster program in accordance with OMB Circular A-133 Compliance Statement with ARRA-IDEA grants using CFDA No. 84.391, under the U.S. Department of Education heading.
3. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$67,913 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2010-11 fiscal year, the District used \$69,116 in commodities and established a year-end inventory of \$18,225 at June 30, 2011.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used versus the commodities received, which are recognized as revenue in the basic financial statements.
5. The National School Lunch, National School Breakfast, and Donated Commodities programs, under the U.S. Department of Agriculture heading, are considered a cluster program in accordance with OMB Circular A-133 Compliance Supplement.
6. The programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

**FINANCIAL STATEMENT RECONCILIATION**

General Fund Federal Source Revenues	\$	1,844,519
Federal Grants in Local Sources		456,510
Food Service Fund Federal Revenue		475,230
<b>Total Federal Revenue, per financial statements</b>		<b>2,776,259</b>
Less - Medical Access		(29,522)
Change in Donated Commodities		1,203
<b>Federal Revenue on SEFA</b>	<b>\$</b>	<b><u>2,747,940</u></b>



**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

**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 statement of Hamburg Area School District as of and for the year ended June 30, 2011, which collectively comprise Hamburg Area School District's basic financial statements and have issued our report thereon dated December 10, 2011. 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***

Management of Hamburg Area School District is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamburg Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hamburg Area School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hamburg Area School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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

**Hamburg Area School District**

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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 10, 2011.

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,

Herman Associates, P.C.

December 10, 2011



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

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

**Compliance**

We have audited Hamburg Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Hamburg Area School District's major federal programs for the year ended June 30, 2011. 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. 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 of Hamburg Area School District's compliance with those requirements.

In our opinion, Hamburg Area School District complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control over Compliance**

Management of 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 the 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamburg Area School District's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. 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,

*Spencer Associates, P.C.*

December 10, 2011

**Hamburg Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

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**Section I - Summary of Auditor Results**

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**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
84.010, 84.389	Title I Cluster
84.394	State Fiscal Stabilization Fund
84.027, 84.391	Idea Cluster
84.410	Education Jobs Fund

Percentage of programs tested to total awards 79.3%

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

**Hamburg Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

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Auditee qualified as low-risk auditee?

yes

no

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**Section II - Financial Statement Findings**

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

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**Section III - Findings and Questioned Costs for Federal Awards**

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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.