

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2014

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HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2014

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For the Fiscal Year Ended June 30, 2014

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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, 2014, 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.

November 11, 2014



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 P. 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, 2014, and have issued our report thereon dated November 11, 2014.

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 June 23, 2014.

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 and the actuary's estimate of Other Post-Employment Benefits. We have evaluated the factors and assumptions used to develop these estimates and have determined the estimates 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 November 11, 2014. We advise the government body to request this letter from management for their review. In conjunction with their representations, 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 or any related accounting or auditing issue.

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 2013-14 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 P. Keifer, Superintendent

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

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

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

CONTROL DEFICIENCIES

General Fund – Summer School Tuition

During our review of summer school tuition, we discovered the guidance secretary holds a reconciliation sheet of eligible summer school students. As students pay the tuition, she collects the money and verifies from the summer school teacher's attendance records that the students whom paid attended the class. The guidance secretary then forwards the money to the business office for deposit. Unfortunately, the secretary does not provide the business office with said reconciliations to verify the accuracy of the deposits made.

We would like to recommend that the District improve controls over summer school tuition that the business office receives the attendance sheets from the teachers to verify the amount collected and remitted for deposit by the guidance secretary. This recommendation will improve controls in handling summer school tuition.

Athletic Fund

During our testing of athletic admission revenue, we discovered the sale of season passes is controlled by one person. The athletic director collects the money for season passes and distributes the passes to the persons paying the money. His list and money is then sent to the business office. When possible, to improve controls, we suggest the business office delivers the season passes to the participants upon receipt of the athletic director's list of paying customers and monies to be deposited by the business office.

Payroll Processing

During our process of gathering information to do a random sample of employees to verify their salary and existence as an employee, we discovered the payroll clerk handles the payroll processing, salary schedules, and has control over the personnel files. Normally, the master salary schedule and personnel files are controlled by the human resource director or superintendent's office.

In order to prevent one person having so much control over payroll information, we would like to suggest the master salary list and personnel files should be maintained outside of the payroll office. We would also suggest, if not done already, to have the business manager periodically review a payroll register prepared by the payroll clerk.

Board of School Directors . Mr. Steven P. Keifer, Superintendent

Prepayments from Persons or Firms – General Fund

During our testing of receipts received in advance, such as health insurance payments, recorded in this account, we could not find supplemental back-up to support the amounts deposited and recorded to this account pertaining to packets dated 6/30/14, 6/25/14, 6/12/14, and 6/5/14. We would like to suggest the business office maintains proper documentation to support what types of advance receipts are recorded in this account and the persons or firms sending the funds to the District.

Activity Fund – High School

During our review of the high school Class of 2014 account, we discovered the remaining balance, upon graduation, was transferred to the Class of 2015, the Pinnacle Yearbook account, and the Student Body account. In accordance with the latest information provided by PASBO, any remaining funds from a graduated class not spent by the class for the benefit of the school or district can only be transferred to the Student Body account or the General Fund. In no case, can they transfer money to another Class account.

Activity Fund – Middle School

During our testing of invoices paid in the middle school activity accounts, we discovered a number of checks written to charitable organizations. While student clubs are allowed to raise funds and support outside charities, we discovered the amounts raised for these checks to charities did not involve students at all. These funds were raised by staff of the District in an event called: "Blue Jeans for a Cause". During this event, staff can donate money to wear jeans during work hours. This money is then deposited in the Middle School Activity Account with a check forwarded to charitable organizations.

While we recognize the good intentions of your staff in helping less fortunate persons, this money cannot be deposited into any student club or organization account without active student participation and control over the event. In addition, the government cannot donate money collected from staff to charitable organizations according to school law. Our recommendation is for management to best determine how to proceed with this event within the restraints imposed by the School Code.

OTHER RECOMMENDATIONS

Board Minutes

During our review of the board minutes, we could not find any evidence of the board approving the issuance of the General Obligation Bonds – Series of 2014. In the November 25, 2013 board minutes, we did discover a preliminary parameters resolution. We would like to suggest management investigate and correct this oversight.

Fund Balance

During our review of the general fund's starting fund balance amount, we discovered the business office mistakenly charged various checks and journal entries in the fund balance accounts. There are currently up to five categories of fund balance accounts within the general fund. In the future, no checks or receipts should ever be coded directly to a fund balance account. The only entries that should be recorded in any fund balance account during the year is when the business manager wishes to change the balance in one category of fund balance to another category of fund balance.

Food Service Operations

During the past few audit seasons, we have noticed some clients are having problems associated with security in the handling of food purchases and maintenance of inventory in the food service departments. While these issues are not necessarily occurring within your District, we felt compelled to suggest certain criteria that should be evaluated by the Superintendent and business office.

In many Schools, the food service director or third party provider has unlimited access to delivery doors. There have been instances of theft occurring at various schools over the years with this access. We wish to recommend, if not already implemented, that access to any door within the facility should be limited to custodial use only after school hours. We also suggest management consider the consequences that can occur when hiring food service personnel that may own or manage outside food establishments. In some instances, with unfettered access, food inventory may be stolen to accommodate another food establishment.

We also wish to advise the School that PDE has recently announced there can be no bad debt expense in the food service fund. The reason for their determination is because the federal national school lunch program and donated commodity program regulations prohibit bad debt expense in a federal program. As such, any students owing money to the School District's food service fund, that remains uncollectible, should not be written off. The Food Service Fund should be reimbursed by the General Fund for any uncollectible amounts owed by students.

OTHER INFORMATION

We would be remised if we didn't keep the management and the Board of School Directors informed of changes in accounting principles that will affect the District next year and future years. The Government Accounting Standards Board (GASB) has issued Statement Nos. 67, 68, 69, and 71, which will come into effect in years to come. The statements that could affect the District next year and future years are as follows:

GASB Statement No. 68

This statement and its component statement no. 67 will have a massive impact on all governments' entity-wide financial statements. It will affect every government in the Commonwealth of PA and every other government located in all 50 states, including state governments.

It will require all governments to report the entire amount of the unfunded actuarial liability for any pension plans associated with each respective government onto their government-wide financial statements that are used by bond rating agencies to establish your debt ratings. Presently, governments only report approximately one-thirtieth of this liability on their financial statements assuming they have a stand-alone pension plan.

Those governments, like this School District, that don't report any pension obligation because they and you belong to a pension trust (PSERS), will soon have to report your proportionate share of the pension trust's unfunded actuarial pension liability. Your proportionate share of this significant liability will be based upon the percentage of your contributions into the plan compared to the total contributions submitted by all participating governments in the pension trust.

This standard will have a devastating effect for larger governments, whom are already in dire straits as a result of the poor economy. This standard becomes effective for your 2014-2015 fiscal year.

GASB Statement No. 69

This new accounting standard explains the proper accounting treatment of government mergers, acquisitions, transfer of operations, and disposals of government operations. In the current economic climate, there is much discussion on merging governments or transferring operations from one government entity to another. As a result, the Standards Board deliberated the proper financial recognition of assets, liabilities, deferred outflows or inflows of resources, and net position affected by such transactions. This standard takes effect in the 2014-15 fiscal year.

GASB Statement No. 71

This new accounting standard, which takes effect in the 2014-15 fiscal year, corrects a misinterpretation of paragraph 137 of Statement 68. In essence, any pension contributions made after the measurement date should be charged to deferred outflows of resources.

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,



November 11, 2014

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Hamburg Area School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

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, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Hamburg Area School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12-20, and the Schedule of Funding Progress, on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamburg Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



November 11, 2014

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2014

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, 2014.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by \$640,015, resulting in an increase in fund balance of \$640,015. The primary reasons for this surplus was that expenditures were less than originally budgeted due to strict control of expenditures and the refinancing of the 2009 series bonds. Revenues were also less than originally budgeted.

The Board of Directors passed a 2013-14 budget with a real estate tax increase of .25 mills. The increase was necessitated by contractual obligations, PSERS rate increases, and the continuing increases for special education and charter school costs.

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Reporting –

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

- Statement of Net Position – Identifies the assets owned by the district and the debt owed by the district. In addition, all required deferred outflows of resources and deferred inflows of resources are presented. Over time this statement measures the financial health of the district by revealing whether net position 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 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 position and statement of the changes in fiduciary net position 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 position was \$39,172,190 at June 30, 2014, an increase of \$859,961 or 2.2%. The governmental net position increased by \$886,430 (or 2.3%), while business-type net position decreased by (\$26,469) or 5.1%.

**Table A-1
Fiscal Year Ended June 30, 2014
Net Position**

	2014			2013			
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total	
Current and Other Assets	\$ 23,954,297	\$ 520,087	\$ 24,474,384	\$ 37,634,410	\$ 523,809	\$ 38,158,219	(1)
Non-Current Assets	71,159,959	131,890	71,291,849	57,931,619	140,231	58,071,850	
Deferred Outflow of Resource	368,803	-	368,803	373,579	-	373,579	
Total Assets & Deferred Outflow of Resources	\$ 95,483,059	\$ 651,977	\$ 96,135,036	\$ 95,939,608	\$ 664,040	\$ 96,603,648	
Current and Other Liabilities	\$ 6,648,859	\$ 52,791	\$ 6,701,650	\$ 6,291,378	\$ 47,818	\$ 6,339,196	(1)
Long-term Liabilities	50,151,064	110,132	50,261,196	51,851,524	100,699	51,952,223	
Deferred Inflow of Resources	-	-	-	-	-	-	
Total Liabilities & Deferred Inflow of Resources	\$ 56,799,923	\$ 162,923	\$ 56,962,846	\$ 58,142,902	\$ 148,517	\$ 58,291,419	
Net Position							
Net Investment in Capital Assets	\$ 21,344,584	\$ 131,891	\$ 21,476,475	\$ 20,595,707	\$ 140,231	\$ 20,735,938	
Restricted	5,660,097	-	5,660,097	6,116,979	-	6,116,979	
Unrestricted	11,678,455	357,163	12,035,618	11,084,020	375,292	11,459,312	
Total Net Position	\$ 38,683,136	\$ 489,054	\$ 39,172,190	\$ 37,796,706	\$ 515,523	\$ 38,312,229	

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

The largest component of Net Position 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 adding or subtracting any related deferred outflows or inflows of resources. The remaining net position is 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, 2014
Changes in Net Position

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 83,198	\$ 645,607	\$ 728,805	\$ 81,251	\$ 672,705	\$ 753,956
Operating grants and contributions	5,167,486	620,895	5,788,381	4,782,391	613,063	5,395,454
Capital grants and contributions	552,374	-	552,374	588,075	-	588,075
<i>General Revenues</i>						
Property taxes	20,928,941	-	20,928,941	20,747,929	-	20,747,929
Other taxes	2,334,404	-	2,334,404	2,068,484	-	2,068,484
Grants, subsidies and contributions	7,233,207	-	7,233,207	7,089,327	-	7,089,327
Other	129,021	600	509,133	323,251	2,624	509,133
Total Revenues	36,428,631	1,267,102	38,075,245	35,680,708	1,288,392	37,152,358
Expenses						
Instruction	20,430,248	-	20,430,248	18,840,881	-	18,840,881
Instructional student support	3,328,984	-	3,328,984	3,245,155	-	3,245,155
Administrative and financial support	2,731,699	-	2,731,699	2,550,652	-	2,550,652
Operation and maintenance of plant	2,760,363	-	2,760,363	2,786,419	-	2,786,419
Pupil transportation	1,891,147	-	1,891,147	1,805,892	-	1,805,892
Student activities	674,684	-	674,684	630,217	-	630,217
Community services	33,410	-	33,410	30,926	-	30,926
Interest on long-term debt	2,326,422	-	2,326,422	2,546,729	-	2,546,729
Unallocated depreciation expense	1,365,244	-	1,365,244	1,364,983	-	1,364,983
Food services	-	1,293,571	1,293,571	-	1,294,889	1,294,889
Total Expenses	35,542,201	1,293,571	36,835,772	33,801,854	1,294,889	35,096,743
Increase (decrease) in net position	\$ 886,430	\$ (26,469)	\$ 859,961	\$ 1,878,854	\$ (6,497)	\$ 1,872,357

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 63.4% 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, 2014
Governmental Activities

<u>Functions/Programs</u>	2014		2013	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 20,430,248	16,716,254	\$ 18,840,881	15,400,338
Instructional Student Support	3,328,984	3,087,767	3,245,155	3,030,471
Administrative	2,731,699	2,546,129	2,550,652	2,404,316
Operation and Maintenance	2,760,363	2,648,955	2,786,419	2,698,148
Pupil Transportation	1,891,147	1,009,941	1,805,892	942,386
Student Activities	674,684	581,155	630,217	519,915
Community Services	33,410	33,410	30,926	30,926
Interest on Long-term Debt	2,326,422	1,774,048	2,546,729	1,958,654
Unallocated Depreciation Expense	1,365,244	1,365,244	1,364,983	1,364,983
Total Governmental Activities	\$ 35,542,201	\$ 29,762,903	\$ 33,801,854	\$ 28,350,137
Less:				
Unrestricted Grants and Subsidies		<u>7,233,207</u>		<u>7,089,327</u>
Total Contribution from Local Taxes and other Revenues		<u>\$ 22,529,696</u>		<u>\$ 21,260,810</u>

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 a (\$26,469) loss. An increase in cost of services is primarily attributable to personnel and food supplies. Subsequently, the decrease in net revenue is due to operational costs exceeding available revenue. Food service operations have been evaluated in light of the current costs of operations and lunch prices have been adjusted for the 2014-15 year to reflect the contractual increased costs of personnel and anticipated food supplies.

The statement of Revenues, Expenses, and Changes in Net Position 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, 2014
Business-type Activities**

Functions/Programs	2014		2013		
	Total Cost of Services		Total Cost of Services		Net Revenue
Food Services	\$ 1,293,571	\$ (27,069)	\$ 1,294,889	\$ (9,121)	
Less:					
Investment Earnings		600		2,624	
Gain/Loss Asset Sale		-		-	
Total business-type Activities		\$ (26,469)		\$ (6,497)	

The District Funds:

At June 30, 2014, the District governmental funds reported a combined fund balance of \$19,082,535. This represents a decrease of \$13,918,000 from the prior year. The reason for this decrease is due to construction payments for the new Perry Elementary Center.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets net of accumulated depreciation increased \$13,228,340 or 22.8%. Tables A-5 and A-6 summarize the capital assets of both the governmental and business activities of the School District.

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

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Change</u>
Land and Land Improvements (net of Accum Depreciation)	\$ 2,388,997	\$ 2,492,300	\$ (103,303)
Building and Building Improvements (net of Accum Depreciation)	50,976,324	52,197,556	(1,221,232)
Furniture and Equipment (net of Accum Depreciation)	526,170	530,194	(4,024)
Construction in Progress	<u>17,268,468</u>	<u>2,711,569</u>	<u>14,556,899</u>
TOTAL	<u>\$ 71,159,959</u>	<u>\$ 57,931,619</u>	<u>\$ 13,228,340</u>

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

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

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 131,890	\$ 140,231	\$ (8,341)
Total	<u>\$ 131,890</u>	<u>\$ 140,231</u>	<u>\$ (8,341)</u>

DEBT ADMINISTRATION:

As of June 30, 2014, the District had outstanding debt of \$51,015,000. Figure A-7 shows outstanding debt at June 30, 2014.

**Table A-7
Outstanding Debt**

	<u>2014</u>	<u>2013</u>
General Obligation Bonds		
-Series of 2014	\$ 8,285,000	\$ -
-Series of 2012	980,000	1,945,000
-Series of 2011A	23,145,000	23,150,000
-Series of 2011 B	18,605,000	18,610,000
-Series of 2009	-	3,450,000
-Series of 2009A	-	5,640,000
Total	<u>\$ 51,015,000</u>	<u>\$ 52,795,000</u>

LOOKING TO THE FUTURE:

CAPITAL PROJECTS:

The District has almost completed the process of consolidating five aging elementary buildings into two facilities. Students returned to the new Tilden Elementary as of the 2009-10 school year. Students returned to the new Perry Elementary Center for the start of the 2014-2015 school year. With the completion of Perry, there are no major building projects planned by the District for the foreseeable future. Projects currently in the planning stages are the upgrade of the HVAC systems at the High School and Middle School.

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

BUDGET 2014-2015

Rising costs for special education, technology, charter schools, and contractual obligations have necessitated a millage increase for 2014-15. The increase of .25 mills from 25.96 to 26.21 mills was needed to balance the budget. This means that property owners will pay \$26.21 for each \$1,000.00 of assessed valuation.

The 2014-15 budget maintained the existing programs offered in the District, but the rapidly increasing costs for retirement, special education, and charter school tuition make it a challenge to do so.

The comparison of revenue and expenditure categories is as follows:

Table A-8

BUDGETED REVENUES

	<u>2014-2015</u>	<u>2013-2014</u>
Local	65.1%	65.4%
State	33.7%	33.3%
Federal/Other	1.2%	1.3%

BUDGETED EXPENDITURES

	<u>2014-2015</u>	<u>2013-2014</u>
Instruction	55.0%	55.7%
Support Services	30.7%	29.6%
Non Instruction/Community	2.0%	0.3%
Fund Transfers/Debt	12.3%	14.4%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT:

If you have questions about this report, or wish to receive additional financial information please contact Michele Zimmerman, 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 Position
As of June 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 16,978,166	\$ 350,381	\$ 17,328,547
Investments	4,702,000	-	4,702,000
Receivables, net	1,265,716	-	1,265,716
Internal Balances	6,188	60,301	-
Due From Other Governments	933,858	64,412	998,270
Other Receivables	14,658	-	14,658
Inventories	53,611	44,993	98,604
Prepaid Expenses	100	-	100
Other Current Assets	-	-	-
Total Current Assets	<u>23,954,297</u>	<u>520,087</u>	<u>24,407,895</u>
Non-Current Assets:			
Land	605,413	-	605,413
Site Improvements (net of depreciation)	1,783,584	-	1,783,584
Building and Bldg. Improvements (net of depreciation)	50,976,324	-	50,976,324
Furniture and Equipment (net of depreciation)	526,170	131,890	658,060
Construction in Progress	17,268,468	-	17,268,468
Total Non-Current Assets	<u>71,159,959</u>	<u>131,890</u>	<u>71,291,849</u>
Total Assets	95,114,256	651,977	95,699,744
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Debt Refundings, net	368,803	-	368,803
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 95,483,059</u>	<u>\$ 651,977</u>	<u>\$ 96,068,547</u>
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 60,301	\$ 6,188	\$ -
Due to other governments	-	-	-
Accounts Payable	1,326,044	13,744	1,339,788
Current Portion of Long-Term Obligations	2,454,032	-	2,454,032
Accrued Salaries and Benefits	2,251,762	13,358	2,265,120
Payroll Deductions and Withholdings	-	-	-
Payments Received in Advance	-	19,501	19,501
Other Current Liabilities	556,720	-	556,720
Total Current Liabilities	<u>6,648,859</u>	<u>52,791</u>	<u>6,635,161</u>
Non-Current Liabilities:			
Bonds Payable	48,447,677	-	48,447,677
Other Retirement Benefits	129,860	2,029	131,889
Net OPEB Obligation	933,300	74,394	1,007,694
Long-Term Portion of Compensated Absences	625,818	33,709	659,527
Capital Lease Obligations	14,409	-	14,409
Total Liabilities	<u>56,799,923</u>	<u>162,923</u>	<u>56,896,357</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue from Property Taxes	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>56,799,923</u>	<u>162,923</u>	<u>56,896,357</u>
NET POSITION			
Net Investment in Capital Assets	21,344,584	131,891	21,476,475
Restricted For:			
Capital Projects	5,660,097	-	5,660,097
Other Restrictions	-	-	-
Unrestricted (deficit)	11,678,455	357,163	12,035,618
TOTAL NET POSITION	<u>38,683,136</u>	<u>489,054</u>	<u>39,172,190</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 95,483,059</u>	<u>\$ 651,977</u>	<u>\$ 96,068,547</u>

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, 2014**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 20,430,248	\$ 1,337	\$ 3,712,657	\$ -	\$ (16,716,254)	\$ -	\$ (16,716,254)
Instructional Student Support	3,328,984	-	241,217	-	(3,087,767)	-	(3,087,767)
Admin. & Fin'l Support Services	2,731,699	-	185,570	-	(2,546,129)	-	(2,546,129)
Oper. & Maint. Of Plant Svcs.	2,760,363	-	111,368	-	(2,648,995)	-	(2,648,995)
Pupil Transportation	1,891,147	840	880,366	-	(1,009,941)	-	(1,009,941)
Student activities	674,684	81,021	36,308	-	(557,355)	-	(557,355)
Community Services	33,410	-	-	-	(33,410)	-	(33,410)
Interest on Long-Term Debt	2,326,422	-	-	552,374	(1,774,048)	-	(1,774,048)
Unallocated Depreciation Expense	1,365,244	-	-	-	(1,365,244)	-	(1,365,244)
TOTAL GOVERNMENT ACTIVITIES	35,542,201	83,198	5,167,486	552,374	(29,739,143)	-	(29,739,143)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,293,571	645,607	620,895	-	-	(27,069)	(27,069)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 36,835,772	\$ 728,805	\$ 5,788,381	\$ 552,374	\$ (29,739,143)	\$ (27,069)	\$ (29,766,212)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 20,928,941	\$ -	\$ 20,928,941
Taxes levied for specific purposes					2,334,404	-	2,334,404
Grants, subsidies, & contributions not restricted					7,233,207	-	7,233,207
Investment Earnings					43,071	563	43,634
Miscellaneous Income					85,950	37	85,987
Special Item - Gain or (Loss) on sale of capital assets					-	-	-
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					30,625,573	600	30,626,173
CHANGES IN NET POSITION					886,430	(26,469)	859,961
NET POSITION - BEGINNING					37,796,706	515,523	38,312,229
NET POSITION - ENDING					\$ 38,683,136	\$ 489,054	\$ 39,172,190

**Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2014**

	GENERAL	CAPITAL PROJECTS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 10,135,089	\$ 6,297,722	\$ 545,355	\$ 16,978,166
Investments	3,967,000	735,000	-	4,702,000
Taxes Receivable, net	1,265,716	-	-	1,265,716
Due from other funds	6,188	-	-	6,188
Due from Other Governments	933,858	-	-	933,858
Other Receivables	4,993	-	-	4,993
Inventories	-	-	-	-
Prepaid Expenditures	100	-	-	100
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 16,312,944	\$ 7,032,722	\$ 545,355	\$ 23,891,021
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 16,312,944	\$ 7,032,722	\$ 545,355	\$ 23,891,021
<u>LIABILITIES</u>				
Due to Other Funds	\$ 60,301	\$ -	\$ -	\$ 60,301
Due to Other Governments	-	-	-	-
Accounts Payable	446,000	810,225	-	1,256,225
Current Portion of Long-Term Debt	169,540	-	-	169,540
Accrued Salaries and Benefits	1,441,851	-	-	1,441,851
Payroll Deductions and Withholdings	809,911	-	-	809,911
Other Current Liabilities	30,987	-	-	30,987
TOTAL LIABILITIES	2,958,590	810,225	-	3,768,815
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned Revenue from Property Taxes	1,039,671	-	-	1,039,671
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	3,998,261	810,225	-	4,808,486
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	52,871	6,222,497	-	6,275,368
Committed	2,060,289	-	-	2,060,289
Assigned	7,336,523	-	545,355	7,881,878
Unassigned	2,865,000	-	-	2,865,000
TOTAL FUND BALANCES	12,314,683	6,222,497	545,355	19,082,535
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 16,312,944	\$ 7,032,722	\$ 545,355	\$ 23,891,021

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 Position
As of June 30, 2014**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 19,082,535

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$88,700,320 and the accumulated depreciation is \$17,540,361. 71,159,959

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. 9,665

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 position. 1,039,671

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory. 53,611

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. (69,818)

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. This amount was previously reported as a contra to Bonds Payable under long-term debt; however GASB Statement No. 65 changed the classification of this item to deferred outflows of resources. 368,803

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	\$ (50,727,677)	
Accrued interest on the bonds	(525,733)	
Compensated absences	(625,818)	
Net OPEB Obligation	(933,300)	
Years of Service Benefit	(129,860)	
Capital Leases	(18,902)	(52,961,290)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 38,683,136**

Hamburg Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 23,788,400	\$ 30,606	\$ 1,090	\$ 23,820,096
State Sources	12,206,508	-	-	12,206,508
Federal Sources	423,137	-	-	423,137
TOTAL REVENUES	<u>36,418,045</u>	<u>30,606</u>	<u>1,090</u>	<u>36,449,741</u>
	-----	-----	-----	-----
EXPENDITURES				
Instruction	20,347,709	23,595	-	20,371,304
Support Services	10,589,978	204,415	155,709	10,950,102
Operation of Non-Instructional Services	700,074	-	-	700,074
Capital Outlay	15,622	14,361,701	-	14,377,323
Debt Service	4,162,196	-	4,749	4,166,945
TOTAL EXPENDITURES	<u>35,815,579</u>	<u>14,589,711</u>	<u>160,458</u>	<u>50,565,748</u>
	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>602,466</u>	<u>(14,559,105)</u>	<u>(159,368)</u>	<u>(14,116,007)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	9,250,000	9,250,000
Proceeds from Extended Term Financing	24,034	-	-	24,034
Interfund Transfers in	-	-	-	-
Sale/Compensation for Fixed Assets	13,515	-	-	13,515
Bond Premium	-	-	144,019	144,019
Bond Discount	-	-	-	-
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	(9,233,561)	(9,233,561)
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>37,549</u>	<u>-</u>	<u>160,458</u>	<u>198,007</u>
	-----	-----	-----	-----
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
	-----	-----	-----	-----
NET CHANGE IN FUND BALANCES	640,015	(14,559,105)	1,090	(13,918,000)
FUND BALANCES - BEGINNING	<u>11,674,668</u>	<u>20,781,602</u>	<u>544,265</u>	<u>33,000,535</u>
	-----	-----	-----	-----
FUND BALANCES - ENDING	<u>\$ 12,314,683</u>	<u>\$ 6,222,497</u>	<u>\$ 545,355</u>	<u>\$ 19,082,535</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, 2014**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (13,918,000)

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	\$ 1,449,393	
less - capital outlays	<u>14,677,733</u>	13,228,340

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 position differs from the change in fund balance by the cost of fixed assets sold. -

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 inflows of resources increased by this amount this year. (713)

Repayment of bond principal and lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,945,132

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. (49,846)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **1,204,913**

**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, 2014**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) \$ 1,204,913

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. (104,610)

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. (33,908)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 position. This figure represents the difference between bond proceeds and refunding payments made to paying agents. (184,492)

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. 4,527

CHANGE IN POSITION OF GOVERNMENTAL ACTIVITIES **\$ 886,430**

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

**Hamburg Area School District
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 350,381	\$ -	\$ 350,381
Investments	-	-	-
Due from other funds	60,301	-	60,301
Due From Other Governments	64,412	-	64,412
Other Receivables	-	-	-
Inventories	44,993	-	44,993
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	520,087	-	520,087
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	131,891	-	131,891
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	131,891	-	131,891
TOTAL ASSETS	\$ 651,978	\$ -	\$ 651,978
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 651,978	\$ -	\$ 651,978
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 6,188	\$ -	\$ 6,188
Accounts Payable	13,745	-	13,745
Current Portion of Long-Term Debt	-	-	-
Prepayments from Students	19,501	-	19,501
Accrued Salaries and Benefits	13,358	-	13,358
TOTAL CURRENT LIABILITIES	52,792	-	52,792
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	33,709	-	33,709
Years of Service Benefit	2,029	-	2,029
Net OPEB Obligation	74,394	-	74,394
TOTAL NON-CURRENT LIABILITIES	110,132	-	110,132
TOTAL LIABILITIES	162,924	-	162,924
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	162,924	-	162,924
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	131,891	-	131,891
Restricted for Legal Purposes	-	-	-
Unrestricted	357,163	-	357,163
TOTAL FUND NET POSITION	489,054	-	489,054
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 651,978	\$ -	\$ 651,978

Hamburg Area School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 612,316	\$ -	\$ 612,316
Other Operating Revenues	<u>33,328</u>	<u>-</u>	<u>33,328</u>
TOTAL OPERATING REVENUES	<u>645,644</u>	<u>-</u>	<u>645,644</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	466,599	-	466,599
Employee Benefits	273,778	-	273,778
Purchased Professional and Technical Services	2,328	-	2,328
Purchased Property Service	17,997	-	17,997
Other Purchased Services	12,402	-	12,402
Supplies	503,818	-	503,818
Depreciation	8,341	-	8,341
Dues and Fees	274	-	274
Other Operating Expenses	<u>8,034</u>	<u>-</u>	<u>8,034</u>
TOTAL OPERATING EXPENSES	<u>1,293,571</u>	<u>-</u>	<u>1,293,571</u>
	-----	-----	-----
OPERATING INCOME (LOSS)	<u>(647,927)</u>	<u>-</u>	<u>(647,927)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	563	-	563
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	93,086	-	93,086
Federal Sources	527,809	-	527,809
Interest Expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>621,458</u>	<u>-</u>	<u>621,458</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(26,469)</u>	<u>-</u>	<u>(26,469)</u>
Capital contributions	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
CHANGES IN FUND NET POSITION	<u>(26,469)</u>	<u>-</u>	<u>(26,469)</u>
	-----	-----	-----
FUND NET POSITION - BEGINNING	<u>515,523</u>	<u>-</u>	<u>515,523</u>
	-----	-----	-----
FUND NET POSITION - ENDING	<u>\$ 489,054</u>	<u>\$ -</u>	<u>\$ 489,054</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, 2014**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 602,358	\$ -	\$ 602,358
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	33,328	-	33,328
Cash Payments to Employees for Services	(729,908)	-	(729,908)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(446,059)	-	(446,059)
Cash Payments to Other Operating Expenses	(8,308)	-	(8,308)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(548,589)	-	(548,589)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	88,457	-	88,457
Federal Sources	377,317	-	377,317
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	465,774	-	465,774
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
Capital Contributions	-	-	-
Principal paid on Financing Agreements	-	-	-
Interest paid on Financing Agreements	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	563	-	563
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	563	-	563
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(82,252)	-	(82,252)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	432,633	-	432,633
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 350,381	\$ -	\$ 350,381

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2014**

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

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING INCOME (LOSS)	\$ (647,927)	\$ -	\$ (647,927)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	8,341	-	8,341
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	89,039	-	89,039
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	2,357	-	2,357
(Increase) Decrease in Advances to Other Funds	(12,315)	-	(12,315)
(Increase) Decrease in Inventories	(2,490)	-	(2,490)
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	(30)	-	(30)
Increase (Decrease) in Accrued Salaries and Benefits	3,578	-	3,578
Increase (Decrease) in Net OPEB Obligation	4,861	-	4,861
Increase (Decrease) in Years of Service Benefit	2,029	-	2,029
Increase (Decrease) in Advances from Other Funds	3,091	-	3,091
Increase (Decrease) in Prepayments	877	-	877
TOTAL ADJUSTMENTS	<u>99,338</u>	<u>-</u>	<u>99,338</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (548,589)</u>	<u>\$ -</u>	<u>\$ (548,589)</u>

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

Hamburg Area School District
Statement of Net Position
Fiduciary Funds
As of June 30, 2014

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 120,510
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	-	-	120,510
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ 120,510
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	120,510
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	120,510
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	120,510
NET POSITION			
Restricted	-	-	-
Unrestricted	-	-	-
TOTAL NET POSITION	\$ -	\$ -	\$ -

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

Hamburg Area School District
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

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

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

Hamburg Area School District
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>BUDGET TO GAAP DIFFERENCE</u>	<u>ACTUAL AMOUNTS GAAP BASIS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>				
REVENUES						
Local Sources	\$ 24,128,788	\$ 24,128,788	\$ 23,788,400	\$ (340,388)	\$ -	\$ 23,788,400
State Sources	12,261,627	12,261,627	12,206,508	(55,119)	-	12,206,508
Federal Sources	<u>476,535</u>	<u>476,535</u>	<u>423,137</u>	<u>(53,398)</u>	-	<u>423,137</u>
TOTAL REVENUES	<u>36,866,950</u>	<u>36,866,950</u>	<u>36,418,045</u>	<u>(448,905)</u>	-	<u>36,418,045</u>
EXPENDITURES						
Regular Instruction	15,144,510	14,567,510	14,489,060	78,450	-	14,489,060
Special Programs	4,097,390	4,651,390	4,640,701	10,689	-	4,640,701
Vocational Programs	907,369	930,369	927,592	2,777	-	927,592
Other Instructional Programs	377,673	377,673	290,356	87,317	-	290,356
Adult Education Programs	-	-	-	-	-	-
Community/Junior College Ed. Programs	-	-	-	-	-	-
Pupil Personnel Services	1,206,758	1,206,758	1,200,224	6,534	-	1,200,224
Instructional Staff Services	1,777,744	1,777,744	1,769,435	8,309	-	1,769,435
Administrative Services	1,885,249	1,928,249	1,921,174	7,075	-	1,921,174
Pupil Health	411,575	393,575	391,377	2,198	-	391,377
Business Services	478,832	428,832	413,495	15,337	-	413,495
Operation & Maintenance of Plant Services	2,931,894	2,789,894	2,711,762	78,132	-	2,711,762
Student Transportation Services	1,886,836	2,037,836	1,890,924	146,912	-	1,890,924
Central Support Services	296,978	296,978	263,531	33,447	-	263,531
Other Support Services	31,000	31,000	28,056	2,944	-	28,056
Student Activities	113,264	710,895	666,664	44,231	-	666,664
Community Services	35,000	35,000	33,410	1,590	-	33,410
Facilities, Acquisition and Construction	-	16,000	15,622	378	-	15,622
Debt Service	<u>4,452,247</u>	<u>4,452,247</u>	<u>4,162,196</u>	<u>290,051</u>	-	<u>4,162,196</u>
TOTAL EXPENDITURES	<u>36,034,319</u>	<u>36,631,950</u>	<u>35,815,579</u>	<u>816,371</u>	-	<u>35,815,579</u>
Excess (deficiency) of revenues over expenditures	<u>832,631</u>	<u>235,000</u>	<u>602,466</u>	<u>367,466</u>	-	<u>602,466</u>
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Interfund Transfers in	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	15,000	15,000	13,515	(1,485)	-	13,515
Proceeds from Extended Term Financing	-	-	24,034	24,034	-	24,034
Debt Service-Refunded bond issues	-	-	-	-	-	-
Fund Transfers out	(597,631)	-	-	-	-	-
Budgetary Reserve	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>	-	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(832,631)</u>	<u>(235,000)</u>	<u>37,549</u>	<u>272,549</u>	-	<u>37,549</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	640,015	640,015	-	640,015
FUND BALANCE - JULY 1, 2013	<u>\$ 11,560,289</u>	<u>\$ 11,560,289</u>	<u>\$ 11,674,668</u>	<u>\$ 114,379</u>	<u>\$ -</u>	<u>\$ 11,674,668</u>
FUND BALANCE - JUNE 30, 2014	<u>\$ 11,560,289</u>	<u>\$ 11,560,289</u>	<u>\$ 12,314,683</u>	<u>\$ 754,394</u>	<u>\$ -</u>	<u>\$ 12,314,683</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, 2014**

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, 2014**

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 2013-14 was \$845,737.

On dissolution of the Berks Career and Technology Center, the net position 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 position 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, 2014**

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 more significant these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with predecessors' statements and interpretations pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction.

A. Basis of Presentation

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

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

B. Fund Accounting

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Deferred Outflows of Resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred Inflows of Resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources 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 revenue 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, 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. The Municipal Code restricts how the resources are spent within this fund.

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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, along with deferred outflows of resources or deferred inflows of resources required to be reported. 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 reconciliation's 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, including required deferred outflows of resources or required deferred inflows of resources, associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds 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 inflows of resources, and in the presentation of expenses versus expenditures.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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.

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 2013-14 budget transfers.

F. Use of Estimates

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

G. Assets, Liabilities, and Net Position

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".

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2014, 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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 inflows of resources 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, 2014, shows \$53,611 as an asset in the governmental activities column of the government-wide statement of net position and \$44,993 as an asset in the business-type activities column of the government-wide statement of net position.

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, 2014, consist of:

Purchased Food & Supplies	\$ 24,356
Donated Commodities	<u>20,637</u>
TOTAL	<u>\$ 44,993</u>

Prepaid Expenses

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

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 position, 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 position 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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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.

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 position. Bond premiums and discounts, 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. Any deferred amount on refundings are reported as deferred outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2014, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Investment in Capital Assets component of Net Position is comprised 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. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall Net Investment in Capital Assets. The restricted component of Net Position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of Net Position is unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position 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.

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 were 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 position. The governmental fund balance sheet includes reconciliation between "fund balance -total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds".*

The details of this \$52,961,290, difference are:

Bonds payable	\$ 51,015,000
Less: Issuance discount (to be amortized as interest expense)	(443,510)
Add: Issuance premium (to be amortized as a credit to interest expense)	156,187
Capital Lease	18,902
Accrued interest payable	525,733
Years of Service Benefit	129,860
Net OPEB Obligation	933,300
Compensated absences	<u>625,818</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u><u>\$ 52,961,290</u></u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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, 2014**

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

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT ITEMS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 21,023,966	\$ (95,025)	\$ -	\$ -	\$ 20,928,941
Taxes levied for specific purposes	2,240,095	94,309	-	-	2,334,404
Interest and investment earnings	76,979	(33,908)	-	-	43,071
Miscellaneous	74,275	-	-	-	74,275
Contributions and Donations	11,675	-	-	-	11,675
Charges for Services	81,611	-	-	-	81,611
Grants, subsidies & contributions not restricted	7,233,207	-	-	-	7,233,207
INTERMEDIATE SOURCES:					
Charges for Services	747	-	-	-	747
Operating & Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Charges for Services	840	-	-	-	840
Operating & Capital grants and contributions	4,973,301	-	-	-	4,973,301
FEDERAL SOURCES:					
Operating & Capital grants and contributions	746,559	-	-	-	746,559
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	9,250,000	-	-	(9,250,000)	-
Proceeds from Extended Term Financing	24,034	-	-	(24,034)	-
Insurance Recoveries	-	-	-	-	-
Bond Premium	144,019	-	-	(144,019)	-
Gain or (Loss) on disposal of assets	-	-	-	-	-
TOTAL REVENUES	45,881,308	(34,624)	-	(9,418,053)	36,428,631
EXPENDITURES/EXPENSES					
Instruction	20,371,304	76,681	(17,737)	-	20,430,248
Instructional Student Support	3,361,036	5,693	(37,745)	-	3,328,984
Admin. & Fin'l Support Services	2,985,829	(42,443)	(211,687)	-	2,731,699
Oper. & Maint. Of Plant Svcs.	2,713,068	3,837	43,458	-	2,760,363
Pupil Transportation	1,890,924	223	-	-	1,891,147
Student activities	666,664	1,326	6,694	-	674,684
Community Services	33,410	-	-	-	33,410
Capital Outlay	14,376,568	-	(14,376,568)	-	-
Debt Service	13,400,506	-	-	(11,074,084)	2,326,422
Bond Discount	-	-	-	-	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,365,244	-	1,365,244
TOTAL EXPENDITURES/EXPENSES	59,799,309	45,317	(13,228,341)	(11,074,084)	35,542,201
NET CHANGE FOR THE YEAR	\$ (13,918,001)	\$ (79,941)	\$ 13,228,341	\$ 1,656,031	\$ 886,430

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 position of individual funds.

No individual fund contains a deficit fund balance or net position at June 30, 2014.

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, 2014.

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, 2014, \$9,208,706 of the District's bank balance of \$17,660,750 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	9,208,706
TOTAL	<u>\$ 9,208,706</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 9,208,706
Plus: Insured Amount	5,261,691
Less: Outstanding Checks	<u>(212,626)</u>
Carrying Amount - Bank Balances	14,257,771
Plus: Petty Cash	933
Deposits in Investment Pools Considered Cash Equivalents	7,892,353
Less: Certificates of Deposit considered Investment by School Code	<u>(4,702,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 17,449,057</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Investments

As of June 30, 2014, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
Certificates of Deposit	Varies	\$ 4,702,000
PA Local Gov't Investment Trust		1,594,631
PA School District Liquid Asset Fund		6,297,722
US Treasury Notes		-
M & T Bank		-
TOTAL		<u>\$ 12,594,353</u>

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, 2014, 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 investments, 37.91% is in Certificates of Deposit. Of the Capital Reserve Fund's investments, 11.99% is in collateralized certificates of deposit. Of the General Fund's investments, 73.86% 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	\$ 12,594,353
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(7,892,353)</u>
Total Investments Per Financial Statements	<u>\$ 4,702,000</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 \$864,560,800. In accordance with Act 1 of 2006, the District received \$830,372 in property tax reduction funds for the 2013-14 fiscal year. The tax rate for the year was \$2.596 per \$100 of assessed valuation or 25.96 mills.

The property tax calendar is:

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

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

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
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,265,716	-	-	-	-	1,265,716
Accounts	4,993	-	-	-	-	4,993
Intergovernmental	933,858	-	64,412	-	-	998,270
GROSS RECEIVABLES	2,204,567	-	64,412	-	-	2,268,979
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 2,204,567	\$ -	\$ 64,412	\$ -	\$ -	\$ 2,268,979

Governmental funds report deferred inflows of resources 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 inflows of resources reported in the governmental funds were:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Schedule on Deferred Inflows of Resources - Unavailable and Unearned

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 1,039,671	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 1,039,671	\$ -

Capital Assets

Capital asset balances and activity for the year ending June 30, 2014, were:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 605,413	\$ -	\$ -	\$ 605,413
Construction in Progress	2,711,569	14,556,899	-	17,268,468
Total Capital Assets not being depreciated	3,316,982	14,556,899	-	17,873,881
Capital Assets being depreciated:				
Site Improvements	3,049,522	15,622	-	3,065,144
Buildings and Bldg. Improvements	65,296,620	32,184	-	65,328,804
Furniture and Equipment	2,359,463	73,028	-	2,432,491
TOTAL CAPITAL ASSETS BEING DEPRECIATED	70,705,605	120,834	-	70,826,439
Less accumulated depreciation for:				
Site Improvements	(1,162,635)	(118,925)	-	(1,281,560)
Buildings and Bldg. Improvements	(13,099,064)	(1,253,416)	-	(14,352,480)
Furniture and Equipment	(1,829,269)	(77,052)	-	(1,906,321)
TOTAL ACCUMULATED DEPRECIATION	(16,090,968)	(1,449,393)	-	(17,540,361)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	54,614,637	(1,328,559)	-	53,286,078
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 57,931,619	\$ 13,228,340	\$ -	\$ 71,159,959
 BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 815,277	\$ -	\$ -	\$ 815,277
Less accumulated depreciation	(675,046)	(8,341)	-	(683,387)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 140,231	\$ (8,341)	\$ -	\$ 131,890

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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

Regular Instruction	\$ 5,625
Special Instruction	976
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	50
Instructional Staff Svcs.	20,194
Administrative Services	2,679
Health Services	73
Business Services	1,219
Operation & Maintenance of Plant Svcs.	43,608
Pupil Transportation	-
Central Services	3,031
Other Support Services	-
Student Activities	6,694
Community Services	-
Depreciation - unallocated	<u>1,365,244</u>
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,449,393</u>

The District's governmental activities disposed of \$0 obsolete equipment during the year. The business-type activities did not dispose of any equipment during the year.

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 the following Construction Commitments at June 30, 2014:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/14</u>	<u>OUTSTANDING COMMITMENTS</u>
<u>NEW PERRY ELEMENTARY SCHOOL</u>			
AEM Architects - Project Management	\$ 1,162,213	\$ 1,121,535	\$ 40,678
A. H. Moyer, Inc. - Plumbing	1,183,383	1,057,135	126,248
A. H. Moyer, Inc. - HVAC	2,667,913	2,206,818	461,095
E. R. Stuebner	13,121,611	9,229,536	3,892,075
Eastern Air Balance Corp.	209,908	103,118	106,790
MBR Construction	2,667,184	1,895,468	771,716
General Recreation, Inc.	59,935	-	59,935
11400, Inc.	<u>438,300</u>	<u>350,696</u>	<u>87,604</u>
TOTAL	\$ 21,510,447	\$ 15,964,306	\$ 5,546,141
<u>MIDDLE SCHOOL & HIGH SCHOOL IMPROVEMENTS</u>			
AEM Architects - Project Management	<u>35,500</u>	<u>9,940</u>	<u>25,560</u>
GRAND TOTAL	<u>\$ 21,545,947</u>	<u>\$ 15,974,246</u>	<u>\$ 5,571,701</u>

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2014:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 6,188	\$ 60,301
2011 B Construction Fund	-	-
Enterprise (Food Service) Fund	60,301	6,188
Agency (Activity) Fund	-	-
TOTAL	<u>\$ 66,489</u>	<u>\$ 66,489</u>

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2014:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ -
2011 B Construction Fund	-	-
Capital Reserve Fund	-	-
TOTAL	<u>\$ -</u>	<u>\$ -</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Long-term liability balances and activity for the year ended June 30, 2014, were:

CHANGES IN LONG-TERM LIABILITIES

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 52,374,114	\$ 9,434,323	\$ 11,080,760	\$ 50,727,677	\$ 2,280,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	24,034	5,133	18,901	4,492
Total general obligation debt	52,374,114	9,458,357	11,085,893	50,746,578	2,284,492
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	90,418	7,004	-	97,422	96,014
Sick pay	706,744	-	8,808	697,936	73,526
Years of Service Benefit	103,582	26,278	-	129,860	-
Net OPEB Obligation	858,787	74,513	-	933,300	-
Total other liabilities	1,759,531	107,795	8,808	1,858,518	169,540
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 54,133,645	\$ 9,566,152	\$ 11,094,701	\$ 52,605,096	\$ 2,454,032
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Net OPEB Obligation	\$ 69,532	\$ 4,862	\$ -	\$ 74,394	\$ -
Years of Service Benefit	-	2,029	-	2,029	-
Sick pay	31,167	2,542	-	33,709	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 100,699	\$ 9,433	\$ -	\$ 110,132	\$ -

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>
GOVERNMENTAL ACTIVITIES		
General obligation debt	\$ 2,326,422	\$ 2,221,734
Short-term borrowings	-	-
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	\$ 2,326,422	\$ 2,221,734

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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. On February 3, 2014, the District refunded this Series along with the Series below.

General Obligation Bonds – Series A of 2009

On May 1, 2009, the District issued \$7,400,000 of General Obligation Bonds – Series A of 2009. The purpose of this issue is to provide funds to (1) finance a current refunding of the Series A of 2003 outstanding bonds; (2) finance the refunding of the outstanding 2008 Bank Note; and (3) to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The interest rate ranges from 2.00% to 3.75% payable on May 1, and November 1, each year. Total Interest indebtedness is \$1,561,551.45. The bonds mature from May 1, 2010 to May 1, 2020. On February 3, 2014, the District refunded the Series of 2009 (\$3,450,000), and the Series A of 2009 (\$5,640,000), with interest rates ranging from 2.00% to 3.75%, with new debt in the amount of \$9,250,000 with interest rates ranging from 0.3% to 3.0%.

	<u>TOTAL</u>	<u>PORTION PERTAINING TO THE SERIES 2009 BONDS REFUNDED</u>	<u>PORTION PERTAINING TO THE SERIES 2009A BONDS REFUNDED</u>
		37.95%	62.05%
SOURCES:			
Gross Proceeds of Bonds	\$ 9,250,000	\$ 3,510,726	\$ 5,739,274
Plus: Accrued Interest	-	-	-
Premium	144,019	54,661	89,358
Less: Original Issue Discount	-	-	-
Underwriter's Discount	(80,938)	(30,719)	(50,219)
TOTAL SOURCES	<u>\$ 9,313,081</u>	<u>\$ 3,534,668</u>	<u>\$ 5,778,413</u>
USES:			
Escrow Deposit	\$ 9,233,561	\$ 3,504,487	\$ 5,729,074
Issuance Costs	74,771	28,378	46,393
Sinking Fund Deposit	4,749	1,803	2,946
TOTAL USES	<u>\$ 9,313,081</u>	<u>\$ 3,534,668</u>	<u>\$ 5,778,413</u>
DIFFERENCE IN CASH FLOW REQUIREMENTS			
Old Debt Service Cash Flows		\$ 3,724,390	\$ 6,307,236
Cash Flows From New Debt:			
New Debt Service Cash Flow		\$ 3,697,280	\$ 6,044,249
Less: Excess Funds Deposited in Sinking Fund		(1,803)	(2,947)
Net Cash Flows From New Debt		<u>3,695,477</u>	<u>6,041,302</u>
Net Difference in Cash Flows		<u>\$ 28,913</u>	<u>\$ 265,934</u>
ECONOMIC GAIN/LOSS			
Present Value of Old Debt Service Cash Flows		\$ 3,574,248	\$ 5,955,935
Present Value of New Debt Service Cash Flows		\$ 3,506,289	\$ 5,732,021
Less: Excess Funds Deposited in Sinking Fund		(1,803)	(2,947)
Total		<u>3,504,486</u>	<u>5,729,074</u>
Economic Gain		<u>\$ 69,762</u>	<u>\$ 226,861</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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, 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. The debt service requirements at June 30, 2014, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 5,000	\$ 1,048,198
2015-16	80,000	1,048,098
2016-17	70,000	1,046,137
2017-18	375,000	1,044,212
2018-19	1,510,000	1,032,962
2019-24	10,645,000	4,169,038
2024-29	10,440,000	1,305,142
2029-33	20,000	2,625
Sub-Total	\$ 23,145,000	\$ 10,696,412
Unamortized Premium	5,877	
TOTAL OUTSTANDING	\$ 23,150,877	

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. The debt service requirements at June 30, 2014, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 5,000	\$ 948,066
2015-16	5,000	947,966
2016-17	5,000	947,844
2017-18	5,000	947,644
2018-19	5,000	947,444
2019-24	25,000	4,734,106
2024-29	3,830,000	4,699,994
2029-33	14,725,000	1,933,663
Sub-Total	18,605,000	\$ 16,106,727
Unamortized Discount	(443,511)	
TOTAL OUTSTANDING	\$ 18,161,489	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

General Obligation Bonds – Series of 2012

On February 22, 2012, the District issued \$3,780,000 of General Obligation Bonds, Series of 2012. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series of 2007, (2) and 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 May 1, 2012 to May 1, 2015, with interest rate ranging from 1% to 3.0%, with a total projected indebtedness of \$143,074. The debt service requirements at June 30, 2014, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 980,000	\$ 29,400
Sub-Total	980,000	
Unamortized Premium	15,974	
TOTAL OUTSTANDING	\$ 995,974	

General Obligation Bonds – Series of 2014

On February 3, 2014, the District issued \$9,250,000 of General Obligation Bonds, Series of 2014. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series of 2009, and Series A of 2009, 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 May 1, 2014 to May 1, 2020, with interest rates ranging from 0.2% to 3.0%, with a total projected indebtedness of \$491,529. The debt service requirements at June 30, 2014, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 1,290,000	\$ 133,270
2015-16	2,030,000	126,820
2016-17	2,075,000	96,270
2017-18	1,780,000	57,520
2018-19	550,000	27,800
2019-20	560,000	16,800
Sub-Total	\$ 8,285,000	\$ 458,480
Unamortized Premium	134,337	
TOTAL OUTSTANDING	\$ 8,419,337	

Capital Lease

On November 11, 2013, the District entered into a 5 year capital lease agreement with Fulton Bank National Association for 6 new copiers for \$24,034 with a 1\$ buy out at the end of the lease term. The Annual Interest Rate is 3.390% with a total indebtedness of \$1,629.

FISCAL YEAR	PRINCIPAL	INTEREST
2014-15	\$ 4,492	\$ 641
2015-16	4,644	489
2016-17	4,800	331
2017-18	4,965	168
TOTAL OUTSTANDING	\$ 18,901	\$ 1,629

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES B OF 2011	G.O.B SERIES OF 2012	G.O.B SERIES OF 2014	TOTAL PRINCIPAL PAYMENTS
2014-15	\$ 5,000	\$ 5,000	\$ 980,000	\$ 1,290,000	\$ 2,280,000
2015-16	80,000	5,000	-	2,030,000	2,115,000
2016-17	70,000	5,000	-	2,075,000	2,150,000
2017-18	375,000	5,000	-	1,780,000	2,160,000
2018-19	1,510,000	5,000	-	550,000	2,065,000
2019-24	10,645,000	25,000	-	560,000	11,230,000
2024-29	10,440,000	3,830,000	-	-	14,270,000
2029-33	20,000	14,725,000	-	-	14,745,000
TOTAL	23,145,000	18,605,000	980,000	8,285,000	51,015,000
LESS- Payable within one year	5,000	5,000	980,000	1,290,000	2,280,000
PRINCIPAL DUE AFTER ONE YEAR	\$ 23,140,000	\$ 18,600,000	\$ -	\$ 6,995,000	\$ 48,735,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES B OF 2011	G.O.B SERIES OF 2012	G.O.B SERIES OF 2014	TOTAL DEBT SERVICE PAYMENTS
2014-15	\$ 1,053,198	\$ 953,066	\$ 1,009,400	\$ 1,423,270	\$ 4,438,934
2015-16	1,128,098	952,966	-	2,156,820	4,237,884
2016-17	1,116,137	952,844	-	2,171,270	4,240,251
2017-18	1,419,212	952,644	-	1,837,520	4,209,376
2018-19	2,542,962	952,444	-	577,800	4,073,206
2019-24	14,814,038	4,759,106	-	576,800	20,149,944
2024-29	11,745,142	8,529,994	-	-	20,275,136
2029-33	22,625	16,658,663	-	-	16,681,288
TOTAL	\$ 33,841,412	\$ 34,711,727	\$ 1,009,400	\$ 8,743,480	\$ 78,306,019

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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
2014-15	\$ 148,968
2015-16	149,072
2016-17	148,889
2017-18	149,089
2018-19	148,956
TOTAL OUTSTANDING	\$ 744,974

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.

Classified Personnel - each unused sick day times \$25.

F. 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 \$624,410 including FICA tax (net of reimbursement) has been established within the governmental activities column in the government-wide statement of net position. A long-term liability of \$33,709 including FICA tax (net of reimbursement) has been established in the business-type activity column in the statement of net position. In addition, liabilities of \$73,526, and \$33,709, 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 position.

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, 2014, that will use currently available financial resources is \$96,014, 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 position. The remaining vacation pay earned at June 30, 2014, of \$1,408, 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 position.

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).

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Annual Financial Report:- The System issues a Comprehensive Annual Financial Report (CAFR)that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N. 5th Street, Harrisburg, PA 17101-1905 or emailing Beth at bjirman@pa.us. The CAFR is also available in the publications section of the PSERS website at www.psers.state.pa.us.

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 T-C) or at 6.50 percent (Membership Class T-D) 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 T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2011 who contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contributes at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer contribution was 16.93 percent of covered payroll. The 16.93 percent rate is comprised of a pension contribution rate of 16.00 percent for pension benefits and 0.93 percent for healthcare insurance premium assistance.

The employer's current year covered payroll was \$15,632,505 and total payroll was \$16,355,169.

The total employee and employer contributions for this current year were \$1,191,984 and \$2,686,158, respectively.

Other Post Employment Benefits

Plan Description. Hamburg Area School District has one single-employer defined benefit plan, (1) and one defined contribution plan (2).

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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:

YEARS OF SERVICE	PAYMENT PER YEAR OF SERVICE		
	PROFESSIONAL	MANAGEMENT	SUPPORT
15 - 20	\$ 110	\$ 100	\$ 45
21 - 30	\$ 140	\$ 125	\$ 70
31 +	\$ 170	\$ 150	\$ 95

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

Summary of Plan Provisions			
Group	Eligibility	Coverage And Premium Sharing	Duration
<u>ALL EMPLOYEES</u>	<i>Must retire from District</i>	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, and Dental. • Premium Sharing Member pays 100% of premium. • Dependents: Family Included. 	<p style="text-align: center;">Member and spouse may each continue coverage until Medicare age regardless of the status of the other.</p> <p>Grandfathered retiree. One retiree is allowed to continue dental coverage until spouse reaches Medicare age.</p>

Notes: PSERS Retirement

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, and employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS retirement while under 65 with 10 years of PSERS service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
- 3) All individuals are eligible for a special early retirement upon reaching Age 55 with 25 years of PSERS service.

GASB 27 Disclosures: Employees are eligible for retirement severance benefits based on years of service with the district as follows:

15 years' experience with district	\$110 per year of service with district
21 years' experience with district	\$140 per year of service with district
31 years' experience with district	\$170 per year of service with district

The benefits are accounted for under GASB 27, and a Summary of Calculations is included at the end of this report.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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 and years of service benefit for the current year and the related information are as follows:

Contribution Rates:	Governmental Activities			Business-Type Activities			Total
	Medical	Year of Service Benefit	Sub-Total	Medical	Year of Service Benefit	Sub-Total	
Interest Rate	4.5%	0.0%		4.5%	0.0%		
Plan Members	265	0		12	0		
Annual Required Contribution	\$ 255,028	\$ 26,278	\$ 281,306	\$ 6,002	\$ 2,029	\$ 8,031	\$ 289,337
Interest on net OPEB obligation	38,645	-	38,645	3,129	-	3,129	41,774
Adjustment to annual required contribution	(52,722)	-	(52,722)	(4,269)	-	(4,269)	(56,991)
Annual OPEB cost	240,951	26,278	267,229	4,862	2,029	6,891	274,120
Contributions made	(166,438)	-	(166,438)	-	-	-	(166,438)
Decrease in net OPEB obligation	74,513	26,278	100,791	4,862	2,029	6,891	107,682
Net OPEB obligation - beginning of year	858,787	103,582	962,369	69,532	-	69,532	1,031,901
Net OPEB obligation - end of year	\$ 933,300	\$ 129,860	\$ 1,063,160	\$ 74,394	\$ 2,029	\$ 76,423	\$ 1,139,583

The District's annual OPEB cost and years of service benefit, which is the percentage of annual OPEB cost and years of service benefit contributed to the plan and the net OPEB obligation for the five fiscal years ending June 30, 2014, were as follows:

Year ended	Annual OPEB/Yrs. Svc. Cost	Percentage of OPEB/Yrs.Svc. Cost Contributed	Net OPEB/ Yrs. Svc. Obligation
6/30/2014	\$ 274,120	60.8%	\$ 1,139,583
6/30/2013	461,196	55.6%	1,031,901
6/30/2012	461,196	45.7%	1,336,348
6/30/2011	583,854	43.7%	1,065,007
6/30/2010	596,608	57.5%	729,053

Funded Status and Funding Progress. The funded status of the benefits as of June 30, 2014, was as follows:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

	State-mandated Healthcare Benefit	Years of Service Increment Benefit
Actuarial accrued liability (a)	\$ 2,196,870	\$ 240,743
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 2,196,870</u>	<u>\$ 240,743</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 14,933,598	\$ 14,933,598
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	14.7%	1.6%

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

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

	State-mandated Healthcare Benefit	Years of Service Increment Benefit
Actuarial valuation date	7/1/2013	7/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level basis over the earnings period	Level basis over the earnings period
Remaining amortization period	30 years	30 years
Asset valuation method	pay as you go basis	pay as you go basis
Actuarial assumptions:		
Investment rate of return	4.5%	5.0%
Projected salary increases	3.75% to 6.25%	5.0%
Healthcare inflation rate		
2014	6.5%	N/A
2015	6.0%	N/A
2016	5.5%	N/A
2017 to 2089	5.3% to 4.2%	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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2014**

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

Restricted Fund Balance

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$5,660,097 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 \$562,400, in fund balance at year end within this fund is considered restricted.

The General Fund has \$52,871 restricted for unspent outside contributions received during the fiscal year.

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 fund balance of \$545,355, in the Debt Stabilization Fund is assigned for the purpose of the debt service fund. The General fund has assigned \$6,806,900, for future improvement projects, and \$529,623 for high school HVAC improvements.

Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$71,159,959, unspent proceeds of 562,400, with related debt of \$50,377,775, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities restricted \$5,660,097, for future capital projects. The business-type activities column reflects \$131,891 invested in capital assets with no related debt.

Note 8 - 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, 2014.

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, 2014**

State mandated healthcare benefit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2013	\$ -	\$ 2,196,870	\$ 2,196,870	0.0%	\$ 14,933,598	14.71%
7/1/2011	-	1,469,985	1,469,985	0.0%	15,324,707	9.59%
7/1/2009	-	1,864,962	1,864,962	0.0%	14,402,704	12.95%

Years of Service Increment

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2013	\$ -	\$ 240,743	\$ 240,743	0.0%	\$ 14,933,598	1.61%
7/1/2011	-	178,207	178,207	0.0%	15,324,707	1.16%
7/1/2009	-	322,974	322,974	0.0%	13,966,275	2.31%

**OTHER
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Combining Balance Sheet
All Capital Project Funds
As of June 30, 2014**

	CAPITAL RESERVE FUND	2011B CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,394,552	\$ 903,170	\$ 6,297,722
Investments	735,000	-	735,000
Other Receivables	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
	\$ 6,129,552	\$ 903,170	\$ 7,032,722
TOTAL ASSETS			
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 6,129,552	\$ 903,170	\$ 7,032,722
 <u>LIABILITIES</u>			
Accounts Payable	\$ 469,455	\$ 340,770	\$ 810,225
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
	469,455	340,770	810,225
TOTAL LIABILITIES			
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	469,455	340,770	810,225
 FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	5,660,097	562,400	6,222,497
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
	5,660,097	562,400	6,222,497
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,129,552	\$ 903,170	\$ 7,032,722

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2014

	CAPITAL RESERVE FUND	2011B CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 18,298	\$ 12,308	\$ 30,606
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>18,298</u>	<u>12,308</u>	<u>30,606</u>
	-----	-----	-----
EXPENDITURES			
Instruction	1,221	22,374	23,595
Support Services	-	204,415	204,415
Operation of Non-Instructional Services	-	-	-
Capital Outlay	473,959	13,887,742	14,361,701
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>475,180</u>	<u>14,114,531</u>	<u>14,589,711</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(456,882)</u>	<u>(14,102,223)</u>	<u>(14,559,105)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term capital-related debt	-	-	-
Proceeds from Refunding Bond Issues	-	-	-
Bond Premium	-	-	-
Bond Discount	-	-	-
Payment to bond refunding escrow agent	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(456,882)	(14,102,223)	(14,559,105)
FUND BALANCES - BEGINNING	<u>6,116,979</u>	<u>14,664,623</u>	<u>20,781,602</u>
FUND BALANCES - ENDING	<u>\$ 5,660,097</u>	<u>\$ 562,400</u>	<u>\$ 6,222,497</u>

**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2014**

	<u>HAMBURG BOROUGH</u>	<u>PERRY TOWNSHIP</u>	<u>SHOEMAKERSVILLE BOROUGH</u>
<u>CURRENT REAL ESTATE TAXES</u>			
Assessed Value	\$ 165,815,700	\$ 133,974,100	\$ 48,130,100
Millage Rate	<u>0.02596</u>	<u>0.02596</u>	<u>0.02596</u>
TOTAL	4,304,573	3,477,967	1,249,457
Less: Act 1 Reduction	<u>166,217</u>	<u>130,925</u>	<u>55,904</u>
TOTAL TAXABLE DUPLICATE	4,138,356	3,347,042	1,193,553
Plus - Additions	18	719	-
Prior Year Unpaid Additions		-	-
Penalties	<u>8,843</u>	<u>5,942</u>	<u>2,280</u>
TOTAL TAXES TO BE COLLECTED	4,147,217	3,353,703	1,195,833
Less - Discounts	67,942	56,346	20,369
Reductions	-	-	-
Exemptions	-	1,010	-
Refunds	483	-	-
Returned to County	138,774	99,178	45,967
Cabela's / Lowe's	-	-	-
Outstanding	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 3,940,018</u>	<u>\$ 3,197,169</u>	<u>\$ 1,129,497</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 6,707</u>	<u>\$ 7,834</u>	<u>\$ -</u>
<u>CURRENT PER CAPITA TAXES</u>			
No. of Persons Assessed	3,287	1,891	1,036
Tax Rate	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
Taxable Valuation	32,870	18,910	10,360
Plus - Additions	420	250	250
Penalties	<u>319</u>	<u>97</u>	<u>89</u>
TAXES TO BE COLLECTED	33,609	19,257	10,699
Less - Discounts	370	267	120
Exonerations	2,550	750	960
Refunds	-	-	-
Outstanding	5,870	2,360	1,550
Reductions	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 24,819</u>	<u>\$ 15,880</u>	<u>\$ 8,069</u>

STRAUSSTOWN BOROUGH	TILDEN TOWNSHIP	UPPER BERN TOWNSHIP	UPPER TULPEHOCKEN TOWNSHIP	WINDSOR TOWNSHIP	TOTAL
\$ 11,353,500	\$ 217,977,700	\$ 89,863,700	\$ 73,960,700	\$ 123,485,300	\$ 864,560,800
<u>0.02596</u>	<u>0.02596</u>	<u>0.02596</u>	<u>0.02596</u>	<u>0.02596</u>	<u>0.02596</u>
294,737	5,658,700	2,332,861	1,920,019	3,205,677	22,443,991
<u>13,537</u>	<u>166,507</u>	<u>91,947</u>	<u>76,534</u>	<u>128,861</u>	<u>830,432</u>
281,200	5,492,193	2,240,914	1,843,485	3,076,816	21,613,559
265	559	-	323	4,117	6,001
-	-	-	-	-	-
<u>523</u>	<u>8,757</u>	<u>7,280</u>	<u>3,514</u>	<u>6,973</u>	<u>44,112</u>
281,988	5,501,509	2,248,194	1,847,322	3,087,906	21,663,672
4,722	96,298	35,288	30,851	51,076	362,892
-	-	-	-	-	-
-	1,286	-	-	267	2,563
-	19,826	-	-	4,056	24,365
15,336	153,888	135,151	54,704	80,875	723,873
-	472,965	-	-	-	472,965
<u>-</u>	<u>254</u>	<u>-</u>	<u>-</u>	<u>91</u>	<u>345</u>
\$ 261,930	\$ 4,756,992	\$ 2,077,755	\$ 1,761,767	\$ 2,951,541	\$ 20,076,669
\$ 43	\$ 43,494	\$ 13,365	\$ 662	\$ 21,761	\$ 93,866
241	2,746	1,333	1,203	1,931	13,668
<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
2,410	27,460	13,330	12,030	19,310	136,680
170	200	230	160	260	1,940
<u>22</u>	<u>208</u>	<u>106</u>	<u>101</u>	<u>143</u>	<u>1,085</u>
2,602	27,868	13,666	12,291	19,713	139,705
24	343	169	157	256	1,706
310	600	690	610	810	7,280
-	-	-	-	-	-
520	5,080	1,780	1,340	2,260	20,760
<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>
\$ 1,748	\$ 21,845	\$ 11,027	\$ 10,174	\$ 16,387	\$ 109,949

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014**

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 20,076,669	
Interim Real Estate Taxes	93,866	
Public Utility	29,018	
Payment in Lieu of Taxes	10,018	
Current Per Capita Taxes - 511	54,975	
Current Per Capita Taxes - 679	54,975	
Occupational Privilege Tax	-	
Earned Income Tax	1,908,232	
Real Estate Transfer Tax	172,151	
Amusement Taxes	-	
Delinquent Real Estate Taxes	853,431	
Delinquent Interim Real Estate Taxes	-	
Delinquent Per Capita Taxes - 511	5,363	
Delinquent Per Capita Taxes - 679	5,363	
Delinquent OPT Taxes	-	
Interest	45,284	
Gain on Sale of Investments	-	
Admissions	52,596	
Fees	28,425	
State Revenue Received from Other Sources	-	
I/U Services - Federal	323,422	
Rentals	33,164	
Contributions	11,675	
Tuition	-	
Summer School	590	
Adult School	-	
Receipts from Other LEA's - Education	747	
Transportation Services Provided to other Gov'ts.	840	
Miscellaneous	26,669	
Refunds of Prior Yr. Expenditures	927	
TOTAL LOCAL SOURCE REVENUE	23,788,400	\$ 23,788,400

STATE SOURCES:

Basic Subsidy - ESBE	6,402,835
Read to Succeed	-
Charter Schools	-
School Performance	-
Orphan Tuition	94,824
Homebound	-
Vocational Education	-
Alternative Education	-
Driver Education	-
Migratory Children	-
Special Education	1,304,967
SUB-TOTAL	7,802,626

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014**

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$ 7,802,626	
Early Intervention	-	
Transportation	872,909	
Rentals	552,374	
Health Services	43,306	
State Property Tax Reduction Allocation	830,372	
PA Accountability Grants	130,246	
Project 720 H. S. Reform	-	
Extra Grants	-	
Dual Enrollment Grants	-	
FICA Revenue	626,575	
Retirement Revenue	1,348,100	
Classrooms for the Future	-	
TOTAL STATE SOURCE REVENUE	-	\$ 12,206,508

FEDERAL SOURCES:

Title I	348,218	
Title I - ARRA	-	
Title II	69,169	
State Fiscal Stabilization Fund - ARRA	-	
Ed Jobs Grant	-	
Medical Assistance Reimbursement	5,750	
TOTAL FEDERAL SOURCE REVENUE	-	423,137
TOTAL REVENUE		36,418,045

Expenditures

Instruction - Regular	14,062,404
Instruction - Federally Funded Programs	426,656
Life Skills Support - Public	200,575
Life Skills Support - PRRI	6,759
Deaf or Hearing Impaired Support	370,118
Blind or Visually Impaired Support	106,243
Speech & Language Impaired	314,767
Emotional Support - Public	461,394
Autistic Support	471,571
Learning Support - Public	2,505,505
Gifted Support	154,413
Physical Support	13,603
Multi-Handicapped Support	-
Early Intervention Support	8,994
Other Support	26,759
SUB-TOTAL	19,129,761

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014**

SUB-TOTAL (CARRIED FORWARD)	\$ 19,129,761
Agricultural Education	81,855
Industrial Arts Education	-
Trade and Industrial Education	-
Other Vocational Education	845,737
Drivers' Education	-
Summer School	13,921
Homebound Instruction	16,248
Adjudicated/Court Placed Programs	24,836
Alternative Education Program	187,850
Other Instructional Programs	47,501
Guidance Services	718,334
Counseling Services	79,822
Information Services	-
Psychological Services	154,094
Student Accounting Services	52,003
Other Pupil Personnel Services	195,971
Instructional Staff	-
Technology Support Services	905,781
Computer Assisted Instruction Support Service	-
School Library Services	513,861
Instruction and Curriculum Development Services	112,886
Instructional Staff Development Services	236,907
Board Services	75,930
Board Treasurer Services	236
Tax Assessment and Collection Services	122,400
Staff Relations	-
Legal Services	47,449
Office of the Superintendent Services	363,997
Community Relations Services	-
Office of the Principal Services	1,311,162
Other Administration Services	-
Medical Services	1,146
Dental Services	394
Nursing Services	389,837
Support Services - Business	413,495
SUB-TOTAL	26,043,414

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014**

SUB-TOTAL (CARRIED FORWARD)	\$ 26,043,414	
Financial Accounting Services	-	
Warehousing and Distributing Services	-	
Operation and Maintenance of Plant Services	646,534	
Supervision of Operation and Maint. of Plant Svcs.	197,248	
Operation of Building Services	1,838,987	
Care and Upkeep of Grounds Services	13,700	
Care and Upkeep of Equipment Services	13,697	
Vehicle Operation and Maint. Services	1,596	
Student Transportation Services	1,649,088	
Transportation Services	-	
Supervision of Student Transportation Services	77,908	
Non-Public Transportation	163,928	
System-Wide Technology Services	263,531	
State and Federal Agency Liaison Services	-	
Other Support Services	28,056	
Student Activities/Athletics	666,664	
Community Services	33,410	
Site Acquisition Services - Original and Additional	-	
Existing Site Improvement Services	-	
Architecture and Engineering Services - Org/Add.	-	
Existing Building Improvement Services	15,622	
Debt Service	4,162,117	
Refund of Prior Yr. Receipts	79	
TOTAL Expenditures	79	\$ 35,815,579
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		\$ 602,466

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014**

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (carried forward)		\$	602,466
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Extended Term Financing	\$	24,034	
Debt Service Fund Transfers		-	
Transfer from Trust Funds		-	
Transfer from Activity Funds			
Sale of Fixed Assets		13,515	
Special Revenue Fund Transfers in		-	
Capital Projects Funds Transfers		-	
Special Revenue Fund Transfers out		-	
Transfer to Food Service Fund		-	
Debt Service Fund Transfers out		-	
Activity Fund Transfers		-	
TOTAL OTHER FINANCING SOURCES (USES)		<u>37,549</u>	
Special Items		-	
Extraordinary Items		<u>-</u>	<u>37,549</u>
NET CHANGE IN FUND BALANCE			640,015
FUND BALANCE - JULY 1, 2013			<u>11,674,668</u>
FUND BALANCE - JUNE 30, 2014		\$	<u>12,314,683</u>

**Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2014**

REVENUES

Lunches	\$ 612,316	
Special Functions	33,291	
Federal Subsidy	434,829	
Donated Commodities Received	92,980	
State Subsidy	36,066	
State Reimbursement - FICA & Retirement	57,020	
Other Food Service Revenue	37	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	-	
Interest	563	
TOTAL REVENUES		\$ 1,267,102

COST OF GOODS SOLD

Inventory - July 1, 2013	38,562	
Food and Milk	386,315	
Donated Commodities	92,980	
Supplies	30,954	
LESS - Inventory - June 30, 2014	(44,993)	
TOTAL COST OF GOODS SOLD		503,818

GROSS PROFIT

763,284

EXPENSES

Salaries	466,599	
Benefits	273,778	
Professional Fees	2,328	
Travel	1,298	
Repairs	17,997	
Food Handling Costs	3,946	
Depreciation	8,341	
Purchased Services	7,158	
Uncapitalized Equipment	8,034	
Dues and Fees	274	
Other	-	
TOTAL EXPENSES		789,753

CHANGES IN FUND NET POSITION

(26,469)

FUND NET POSITION - BEGINNING

515,523

FUND NET POSITION - ENDING

\$ 489,054

**Hamburg Area School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2014**

ASSETS

Cash and Cash Equivalents	\$ 350,381
Due From Other Funds	60,301
Intergovernmental Receivables	64,412
Other Receivables	-
Inventory	
- Food	24,356
- Supplies	-
- Federal Commodities	20,637
Prepaid Expenses	-
Equipment (net of accum. Depreciation)	131,891

DEFERRED OUTFLOWS OF RESOURCES

Dererred Charges on Refundings	-
--------------------------------	---

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES **\$ 651,978**

LIABILITIES

Accounts Payable	\$ 13,745
Due to Other Funds	6,188
Compensated Absences	33,709
Prepayments from Students	19,501
Net OPEB Obligation	74,394
Years of Service Benefit	2,029
Accrued Salaries and Benefits	13,358

DEFERRED INFLOWS OF RESOURCES

Unearned Revenue	-	162,924
------------------	---	---------

FUND NET POSITION **489,054**

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND NET POSITION** **\$ 651,978**

**Hamburg Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013		\$ 6,116,979
REVENUES AND OTHER FINANCING SOURCES		
Interest	\$ 18,298	
Refund of Prior Year Expenditures	-	
Interfund Transfers In	-	18,298
TOTAL FUNDS AVAILABLE		6,135,277
EXPENDITURES		
INSTRUCTIONAL SERVICES:		
Equipment	1,221	
NON-INSTRUCTIONAL SERVICES:		
Equipment	-	
CAPITAL OUTLAY:		
Professional Services	94,276	
Rentals	9,754	
Construction Services	369,173	
Land Purchases	-	
Supplies	-	
Equipment	-	
Dues and Fees	756	
OTHER FINANCING USES		
Interfund Transfers Out	-	475,180
FUND BALANCE - JUNE 30, 2014		\$ 5,660,097

**Hamburg Area School District
2011B Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013		\$ 14,664,623
 REVENUES AND OTHER FINANCING SOURCES		
Proceeds from Bond Issues	\$ -	
Miscellaneous	-	
Interest	12,308	12,308
TOTAL FUNDS AVAILABLE	12,308	14,676,931
 <u>EXPENDITURES</u>		
INSTRUCTIONAL:		
Supplies	18,550	
Equipment	3,824	
SUPPORT SERVICES:		
Advertising	-	
Repairs and Maintenance	550	
Supplies	1,310	
Equipment	202,555	
NON-INSTRUCTIONAL SERVICES:		
Supplies	-	
CAPITAL OUTLAY:		
Professional Services	527,552	
Repairs and Maintenance	-	
Utility Services	50,000	
Insurance	-	
Travel	-	
Supplies	8,800	
Construction Services	13,301,390	
Equipment	-	
Dues and Fees	-	
OTHER FINANCING USES		
Debt Service - Interest	-	
Bond Discounts	-	14,114,531
FUND BALANCE - JUNE 30, 2014	562,400	\$ 562,400

**Hamburg Area School District
Debt Service Stabilization Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013	\$	544,265
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$	-
Transfer from General Fund		-
Interest		1,090
		1,090
TOTAL FUNDS AVAILABLE		545,355
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services		-
Insurance		-
Printing		-
DEBT SERVICE:		
Bond Principal		-
Bond Interest		-
OTHER FINANCING USES:		
Bond Discount		
Payment to Refunded Bonds Escrow Agent		-
		-
 FUND BALANCE - JUNE 30, 2014	 \$	 <u>545,355</u>

**Debt Service Fund - GOB 2014
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014**

FUND BALANCE - JULY 1, 2013	\$	-
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$	9,250,000
Bond Premium		144,019
Interest		-
		9,394,019
TOTAL FUNDS AVAILABLE		9,394,019
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services		146,959
Insurance		-
Printing		8,750
DEBT SERVICE:		
Bond Principal		-
Bond Interest		4,749
OTHER FINANCING USES:		
Bond Discount		
Payment to Refunded Bonds Escrow Agent		-
		9,233,561
		9,394,019
 FUND BALANCE - JUNE 30, 2014	 \$	 <u>-</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2011
For the Year Ended June 30, 2014**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
TOTAL OUTSTANDING		<u>\$ 10,696,412</u>	<u>\$ 23,145,000</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series B of 2011
For the Year Ended June 30, 2014**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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
TOTAL OUTSTANDING		<u>\$ 16,106,727</u>	<u>\$ 18,605,000</u>

**Schedule on General Obligation Bonds
Series of 2012
For the Year Ended June 30, 2014**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	3.00	\$ 29,400	\$ 980,000
TOTAL OUTSTANDING		<u>\$ 29,400</u>	<u>\$ 980,000</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series of 2014
For the Year Ended June 30, 2014**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014-15	0.20	\$ 133,270	\$ 1,290,000
2015-16	0.5 to 2.0	126,820	2,030,000
2016-17	1.00 to 2.00	96,270	2,075,000
2017-18	1.40 to 3.00	57,520	1,780,000
2018-19	2.00	27,800	550,000
2019-20	3.00	16,800	560,000
TOTAL OUTSTANDING		<u>\$ 458,480</u>	<u>\$ 8,285,000</u>

SINGLE AUDIT SECTION

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/13	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/14	FOOTNOTES
<u>U. S. DEPARTMENT OF EDUCATION</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF EDUCATION</u>											
ESEA - TITLE I	I	84.010	013-13-0178A	7/1/12-9/30/13	\$ 371,548	\$ 93,973	\$ 75,907	\$ 18,066	\$ 18,066	\$ -	2
ESEA - TITLE I	I	84.010	013-14-0178A	7/1/13-9/30/14	\$ 330,151	88,611	-	330,151	330,151	241,540	
TOTAL TITLE I PROGRAM						182,584	75,907	348,217	348,217	241,540	
<u>ESEA - TITLE IIA IMPROVING TEACHER QUALITY</u>											
TOTAL TITLE II PROGRAM						18,465	-	69,169	69,169	50,704	
<u>PASSED THROUGH THE BERKS COUNTY I.U.</u>											
IDEA	I	84.027	N/A	7/1/12-6/30/13	\$ 329,581	329,581	329,581	-	-	-	2
IDEA	I	84.027	N/A	7/1/13-6/30/14	\$ 322,015	133,276	-	322,015	322,015	188,739	1
IDEA - Section 619	I	84.173	N/A	7/1/13-6/30/14	\$ 1,407	-	-	1,407	1,407	1,407	1
TOTAL IDEA CLUSTER						462,857	329,581	323,422	323,422	190,146	
ARRA - RACE TO THE TOP - PHASE 3	I	84.413A	N/A	7/1/12-6/30/13	\$ 23,513	21,980	22,123	-	-	143	5
TOTAL U.S. DEPARTMENT OF EDUCATION						685,886	427,611	740,808	740,808	482,533	
<u>U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF PUBLIC WELFARE</u>											
ESEA - TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/13-9/30/14	N/A	3,995	-	5,750	5,750	1,755	2
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						3,995	-	5,750	5,750	1,755	
<u>U. S. DEPT. OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPT OF EDUCATION</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/12-6/30/13	N/A	1,635	1,635	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/13-6/30/14	N/A	342,305	-	397,155	397,155	54,850	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/12-6/30/13	N/A	287	287	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/13-6/30/14	N/A	32,982	-	37,674	37,674	4,692	
<u>PASSED THROUGH THE PA</u>											
<u>DEPARTMENT OF AGRICULTURE</u>											
USDA COMMODITIES	I	10.555	N/A	7/1/13-6/30/14	N/A	92,980	(16,696)	89,039	89,039	(20,637)	2
TOTAL CHILD NUTRITION CLUSTER						470,189	(14,774)	523,868	523,868	38,905	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						470,189	(14,774)	523,868	523,868	38,905	
TOTAL FEDERAL AWARDS						\$ 1,160,070	\$ 412,837	\$ 1,270,426	\$ 1,270,426	\$ 523,193	

SOURCE: D-DIRECT; I-INDIRECT

**Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2014**

Note 1 - Significant Accounting Policies

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

Note 2 - Organization and Scope

The District recognized 2.1% of its total general fund revenue in federal awards and 41.3% 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 Federal Grants were passed through the following entities in the totals below:

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 770,868	\$ 852,215
Berks County I.U.	676,516	323,422
PA Department of Welfare	N/A	5,750
PA Department of Agriculture	N/A	89,039
Totals	\$ 1,447,384	\$ 1,270,426

3. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$92,980 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2013-14 fiscal year, the District used \$89,039 in commodities and established a year-end inventory of \$20,637 at June 30, 2014.
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 programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

<u>FINANCIAL STATEMENT RECONCILIATION</u>	
General Fund Federal Source Revenues	\$ 423,137
Federal Grants in Local Sources	323,422
Food Service Fund Federal Revenue	527,810
Total Federal Revenue, per financial statements	1,274,369
Less - Medical Access	-
Change in Donated Commodities	(3,943)
Federal Revenue on SEFA	\$ 1,270,426



**INDEPENDENT AUDITOR'S REPORT
UNDER GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Hamburg Area School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hamburg Area School District's basic financial statements, and have issued our report thereon dated November 11, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



November 11, 2014



**INDEPENDENT AUDITOR'S REPORT
UNDER OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Hamburg Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Hamburg Area School District's major federal programs for the year ended June 30, 2014*. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hamburg Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hamburg Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hamburg Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hamburg Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Hamburg Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hamburg Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



November 11, 2014

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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
84.027, 84.173	IDEA Cluster

Percentage of programs tested to total awards 25.5%

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

Auditee qualified as low-risk auditee? yes no

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section II - Financial Statement Findings

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

Section III - Findings and Questioned Costs for Federal Awards

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

Audit Follow-Up Procedures

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