

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2013**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2013

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HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

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HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2013

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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, 2013, 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 27, 2013



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, 2013, and have issued our report thereon dated November 27, 2013.

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

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on July 24, 2013.

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 27, 2013. 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 2012-13 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.

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

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

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

CONTROL DEFICIENCIES

Construction Fund

During our review of construction fund invoices, we discovered costs associated with Architects and Engineers where charged to function 4300. This function should only be used for preliminary activities in the early stages of blueprint development. Since these costs pertained to the new Perry Elementary School Building and Noble Avenue Parking Lot projects, they should have been charged to functions 4200 and 4500. We recommend future costs pertaining to these ongoing projects should be charged to the correct function code.

Athletic Fund

During our testing of contributions received in the athletic fund, we could not find adequate supporting documentation to verify the amounts received. In the future, we advise management to maintain copies of checks received or letters sent with any contributions for supporting documentation. If cash is received, we suggest management have the donor sign a letter of intent as back-up to support the donation.

General Fund – Iron Chef Receipts

During our review of checks paid by the general fund, we discovered checks written to the Educational Foundation offset by receipts recorded by an event held by the Hamburg Area Education Foundation. After making inquiries with District personnel, we were able to determine that the school district deposits the funds raised for this event into its bank accounts.

Since school districts are not allowed to perform fund raising activities within the Commonwealth, we would like to suggest that the funds received from putting on this event should be controlled by the Education Foundation and deposited into their bank accounts versus the District's bank accounts to eliminate suspicion that the District is performing fund raising activities.

OTHER RECOMMENDATIONS

ACH Wire Transfers

During our review of issues affecting the use of advanced technology dealing with financial institutions and the potential for fraud that has been happening throughout the world, we have decided to incorporate suggestions to our clients to make sure your anti-fraud controls are up to date dealing with wire transfers.

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

The following represents an extensive list of controls that should be implemented in all organizations. Please review this list with your existing controls:

1. **Require the bank to limit daily wire transfer amounts.**
2. **Require two persons to consummate all wire transfers to external parties.**
3. **If the wire transfer request is by phone or by fax, require the bank to call your organization back before the wire transfer is consummated.**
4. **The bank should require the use of unique passwords to access wire-transfer software.**
5. **Restrict the bank accounts from which a wire transfer can be made.**
6. **Restrict certain bank accounts so that wire transfers can only be made to other bank accounts of the organization.**
7. **Have someone peruse the daily bank account activity, at a minimum, reconcile bank accounts in a timely fashion.**
8. **Require sufficient documentation for all wire transfer journal entries; require a second person review of these journal entries.**
9. **Consider using a dedicated computer for all wire transfers.**
10. **Use all bank-provided wire transfer controls.**
11. **Any transactions over a certain high dollar amount must have the approval of the business manager.**

Not using controls offered by banks may make your organization liable should funds be stolen by hackers. Make sure your district uses appropriate firewall and antivirus protection.

If one person can make external wire transfers and journal entries to record those transactions, you have the makings of fraud.

OTHER INFORMATION

We would be remissed 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 70 that 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

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

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 outflow or inflow of resources, and net position affected by such transactions. This standard takes effect in the 2014-15 fiscal year.

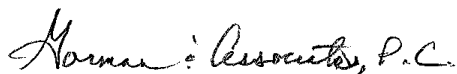
GASB Statement No. 70

This new accounting standard takes effect in the 2013-14 fiscal year. It pertains to governments extending non-exchange financial guarantees. As an example, when a school district creates a financing authority, then this Statement will apply. It requires governments extending financial guarantees on debt issued by another government to make certain disclosures in their notes to financial statements, and the government issuing the debt to also make certain disclosures.

In addition, the Statement provides criteria when a liability should be recorded on the Statement of Net Position for the guarantor government, and when the issuing government should reclassify its debt. It also provides guidance on the proper handling when the issuing government reimburses the guarantor government.

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 27, 2013

REPORT DISTRIBUTION LIST

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

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

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

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

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2013, 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, 2013, 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.

Emphasis of Matter

As discussed in Note 2-F to the financial statements, the Hamburg Area School District adopted new accounting guidance from GASB Statement Nos. 63 and 65 for the 2012-13 fiscal year. Our opinion is not modified with respect to these pronouncements.

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 11-19, and the Schedule of Funding Progress, on page 65, 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

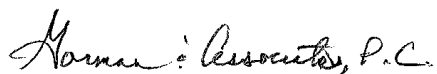
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamburg Area School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by 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 December 7, 2013, 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,

A handwritten signature in cursive script that reads "Norman Associates, P.C.".

November 27, 2013

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2013

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, 2013.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by \$419,250, resulting in an increase in fund balance of \$419,250. The primary reasons for this surplus were local and state revenues exceeding budgeted figures while expenditures came in less than originally budgeted.

The Board of Directors passed a 2012-13 budget with a real estate tax increase of .25 mills. The increase was necessitated by contractual obligations; PSERS rate increases, the continuing increases for special education costs, charter schools, and financing of debt. Future land redevelopment plans are underway in Hamburg Borough.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

A. 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 outflow of resources and deferred inflow 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 \$38,312,229 at June 30, 2013, an increase of \$871,979 or 2.3%. The governmental net position increased by \$878,476 (or 2.3%), while business-type net position decreased by (\$6,497) or .3%.

Table A-1
Fiscal Year Ended June 30, 2013
Net Position

	2013			2012			
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total	
Current and Other Assets	\$ 37,634,410	\$ 523,809	\$ 38,158,219	\$ 37,992,192	\$ 510,797	\$ 38,502,989	(1)
Non-Current Assets	57,931,619	140,231	58,071,850	57,849,048	150,722	57,999,770	
Deferred Outflow of Resource	373,579	-	373,579	-	-	-	
Total Assets & Deferred Outflow of Resources	\$ 95,939,608	\$ 664,040	\$ 96,603,648	\$ 95,841,240	\$ 661,519	\$ 96,502,759	
Current and Other Liabilities	\$ 6,291,378	\$ 47,818	\$ 6,339,196	\$ 5,003,302	\$ 44,403	\$ 5,047,705	(1)
Long-term Liabilities	51,851,524	100,699	51,952,223	53,919,708	95,096	54,014,804	
Deferred Inflow of Resources	-	-	-	-	-	-	
Total Liabilities & Deferred Inflow of Resources	\$ 58,142,902	\$ 148,517	\$ 58,291,419	\$ 58,923,010	\$ 139,499	\$ 59,062,509	
Net Position							
Net Investment in Capital Assets	\$ 20,595,707	\$ 140,231	\$ 20,735,938	\$ 21,220,361	\$ 150,722	\$ 21,371,083	
Restricted	6,116,979	-	6,116,979	5,382,660	-	5,382,660	
Unrestricted	11,084,020	375,292	11,459,312	10,315,209	371,298	10,686,507	
Total Net Position	\$ 37,796,706	\$ 515,523	\$ 38,312,229	\$ 36,918,230	\$ 522,020	\$ 37,440,250	

(1) The total column includes internal balances.

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 outflow or inflow 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, 2013
Changes in Net Position

	2013			2012		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 81,251	\$ 672,705	\$ 753,956	\$ 87,055	\$ 691,264	\$ 778,319
Operating grants and contributions	4,782,391	613,063	5,395,454	4,728,781	565,666	5,294,447
Capital grants and contributions	588,075	-	588,075	526,890	-	526,890
<i>General Revenues</i>						
Property taxes	20,747,929	-	20,747,929	20,734,735	-	20,734,735
Other taxes	2,068,484	-	2,068,484	2,099,079	-	2,099,079
Grants, subsidies and contributions	7,089,327	-	7,089,327	7,113,921	-	7,113,921
Other	323,251	2,624	509,133	302,272	2,078	509,133
Total Revenues	35,680,708	1,288,392	37,152,358	35,592,733	1,259,008	37,056,524
Expenses						
Instruction	18,840,881	-	18,840,881	18,542,759	-	18,542,759
Instructional student support	3,245,155	-	3,245,155	3,180,912	-	3,180,912
Administrative and financial support	2,550,652	-	2,550,652	2,447,731	-	2,447,731
Operation and maintenance of plant	2,786,419	-	2,786,419	2,736,188	-	2,736,188
Pupil transportation	1,805,892	-	1,805,892	1,709,663	-	1,709,663
Student activities	630,217	-	630,217	622,204	-	622,204
Community services	30,926	-	30,926	31,012	-	31,012
Interest on long-term debt	2,546,729	-	2,546,729	2,595,157	-	2,595,157
Unallocated depreciation expense	1,364,983	-	1,364,983	1,359,904	-	1,359,904
Food services	-	1,294,889	1,294,889	-	1,270,095	1,270,095
Total Expenses	33,801,854	1,294,889	35,096,743	33,225,530	1,270,095	34,495,625
Increase (decrease) in net position	\$ 1,878,854	\$ (6,497)	\$ 1,872,357	\$ 2,367,203	\$ (11,087)	\$ 2,356,116

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 61.4% 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, 2013
Governmental Activities

Functions/Programs	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 18,840,881	15,400,338	\$ 18,542,759	15,148,084
Instructional Student Support	3,245,155	3,030,471	3,180,912	2,994,438
Administrative	2,550,652	2,404,316	2,447,731	2,320,343
Operation and Maintenance	2,786,419	2,698,148	2,736,188	2,667,723
Pupil Transportation	1,805,892	942,386	1,709,663	752,182
Student Activities	630,217	519,915	622,204	540,851
Community Services	30,926	30,926	31,102	31,012
Interest on Long-term Debt	2,546,729	1,958,654	2,595,157	2,068,267
Unallocated Depreciation Expense	1,364,983	1,364,983	1,359,904	1,359,904
Total Governmental Activities	\$ 33,801,854	\$ 28,350,137	\$ 33,225,620	\$ 27,882,804
Less:				
Unrestricted Grants and Subsidies		7,089,327		7,113,921
Total Contribution from Local Taxes and other Revenues		\$ 21,260,810		\$ 20,768,883

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 (\$6,497) 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 2013-14 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, 2013
Business-type Activities

Functions/Programs	2013		2012	
	Total Cost of Services	Net Revenue	Total Cost of Services	Net Revenue
Food Services	\$ 1,294,889	\$ (9,121)	\$ 1,270,095	\$ (13,165)
Less:				
Investment Earnings		2,624		2,078
Gain/Loss Asset Sale		-		-
Total business-type Activities		\$ (6,497)		\$ (11,087)

The District Funds:

At June 30, 2013, the District governmental funds reported a combined fund balance of \$33,000,535. This represents a decrease of \$1,440,863 from the prior year. The reason for this decrease is primarily 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 \$1,082,948 or 2%. 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>6/30/2013</u>	<u>6/30/2012</u>	<u>Change</u>
Land and Land Improvements (net of Accum Depreciation)	\$ 2,492,300	\$ 2,296,383	\$ 195,917
Building and Building Improvements (net of Accum Depreciation)	52,197,556	53,441,529	(1,243,973)
Furniture and Equipment (net of Accum Depreciation)	530,194	623,612	(93,418)
Construction in Progress	2,711,569	487,147	2,224,422
TOTAL	\$ 57,931,619	\$ 56,848,671	\$ 1,082,948

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 140,231	\$ 150,722	\$ (10,491)
Total	<u>\$ 140,231</u>	<u>\$ 150,722</u>	<u>\$ (10,491)</u>

DEBT ADMINISTRATION:

As of June 30, 2013, the District had outstanding debt of \$52,795,000. Figure A-7 shows outstanding debt at June 30, 2013.

Table A-7
Outstanding Debt

	<u>2013</u>	<u>2012</u>
General Obligation Bonds		
-Series of 2012	\$ 1,945,000	\$ 2,845,000
-Series of 2011A	23,150,000	23,155,000
-Series of 2011 B	18,610,000	18,615,000
-Series of 2009	3,450,000	4,085,000
-Series of 2009A	<u>5,640,000</u>	<u>6,115,000</u>
Total	<u>\$ 52,795,000</u>	<u>\$ 54,815,000</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. The District has borrowed \$17.3 million of new money during the 2010-11 fiscal year for the construction of a new Perry Elementary facility. Demolition began in May 2013, and completion is anticipated toward the end of July 2014.

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

BUDGET 2013-2014

Rising costs for bond payments, energy costs, special education, technology, charter schools, and contractual obligations, have necessitated a millage increase for 2013-14. The increase of .25 mills from 25.71 to 25.96 mills was needed to balance the budget. This means that property owners will pay \$25.96 for each \$1,000.00 of assessed valuation.

The 2013-14 budget includes major enhancements to technology and substantial curriculum/textbook enhancements. Further cost constraints come from increases in special education costs, charter school enrollment growth, and PSERS rate increases.

Revenue constraints continue relative to the current economic conditions. Tax revenue remains fairly flat, and state and federal funding continues to decrease.

The comparison of revenue and expenditure categories is as follows:

Table A-8

BUDGETED REVENUES

	<u>2013-14</u>	<u>2012-13</u>
Local	65.4%	66.6%
State	33.3%	31.8%
Federal/Other	1.3%	1.6%

BUDGETED EXPENDITURES

	<u>2013-14</u>	<u>2012-13</u>
Instruction	55.7%	55.7%
Support Services	29.6%	29.5%
Non Instruction/Community	0.3%	0.4%
Fund Transfers/Debt	14.4%	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.

B A S I C F I N A N C I A L S T A T E M E N T S

**Hamburg Area School District
Statement of Net Position
As of June 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 17,142,169	\$ 432,633	\$ 17,574,802
Investments	18,334,000	-	18,334,000
Receivables, net	1,238,926	-	1,238,926
Internal Balances	3,097	47,986	- (1)
Due From Other Governments	818,418	2,271	820,689
Other Receivables	48,715	2,357	51,072
Inventories	49,085	38,562	87,647
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
Total Current Assets	37,634,410	523,809	38,107,136
Non-Current Assets:			
Land	605,413	-	605,413
Site Improvements (net of depreciation)	1,886,887	-	1,886,887
Building and Bldg. Improvements (net of depreciation)	52,197,556	-	52,197,556
Furniture and Equipment (net of depreciation)	530,194	140,231	670,425
Construction in Progress	2,711,569	-	2,711,569
Total Non-Current Assets	57,931,619	140,231	58,071,850
Total Assets	95,566,029	664,040	96,178,986
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Amount on Debt Refundings, net	373,579	-	373,579
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 95,939,608	\$ 664,040	\$ 96,552,565
<u>LIABILITIES</u>			
Current Liabilities:			
Internal Balances	\$ 47,986	\$ 3,097	\$ - (1)
Due to other governments	-	-	-
Accounts Payable	939,062	13,775	952,837
Current Portion of Long-Term Obligations	2,282,121	-	2,282,121
Accrued Salaries and Benefits	2,435,952	12,322	2,448,274
Payroll Deductions and Withholdings	-	-	-
Payments Received in Advance	-	18,624	18,624
Other Current Liabilities	586,257	-	586,257
Total Current Liabilities	6,291,378	47,818	6,288,113
Non-Current Liabilities:			
Bonds Payable	50,254,114	-	50,254,114
Other Retirement Benefits	-	-	-
Net OPEB Obligation	962,369	69,532	1,031,901
Long-Term Portion of Compensated Absences	635,041	31,167	666,208
Derivative Instrument Liability	-	-	-
Total Liabilities	58,142,902	148,517	58,240,336
<u>DEFERRED INFLOW OF RESOURCES</u>			
Unearned Revenue from Property Taxes	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	58,142,902	148,517	58,240,336
<u>NET POSITION</u>			
Net Investment in Capital Assets	20,595,707	140,231	20,735,938
Restricted For:			
Capital Projects	6,116,979	-	6,116,979
Other Restrictions	-	-	-
Unrestricted (deficit)	11,084,020	375,292	11,459,312
TOTAL NET POSITION	37,796,706	515,523	38,312,229
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 95,939,608	\$ 664,040	\$ 96,552,565

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, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 18,840,881	\$ 19,680	\$ 3,420,863	\$ -	\$ (15,400,338)	\$ -	\$ (15,400,338)
Instructional Student Support	3,245,155	-	214,684	-	(3,030,471)	-	(3,030,471)
Admin. & Fin'l Support Services	2,550,652	-	146,336	-	(2,404,316)	-	(2,404,316)
Oper. & Maint. Of Plant Svcs.	2,786,419	-	88,271	-	(2,698,148)	-	(2,698,148)
Pupil Transportation	1,805,892	3,302	860,204	-	(942,386)	-	(942,386)
Student activities	630,217	58,269	52,033	-	(519,915)	-	(519,915)
Community Services	30,926	-	-	-	(30,926)	-	(30,926)
Interest on Long-Term Debt	2,546,729	-	-	588,075	(1,958,654)	-	(1,958,654)
Unallocated Depreciation Expense	1,364,983	-	-	-	(1,364,983)	-	(1,364,983)
TOTAL GOVERNMENT ACTIVITIES	33,801,854	81,251	4,782,391	588,075	(28,350,137)	-	(28,350,137)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,294,889	672,705	613,063	-	-	(9,121)	(9,121)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 35,096,743	\$ 753,956	\$ 5,395,454	\$ 588,075	\$ (28,350,137)	\$ (9,121)	\$ (28,359,258)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 20,747,929	\$ -	\$ 20,747,929
Taxes levied for specific purposes					2,068,484	-	2,068,484
Grants, subsidies, & contributions not restricted					7,089,327	-	7,089,327
Investment Earnings					137,521	707	138,228
Miscellaneous Income					156,231	1,917	158,148
Special Item - Gain or (Loss) on sale of capital assets					-	-	-
Extraordinary Items - Insurance Recoveries					29,499	-	29,499
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					30,228,991	2,624	30,231,615
CHANGES IN NET POSITION					1,878,854	(6,497)	1,872,357
NET POSITION - BEGINNING					36,918,230	522,020	37,440,250
PRIOR PERIOD ADJUSTMENT					(1,000,378)	-	(1,000,378)
NET POSITION - ENDING					\$ 37,796,706	\$ 515,523	\$ 38,312,229

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

**Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2013**

	GENERAL	CAPITAL PROJECTS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 12,425,420	\$ 4,172,483	\$ 544,265	\$ 17,142,168
Investments	1,239,000	17,095,000	-	18,334,000
Taxes Receivable, net	1,009,875	-	-	1,009,875
Due from other funds	3,097	-	-	3,097
Due from Other Governments	818,418	-	-	818,418
Other Receivables	5,142	-	-	5,142
Inventories	-	-	-	-
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 15,500,952	\$ 21,267,483	\$ 544,265	\$ 37,312,700
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 15,500,952	\$ 21,267,483	\$ 544,265	\$ 37,312,700
<u>LIABILITIES</u>				
Due to Other Funds	\$ 47,986	\$ -	\$ -	\$ 47,986
Due to Other Governments	-	-	-	-
Accounts Payable	341,640	485,881	-	827,521
Current Portion of Long-Term Debt	162,121	-	-	162,121
Accrued Salaries and Benefits	1,381,002	-	-	1,381,002
Payroll Deductions and Withholdings	1,054,950	-	-	1,054,950
Other Current Liabilities	27,252	-	-	27,252
TOTAL LIABILITIES	3,014,951	485,881	-	3,500,832
<u>DEFERRED INFLOW OF RESOURCES</u>				
Unearned Revenue from Property Taxes	811,333	-	-	811,333
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	3,826,284	485,881	-	4,312,165
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	39,203	20,781,602	-	20,820,805
Committed	2,060,289	-	-	2,060,289
Assigned	6,805,729	-	544,265	7,349,994
Unassigned	2,769,447	-	-	2,769,447
TOTAL FUND BALANCES	11,674,668	20,781,602	544,265	33,000,535
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 15,500,952	\$ 21,267,483	\$ 544,265	\$ 37,312,700

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, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 33,000,535

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 \$74,022,587 and the accumulated depreciation is \$16,090,968. 57,931,619

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. 43,574

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. 1,040,384

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. 49,085

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. (111,541)

This represents deferred outflow 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 outflow of resources. 373,579

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	\$ (52,374,114)	
Accrued interest on the bonds	(559,005)	
Compensated absences	(635,041)	
Net OPEB Obligation	(962,369)	
Accounts Payable	-	(54,530,529)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 37,796,706**

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

Hamburg Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	GENERAL	CAPITAL PROJECTS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 23,572,851	\$ 59,652	\$ 1,762	\$ 23,634,265
State Sources	11,679,908	-	-	11,679,908
Federal Sources	428,181	-	-	428,181
TOTAL REVENUES	<u>35,680,940</u>	<u>59,652</u>	<u>1,762</u>	<u>35,742,354</u>
	-----	-----	-----	-----
EXPENDITURES				
Instruction	19,184,990	-	-	19,184,990
Support Services	10,341,914	6,531	-	10,348,445
Operation of Non-Instructional Services	654,953	-	-	654,953
Capital Outlay	-	2,614,996	-	2,614,996
Debt Service	4,441,012	-	-	4,441,012
TOTAL EXPENDITURES	<u>34,622,869</u>	<u>2,621,527</u>	<u>-</u>	<u>37,244,396</u>
	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,058,071</u>	<u>(2,561,875)</u>	<u>1,762</u>	<u>(1,502,042)</u>
	-----	-----	-----	-----
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	-	-
Proceeds from Extended Term Financing	-	-	-	-
Interfund Transfers in	-	700,000	-	700,000
Sale/Compensation for Fixed Assets	31,680	-	-	31,680
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	-	-
Operating Transfers Out	(700,000)	-	-	(700,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(668,320)</u>	<u>700,000</u>	<u>-</u>	<u>31,680</u>
	-----	-----	-----	-----
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	29,499	-	-	29,499
	-----	-----	-----	-----
NET CHANGE IN FUND BALANCES	<u>419,250</u>	<u>(1,861,875)</u>	<u>1,762</u>	<u>(1,440,863)</u>
	-----	-----	-----	-----
FUND BALANCES - BEGINNING	<u>11,255,418</u>	<u>22,643,477</u>	<u>542,503</u>	<u>34,441,398</u>
	-----	-----	-----	-----
FUND BALANCES - ENDING	<u>\$ 11,674,668</u>	<u>\$ 20,781,602</u>	<u>\$ 544,265</u>	<u>\$ 33,000,535</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, 2013**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,440,863)

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	\$ 1,457,568	
less - capital outlays	<u>2,540,515</u>	1,082,947

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 inflow of resources decreased by this amount this year.

(138,642)

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

2,020,000

In the statement of activities, certain operating expenses--compensated absences (vacations), other post employment benefits, and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

475,933

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **1,999,375**

**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, 2013**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) **\$ 1,999,375**

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. (125,716)

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. 15,815

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. -

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. (10,620)

CHANGE IN POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,878,854**

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, 2013**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 432,633	\$ -	\$ 432,633
Investments	-	-	-
Due from other funds	47,986	-	47,986
Due From Other Governments	2,271	-	2,271
Other Receivables	2,357	-	2,357
Inventories	38,562	-	38,562
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	<u>523,809</u>	<u>-</u>	<u>523,809</u>
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	140,231	-	140,231
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	<u>140,231</u>	<u>-</u>	<u>140,231</u>
TOTAL ASSETS	<u>\$ 664,040</u>	<u>\$ -</u>	<u>\$ 664,040</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Charges on Refundings	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 664,040</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 664,040</u></u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 3,097	\$ -	\$ 3,097
Accounts Payable	13,775	-	13,775
Current Portion of Long-Term Debt	-	-	-
Prepayments from Students	18,624	-	18,624
Accrued Salaries and Benefits	12,322	-	12,322
TOTAL CURRENT LIABILITIES	<u>47,818</u>	<u>-</u>	<u>47,818</u>
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	31,167	-	31,167
Net OPEB Obligation	69,532	-	69,532
TOTAL NON-CURRENT LIABILITIES	<u>100,699</u>	<u>-</u>	<u>100,699</u>
TOTAL LIABILITIES	<u>148,517</u>	<u>-</u>	<u>148,517</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	<u>148,517</u>	<u>-</u>	<u>148,517</u>
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	140,231	-	140,231
Restricted for Legal Purposes	-	-	-
Unrestricted	375,292	-	375,292
TOTAL FUND NET POSITION	<u>515,523</u>	<u>-</u>	<u>515,523</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND NET POSITION	<u><u>\$ 664,040</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 664,040</u></u>

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

Hamburg Area School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 635,664	\$ -	\$ 635,664
Other Operating Revenues	38,958	-	38,958
TOTAL OPERATING REVENUES	<u>674,622</u>	<u>-</u>	<u>674,622</u>
OPERATING EXPENSES:			
Salaries	468,572	-	468,572
Employee Benefits	235,607	-	235,607
Purchased Professional and Technical Services	2,285	-	2,285
Purchased Property Service	22,737	-	22,737
Other Purchased Services	10,924	-	10,924
Supplies	537,173	-	537,173
Depreciation	10,490	-	10,490
Dues and Fees	722	-	722
Other Operating Expenses	6,379	-	6,379
TOTAL OPERATING EXPENSES	<u>1,294,889</u>	<u>-</u>	<u>1,294,889</u>
OPERATING INCOME (LOSS)	<u>(620,267)</u>	<u>-</u>	<u>(620,267)</u>
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	707	-	707
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	86,990	-	86,990
Federal Sources	526,073	-	526,073
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>613,770</u>	<u>-</u>	<u>613,770</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(6,497)</u>	<u>-</u>	<u>(6,497)</u>
Capital contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	<u>(6,497)</u>	<u>-</u>	<u>(6,497)</u>
FUND NET POSITION - BEGINNING	<u>522,020</u>	<u>-</u>	<u>522,020</u>
FUND NET POSITION - ENDING	<u>\$ 515,523</u>	<u>\$ -</u>	<u>\$ 515,523</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, 2013

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 588,004	\$ -	\$ 588,004
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	38,958	-	38,958
Cash Payments to Employees for Services	(696,733)	-	(696,733)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(485,758)	-	(485,758)
Cash Payments to Other Operating Expenses	(7,101)	-	(7,101)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(562,630)	-	(562,630)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	92,010	-	92,010
Federal Sources	496,774	-	496,774
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	588,784	-	588,784
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	707	-	707
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	707	-	707
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,861	-	26,861
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	405,772	-	405,772
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 432,633</u>	<u>\$ -</u>	<u>\$ 432,633</u>

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2013**

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (620,267)	\$ -	\$ (620,267)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	10,490	-	10,490
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	80,842	-	80,842
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(941)	-	(941)
(Increase) Decrease in Advances to Other Funds	(46,719)	-	(46,719)
(Increase) Decrease in Inventories	4,947	-	4,947
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	(58)	-	(58)
Increase (Decrease) in Accrued Salaries and Benefits	2,719	-	2,719
Increase (Decrease) in Net OPEB Obligation	4,727	-	4,727
Increase (Decrease) in Advances from Other Funds	3,097	-	3,097
Increase (Decrease) in Deferred Revenue	(1,467)	-	(1,467)
TOTAL ADJUSTMENTS	<u>57,637</u>	<u>-</u>	<u>57,637</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (562,630)</u>	<u>\$ -</u>	<u>\$ (562,630)</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, 2013**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 112,872
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	-	-	112,872
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ -	\$ -	\$ 112,872
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	112,872
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	112,872
DEFERRED INFLOW OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	-	-	112,872
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, 2013**

	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, 2013

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 24,012,602	\$ 23,937,830	\$ 23,572,851	\$ (364,979)	\$ -	\$ 23,572,851
State Sources	11,460,274	11,460,274	11,679,908	219,634	-	11,679,908
Federal Sources	550,277	550,277	428,181	(122,096)	-	428,181
TOTAL REVENUES	36,023,153	35,948,381	35,680,940	(267,441)	-	35,680,940
EXPENDITURES						
Regular Instruction	14,519,273	13,801,523	13,797,688	3,835	-	13,797,688
Special Programs	4,301,684	4,213,683	4,199,347	14,336	-	4,199,347
Vocational Programs	907,461	893,461	886,453	7,008	-	886,453
Other Instructional Programs	354,908	368,158	301,502	66,656	-	301,502
Adult Education Programs	-	-	-	-	-	-
Community/Junior College Ed. Programs	-	-	-	-	-	-
Pupil Personnel Services	1,187,979	1,254,980	1,170,603	84,377	-	1,170,603
Instructional Staff Services	1,728,595	1,720,095	1,707,019	13,076	-	1,707,019
Administrative Services	1,828,404	1,893,403	1,804,136	89,267	-	1,804,136
Pupil Health	395,916	396,916	373,764	23,152	-	373,764
Business Services	487,509	487,509	480,375	7,134	-	480,375
Operation & Maintenance of Plant Services	2,861,857	2,761,858	2,690,899	70,959	-	2,690,899
Student Transportation Services	1,847,555	1,885,555	1,807,067	78,488	-	1,807,067
Central Support Services	277,263	292,263	279,913	12,350	-	279,913
Other Support Services	32,000	32,000	28,138	3,862	-	28,138
Student Activities	63,703	650,006	624,027	25,979	-	624,027
Community Services	36,000	36,000	30,926	5,074	-	30,926
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	4,385,237	4,446,238	4,441,012	5,226	-	4,441,012
TOTAL EXPENDITURES	35,215,344	35,133,648	34,622,869	510,779	-	34,622,869
Excess (deficiency) of revenues over expenditures	807,809	814,733	1,058,071	243,338	-	1,058,071
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Interfund Transfers in	-	123,267	-	(123,267)	-	-
Sale/Compensation for Fixed Assets	10,000	10,000	31,680	21,680	-	31,680
Debt Service-Refunded bond issues	-	-	-	-	-	-
Fund Transfers out	(567,808)	(700,000)	(700,000)	-	-	(700,000)
Budgetary Reserve	(250,000)	(250,000)	-	250,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(807,808)	(816,733)	(668,320)	148,413	-	(668,320)
Special Items	-	-	-	-	-	-
Extraordinary Items - Insurance Recoveries	-	-	29,499	29,499	-	29,499
NET CHANGE IN FUND BALANCES	1	(2,000)	419,250	421,250	-	419,250
FUND BALANCE - JULY 1, 2012	\$ 10,166,286	\$ 10,166,286	\$ 11,255,418	\$ 1,089,132	\$ -	\$ 11,255,418
FUND BALANCE - JUNE 30, 2013	\$ 10,166,287	\$ 10,164,286	\$ 11,674,668	\$ 1,510,382	\$ -	\$ 11,674,668

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, 2013**

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, 2013**

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 2012-13 was \$843,530.

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, 2013**

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, 2013**

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 Outflow 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 Inflow 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 outflow of resources minus the sum of liabilities and deferred inflow 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 reserve fund. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the special purpose of the fund.

Under this new definition, 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, 2013**

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 outflow of resources, liabilities, and deferred inflow 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 outflow of resources or deferred inflow 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 outflow of resources or required deferred inflow 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. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflow of resources, and in the presentation of expenses versus expenditures.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013**

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 2012-13 budget transfers.

F. Changes in Accounting Principles

During the 2012-13 fiscal year the District implemented the required GASB Statement No. 63, which establishes five (5) elements to the financial statement previously known as the *Statement of Net Assets*, and now known as the *Statement of Net Position*. The five (5) elements are: Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position. The definition of these elements can be found in GASB Concepts Statement No.4; however, a deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow is an acquisition of net assets by the government that is applicable to a future reporting period.

In addition, the District has chosen to early implement GASB Statement No. 65, which was issued to explain what items previously classified as assets and liabilities will now be classified as deferred outflow of resources and deferred inflow of resources. As such, previously amortized bond issuance costs are being adjusted to expense on the Statement of Activities because Statement No. 65 now requires bond issuance costs to be expensed in the year incurred. Also, deferred charges on refundings of bond issues has been reclassified by GASB Statement No. 65 from a contra of bonds payable to a deferred outflow of resources.

G. Use of Estimates

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

H. Assets, Liabilities, and Net 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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred inflow 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, 2013, shows \$49,085 as an asset in the governmental activities column of the government-wide statement of net position and \$38,562 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, 2013, consist of:

Purchased Food & Supplies	\$ 21,866
Donated Commodities	16,696
TOTAL	\$ 38,562

Prepaid Expenses

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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.

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

Compensated Absences

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

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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 outflow 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.

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2013, 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 outflow of resources less liabilities and deferred inflow 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 outflow of resources and/or deferred inflow 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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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.

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.*

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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 \$54,530,529, difference are:

Bonds payable	\$ 52,795,000
Less: Issuance discount (to be amortized as interest expense)	(483,815)
Add: Issuance premium (to be amortized as a credit to interest expense)	62,929
Accounts payable	-
Accrued interest payable	559,005
Net OPEB Obligation	962,369
Compensated absences	<u>635,041</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u><u>\$ 54,530,529</u></u>

D. 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, 2013

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	\$ 20,892,741	\$ (144,812)	\$ -	\$ -	\$ 20,747,929
Taxes levied for specific purposes	2,062,313	6,171	-	-	2,068,484
Interest and investment earnings	121,706	15,815	-	-	137,521
Miscellaneous	109,247	-	-	-	109,247
Contributions and Donations	46,984	-	-	-	46,984
Charges for Services	58,269	-	-	-	58,269
Grants, subsidies & contributions not restricted	7,089,327	-	-	-	7,089,327
INTERMEDIATE SOURCES:					
Charges for Services	19,680	-	-	-	19,680
Operating & Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Charges for Services	3,302	-	-	-	3,302
Operating & Capital grants and contributions	4,590,581	-	-	-	4,590,581
FEDERAL SOURCES:					
Operating & Capital grants and contributions	779,885	-	-	-	779,885
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	-	-	-	-	-
Insurance Recoveries	29,499	-	-	-	29,499
Bond Premium	-	-	-	-	-
Gain or (Loss) on disposal of assets	-	-	-	-	-
TOTAL REVENUES	35,803,534	(122,826)	-	-	35,680,708
EXPENDITURES/EXPENSES					
Instruction	19,184,990	(352,497)	8,388	-	18,840,881
Instructional Student Support	3,251,386	(31,212)	24,981	-	3,245,155
Admin. & Fin'l Support Services	2,596,961	(50,835)	4,526	-	2,550,652
Oper. & Maint. Of Plant Svcs.	2,767,512	(28,336)	47,243	-	2,786,419
Pupil Transportation	1,807,067	(1,175)	-	-	1,805,892
Student activities	624,027	(1,256)	7,446	-	630,217
Community Services	30,926	-	-	-	30,926
Capital Outlay	2,540,515	-	(2,540,515)	-	-
Debt Service	4,441,012	-	-	(1,894,283)	2,546,729
Bond Discount	-	-	-	-	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,364,983	-	1,364,983
TOTAL EXPENDITURES/EXPENSES	37,244,396	(465,311)	(1,082,948)	(1,894,283)	33,801,854
NET CHANGE FOR THE YEAR	\$ (1,440,862)	\$ 342,485	\$ 1,082,948	\$ 1,894,283	\$ 1,878,854

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013.

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, 2013.

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, 2013, \$12,226,552 of the District's bank balance of \$31,148,222 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	12,266,552
TOTAL	<u>\$ 12,266,552</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 12,266,552
Plus: Insured Amount	18,881,670
Less: Outstanding Checks	<u>(135,819)</u>
Carrying Amount - Bank Balances	31,012,403
Plus: Petty Cash	306
Deposits in Investment Pools Considered Cash Equivalents	5,008,965
Less: Certificates of Deposit considered Investment by School Code	<u>(18,334,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 17,687,674</u>

Investments

As of June 30, 2013, the District had the following investments:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

<i>Investment</i>	Maturities	Fair Value
Certificates of Deposit	Varies	\$ 18,334,000
PA Local Gov't Investment Trust		836,481
PA School District Liquid Asset Fund		4,172,484
US Treasury Notes		-
M & T Bank		-
TOTAL		<u>\$ 23,342,965</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, 2013, 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, 79.22% is in Certificates of Deposit. Of the Capital Reserve Fund's investments, 44.06% is in collateralized certificates of deposit. Of the Capital Project Fund's investments, 95.05% is in collateralized certificates of deposit. Of the General Fund's investments, 66.09% 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	\$ 23,342,965
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(5,008,965)</u>
Total Investments Per Financial Statements	<u>\$ 18,334,000</u>

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 \$870,220,000. In accordance with Act 1 of 2006, the District received \$828,535 in property tax reduction funds for the 2012-13 fiscal year. The tax rate for the year was \$2.571 per \$100 of assessed valuation or 25.71 mills.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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	1,009,875	-	-	-	-	1,009,875
Accounts	5,142	-	2,357	-	-	7,499
Intergovernmental	818,418	-	2,271	-	-	820,689
GROSS RECEIVABLES	1,833,435	-	4,628	-	-	1,838,063
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 1,833,435	\$ -	\$ 4,628	\$ -	\$ -	\$ 1,838,063

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

Schedule on Deferred Inflow of Resources - Unavailable and Unearned

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 811,333	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 811,333	\$ -

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Capital Assets

Capital asset balances and activity for the year ending June 30, 2013, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 605,413	\$ -	\$ -	\$ 605,413
Construction in Progress	487,147	2,540,516	(316,094)	2,711,569
Total Capital Assets not being depreciated	1,092,560	2,540,516	(316,094)	3,316,982
Capital Assets being depreciated:				
Site Improvements	2,741,989	307,533	-	3,049,522
Buildings and Bldg. Improvements	65,288,059	8,561	-	65,296,620
Furniture and Equipment	2,359,463	-	-	2,359,463
TOTAL CAPITAL ASSETS BEING DEPRECIATED	70,389,511	316,094	-	70,705,605
Less accumulated depreciation for:				
Site Improvements	(1,051,019)	(111,616)	-	(1,162,635)
Buildings and Bldg. Improvements	(11,846,530)	(1,252,534)	-	(13,099,064)
Furniture and Equipment	(1,735,851)	(93,418)	-	(1,829,269)
TOTAL ACCUMULATED DEPRECIATION	(14,633,400)	(1,457,568)	-	(16,090,968)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	55,756,111	(1,141,474)	-	54,614,637
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 56,848,671	\$ 1,399,042	\$ (316,094)	\$ 57,931,619
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 815,277	\$ -	\$ -	\$ 815,277
Less accumulated depreciation	(664,556)	(10,490)	-	(675,046)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 150,721	\$ (10,490)	\$ -	\$ 140,231

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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

Regular Instruction	\$ 7,412
Special Instruction	976
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	50
Instructional Staff Svcs.	24,786
Administrative Services	276
Health Services	146
Business Services	1,219
Operation & Maintenance of Plant Svcs.	47,243
Pupil Transportation	-
Central Services	3,031
Other Support Services	-
Student Activities	7,446
Community Services	-
Depreciation - unallocated	1,364,983
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,457,568</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, 2013:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

	CONTRACT AMOUNT	EXPENDED TO 6/30/13	OUTSTANDING COMMITMENTS
<u>NEW PERRY ELEMENTARY SCHOOL</u>			
AEM Architects - Project Management	\$ 1,166,886	\$ 980,185	\$ 186,701
A. H. Moyer, Inc. - Plumbing	1,193,200	121,322	1,071,878
A. H. Moyer, Inc. - HVAC	2,667,000	94,548	2,572,452
E. R. Stuebner	13,234,025	724,909	12,509,116
Eastern Air Balance Corp.	188,910	5,430	183,480
MBR Construction	2,669,450	127,112	2,542,338
Power Component Systems	79,493	30,550	48,943
United Inspection Services	68,855	8,640	60,215
TOTAL	<u>\$ 21,267,819</u>	<u>\$ 2,092,696</u>	<u>\$ 19,175,123</u>

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2013:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 3,097	\$ 47,986
2011 B Construction Fund	-	-
Enterprise (Food Service) Fund	47,986	3,097
Agency (Activity) Fund	-	-
TOTAL	<u>\$ 51,083</u>	<u>\$ 51,083</u>

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2013:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 700,000
2011 B Construction Fund	-	-
Capital Reserve Fund	700,000	-
TOTAL	<u>\$ 700,000</u>	<u>\$ 700,000</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Long-term liability balances and activity for the year ended June 30, 2013, were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 53,889,504	\$ 539,300	\$ 2,054,690	\$ 52,374,114	\$ 2,120,000
Other than capital projects	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total general obligation debt	53,889,504	539,300	2,054,690	52,374,114	2,120,000
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	93,546	-	3,128	90,418	89,867
Sick pay	835,704	-	128,960	706,744	72,254
Net OPEB Obligation	1,271,543	-	309,174	962,369	-
Total other liabilities	2,200,793	-	441,262	1,759,531	162,121
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 56,090,297	\$ 539,300	\$ 2,495,952	\$ 54,133,645	\$ 2,282,121
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
Vested employee benefits					
Net OPEB Obligation	\$ 64,805	\$ 4,727	\$ -	\$ 69,532	\$ -
Sick pay	30,291	876	-	31,167	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 95,096	\$ 5,603	\$ -	\$ 100,699	\$ -

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

Total Interest paid and accrued during the year:

	EXPENSE	PAID
<u>GOVERNMENTAL ACTIVITIES</u>		
General obligation debt	\$ 2,546,729	\$ 2,421,012
Short-term borrowings	-	-
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	\$ 2,546,729	\$ 2,421,012

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

General Obligation Bonds – Series of 2009

On February 27, 2009, the District issued \$6,355,000 of General Obligation Bonds – Series of 2009. The purpose of this issue is to refund the outstanding General Obligation Bonds – Series of 2003, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The interest rate ranges from 2.50% to 3.20% payable on May 1, and November 1, each year. Total Interest indebtedness is \$957,285.14. The bonds mature from May 1, 2009 to May 1, 2018. The debt service requirements on this bond issue at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 655,000	\$ 104,400
2014-15	670,000	84,750
2015-16	685,000	68,000
2016-17	710,000	46,080
2017-18	730,000	23,360
Sub-Total	\$ 3,450,000	\$ 326,590
Unamortized Premium	14,040	
TOTAL OUTSTANDING	\$ 3,464,040	

General Obligation Bonds – Series A of 2009

On May 1, 2009, the District issued \$7,400,000 of General Obligation Bonds – Series A of 2009. The purpose of this issue is to provide funds to (1) finance a current refunding of the Series A of 2003 outstanding bonds; (2) finance the refunding of the outstanding 2008 Bank Note; and (3) to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The interest rate ranges from 2.00% to 3.75% payable on May 1, and November 1, each year. Total Interest indebtedness is \$1,561,551.45. The bonds mature from May 1, 2010 to May 1, 2020. The debt service requirements on this bond issue at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 490,000	\$ 182,722
2014-15	500,000	168,023
2015-16	1,250,000	154,522
2016-17	1,300,000	117,023
2017-18	1,010,000	75,423
2018-20	1,090,000	60,885
Sub-Total	\$ 5,640,000	\$ 758,598
Unamortized Discount	(14,196)	
TOTAL OUTSTANDING	\$ 5,625,804	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 5,000	\$ 1,048,278
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
2018-23	9,750,000	4,541,269
2023-28	12,840,000	1,964,561
2028-33	25,000	3,937
Sub-Total	\$ 23,150,000	\$ 11,744,690
Unamortized Premium	6,454	
TOTAL OUTSTANDING	\$ 23,156,454	

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, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 5,000	\$ 948,146
2014-15	5,000	948,066
2015-16	5,000	947,966
2016-17	5,000	947,844
2017-18	5,000	947,644
2018-23	25,000	4,735,181
2023-28	590,000	4,729,457
2028-33	17,970,000	2,850,569
Sub-Total	\$ 18,610,000	\$ 17,054,873
Unamortized Discount	(469,619)	
TOTAL OUTSTANDING	\$ 18,140,381	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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, 2013, are

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 965,000	\$ 48,700
201-15	980,000	29,400
Sub-Total	1,945,000	\$ 78,100
Unamortized Premium	42,435	
TOTAL OUTSTANDING	\$ 1,987,435	

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B SERIES OF 2009	G.O.B SERIES A OF 2009	G.O.B SERIES A OF 2011	G.O.B SERIES B OF 2011	G.O.B SERIES OF 2012	TOTAL PRINCIPAL PAYMENTS
2013-14	\$ 655,000	\$ 490,000	\$ 5,000	\$ 5,000	\$ 965,000	\$ 2,120,000
2014-15	670,000	500,000	5,000	5,000	980,000	2,160,000
2015-16	685,000	1,250,000	80,000	5,000	-	2,020,000
2016-17	710,000	1,300,000	70,000	5,000	-	2,085,000
2017-18	730,000	1,010,000	375,000	5,000	-	2,120,000
2018-23	-	1,090,000	9,750,000	25,000	-	10,865,000
2023-28	-	-	12,840,000	590,000	-	13,430,000
2029-33	-	-	25,000	17,970,000	-	17,995,000
TOTAL	3,450,000	5,640,000	23,150,000	18,610,000	1,945,000	52,795,000
LESS- Payable within one year	655,000	490,000	5,000	5,000	965,000	2,120,000
PRINCIPAL DUE AFTER ONE YEAR	\$ 2,795,000	\$ 5,150,000	\$ 23,145,000	\$ 18,605,000	\$ 980,000	\$ 50,675,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B. OF 2009	G.O.B SERIES A OF 2009	G.O.B SERIES A OF 2011	G.O.B SERIES B OF 2011	G.O.B SERIES OF 2012	TOTAL DEBT SERVICE PAYMENTS
2013-14	\$ 759,400	\$ 672,722	\$ 1,053,278	\$ 953,146	\$ 1,013,700	\$ 4,452,246
2014-15	754,750	668,023	1,053,198	953,066	1,009,400	4,438,437
2015-16	753,000	1,404,522	1,128,098	952,966	-	4,238,586
2016-17	756,080	1,417,023	1,116,137	952,844	-	4,242,084
2017-18	753,360	1,085,423	1,419,212	952,644	-	4,210,639
2018-23	-	1,150,885	14,291,269	4,760,181	-	20,202,335
2023-28	-	-	14,804,561	5,319,457	-	20,124,018
2029-33	-	-	28,937	20,820,569	-	20,849,506
TOTAL	\$ 3,776,590	\$ 6,398,598	\$ 34,894,690	\$ 35,664,873	\$ 2,023,100	\$ 82,757,851

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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:

	RENTAL
FISCAL YEAR	PAYMENT
2013-14	\$ 149,023
2014-15	148,968
2015-16	149,072
2016-17	148,889
2017-18	149,089
2018-19	148,956
TOTAL OUTSTANDING	\$ 893,997

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.

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

G. 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 \$634,490 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 \$31,167 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 \$72,254, and \$31,167, 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, 2013, that will use currently available financial resources is \$89,867, 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, 2013, of \$551, 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). Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N. 5th Street, Harrisburg, PA 17101-1905 or emailing Beth at bgirman@pa.us. The report is also available in the publications section of the PSERS website at www.psers.state.pa.us.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Funding Policy

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

Contribution Rates

Member Contributions: Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2011 who contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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, 2013, the rate of employer contribution was 12.36 percent of covered payroll. The 12.36 percent rate is comprised of a pension contribution rate of 11.50 percent for pension benefits and 0.86 percent or healthcare insurance premium assistance.

The employer's current year covered payroll was \$15,840,414 and total payroll was \$16,402,956.

The total employee and employer contributions for this current year were \$1,189,105 and \$1,979,147, respectively.

Other Post Employment Benefits

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Funding Policy and Annual OPEB Cost

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

Contribution Rates:	Actuarially Determined
School District	5.0%
Plan Members	294
Annual Required Contribution	\$ 544,983
Interest on net OPEB obligation	57,124
Adjustment to annual required contribution	<u>(140,911)</u>
Annual OPEB cost	461,196
Actuarial Adjustment	(509,049)
Contributions made	<u>(256,594)</u>
Decrease in net OPEB obligation	(304,447)
Net OPEB obligation - beginning of year	<u>1,336,348</u>
Net OPEB obligation - end of year	<u>\$ 1,031,901</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the five fiscal years ending June 30, 2013, for the benefits were as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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
6/30/2009	585,038	53.5%	475,568

Funded Status and Funding Progress. The funded status of the benefits as of June 30, 2013, was as follows:

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

	State-mandated Healthcare Benefit	Years of Service Increment Benefit
Actuarial accrued liability (a)	\$ 1,469,985	\$ 178,207
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 1,469,985</u>	<u>\$ 178,207</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 15,324,707	\$ 15,324,707
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	9.6%	1.2%

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	7/1/2011	7/1/2011
Actuarial cost method	Unit Credit	Unit Credit
Amortization method	Level dollar method over a weighted average	Level dollar method over a weighted average
Remaining amortization period	1 year	1 year
Asset valuation method	pay as you go basis	pay as you go basis
Actuarial assumptions:		
Investment rate of return	5.0%	5.0%
Projected salary increases	5.0%	5.0%
Healthcare inflation rate		
2012/2013	6.0%	N/A
2013 +	5.0%	N/A

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Note 6 - Risk Management

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

Note 7 - Fund Balance Allocations

Restricted Fund Balance

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$6,116,979 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 \$14,664,623, in fund balance at year end within this fund is considered restricted.

The General Fund has \$39,203 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 \$544,265, in the Debt Stabilization Fund is assigned for the purpose of the debt service fund. The General fund has assigned \$6,805,729, for future improvement projects.

Note 8 – Prior Period Adjustment

As a result of early implementing GASB Statement No. 65, a prior period adjustment had to be made in the governmental activities to reflect expensing the remaining unamortized bond issuance costs of \$1,000,378. Statement No. 65 now requires expensing bond issuance costs in the year incurred, which previously were capitalized and amortized over the life of the corresponding bond issue. As such, the opening net position of the governmental activities is restated, as follows:

Net Position at June 30, 2012 (as reported)	\$36,918,230
Less: Unamortized Bond Issuance Costs	<u>(1,000,378)</u>
Net Position at June 30, 2012 (as restated)	<u>\$35,917,852</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$57,931,619, unspent proceeds of \$14,664,623, with related debt of \$52,000,535, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities restricted \$6,116,979, for future capital projects. The business-type activities column reflects \$140,231 invested in capital assets with no related debt.

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2013.

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, 2013**

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)
7/1/2011	\$ -	\$ 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%
7/1/2007	-	2,096,822	2,096,822	0.0%	14,452,556	14.51%

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)
7/1/2011	\$ -	\$ 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%
7/1/2007	-	262,944	262,944	0.0%	10,906,204	2.41%

**OTHER
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Combining Balance Sheet
All Capital Project Funds
As of June 30, 2013**

	CAPITAL RESERVE FUND	2011B CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,421,979	\$ 750,504	\$ 4,172,483
Investments	2,695,000	14,400,000	17,095,000
Other Receivables	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 6,116,979	\$ 15,150,504	\$ 21,267,483
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	<u>\$ 6,116,979</u>	<u>\$ 15,150,504</u>	<u>\$ 21,267,483</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ -	\$ 485,881	\$ 485,881
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
TOTAL LIABILITIES	-	485,881	485,881
<u>DEFERRED INFLOW OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	-	485,881	485,881
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	6,116,979	14,664,623	20,781,602
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	<u>6,116,979</u>	<u>14,664,623</u>	<u>20,781,602</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 6,116,979</u>	<u>\$ 15,150,504</u>	<u>\$ 21,267,483</u>

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2013

	CAPITAL RESERVE FUND	2011B CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 34,319	\$ 25,333	\$ 59,652
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>34,319</u>	<u>25,333</u>	<u>59,652</u>
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	-	6,531	6,531
Operation of Non-Instructional Services	-	-	-
Capital Outlay	-	2,614,996	2,614,996
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>2,621,527</u>	<u>2,621,527</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>34,319</u>	<u>(2,596,194)</u>	<u>(2,561,875)</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	700,000	-	700,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>700,000</u>	<u>-</u>	<u>700,000</u>
NET CHANGE IN FUND BALANCES	734,319	(2,596,194)	(1,861,875)
FUND BALANCES - BEGINNING	<u>5,382,660</u>	<u>17,260,817</u>	<u>22,643,477</u>
FUND BALANCES - ENDING	<u>\$ 6,116,979</u>	<u>\$ 14,664,623</u>	<u>\$ 20,781,602</u>

**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2013**

	HAMBURG BOROUGH	PERRY TOWNSHIP	SHOEMAKERSVILLE BOROUGH
<u>CURRENT REAL ESTATE TAXES</u>			
Assessed Value	\$ 166,410,100	\$ 135,381,400	\$ 48,083,900
Millage Rate	<u>0.02571</u>	<u>0.02571</u>	<u>0.02571</u>
TOTAL	4,278,402	3,480,654	1,236,236
Less: Act 1 Reduction	<u>169,108</u>	<u>131,958</u>	<u>55,706</u>
TOTAL TAXABLE DUPLICATE	4,109,294	3,348,696	1,180,530
Plus - Additions	6,172	-	-
Prior Year Unpaid Additions		4,345	1,853
Penalties	<u>13,215</u>	<u>7,541</u>	<u>1,652</u>
TOTAL TAXES TO BE COLLECTED	4,128,681	3,360,582	1,184,035
Less - Discounts	67,570	55,719	20,566
Reductions	3,820	-	-
Exemptions	2,350	51	-
Refunds	21,782	782	-
Returned to County	174,735	115,168	52,219
Cabela's / Lowe's	-	-	-
Outstanding	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 3,858,424</u>	<u>\$ 3,188,862</u>	<u>\$ 1,111,250</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 3,407</u>	<u>\$ 5,587</u>	<u>\$ 1,192</u>
<u>CURRENT PER CAPITA TAXES</u>			
No. of Persons Assessed	3,322	1,938	1,055
Tax Rate	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
Taxable Valuation	33,220	19,380	10,550
Plus - Additions	790	240	310
Penalties	<u>265</u>	<u>120</u>	<u>99</u>
TAXES TO BE COLLECTED	34,275	19,740	10,959
Less - Discounts	369	267	129
Exonerations	1,920	1,240	650
Refunds	-	-	-
Outstanding	8,310	2,150	1,790
Reductions	<u>20</u>	<u>-</u>	<u>-</u>
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 23,656</u>	<u>\$ 16,083</u>	<u>\$ 8,390</u>

STRAUSSTOWN BOROUGH	TILDEN TOWNSHIP	UPPER BERN TOWNSHIP	UPPER TULPEHOCKEN TOWNSHIP	WINDSOR TOWNSHIP	TOTAL
\$ 11,192,100	\$ 222,215,600	\$ 89,922,700	\$ 74,396,700	\$ 122,617,500	\$ 870,220,000
<u>0.02571</u>	<u>0.02571</u>	<u>0.02571</u>	<u>0.02571</u>	<u>0.02571</u>	<u>0.02571</u>
287,749	5,713,162	2,311,912	1,912,739	3,152,495	22,373,349
<u>13,667</u>	<u>166,802</u>	<u>89,797</u>	<u>75,444</u>	<u>126,982</u>	<u>829,464</u>
274,082	5,546,360	2,222,115	1,837,295	3,025,513	21,543,885
-	3,578	5,906	308	1,477	17,441
-	3,616	-	-	-	9,814
<u>786</u>	<u>9,838</u>	<u>7,088</u>	<u>3,926</u>	<u>8,549</u>	<u>52,595</u>
274,868	5,563,392	2,235,109	1,841,529	3,035,539	21,623,735
4,348	94,983	34,900	30,410	51,215	359,711
-	-	-	-	-	3,820
-	7,476	8,726	-	573	19,176
-	35	1,156	267	-	24,022
9,460	175,312	85,935	64,493	112,130	789,452
-	647,241	-	-	-	647,241
<u>-</u>	<u>565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>565</u>
<u>\$ 261,060</u>	<u>\$ 4,637,780</u>	<u>\$ 2,104,392</u>	<u>\$ 1,746,359</u>	<u>\$ 2,871,621</u>	<u>\$ 19,779,748</u>
<u>\$ -</u>	<u>\$ 30,501</u>	<u>\$ 6,248</u>	<u>\$ 2,549</u>	<u>\$ 14,771</u>	<u>\$ 64,255</u>
246	2,773	1,356	1,198	1,920	13,808
<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
2,460	27,730	13,560	11,980	19,200	138,080
100	370	160	140	130	2,240
<u>31</u>	<u>243</u>	<u>132</u>	<u>102</u>	<u>181</u>	<u>1,173</u>
2,591	28,343	13,852	12,222	19,511	141,493
24	342	175	157	268	1,731
200	1,530	480	490	510	7,020
-	-	-	-	-	-
490	4,560	1,770	1,280	1,880	22,230
<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>110</u>
<u>\$ 1,867</u>	<u>\$ 21,911</u>	<u>\$ 11,427</u>	<u>\$ 10,295</u>	<u>\$ 16,773</u>	<u>\$ 110,402</u>

Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 19,779,748	
Interim Real Estate Taxes	64,255	
Public Utility	30,436	
Payment in Lieu of Taxes	11,158	
Current Per Capita Taxes - 511	55,201	
Current Per Capita Taxes - 679	55,201	
Occupational Privilege Tax	-	
Earned Income Tax	1,741,098	
Real Estate Transfer Tax	160,483	
Amusement Taxes	-	
Delinquent Real Estate Taxes	1,048,738	
Delinquent Interim Real Estate Taxes	-	
Delinquent Per Capita Taxes - 511	4,368	
Delinquent Per Capita Taxes - 679	4,368	
Delinquent OPT Taxes	-	
Interest	62,895	
Gain on Sale of Investments	-	
Admissions	54,284	
Fees	3,985	
State Revenue Received from Other Sources	-	
I/U Services - Federal	351,704	
Rentals	35,291	
Contributions	46,984	
Tuition	-	
Summer School	-	
Adult School	-	
Receipts from Other LEA's - Education	19,680	
Transportation Services Provided to other Gov'ts.	3,302	
Miscellaneous	29,464	
Refunds of Prior Yr. Expenditures	10,208	
TOTAL LOCAL SOURCE REVENUE	\$ 23,572,851	

STATE SOURCES:

Basic Subsidy - ESBE	6,260,792
Read to Succeed	-
Charter Schools	-
School Performance	-
Orphan Tuition	76,317
Homebound	-
Vocational Education	40
Alternative Education	-
Driver Education	-
Migratory Children	-
Special Education	1,304,967
SUB-TOTAL	7,642,116

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013**

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$ 7,642,116	
Early Intervention	-	
Transportation	854,640	
Rentals	588,075	
Health Services	43,419	
State Property Tax Reduction Allocation	828,535	
PA Accountability Grants	130,246	
Project 720 H. S. Reform	-	
Extra Grants	-	
Dual Enrollment Grants	-	
FICA Revenue	603,231	
Retirement Revenue	989,646	
Classrooms for the Future	-	
TOTAL STATE SOURCE REVENUE	-	\$ 11,679,908

FEDERAL SOURCES:

Title I	353,481	
Title I - ARRA	-	
Title II	74,700	
State Fiscal Stabilization Fund - ARRA	-	
Ed Jobs Grant	-	
Medical Assistance Reimbursement	-	
TOTAL FEDERAL SOURCE REVENUE	-	428,181
TOTAL REVENUE		35,680,940

Expenditures

Instruction - Regular	13,357,349
Instruction - Federally Funded Programs	440,339
Life Skills Support - Public	256,326
Life Skills Support - PRRI	546,586
Deaf or Hearing Impaired Support	75,264
Blind or Visually Impaired Support	67,895
Speech & Language Impaired	393,686
Emotional Support - Public	538,790
Emotional Support - PRRI	-
Learning Support - Public	2,091,790
Gifted Support	175,060
Physical Support	5,671
Multi-Handicapped Support	-
Early Intervention Support	19,442
Other Support	28,837
SUB-TOTAL	17,997,035

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013**

SUB-TOTAL (CARRIED FORWARD)	\$ 17,997,035
Agricultural Education	42,923
Industrial Arts Education	-
Trade and Industrial Education	-
Other Vocational Education	843,530
Drivers' Education	-
Summer School	15,214
Homebound Instruction	49,277
Adjudicated/Court Placed Programs	-
Alternative Education Program	177,864
Other Instructional Programs	59,147
Guidance Services	669,832
Counseling Services	55,758
Information Services	1,159
Psychological Services	138,131
Student Accounting Services	31,956
Other Pupil Personnel Services	273,767
Instructional Staff	-
Technology Support Services	908,442
Computer Assisted Instruction Support Service	-
School Library Services	568,090
Instruction and Curriculum Development Services	127,008
Instructional Staff Development Services	103,479
Board Services	83,855
Board Treasurer Services	245
Tax Assessment and Collection Services	117,194
Staff Relations	-
Legal Services	73,712
Office of the Superintendent Services	338,483
Community Relations Services	-
Office of the Principal Services	1,190,647
Other Administration Services	-
Medical Services	1,458
Dental Services	788
Nursing Services	371,518
Support Services - Business	480,375
SUB-TOTAL	24,720,887

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013**

SUB-TOTAL (CARRIED FORWARD)	\$ 24,720,887	
Financial Accounting Services	-	
Warehousing and Distributing Services	-	
Operation and Maintenance of Plant Services	601,956	
Supervision of Operation and Maint. of Plant Svcs.	435,959	
Operation of Building Services	1,586,046	
Care and Upkeep of Grounds Services	20,260	
Care and Upkeep of Equipment Services	40,806	
Vehicle Operation and Maint. Services	5,872	
Student Transportation Services	1,566,403	
Transportation Services	-	
Supervision of Student Transportation Services	83,567	
Non-Public Transportation	157,097	
System-Wide Technology Services	265,817	
State and Federal Agency Liaison Services	14,096	
Other Support Services	28,138	
Student Activities/Athletics	624,027	
Community Services	30,926	
Site Acquisition Services - Original and Additional	-	
Existing Site Improvement Services	-	
Architecture and Engineering Services - Org/Add.	-	
Existing Building Improvement Services	-	
Debt Service	4,385,236	
Refund of Prior Yr. Receipts	55,776	
TOTAL Expenditures	<u>34,622,869</u>	\$ 34,622,869
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		\$ 1,058,071

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013**

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (carried forward)		\$ 1,058,071
<u>OTHER FINANCING SOURCES (USES)</u>		
Proceeds from Extended Term Financing	\$ -	
Debt Service Fund Transfers	-	
Transfer from Trust Funds	-	
Transfer from Activity Funds		
Sale of Fixed Assets	31,680	
Special Revenue Fund Transfers in	-	
Capital Projects Funds Transfers	-	
Special Revenue Fund Transfers out	(700,000)	
Transfer to Food Service Fund	-	
Debt Service Fund Transfers out	-	
Activity Fund Transfers	-	
TOTAL OTHER FINANCING SOURCES (USES)	(668,320)	
Special Items	-	
Extraordinary Items - Insurance Recoveries	29,499	(638,821)
NET CHANGE IN FUND BALANCE		419,250
FUND BALANCE - JULY 1, 2012		11,255,418
FUND BALANCE - JUNE 30, 2013		<u>\$ 11,674,668</u>

Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2013

REVENUES

Lunches	\$ 635,664	
Special Functions	37,041	
Federal Subsidy	444,271	
Donated Commodities Received	81,802	
State Subsidy	39,005	
State Reimbursement - FICA & Retirement	47,985	
Other Food Service Revenue	1,917	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	-	
Interest	707	
TOTAL REVENUES		\$ 1,288,392

COST OF GOODS SOLD

Inventory - July 1, 2012	42,549	
Food and Milk	414,549	
Donated Commodities	81,802	
Supplies	36,835	
LESS - Inventory - June 30, 2013	<u>(38,562)</u>	
TOTAL COST OF GOODS SOLD		<u>537,173</u>

GROSS PROFIT

751,219

EXPENSES

Salaries	468,572	
Benefits	235,607	
Professional Fees	2,285	
Travel	1,579	
Repairs	22,737	
Food Handling Costs	3,062	
Depreciation	10,490	
Purchased Services	6,283	
Uncapitalized Equipment	4,027	
Dues and Fees	722	
Other	<u>2,352</u>	
TOTAL EXPENSES		<u>757,716</u>

CHANGES IN FUND NET POSITION

(6,497)

FUND NET POSITION - BEGINNING

522,020

FUND NET POSITION - ENDING

\$ 515,523

**Hamburg Area School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2013**

ASSETS

Cash and Cash Equivalents	\$ 432,633
Due From Other Funds	47,986
Intergovernmental Receivables	2,271
Other Receivables	2,357
Inventory	
- Food	21,866
- Supplies	-
- Federal Commodities	16,696
Prepaid Expenses	-
Equipment (net of accum. Depreciation)	140,231

DEFERRED OUTFLOW OF RESOURCES

Dererred Charges on Refundings	-
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TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$	<u>664,040</u>
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LIABILITIES

Accounts Payable	\$ 13,775
Due to Other Funds	3,097
Compensated Absences	31,167
Deferred Revenue	18,624
Net OPEB Obligation	69,532
Accrued Salaries and Benefits	12,322

DEFERRED INFLOW OF RESOURCES

Prepayments from Students	<u>18,624</u>	148,517
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FUND NET POSITION		<u>515,523</u>
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TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND NET POSITION	\$	<u>664,040</u>
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**Hamburg Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012		\$ 5,382,660
REVENUES AND OTHER FINANCING SOURCES		
Interest	\$ 31,731	
Refund of Prior Year Expenditures	2,588	
Interfund Transfers In	700,000	734,319
TOTAL FUNDS AVAILABLE		<u>6,116,979</u>
EXPENDITURES		
NON-INSTRUCTIONAL SERVICES:		
Equipment	-	
CAPITAL OUTLAY:		
Professional Services	-	
Construction Services	-	
Land Purchases	-	
Supplies	-	
Equipment	-	
Dues and Fees	-	
OTHER FINANCING USES		
Interfund Transfers Out	-	-
FUND BALANCE - JUNE 30, 2013		<u>\$ 6,116,979</u>

**Hamburg Area School District
2011B Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012 \$ 17,260,817

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$ -		
Miscellaneous	16		
Interest	25,317		25,333
TOTAL FUNDS AVAILABLE			17,286,150

EXPENDITURES

INSTRUCTIONAL:

Equipment	-	
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SUPPORT SERVICES:

Advertising	4,399	
Repairs and Maintenance	-	
Supplies	2,132	

NON-INSTRUCTIONAL SERVICES:

Supplies	-	
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CAPITAL OUTLAY:

Professional Services	1,094,927	
Repairs and Maintenance	3,117	
Rentals	709	
Insurance	10,949	
Travel	-	
Supplies	1,987	
Construction Services	1,358,858	
Equipment	41,699	
Dues and Fees	102,750	

OTHER FINANCING USES

Debt Service - Interest	-	
Bond Discounts	-	2,621,527
		2,621,527

FUND BALANCE - JUNE 30, 2013 **\$ 14,664,623**

**Hamburg Area School District
Debt Service Stabilization Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012	\$ 542,503
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REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding of Bonds	\$ -	
Transfer from General Fund	-	
Interest	1,762	1,762

TOTAL FUNDS AVAILABLE		544,265
------------------------------	--	----------------

EXPENDITURES AND OTHER FINANCING USES

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, 2013	\$ <u>544,265</u>
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Hamburg Area School District
Schedule on General Obligation Bonds
Series of 2009
For the Year Ended June 30, 2013

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL AMOUNT
2013-14	3.00	\$ 104,400	\$ 655,000
2014-15	2.50	84,750	670,000
2015-16	3.20	68,000	685,000
2016-17	3.20	46,080	710,000
2017-18	3.20	23,360	730,000
TOTAL OUTSTANDING		\$ 326,590	\$ 3,450,000

Schedule on General Obligation Bonds
Series A of 2009
For the Year Ended June 30, 2013

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL AMOUNT
2013-14	3.00	\$ 182,722	\$ 490,000
2014-15	2.70	168,023	500,000
2015-16	3.00	154,522	1,250,000
2016-17	3.20	117,023	1,300,000
2017-18	3.50	75,423	1,010,000
2018-19	3.60	40,072	535,000
2019-20	3.75	20,813	555,000
TOTAL OUTSTANDING		\$ 758,598	\$ 5,640,000

Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2011
For the Year Ended June 30, 2013

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2013-14	1.60	\$ 1,048,278	\$ 5,000
2014-15	2.00	1,048,198	5,000
2015-16	2.45	1,048,098	80,000
2016-17	2.75	1,046,137	70,000
2017-18	3.00	1,044,212	375,000
2018-19	3.38	1,032,962	1,510,000
2019-20	3.63	982,000	1,565,000
2020-21	3.75	925,270	2,140,000
2021-22	4.00	845,018	2,225,000
2022-23	4.13	756,019	2,310,000
2023-24	5.50	660,731	2,405,000
2024-25	5.50	528,456	2,540,000
2025-26	4.625	388,756	2,680,000
2026-27	4.625	264,806	2,805,000
2027-28	5.00	121,812	2,410,000
2028-29	5.25	1,312	5,000
2029-30	5.25	1,050	5,000
2030-31	5.25	788	5,000
2031-32	5.25	525	5,000
2032-33	5.25	262	5,000
TOTAL OUTSTANDING		\$ 11,744,690	\$ 23,150,000

**Hamburg Area School District
Schedule on General Obligation Bonds
Series B of 2011
For the Year Ended June 30, 2013**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2013-14	1.60	\$ 948,146	\$ 5,000
2014-15	2.00	948,066	5,000
2015-16	2.45	947,966	5,000
2016-17	4.00	947,844	5,000
2017-18	4.00	947,644	5,000
2018-19	4.00	947,444	5,000
2019-20	4.00	947,243	5,000
2020-21	4.00	947,044	5,000
2021-22	4.75	946,844	5,000
2022-23	4.75	946,606	5,000
2023-24	4.75	946,369	5,000
2024-25	4.75	946,131	5,000
2025-26	4.75	945,894	5,000
2026-27	5.00	945,656	5,000
2027-28	5.00	945,407	570,000
2028-29	5.00	916,906	3,245,000
2029-30	5.125	754,656	3,410,000
2030-31	5.125	579,894	3,585,000
2031-32	5.125	396,163	3,770,000
2032-33	5.125	202,950	3,960,000
TOTAL OUTSTANDING		\$ 17,054,873	\$ 18,610,000

**Schedule on General Obligation Bonds
Series of 2012
For the Year Ended June 30, 2013**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2013-14	2.00	\$ 48,700	\$ 965,000
2014-15	3.00	29,400	980,000
TOTAL OUTSTANDING		\$ 78,100	\$ 1,945,000

SINGLE AUDIT SECTION

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	CFDA NUMBER	PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/12	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/13	FOOTNOTES
U. S. DEPARTMENT OF EDUCATION											
PASSED THROUGH THE PA.											
DEPARTMENT OF EDUCATION											
ESEA - TITLE I	I	84.010	013-12-0178A	7/1/11-9/30/12	\$ 349,718	\$ 103,832	\$ 103,832	\$ -	\$ -	\$ -	2
ESEA - TITLE I	I	84.010	013-13-0178A	7/1/12-9/30/13	\$ 371,548	277,574	-	353,481	353,481	75,907	
TOTAL TITLE I PROGRAM						381,406	103,832	353,481	353,481	75,907	
ESEA - TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-12-0178A	7/1/11-9/30/12	\$ 74,950	4,434	4,434	-	-	-	
ESEA - TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-13-0178A	7/1/12-9/30/13	\$ 74,700	74,700	-	74,700	74,700	-	
TOTAL TITLE IIA PROGRAM						79,134	4,434	74,700	74,700	-	
ESEA - ARRA EDUCATION JOBS FUND	I	84.410	140-120178	7/1/12-6/30/13	\$ 7,183	7,183	7,183	-	-	-	5
PASSED THROUGH THE BERKS COUNTY I.U.											
ARRA - RACE TO THE TOP - PHASE 3											
	I	84.413A	N/A	7/1/12-6/30/13	\$ 23,513	-	-	22,123	22,123	22,123	2
											1 & 5
IDEA	I	84.027	N/A	7/1/12-6/30/13	\$ 329,581	-	-	329,581	329,581	329,581	1
IDEA - Section 619	I	84.173	N/A	7/1/11-6/30/12	\$ 1,823	1,823	1,823	-	-	-	1
TOTAL IDEA CLUSTER						1,823	1,823	351,704	351,704	351,704	
TOTAL U.S. DEPARTMENT OF EDUCATION						469,546	117,272	779,885	779,885	427,611	
U. S. DEPT. OF AGRICULTURE											
PASSED THROUGH THE PA.											
DEPT OF EDUCATION											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/11-6/30/12	N/A	47,483	47,483	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/12-6/30/13	N/A	389,431	-	391,175	391,175	1,744	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/11-6/30/12	N/A	7,051	7,051	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/12-6/30/13	N/A	52,809	-	53,096	53,096	287	
PASSED THROUGH THE PA											
DEPARTMENT OF AGRICULTURE											
USDA COMMODITIES	I	10.555	N/A	7/1/12-6/30/13	N/A	81,802	(15,737)	80,841	80,841	(16,698)	2
TOTAL CHILD NUTRITION CLUSTER						578,576	38,797	525,112	525,112	(14,667)	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						578,576	38,797	525,112	525,112	(14,667)	
TOTAL FEDERAL AWARDS						\$ 1,048,122	\$ 156,069	\$ 1,304,997	\$ 1,304,997	\$ 412,944	

SOURCE: D-DIRECT; I-INDIRECT

Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2013

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 2.2% of its total general fund revenue in federal awards and 40.8% 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	\$ 890,519	\$ 872,452
Berks County I.U.	56,471	351,704
PA Department of Agriculture	N/A	80,841
Totals	\$ 946,990	\$ 1,304,997

3. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$81,802 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2012-13 fiscal year, the District used \$80,841 in commodities and established a year-end inventory of \$16,698 at June 30, 2013.
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	\$ 428,181
Federal Grants in Local Sources	351,704
Food Service Fund Federal Revenue	<u>526,073</u>
Total Federal Revenue, per financial statements	1,305,958
Less - Medical Access	-
Change in Donated Commodities	<u>(961)</u>
Federal Revenue on SEFA	<u>\$ 1,304,997</u>



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

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, 2013, 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 27, 2013.

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.

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,

A handwritten signature in cursive script that reads "Norman Associates, P.C.".

November 27, 2013



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2013*. 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, 2013.

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 27, 2013

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

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
84.010	Title I Program

Percentage of programs tested to total awards 27.1%

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, 2013**

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.