

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2015

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HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

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HAMBURG AREA SCHOOL DISTRICT

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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, 2015, 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 18, 2015



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
Dr. Richard J. Mextorf, 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, 2015, and have issued our report thereon dated November 18, 2015.

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 30, 2015.

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, and Net Pension Liability. 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 18, 2015. 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 2014-15 basic financial statements.

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

A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

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

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

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

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

Board of School Directors. Dr. Richard J. Mextorf, Superintendent

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

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

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

CONTROL DEFICIENCIESMiddle School Activity Fund

During our review of clubs within the middle school activity fund, we discovered the 7th Grade Trip club reported a negative balance at year end. Obviously, the Club had to use funds from other Clubs to pay for its costs. During our review of invoices paid within the various clubs, we could not find any evidence on the invoices showing approval by any administrator to allow payment of those invoices.

In the future, we suggest each club advisor affix their signature or initials on each invoice showing approval to pay the invoices.

General Fund

During our review of payroll expenditures, we had difficulty proving out the total payroll as a result of incorrect postings made to payroll accounts that should have been made to health insurance accounts. In addition, there were a number of receipts coded against the payroll accounts that should have been coded to revenue accounts.

In the future, we suggest greater attention be placed on ensuring the right account is adjusted for the entries made by the business office staff.

RECOMMENDATIONSDebt Service Stabilization Fund

During our testing of expenditures charged to this fund during the 2014-15 fiscal year, we discovered \$122,432.61 was paid to BCTC for the District's rental subsidy payment. We could not find any evidence in the Board minutes that this disbursement was authorized by the School Board.

In the future, we recommend any payments made in this fund, which was created to set aside money for payment on future debt payments, be approved by the School Board by resolution.

General Fund – Chart of Accounts

During this past fiscal year, the Comptroller's Office for School Finance decided to expand the expenditure sub-functions to be used by all school districts. During our review of the coding used in functions 2500, 2600, and 2700, we noticed the new function codes were not used during this past year.

Since the annual AFR now requires these accounts be used, we suggest the business office institute the new codings for the 2015-16 fiscal year.

OTHER INFORMATION

We would be remised if we didn't keep the management and the School Board 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. 72, 73, 74, 75, 76, and 77 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. 72

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, along with applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement requires a government to use valuation techniques using the market approach, the cost approach, or the income approach. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This Statement distinguishes between three levels of inputs.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Effective date is the 2015-16 fiscal year.

GASB Statement No. 73

This new accounting standard pertains to Pensions and related assets that are not within the Scope of GASB Statement 68, and amendments to certain provisions of GASB Statements 67 and 68. The amendments pertaining to Statement 68 will not affect cost-sharing employers. In addition, this Statement pertains to defined benefit pensions that do not relate to the District. Effective for the 2016-17 fiscal year.

GASB Statement No. 74 & 75

These new accounting standards, affects Other Post Employment Benefit Plans and replaces GASB Statement 43 and 45. Statement 74 pertains to the financial reporting of any Other Post Employment Benefit Trust Plans. Statement 75 pertains to the financial reporting of individual governments.

Board of School Directors. Dr. Richard J. Mextorf, Superintendent

These two Statements in essence treats OPEB in future years similar to GASB Statements 67 and 68 pertained to defined benefit and contribution pension plans. Statement 75 requires all governments to report as a long-term liability the actuarial value of its Other Post-Employment Benefits, similar to the treatment of your PSERS defined benefit pension plan.

Instead of having a Net OPEB obligation amortizing 1/30th of the total actuarial liability each year, you will be recording the entire actuarial liability as a long-term Net OPEB Liability on the government-wide financial statements.

Effective date for Statement 74 is the 2016-17 fiscal year for OPEB Trusts, and 2017-18 fiscal year for governmental employers.

GASB Statement No. 76

This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The biggest change in this accounting principle is that all implementation guides issued by GASB staff is now considered authoritative literature. Effective date for this standard is the 2015-16 fiscal year.

GASB Statement No. 77

In an effort to improve financial reporting for the government's citizens, taxpayers, legislative and oversight bodies, municipal bond analysts, and others, this Statement requires governments involved in Tax Abatement agreements; commonly known as Tax Incentive Financing (TIF) arrangements to disclose certain information on all such agreements.

This Standard defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The following information about the agreements must be disclosed:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Board of School Directors. Dr. Richard J. Mextorf, Superintendent


Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period

The effective date of the Statement is the 2016-17 fiscal year

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 18, 2015

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
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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, 2015, 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, 2015, 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-G to the financial statements, the Hamburg Area School District adopted new accounting guidelines from GASB Statement No. 68 for the 2014-15 fiscal year. Our opinion is not modified with respect to this pronouncement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12-20, and the Schedule of Funding Progress, OPEB, Schedule of the District's Proportionate Share of Net Pension Liability and Schedule of District's Contributions – Pension on pages 73-75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamburg Area School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the Hamburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamburg Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



November 18, 2015

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2015

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, 2015.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by \$1,292,473, resulting in an increase in fund balance of \$1,425,011. The primary reasons for this surplus was that expenditures were less than originally budgeted due to strict control of expenditures and the refinancing of the 2011A series bonds. Revenues were also less than originally budgeted.

The Board of Directors passed a 2014-15 budget with a real estate tax increase of .25 mills. The increase was necessitated by contractual obligations, PSERS rate increases, and the continuing increases for special education and charter school costs.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Reporting –

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

- Statement of Net Position – Identifies the assets owned by the district and the debt owed by the district. In addition, all required deferred outflows of resources and deferred inflows of resources are presented. Over time this statement measures the financial health of the district by revealing whether net position are increasing or decreasing.
- Statement of Activities – identifies the costs of providing services to the district and the financial resources obtained to finance the services.

Both statements report two activities:

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

District Fund Reporting -

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

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

DISTRICT-WIDE FINANCIAL ANALYSIS

The District's net position was (\$8,745,921) at June 30, 2015, a decrease of (\$47,918,111). This decrease was due to a change in accounting rules. The governmental net position decreased by (\$46,550,905), while business-type net position decreased by (\$1,367,206).

Table A-1
Fiscal Year Ended June 30, 2015
Net Position

	2014			2015			
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total	
Current and Other Assets	\$ 23,954,297	\$ 520,087	\$ 24,407,895	\$ 20,898,301	\$ 491,823	\$ 21,261,108	(1)
Non-Current Assets	71,159,959	131,890	71,291,849	73,945,531	125,354	74,070,885	
Deferred Outflow of Resource	368,803	-	368,803	6,918,112	109,691	7,027,803	
Total Assets & Deferred Outflow of Resources	\$ 95,483,059	\$ 651,977	\$ 96,068,547	\$ 101,761,944	\$ 726,868	\$ 102,359,796	
Current and Other Liabilities	\$ 6,648,859	\$ 52,791	\$ 6,635,161	\$ 6,317,376	\$ 47,723	\$ 6,236,083	(1)
Long-term Liabilities	50,151,064	110,132	50,261,196	99,860,467	1,460,608	101,321,075	
Deferred Inflow of Resources	-	-	-	3,451,870	96,689	3,548,559	
Total Liabilities & Deferred Inflow of Resources	\$ 56,799,923	\$ 162,923	\$ 56,896,357	\$ 109,629,713	\$ 1,605,020	\$ 111,105,717	
Net Position							
Net Investment in Capital Assets	\$ 21,344,584	\$ 131,891	\$ 21,476,475	\$ 25,660,627	\$ 125,354	\$ 25,785,981	
Restricted	5,660,097	-	5,660,097	1,816,403	-	1,816,403	
Unrestricted	11,678,455	357,163	12,035,618	(35,344,799)	(1,003,506)	(36,348,305)	
Total Net Position	\$ 38,683,136	\$ 489,054	\$ 39,172,190	\$ (7,867,769)	\$ (878,152)	\$ (8,745,921)	

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

The largest component of Net Position is the Investment in Capital Assets Net of Related Debt. It represents the current value of capital assets (less depreciation) less the related debt outstanding to finance the acquisition of such assets adding or subtracting any related deferred outflows or inflows of resources. The remaining net position is comprised of unrestricted balances net of restricted balances.

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-2
Fiscal Year Ended June 30, 2015
Changes in Net Position

	2014			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 83,198	\$ 645,607	\$ 728,805	\$ 101,663	\$ 695,592	\$ 797,255
Operating grants and contributions	5,167,486	620,895	5,788,381	5,742,017	648,169	6,390,186
Capital grants and contributions	552,374	-	552,374	578,343	-	578,343
<i>General Revenues</i>						
Property taxes	20,928,941	-	20,928,941	21,169,943	-	21,169,943
Other taxes	2,334,404	-	2,334,404	2,385,199	-	2,385,199
Grants, subsidies and contributions	7,233,207	-	7,233,207	7,231,973	-	7,231,973
Other	129,021	600	129,621	356,910	261	357,171
Total Revenues	36,428,631	1,267,102	37,695,733	37,566,048	1,344,022	38,910,070
Expenses						
Instruction	20,430,248	-	20,430,248	21,222,765	-	21,222,765
Instructional student support	3,328,984	-	3,328,984	3,483,458	-	3,483,458
Administrative and financial support	2,731,699	-	2,731,699	3,624,908	-	3,624,908
Operation and maintenance of plant	2,760,363	-	2,760,363	3,049,251	-	3,049,251
Pupil transportation	1,891,147	-	1,891,147	1,797,169	-	1,797,169
Student activities	674,684	-	674,684	716,550	-	716,550
Community services	33,410	-	33,410	26,122	-	26,122
Interest on long-term debt	2,326,422	-	2,326,422	1,971,195	-	1,971,195
Unallocated depreciation expense	1,365,244	-	1,365,244	1,360,240	-	1,360,240
Food services	-	1,293,571	1,293,571	-	1,398,510	1,398,510
Total Expenses	35,542,201	1,293,571	36,835,772	37,251,658	1,398,510	38,650,168
Increase (decrease) in net position	\$ 886,430	\$ (26,469)	\$ 859,961	\$ 314,390	\$ (54,488)	\$ 259,902

Table A-3 shows the total cost of program expenses and the net costs of programs offset by charges for services and grant revenue. Net Cost of Services is supported by unrestricted grants including the basic education subsidy, local taxes, and other miscellaneous revenues. Local real estate taxes support 63.8% of the total cost of governmental activities in the school district.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-3
Fiscal Year Ended June 30, 2015
Governmental Activities

Functions/Programs	2014		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 20,430,248	16,716,254	\$ 21,222,765	17,090,187
Instructional Student Support	3,328,984	3,087,767	3,483,458	3,193,172
Administrative	2,731,699	2,546,129	3,624,908	3,390,996
Operation and Maintenance	2,760,363	2,648,955	3,049,251	2,910,814
Pupil Transportation	1,891,147	1,009,941	1,797,169	842,568
Student Activities	674,684	581,155	716,550	622,684
Community Services	33,410	33,410	26,122	26,122
Interest on Long-term Debt	2,326,422	1,774,048	1,971,195	1,392,852
Unallocated Depreciation Expense	1,365,244	1,365,244	1,360,240	1,360,240
Total Governmental Activities	\$ 35,542,201	\$ 29,762,903	\$ 37,251,658	\$ 30,829,635
Less:				
Unrestricted Grants and Subsidies		7,233,207		7,231,973
Total Contribution from Local Taxes and other Revenues		\$ 22,529,696		\$ 23,597,662

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 (\$54,488) loss. An increase in cost of services is primarily attributable to employee salaries, benefits, 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 2015-16 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, 2015
Business-type Activities

Functions/Programs	2014		2015	
	Total Cost of Services	Net Revenue	Total Cost of Services	Net Revenue
Food Services	\$ 1,293,571	\$ (27,069)	\$ 1,398,510	\$ (54,749)
Less:				
Investment Earnings		600		261
Gain/Loss Asset Sale		-		-
Total business-type Activities		\$ (26,469)		\$ (54,488)

The District Funds:

At June 30, 2015, the District governmental funds reported a combined fund balance of \$16,350,643. This represents a decrease of \$2,731,892 from the prior year. The reason for this decrease is due to construction payments for the new Perry Elementary Center.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets net of accumulated depreciation increased \$2,785,572 or 3.9%. Tables A-5 and A-6 summarize the capital assets of both the governmental and business activities of the School District.

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

	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>Change</u>
Land and Land Improvements (net of Accum Depreciation)	\$ 2,388,997	\$ 2,253,336	\$ (135,661)
Building and Building Improvements (net of Accum Depreciation)	50,976,324	49,705,704	(1,270,620)
Furniture and Equipment (net of Accum Depreciation)	526,170	733,063	(206,893)
Construction in Progress	<u>17,268,468</u>	<u>21,253,428</u>	<u>(3,984,960)</u>
TOTAL	<u>\$ 71,159,959</u>	<u>\$ 73,945,531</u>	<u>\$ 2,785,572</u>

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 131,890	\$ 125,354	\$ 6,536
Total	\$ 131,890	\$ 125,354	\$ 6,536

DEBT ADMINISTRATION:

As of June 30, 2015, the District had outstanding debt of \$51,865,000. Figure A-7 shows outstanding debt at June 30, 2015.

Table A-7
Outstanding Debt

	<u>2014</u>	<u>2015</u>
General Obligation Bonds		
-Series of 2011 A	\$ 23,145,000	\$ 14,785,000
-Series of 2012	980,000	-
-Series of 2011 B	18,605,000	10,160,000
-Series of 2014	8,285,000	6,995,000
-Series of 2014 A	-	9,970,000
-Series of 2015	-	9,955,000
Total	\$ 51,015,000	\$ 51,865,000

LOOKING TO THE FUTURE:

CAPITAL PROJECTS:

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

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

BUDGET 2015-2016

Rising costs for special education, charter schools, and contractual obligations have necessitated a millage increase for 2015-16. The increase of .25 mills from 26.21 to 26.46 mills was needed to balance the budget. This means that property owners will pay \$26.46 for each \$1,000.00 of assessed valuation.

The 2015-16 budget maintained the existing programs offered in the District, but the rapidly increasing costs for retirement, special education, and charter school tuition make it a challenge to do so.

The comparison of revenue and expenditure categories is as follows:

Table A-8

BUDGETED REVENUES

	<u>2014-2015</u>	<u>2015-2016</u>
Local	65.1%	63.5%
State	33.7%	35.1%
Federal/Other	1.2%	1.4%

BUDGETED EXPENDITURES

	<u>2014-2015</u>	<u>2015-2016</u>
Instruction	55.0%	55.4%
Support Services	30.7%	30.1%
Non Instruction/Community	2.0%	1.9%
Fund Transfers/Debt	12.3%	12.6%

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, 2015**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 9,889,668	\$ 258,516	\$ 10,148,184
Investments	8,941,000	-	8,941,000
Receivables, net	1,072,650	-	1,072,650
Internal Balances	-	129,016	- (1)
Due From Other Governments	910,608	69,583	980,191
Other Receivables	32,782	-	32,782
Inventories	51,593	34,708	86,301
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
Total Current Assets	20,898,301	491,823	21,261,108
Non-Current Assets:			
Land	589,069	-	589,069
Site Improvements (net of depreciation)	1,664,267	-	1,664,267
Building and Bldg. Improvements (net of depreciation)	49,705,704	-	49,705,704
Furniture and Equipment (net of depreciation)	733,063	125,354	858,417
Construction in Progress	21,253,428	-	21,253,428
Total Non-Current Assets	73,945,531	125,354	74,070,885
Total Assets	94,843,832	617,177	95,331,993
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion	449,412	12,588	462,000
Deferred Outflows of Resources - 2014-15 Contributions	3,114,546	97,103	3,211,649
Deferred Amount on Debt Refundings, net	3,354,154	-	3,354,154
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 101,761,944	\$ 726,868	\$ 102,359,796
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 129,016	\$ -	\$ - (1)
Due to other governments	138,973	-	138,973
Accounts Payable	716,773	14,172	730,945
Current Portion of Long-Term Obligations	2,295,397	-	2,295,397
Accrued Salaries and Benefits	2,584,629	14,695	2,599,324
Payroll Deductions and Withholdings	-	-	-
Payments Received in Advance	-	18,856	18,856
Other Current Liabilities	452,588	-	452,588
Total Current Liabilities	6,317,376	47,723	6,236,083
Non-Current Liabilities:			
Bonds Payable	49,869,632	-	49,869,632
Other Retirement Benefits	156,138	4,058	160,196
Net OPEB Obligation	987,984	77,564	1,065,548
Long-Term Portion of Compensated Absences	638,894	28,937	667,831
Net Pension Liability	48,198,053	1,350,049	49,548,102
Capital Lease Obligations	9,766	-	9,766
Total Liabilities	106,177,843	1,508,331	107,557,158
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Difference in Investment Earnings	3,446,463	96,537	3,543,000
Deferred Inflows of Resources - Projected vs Actual Contributions	5,407	152	5,559
Unearned Revenue from Property Taxes	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	109,629,713	1,605,020	111,105,717
NET POSITION			
Net Investment in Capital Assets	25,660,627	125,354	25,785,981
Restricted For:			
Capital Projects	1,816,403	-	1,816,403
Other Restrictions	-	-	-
Unrestricted (deficit)	(35,344,799)	(1,003,506)	(36,348,305)
TOTAL NET POSITION	(7,867,769)	(878,152)	(8,745,921)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 101,761,944	\$ 726,868	\$ 102,359,796

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, 2015**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 21,222,765	\$ 13,140	\$ 4,119,438	\$ -	\$ (17,090,187)	\$ -	\$ (17,090,187)
Instructional Student Support	3,483,458	-	290,286	-	(3,193,172)	-	(3,193,172)
Admin. & Fin'l Support Services	3,624,908	-	233,912	-	(3,390,996)	-	(3,390,996)
Oper. & Maint. Of Plant Svcs.	3,049,251	-	138,437	-	(2,910,814)	-	(2,910,814)
Pupil Transportation	1,797,169	-	954,601	-	(842,568)	-	(842,568)
Student activities	716,550	88,523	5,343	-	(622,684)	-	(622,684)
Community Services	26,122	-	-	-	(26,122)	-	(26,122)
Interest on Long-Term Debt	1,971,195	-	-	578,343	(1,392,852)	-	(1,392,852)
Unallocated Depreciation Expense	1,360,240	-	-	-	(1,360,240)	-	(1,360,240)
TOTAL GOVERNMENT ACTIVITIES	37,251,658	101,663	5,742,017	578,343	(30,829,635)	-	(30,829,635)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,398,510	695,592	648,169	-	-	(54,749)	(54,749)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 38,650,168	\$ 797,255	\$ 6,390,186	\$ 578,343	\$ (30,829,635)	\$ (54,749)	\$ (30,884,384)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 21,169,943	\$ -	\$ 21,169,943
Taxes levied for specific purposes					2,385,199	-	2,385,199
Grants, subsidies, & contributions not restricted					7,231,973	-	7,231,973
Investment Earnings					83,584	261	83,845
Miscellaneous Income					141,798	-	141,798
Special Item - Gain or (Loss) on sale of capital assets					131,528	-	131,528
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					31,144,025	261	31,144,286
CHANGES IN NET POSITION					314,390	(54,488)	259,902
NET POSITION - BEGINNING					38,683,136	489,054	39,172,190
Prior Period Adjustment					(46,865,295)	(1,312,718)	(48,178,013)
NET POSITION - ENDING					\$ (7,867,769)	\$ (878,152)	\$ (8,745,921)

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

**Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2015**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 9,027,069	\$ 438,036	\$ 424,562	\$ 9,889,667
Investments	7,141,000	1,800,000	-	8,941,000
Taxes Receivable, net	1,072,650	-	-	1,072,650
Due from other funds	-	-	-	-
Due from Other Governments	910,608	-	-	910,608
Other Receivables	8,398	-	-	8,398
Inventories	-	-	-	-
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 18,159,725	\$ 2,238,036	\$ 424,562	\$ 20,822,323
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 18,159,725	\$ 2,238,036	\$ 424,562	\$ 20,822,323
<u>LIABILITIES</u>				
Due to Other Funds	\$ 129,016	\$ -	\$ -	\$ 129,016
Due to Other Governments	138,973	-	-	138,973
Accounts Payable	498,459	51,649	-	550,108
Current Portion of Long-Term Debt	165,753	-	-	165,753
Accrued Salaries and Benefits	1,569,179	-	-	1,569,179
Payroll Deductions and Withholdings	1,015,450	-	-	1,015,450
Other Current Liabilities	2,616	-	-	2,616
TOTAL LIABILITIES	3,519,446	51,649	-	3,571,095
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned Revenue from Property Taxes	900,585	-	-	900,585
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,420,031	51,649	-	4,471,680
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	45,787	2,186,387	-	2,232,174
Committed	2,318,435	-	-	2,318,435
Assigned	9,133,507	-	424,562	9,558,069
Unassigned	2,241,965	-	-	2,241,965
TOTAL FUND BALANCES	13,739,694	2,186,387	424,562	16,350,643
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,159,725	\$ 2,238,036	\$ 424,562	\$ 20,822,323

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, 2015**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 16,350,643

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 \$92,780,313 and the accumulated depreciation is \$18,834,782. 73,945,531

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. 24,384

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. 900,585

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. 51,593

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. (166,664)

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. 3,354,154

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability 112,088

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	\$ (51,994,632)	
Accrued interest on the bonds	(449,972)	
Compensated absences	(638,894)	
Net Pension Liability	(48,198,053)	
Net OPEB Obligation	(987,984)	
Years of Service Benefit	(156,138)	
Capital Leases	(14,410)	(102,440,083)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (7,867,769)**

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, 2015

	GENERAL	CAPITAL PROJECTS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 24,323,923	\$ 3,831	\$ 1,640	\$ 24,329,394
State Sources	12,805,903	-	-	12,805,903
Federal Sources	416,629	-	-	416,629
TOTAL REVENUES	<u>37,546,455</u>	<u>3,831</u>	<u>1,640</u>	<u>37,551,926</u>
EXPENDITURES				
Instruction	20,229,563	189,220	-	20,418,783
Support Services	11,175,343	54,647	364,152	11,594,142
Operation of Non-Instructional Services	715,080	-	-	715,080
Capital Outlay	-	3,957,966	-	3,957,966
Debt Service	4,133,996	-	6,332	4,140,328
TOTAL EXPENDITURES	<u>36,253,982</u>	<u>4,201,833</u>	<u>370,484</u>	<u>40,826,299</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,292,473</u>	<u>(4,198,002)</u>	<u>(368,844)</u>	<u>(3,274,373)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	19,925,000	19,925,000
Proceeds from Extended Term Financing	-	-	-	-
Interfund Transfers in	122,433	161,892	-	284,325
Sale/Compensation for Fixed Assets	171,997	-	-	171,997
Bond Premium	-	-	258,280	258,280
Bond Discount	-	-	-	-
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	(19,812,796)	(19,812,796)
Operating Transfers Out	(161,892)	-	(122,433)	(284,325)
TOTAL OTHER FINANCING SOURCES (USES)	<u>132,538</u>	<u>161,892</u>	<u>248,051</u>	<u>542,481</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>1,425,011</u>	<u>(4,036,110)</u>	<u>(120,793)</u>	<u>(2,731,892)</u>
FUND BALANCES - BEGINNING	<u>12,314,683</u>	<u>6,222,497</u>	<u>545,355</u>	<u>19,082,535</u>
FUND BALANCES - ENDING	<u>\$ 13,739,694</u>	<u>\$ 2,186,387</u>	<u>\$ 424,562</u>	<u>\$ 16,350,643</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, 2015**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,731,892)

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	\$ 1,448,906	
less - capital outlays	<u>4,267,987</u>	2,819,081

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.

(33,510)

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

(139,086)

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

2,284,492

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.

(190,885)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING

2,008,200

**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, 2015**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) **\$ 2,008,200**

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. (115,358)

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. 14,718

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. (370,482)

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. (2,018)

The difference between current year pension expense reported on the governmental activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds. (1,220,670)

CHANGE IN POSITION OF GOVERNMENTAL ACTIVITIES **\$ 314,390**

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, 2015**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 258,516	\$ -	\$ 258,516
Investments	-	-	-
Due from other funds	129,016	-	129,016
Due From Other Governments	69,583	-	69,583
Other Receivables	-	-	-
Inventories	34,708	-	34,708
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	491,823	-	491,823
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	125,354	-	125,354
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	125,354	-	125,354
TOTAL ASSETS	\$ 617,177	\$ -	\$ 617,177
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Changes in Proportion	12,588	-	12,588
Deferred Outflows - 2014-15 Contributions	97,103	-	97,103
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 726,868	\$ -	\$ 726,868
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
Accounts Payable	14,172	-	14,172
Current Portion of Long-Term Debt	-	-	-
Prepayments from Students	18,856	-	18,856
Accrued Salaries and Benefits	14,695	-	14,695
TOTAL CURRENT LIABILITIES	47,723	-	47,723
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	28,937	-	28,937
Years of Service Benefit	4,058	-	4,058
Net Pension Liability	1,350,049	-	1,350,049
Net OPEB Obligation	77,564	-	77,564
TOTAL NON-CURRENT LIABILITIES	1,460,608	-	1,460,608
TOTAL LIABILITIES	1,508,331	-	1,508,331
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - Difference in Investment Earnings	96,537	-	96,537
Deferred Inflows - Projected vs Actual Contributions	152	-	152
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,605,020	-	1,605,020
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	125,354	-	125,354
Restricted for Legal Purposes	-	-	-
Unrestricted	(1,003,506)	-	(1,003,506)
TOTAL FUND NET POSITION	(878,152)	-	(878,152)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 726,868	\$ -	\$ 726,868

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, 2015

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 657,283	\$ -	\$ 657,283
Other Operating Revenues	<u>38,309</u>	<u>-</u>	<u>38,309</u>
TOTAL OPERATING REVENUES	<u>695,592</u>	<u>-</u>	<u>695,592</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	478,177	-	478,177
Employee Benefits	343,144	-	343,144
Purchased Professional and Technical Services	2,328	-	2,328
Purchased Property Service	30,310	-	30,310
Other Purchased Services	15,414	-	15,414
Supplies	515,047	-	515,047
Depreciation	6,536	-	6,536
Dues and Fees	43	-	43
Other Operating Expenses	<u>7,511</u>	<u>-</u>	<u>7,511</u>
TOTAL OPERATING EXPENSES	<u>1,398,510</u>	<u>-</u>	<u>1,398,510</u>
	-----	-----	-----
OPERATING INCOME (LOSS)	<u>(702,918)</u>	<u>-</u>	<u>(702,918)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	261	-	261
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	109,379	-	109,379
Federal Sources	538,790	-	538,790
Interest Expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>648,430</u>	<u>-</u>	<u>648,430</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(54,488)</u>	<u>-</u>	<u>(54,488)</u>
Capital contributions	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
	-----	-----	-----
CHANGES IN FUND NET POSITION	<u>(54,488)</u>	<u>-</u>	<u>(54,488)</u>
	-----	-----	-----
FUND NET POSITION - BEGINNING	489,054	-	489,054
	-----	-----	-----
Prior Period Adjustment	<u>(1,312,718)</u>	<u>-</u>	<u>(1,312,718)</u>
	-----	-----	-----
FUND NET POSITION - ENDING	<u>\$ (878,152)</u>	<u>\$ -</u>	<u>\$ (878,152)</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, 2015**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 588,568	\$ -	\$ 588,568
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	38,309	-	38,309
Cash Payments to Employees for Services	(795,228)	-	(795,228)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(476,039)	-	(476,039)
Cash Payments to Other Operating Expenses	(7,554)	-	(7,554)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(651,944)	-	(651,944)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	109,081	-	109,081
Federal Sources	450,736	-	450,736
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	559,817	-	559,817
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
Capital Contributions	-	-	-
Interest paid on Financing Agreements	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	262	-	262
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	262	-	262
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(91,865)	-	(91,865)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	350,381	-	350,381
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 258,516	\$ -	\$ 258,516

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2015**

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (702,918)	\$ -	\$ (702,918)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	6,536	-	6,536
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	87,476	-	87,476
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	-	-
(Increase) Decrease in Advances to Other Funds	(68,715)	-	(68,715)
(Increase) Decrease in Inventories	5,990	-	5,990
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
(Increase) Decrease in Deferred Outflows - Change in Proportion	(12,588)		(12,588)
(Increase) Decrease in Deferred Outflows - 14-15 Contributions	(97,103)		(97,103)
Increase (Decrease) in Accounts Payable	427	-	427
Increase (Decrease) in Accrued Salaries and Benefits	(3,435)	-	(3,435)
Increase (Decrease) in Net OPEB Obligation	3,170		3,170
Increase (Decrease) in Years of Service Benefit	2,029		2,029
Increase (Decrease) in Net Pension Liability	37,331		37,331
Increase (Decrease) in Deferred Inflows of Resources - Difference in Projected and Actual Contributions	152		152
Increase (Decrease) in Deferred Inflows of Resources - Difference in Investment Earnings	96,537		96,537
Increase (Decrease) in Advances from Other Funds	(6,188)	-	(6,188)
Increase (Decrease) in Prepayments	(645)	-	(645)
TOTAL ADJUSTMENTS	<u>50,974</u>	<u>-</u>	<u>50,974</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (651,944)</u>	<u>\$ -</u>	<u>\$ (651,944)</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, 2015**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 110,851
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	<u>-</u>	<u>-</u>	<u>110,851</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,851</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 1,700
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	109,151
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>110,851</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>110,851</u>
NET POSITION			
Restricted	-	-	-
Unrestricted	-	-	-
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015**

	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, 2015

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 24,411,182	\$ 24,811,182	\$ 24,323,923	\$ (487,259)	\$ -	\$ 24,323,923
State Sources	12,834,249	12,834,249	12,805,903	(28,346)	-	12,805,903
Federal Sources	413,897	413,897	416,629	2,732	-	416,629
TOTAL REVENUES	<u>37,659,328</u>	<u>38,059,328</u>	<u>37,546,455</u>	<u>(512,873)</u>	<u>-</u>	<u>37,546,455</u>
EXPENDITURES						
Regular Instruction	15,451,852	15,003,665	14,541,937	461,728	-	14,541,937
Special Programs	4,386,156	4,718,937	4,642,096	76,841	-	4,642,096
Vocational Programs	946,637	983,637	981,742	1,895	-	981,742
Other Instructional Programs	190,079	68,079	63,788	4,291	-	63,788
Adult Education Programs	-	-	-	-	-	-
Community/Junior College Ed. Programs	-	-	-	-	-	-
Pupil Personnel Services	1,269,056	1,273,856	1,259,532	14,324	-	1,259,532
Instructional Staff Services	1,784,865	1,800,490	1,674,231	126,259	-	1,674,231
Administrative Services	2,029,029	2,317,861	2,297,714	20,147	-	2,297,714
Pupil Health	418,974	410,123	408,450	1,673	-	408,450
Business Services	839,039	457,039	454,730	2,309	-	454,730
Operation & Maintenance of Plant Services	3,137,230	3,096,230	2,966,310	129,920	-	2,966,310
Student Transportation Services	1,893,141	1,895,141	1,813,513	81,628	-	1,813,513
Central Support Services	287,398	428,398	272,654	155,744	-	272,654
Other Support Services	28,056	28,556	28,209	347	-	28,209
Student Activities	714,882	730,382	688,958	41,424	-	688,958
Community Services	34,000	34,000	26,122	7,878	-	26,122
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	4,438,934	4,440,934	4,133,996	306,938	-	4,133,996
TOTAL EXPENDITURES	<u>37,849,328</u>	<u>37,687,328</u>	<u>36,253,982</u>	<u>1,433,346</u>	<u>-</u>	<u>36,253,982</u>
Excess (deficiency) of revenues over expenditures	(190,000)	372,000	1,292,473	920,473	-	1,292,473
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Interfund Transfers in	425,000	25,000	122,433	97,433	-	122,433
Sale/Compensation for Fixed Assets	15,000	15,000	171,997	156,997	-	171,997
Proceeds from Extended Term Financing	-	-	-	-	-	-
Debt Service-Refunded bond issues	-	-	-	-	-	-
Fund Transfers out	-	(162,000)	(161,892)	108	-	(161,892)
Budgetary Reserve	(250,000)	(250,000)	-	250,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>190,000</u>	<u>(372,000)</u>	<u>132,538</u>	<u>504,538</u>	<u>-</u>	<u>132,538</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	1,425,011	1,425,011	-	1,425,011
FUND BALANCE - JULY 1, 2014	<u>\$ 11,635,465</u>	<u>\$ 11,635,465</u>	<u>\$ 12,314,683</u>	<u>\$ 679,218</u>	<u>\$ -</u>	<u>\$ 12,314,683</u>
FUND BALANCE - JUNE 30, 2015	<u>\$ 11,635,465</u>	<u>\$ 11,635,465</u>	<u>\$ 13,739,694</u>	<u>\$ 2,104,229</u>	<u>\$ -</u>	<u>\$ 13,739,694</u>

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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, 2015**

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 2014-15 was \$905,354.

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, 2015**

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, 2015**

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Deferred Outflows of Resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred Inflows of Resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds.

General Fund

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

Special Revenue Funds

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

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

Capital Project Funds

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

The District has the following Capital Project Funds:

2011 B Construction Fund

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

Capital Reserve Fund

This fund was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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

Food Service Fund

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

Fiduciary Funds Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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, 2015**

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 2014-15 budget transfers.

F. Use of Estimates

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

G. Changes in Accounting Principles

During the 2014-15 fiscal year the District implemented the required GASB Statement No. 68 (*Accounting and Financial Reporting for Pensions*), which requires all governments to record the net pension liability on all defined benefit and defined contribution plans. Since this District is a cost-sharing participating member of the Public School Employees' Retirement System (PSERS), they must record their proportionate share of the Plan's Net Pension Liability as calculated by the Plan's actuary. In addition, GASB Statement No. 68 requires recording applicable deferred outflows of resources and deferred inflows of resources required under the guidance found in the accounting standard.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employee's Retirement System's fiduciary net position have been determined on the same basis as they are reported by the Public School Employee's Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

I. Investments

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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

Receivables and Payables

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

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2015, 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 inflows of resources in the fund financial statements.

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2015, shows \$51,593 as an asset in the governmental activities column of the government-wide statement of net position and \$34,708 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, 2015, consist of:

Purchased Food & Supplies	\$	18,366
Donated Commodities		16,342
TOTAL	\$	34,708

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Prepaid Expenses

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

Capital Assets

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

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

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

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

Compensated Absences

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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

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

Long-Term Obligations

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

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2015, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Position

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Nonspendable Fund Balance

This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance

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

Committed Fund Balance

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action.

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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

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

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

The details of this \$102,440,083, difference are:

Bonds payable	\$ 51,865,000
Less: Issuance discount (to be amortized as interest expense)	(218,961)
Add: Issuance premium (to be amortized as a credit to interest expense)	348,593
Capital Lease	14,410
Accrued interest payable	449,972
Net Pension Liability	48,198,053
Years of Service Benefit	156,138
Net OPEB Obligation	987,984
Compensated absences	<u>638,894</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$102,440,083</u>

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

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

- d) 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.
- e) 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.
- f) 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, 2015

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

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT ITEMS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 21,309,029	\$ (139,086)	\$ -	\$ -	\$ 21,169,943
Taxes levied for specific purposes	2,385,198	1	-	-	2,385,199
Interest and investment earnings	68,866	14,718	-	-	83,584
Miscellaneous	130,868	-	-	-	130,868
Contributions and Donations	10,930	-	-	-	10,930
Charges for Services	90,533	-	-	-	90,533
Grants, subsidies & contributions not restricted	7,231,973	-	-	-	7,231,973
INTERMEDIATE SOURCES:					
Charges for Services	11,130	-	-	-	11,130
Operating & Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	5,573,930	-	-	-	5,573,930
FEDERAL SOURCES:					
Operating & Capital grants and contributions	746,430	-	-	-	746,430
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	19,925,000	-	-	(19,925,000)	-
Proceeds from Extended Term Financing	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-
Bond Premium	258,280	-	-	(258,280)	-
Gain or (Loss) on disposal of assets	165,037	-	(33,509)	-	131,528
TOTAL REVENUES	57,907,204	(124,367)	(33,509)	(20,183,280)	37,566,048
EXPENDITURES/EXPENSES					
Instruction	20,418,783	977,456	(173,474)	-	21,222,765
Instructional Student Support	3,343,668	142,108	(2,318)	-	3,483,458
Admin. & Fin'l Support Services	3,444,825	183,329	(3,246)	-	3,624,908
Oper. & Maint. Of Plant Svcs.	2,987,167	83,484	(21,400)	-	3,049,251
Pupil Transportation	1,813,513	5,546	(21,890)	-	1,797,169
Student activities	688,958	21,650	5,942	-	716,550
Community Services	26,122	-	-	-	26,122
Capital Outlay	3,962,936	-	(3,962,936)	-	-
Debt Service	23,953,124	-	-	(21,981,929)	1,971,195
Bond Discount	-	-	-	-	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,360,240	-	1,360,240
TOTAL EXPENDITURES/EXPENSES	60,639,096	1,413,573	(2,819,082)	(21,981,929)	37,251,658
NET CHANGE FOR THE YEAR	\$ (2,731,892)	\$ (1,537,940)	\$ 2,785,573	\$ 1,798,649	\$ 314,390

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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, 2015.

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, 2015.

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, 2015, \$6,811,454 of the District's bank balance of \$16,317,982 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	6,811,454
TOTAL	<u>\$ 6,811,454</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 6,811,454
Plus: Insured Amount	9,506,528
Less: Outstanding Checks	<u>(257,674)</u>
Carrying Amount - Bank Balances	16,060,308
Plus: Petty Cash	305
Deposits in Investment Pools Considered Cash Equivalents	3,139,422
Less: Certificates of Deposit considered Investment by School Code	<u>(8,941,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 10,259,035</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Investments

As of June 30, 2015, the District had the following investments:

<i>Investment</i>	<i>Maturities</i>	<i>Fair Value</i>
Certificates of Deposit	Varies	\$ 8,941,000
PA Local Gov't Investment Trust		2,701,385
PA School District Liquid Asset Fund		438,037
US Treasury Notes		-
M & T Bank		-
TOTAL		<u>\$ 12,080,422</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, 2015, 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, 74.27% is in Certificates of Deposit. Of the Capital Reserve Fund's investments, 96.36% is in collateralized certificates of deposit. Of the General Fund's investments, 72.77% is in collateralized certificates of deposit. Of the investments Entity Wide, 73.01% are in certificates of deposit..

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total Investments Above	\$ 12,080,422
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(3,139,422)</u>
Total Investments Per Financial Statements	<u>\$ 8,941,000</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$864,472,700. In accordance with Act 1 of 2006, the District received \$829,098 in property tax reduction funds for the 2014-15 fiscal year. The tax rate for the year was \$2.621 per \$100 of assessed valuation or 26.21 mills.

The property tax calendar is:

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

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,072,650	-	-	-	-	1,072,650
Accounts	8,398	-	-	-	-	8,398
Intergovernmental	910,608	-	69,583	-	-	980,191
GROSS RECEIVABLES	1,991,656	-	69,583	-	-	2,061,239
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 1,991,656	\$ -	\$ 69,583	\$ -	\$ -	\$ 2,061,239

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Schedule on Deferred Inflows of Resources - Unavailable and Unearned

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 900,585	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 900,585	\$ -

Capital Assets

Capital asset balances and activity for the year ending June 30, 2015, were:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 605,413	\$ -	\$ (16,344)	\$ 589,069
Construction in Progress	17,268,468	3,984,960	-	21,253,428
Total Capital Assets not being depreciated	17,873,881	3,984,960	(16,344)	21,842,497
Capital Assets being depreciated:				
Site Improvements	3,065,144	-	-	3,065,144
Buildings and Bldg. Improvements	65,328,804	-	(164,000)	65,164,804
Furniture and Equipment	2,432,491	283,027	(7,650)	2,707,868
TOTAL CAPITAL ASSETS BEING DEPRECIATED	70,826,439	283,027	(171,650)	70,937,816
Less accumulated depreciation for:				
Site Improvements	(1,281,560)	(119,317)	-	(1,400,877)
Buildings and Bldg. Improvements	(14,352,480)	(1,254,220)	147,600	(15,459,100)
Furniture and Equipment	(1,906,321)	(75,369)	6,885	(1,974,805)
TOTAL ACCUMULATED DEPRECIATION	(17,540,361)	(1,448,906)	154,485	(18,834,782)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	53,286,078	(1,165,879)	(17,165)	52,103,034
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	 \$ 71,159,959	 \$ 2,819,081	 \$ (33,509)	 \$ 73,945,531
 BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 815,277	\$ -	\$ -	\$ 815,277
Less accumulated depreciation	(683,387)	(6,536)	-	(689,923)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	 \$ 131,890	 \$ (6,536)	 \$ -	 \$ 125,354

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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

Regular Instruction	\$ 8,440
Special Instruction	976
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	50
Instructional Staff Svcs.	18,325
Administrative Services	5,083
Health Services	476
Business Services	1,039
Operation & Maintenance of Plant Svcs.	44,655
Pupil Transportation	2,165
Central Services	1,515
Other Support Services	-
Student Activities	5,942
Community Services	-
Depreciation - unallocated	1,360,240
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,448,906</u>

The District's governmental activities disposed of \$171,650 obsolete equipment and buildings during the year, with accumulated depreciation of \$154,485, leaving a gain of disposition of \$131,528. 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, 2015:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

	CONTRACT AMOUNT	EXPENDED TO 6/30/15	OUTSTANDING COMMITMENTS
<u>NEW PERRY ELEMENTARY SCHOOL</u>			
AEM Architects - Project Management (Perry Elem.)	\$ 1,168,123	\$ 1,166,371	\$ 1,752
A. H. Moyer, Inc. - Plumbing	1,190,243	1,190,243	-
A. H. Moyer, Inc. - HVAC	2,671,671	2,671,671	-
E. R. Stuebner	13,238,168	11,076,833	2,161,335
Eastern Air Balance Corp.	215,108	215,108	-
MBR Construction	2,710,225	2,689,525	20,700
General Recreation, Inc.	59,935	-	59,935
11400, Inc.	438,300	438,300	-
TOTAL	\$ 21,691,773	\$ 19,448,051	\$ 2,243,722
<u>MIDDLE SCHOOL & HIGH SCHOOL IMPROVEMENTS</u>			
AEM Architects - Project Management	35,500	31,176	4,324
GRAND TOTAL	\$ 21,727,273	\$ 19,479,227	\$ 2,248,046

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2015:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ -	\$ 129,016
2011 B Construction Fund	-	-
Enterprise (Food Service) Fund	129,016	-
Agency (Activity) Fund	-	-
TOTAL	\$ 129,016	\$ 129,016

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2015:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ 122,433	\$ 161,892
Debt Service Stabilization Fund	-	122,433
Capital Reserve Fund	161,892	-
TOTAL	\$ 284,325	\$ 284,325

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Long-term liability balances and activity for the year ended June 30, 2015, were:

<u>CHANGES IN LONG-TERM LIABILITIES</u>					
	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 50,727,677	\$ 20,636,709	\$ 19,369,754	\$ 51,994,632	\$ 2,125,000
Other than capital projects	-	-	-	-	-
Capital Leases	18,901	-	4,491	14,410	4,644
Total general obligation debt	50,746,578	20,636,709	19,374,245	52,009,042	2,129,644
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	97,422	-	9,151	88,271	88,271
Sick pay	697,936	18,440	-	716,376	77,482
Years of Service Benefit	129,860	26,278	-	156,138	-
Net Pension Liability	46,865,295	1,332,758	-	48,198,053	-
Net OPEB Obligation	933,300	54,684	-	987,984	-
Total other liabilities	48,723,813	1,432,160	9,151	50,146,822	165,753
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 99,470,391	\$ 22,068,869	\$ 19,383,396	\$ 102,155,864	\$ 2,295,397
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Net OPEB Obligation	\$ 74,394	\$ 3,170	\$ -	\$ 77,564	\$ -
Net Pension Liability	1,312,718	37,331	-	1,350,049	-
Years of Service Benefit	2,029	2,029	-	4,058	-
Sick pay	33,709	-	4,772	28,937	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 1,422,850	\$ 42,530	\$ 4,772	\$ 1,460,608	\$ -

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

Total Interest paid and accrued during the year:

	<u>EXPENSE</u>	<u>PAID</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
General obligation debt	\$ 1,971,195	\$ 1,854,454
Short-term borrowings	-	-
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	\$ 1,971,195	\$ 1,854,454

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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.

On December 18, 2014, the District refunded a portion of the Series A of 2011 (\$8,355,000), with interest rates ranging from 5.50% to 5.00%, with new debt in the amount of \$9,970,000, with interest rates ranging from .60% to 3.25%.

SOURCES:

Gross Proceeds of Bonds	\$ 9,970,000
Plus: Accrued Interest	-
Premium	94,346
Less: Original Issue Discount	-
Underwriter's Discount	<u>(94,715)</u>
TOTAL SOURCES	<u>\$ 9,969,631</u>

USES:

Escrow Deposit	\$ 9,874,242
Issuance Costs	91,843
Sinking Fund Deposit	<u>3,546</u>
TOTAL USES	<u>\$ 9,969,631</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows	\$ 13,392,713
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$ 12,995,407
Less: Excess Funds Deposited in Sinking Fund	<u>(3,546)</u>
Net Cash Flows From New Debt	<u>12,991,861</u>
Net Difference in Cash Flows	<u>\$ 400,852</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$ 10,274,151
Present Value of New Debt Service Cash Flows	\$ 9,877,788
Less: Excess Funds Deposited in Sinking Fund	<u>(3,546)</u>
 Total	 <u>9,874,242</u>
 Economic Gain	 <u>\$ 399,909</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

The remaining debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 80,000	\$ 600,622
2016-17	70,000	598,662
2017-18	375,000	596,738
2018-19	1,510,000	585,488
2019-20	1,565,000	534,525
2020-25	6,675,000	1,610,394
2025-30	4,495,000	306,237
2030-33	15,000	1,576
Sub-Total	\$ 14,785,000	\$ 4,834,242
Unamortized Premium	2,656	
TOTAL OUTSTANDING	\$ 14,787,656	

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.

On January 28, 2015, the District refunded a portion of the Series B of 2011 (\$8,440,00), with interest rates ranging at 5.125%, with new debt in the amount of \$9,995,000 with interest rates ranging from .50% to 3.50%.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

SOURCES:

Gross Proceeds of Bonds	\$ 9,955,000
Plus: Accrued Interest	-
Premium	163,934
Less: Original Issue Discount	-
Underwriter's Discount	<u>(87,106)</u>
TOTAL SOURCES	<u>\$ 10,031,828</u>

USES:

Escrow Deposit	\$ 9,938,554
Issuance Costs	90,488
Sinking Fund Deposit	<u>2,786</u>
TOTAL USES	<u>\$ 10,031,828</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows	\$ 15,863,050
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$ 15,207,557
Less: Excess Funds Deposited in Sinking Fund	<u>(2,786)</u>
Net Cash Flows From New Debt	<u>15,204,771</u>
Net Difference in Cash Flows	<u>\$ 658,279</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$ 10,562,721
Present Value of New Debt Service Cash Flows	\$ 9,941,340
Less: Excess Funds Deposited in Sinking Fund	<u>(2,786)</u>
Total	<u>9,938,554</u>
Economic Gain	<u>\$ 624,167</u>

The remaining debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 5,000	\$ 515,416
2016-17	5,000	515,294
2017-18	5,000	515,094
2018-19	5,000	514,894
2019-20	5,000	514,694
2020-25	25,000	2,570,244
2025-30	3,825,000	2,345,768
2030-33	<u>6,285,000</u>	<u>460,481</u>
Sub-Total	10,160,000	<u>\$ 7,951,885</u>
Unamortized Discount	<u>(218,961)</u>	
TOTAL OUTSTANDING	<u>\$ 9,941,039</u>	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

General Obligation Bonds – Series of 2014

On February 3, 2014, the District issued \$9,250,000 of General Obligation Bonds, Series of 2014. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series of 2009, and Series A of 2009, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from May 1, 2014 to May 1, 2020, with interest rates ranging from 0.2% to 3.5%, with a total projected indebtedness of \$491,529. The debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 2,030,000	\$ 126,820
2016-17	2,075,000	96,270
2017-18	1,780,000	57,520
2018-19	550,000	27,800
2019-20	560,000	16,800
Sub-Total	\$ 6,995,000	\$ 325,210
Unamortized Premium	95,287	
TOTAL OUTSTANDING	\$ 7,090,287	

General Obligation Bonds – Series A of 2014

On December 18, 2014, the District issued \$9,970,000 of General Obligation Bonds, Series A of 2014. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series A of 2011, 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 April 1, 2016 to April 1, 2028, with interest rates ranging from .6% to 3.25%, with a total projected indebtedness of \$3,025,407. The debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 5,000	\$ 278,321
2016-17	80,000	278,291
2017-18	170,000	277,491
2018-19	170,000	275,791
2019-20	175,000	273,241
2020-25	5,795,000	1,252,428
2025-30	3,575,000	310,213
2030-33	-	-
Sub-Total	\$ 9,970,000	\$ 2,945,776
Unamortized Premium	91,862	
TOTAL OUTSTANDING	\$ 10,061,862	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

General Obligation Bonds – Series of 2015

On January 28, 2014, the District issued \$9,995,000 of General Obligation Bonds, Series of 2015. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series B of 2011, 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 April 1, 2016 to April 1, 2033, with interest rates ranging from .50% to 3.50%, with a total projected indebtedness of \$5,252,557. The outstanding debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 5,000	\$ 322,368
2016-17	5,000	322,342
2017-18	5,000	322,300
2018-19	5,000	322,245
2019-20	35,000	322,175
2020-25	575,000	1,583,987
2025-30	4,070,000	1,506,701
2030-33	5,255,000	494,025
Sub-Total	\$ 9,955,000	\$ 5,196,143
Unamortized Premium	158,788	
TOTAL OUTSTANDING	\$ 10,113,788	

Capital Lease

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

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 4,644	\$ 489
2016-17	4,801	331
2017-18	4,965	168
TOTAL OUTSTANDING	\$ 14,410	\$ 988

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES B OF 2011	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES OF 2015	TOTAL PRINCIPAL PAYMENTS
2015-16	\$ 80,000	\$ 5,000	\$ 2,030,000	\$ 5,000	\$ 5,000	\$ 2,125,000
2016-17	70,000	5,000	2,075,000	80,000	5,000	2,235,000
2017-18	375,000	5,000	1,780,000	170,000	5,000	2,335,000
2018-19	1,510,000	5,000	550,000	170,000	5,000	2,240,000
2019-20	1,565,000	5,000	560,000	175,000	35,000	2,340,000
2020-25	6,675,000	25,000	-	5,795,000	575,000	13,070,000
2025-30	4,495,000	3,825,000	-	3,575,000	4,070,000	15,965,000
2030-33	15,000	6,285,000	-	-	5,255,000	11,555,000
TOTAL	14,785,000	10,160,000	6,995,000	9,970,000	9,955,000	51,865,000
LESS- Payable within one year	80,000	5,000	2,030,000	5,000	5,000	2,125,000
PRINCIPAL DUE AFTER ONE YEAR	<u>\$ 14,705,000</u>	<u>\$ 10,155,000</u>	<u>\$ 4,965,000</u>	<u>\$ 9,965,000</u>	<u>\$ 9,950,000</u>	<u>\$ 49,740,000</u>

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES B OF 2011	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES OF 2015	TOTAL DEBT SERVICE PAYMENTS
2015-16	\$ 680,622	\$ 520,416	\$ 2,156,820	\$ 283,321	\$ 327,368	\$ 3,968,547
2016-17	668,662	520,294	2,171,270	358,291	327,342	4,045,859
2017-18	971,738	520,094	1,837,520	447,491	327,300	4,104,143
2018-19	2,095,488	519,894	577,800	445,791	327,245	3,966,218
2019-20	2,099,525	519,694	576,800	448,241	357,175	4,001,435
2020-25	8,285,394	2,595,244	-	7,047,428	2,158,987	20,087,053
2025-30	4,801,237	6,170,768	-	3,885,213	5,576,701	20,433,919
2030-33	16,576	6,745,481	-	-	5,749,025	12,511,082
TOTAL	<u>\$ 19,619,242</u>	<u>\$ 18,111,885</u>	<u>\$ 7,320,210</u>	<u>\$ 12,915,776</u>	<u>\$ 15,151,143</u>	<u>\$ 73,118,256</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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
2015-16	\$ 149,072
2016-17	148,889
2017-18	149,089
2018-19	148,956
TOTAL OUTSTANDING	\$ 596,006

Compensated Absences

Sick-Pay

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

- a) ***Management Employees*** - each unused sick day times \$70.

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

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 \$638,894 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 \$28,937 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 \$77,481, and \$28,937, 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, 2015, that will use currently available financial resources is \$88,271, including FICA tax and retirement contributions, which has been recorded in the General Fund and as a current liability within the governmental activities column in the government-wide statement of net position. The remaining vacation pay earned at June 30, 2014, of \$-0-, 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.

Pension Plan

The Government Accounting Standards Board (GASB) requires that state and local governmental employers disclose in their notes to financial statements, certain information about the public employee retirement systems to which they contribute.

General Information about the Pension Plan

Plan Description

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,211,649 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$49,548,102 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with rolling forward the System's total pension liability as of June 30, 2014.. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.1252 percent, which was an increase of 0.0014 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$4,456,648. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience.	\$ -	\$ -
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,543,000
Net Difference between projected and actual contributions made		5,559
Changes in proportion of the Net Pension Liability	462,000	-
District contributions subsequent to the measurement date	<u>3,211,649</u>	<u>-</u>
Total	<u>\$ 3,673,649</u>	<u>\$ 3,548,559</u>

\$3,211,649 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Year ended June 30:	<u>Amount</u>
2015	\$ (775,339)
2016	(775,339)
2017	(775,339)
2018	(775,339)
2019	15,661
Thereafter	<u>(201)</u>
	\$ (3,085,898)

Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disable Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Asset Class	Target Allocation	Long-Term
		Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate, using the net pension liability reported by PSERS before adjusting for differences projected vs actual contributions made.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 61,813,000	\$ 49,555,000	\$ 39,090,000

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Public School Employees' Retirement System's *Comprehensive Annual Financial Report* (CAFR) that includes financial statements and required supplementary information for the plan, which can be found at www.psers.state.pa.us.

Other Post-Employment Benefits

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

1. In accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy based upon GASB Statement No. 45, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus an age-adjusted rate, as defined in the GASB Statement.

2. Final Year of Service increment to eligible employees, who will retire under the auspices of the Public School Employees Retirement Board. This payment is structured as follows:

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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

Notes: PSERS Retirement

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

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Funding Policy and Annual OPEB Cost

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

Contribution Rates:	Governmental Activities			Business-Type Activities			Total
	Medical	Year of Service Benefit	Sub-Total	Medical	Year of Service Benefit	Sub-Total	
Interest Rate	4.5%	0.0%		4.5%	0.0%		
Plan Members	297	0		12	0		
Annual Required Contribution	\$ 255,028	\$ 26,278	\$ 281,306	\$ 6,002	\$ 2,029	\$ 8,031	\$ 289,337
Interest on net OPEB obligation	41,999	-	41,999	3,348	-	3,348	45,347
Adjustment to annual required contribution	(57,297)	-	(57,297)	(4,567)	-	(4,567)	(61,864)
Annual OPEB cost	239,730	26,278	266,008	4,783	2,029	6,812	272,820
Contributions made	(185,046)	-	(185,046)	(1,613)	-	(1,613)	(186,659)
Decrease in net OPEB obligation	54,684	26,278	80,962	3,170	2,029	5,199	86,161
Net OPEB obligation - beginning of year	933,300	129,860	1,063,160	74,394	2,029	76,423	1,139,583
Net OPEB obligation - end of year	\$ 987,984	\$ 156,138	\$ 1,144,122	\$ 77,564	\$ 4,058	\$ 81,622	\$ 1,225,744

The District's annual OPEB cost and years of service benefit, which is the percentage of annual OPEB cost and years of service benefit contributed to the plan and the net OPEB obligation for the five fiscal years ending June 30, 2015, were as follows:

Year ended	Annual OPEB/Yrs. Svc. Cost	Percentage of OPEB/Yrs.Svc. Cost Contributed	Net OPEB/ Yrs. Svc. Obligation
6/30/2015	\$ 272,820	-39.2%	\$ 1,225,744
6/30/2014	274,120	60.8%	1,139,583
6/30/2013	461,196	55.6%	1,031,901
6/30/2012	461,196	45.7%	1,336,348
6/30/2011	583,854	43.7%	1,065,007

Funded Status and Funding Progress. The funded status of the benefits as of June 30, 2015, was as follows:

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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

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

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

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

Note 6 - Risk Management

The District is subject to risk of loss from employee risks, property damage, personal injury, auto accidents, etc. The District lowers these risks through the purchase of commercial insurance. The

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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 \$1,816,403 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 \$369,984, in fund balance at year end within this fund is considered restricted.

The General Fund has \$45,787 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. In addition, the Board has committed \$258,146 for HRA purposes.

Assigned Fund Balance

The General fund has assigned \$6,806,900, for future improvement projects, \$529,623 for high school HVAC improvements, and \$1,796,984 for other building improvement and repairs.

Note 8 – Prior Period Adjustments

During the 2014-15 fiscal year, the District implemented GASB Statement No. 68 associated with Pensions. As such, the beginning Net Position for governmental activities and business-type activities has been modified below to reflect the prior period adjustment to record the Net Pension Liability at June 30, 2014:

	Governmental Activities	Business-Type Activities	Total
Net Position - June 30, 2014 (as reported)	\$ 38,683,136	\$ 489,054	\$ 39,172,190
Prior Period Adjustment	<u>(46,865,295)</u>	<u>(1,312,718)</u>	<u>(48,178,013)</u>
Net Position - June 30, 2014 (as restated)	<u>\$ (8,182,159)</u>	<u>\$ (823,664)</u>	<u>\$ (9,005,823)</u>

Note 9 - Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$73,945,531, unspent proceeds of 369,984, with related debt of \$48,654,888, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities restricted \$1,816,403, for future capital projects. The business-type activities column reflects \$125,354 invested in capital assets with no related debt.

Note 10 - 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, 2015.

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, 2015**

State mandated healthcare benefit

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

Years of Service Increment

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

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.1252%
District's proportionate share of the net pension liability (asset)	\$ 49,548,102
District's covered employee payroll	\$ 15,666,583
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	31.62%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Contractually required contribution	\$ 3,211,649	\$ 2,645,068	\$ 1,921,058	\$ 1,328,416	\$ 865,781	\$ 710,312	\$ 734,735	\$ 997,510	\$ 873,435	\$ 649,074
Contributions in relation to the contractually required contribution	<u>3,211,649</u>	<u>2,645,068</u>	<u>1,921,058</u>	<u>1,328,416</u>	<u>865,781</u>	<u>710,312</u>	<u>734,735</u>	<u>997,510</u>	<u>873,435</u>	<u>649,074</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 15,666,583	\$ 16,531,675	\$ 16,704,852	\$ 16,605,200	\$ 17,315,620	\$ 17,757,800	\$ 18,368,375	\$ 15,489,286	\$ 15,269,843	\$ 16,226,850
Contributions as a percentage of covered employee payroll	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%	6.44%	5.72%	4.00%

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2015**

Public School Employee's Retirement System

Changes of benefit terms

None

Changes in assumptions

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.50%, includes inflation of 3.00%.
- Salary increases – Effective average of 5.50%, which reflects an allowance for allocation for inflation of 3.00%, real growth rate of 1%, and merit or seniority increases of 1.50%.
- Benefit payments – no postretirement benefit increases assumed in the future.
- Multiple decrement tables – mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary.

Proportionate Share of the Net Pension Liability

The amount reported as the District's proportionate share of net pension liability (asset) does not include the adjustment for the difference between projected vs actual contributions made.

**OTHER
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Combining Balance Sheet
All Capital Project Funds
As of June 30, 2015**

	CAPITAL RESERVE FUND	2011B CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 68,052	\$ 369,984	\$ 438,036
Investments	1,800,000	-	1,800,000
Other Receivables	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 1,868,052	\$ 369,984	\$ 2,238,036
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,868,052</u>	<u>\$ 369,984</u>	<u>\$ 2,238,036</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 51,649	\$ -	\$ 51,649
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
TOTAL LIABILITIES	51,649	-	51,649
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	51,649	-	51,649
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	1,816,403	369,984	2,186,387
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
TOTAL FUND BALANCES	1,816,403	369,984	2,186,387
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,868,052</u>	<u>\$ 369,984</u>	<u>\$ 2,238,036</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, 2015

	CAPITAL RESERVE FUND	2011B CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 3,540	\$ 291	\$ 3,831
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>3,540</u>	<u>291</u>	<u>3,831</u>
	-----	-----	-----
EXPENDITURES			
Instruction	18,615	170,605	189,220
Support Services	36,787	17,860	54,647
Operation of Non-Instructional Services	-	-	-
Capital Outlay	3,953,724	4,242	3,957,966
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>4,009,126</u>	<u>192,707</u>	<u>4,201,833</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,005,586)</u>	<u>(192,416)</u>	<u>(4,198,002)</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	161,892	-	161,892
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>161,892</u>	<u>-</u>	<u>161,892</u>
NET CHANGE IN FUND BALANCES	<u>(3,843,694)</u>	<u>(192,416)</u>	<u>(4,036,110)</u>
FUND BALANCES - BEGINNING	<u>5,660,097</u>	<u>562,400</u>	<u>6,222,497</u>
FUND BALANCES - ENDING	<u>\$ 1,816,403</u>	<u>\$ 369,984</u>	<u>\$ 2,186,387</u>

Hamburg Area School District
Combining Balance Sheet
All Debt Service Funds
As of June 30, 2015

	DEBT SERVICE STABILIZATION FUND	DEBT SERVICE GOB 2014A FUND	DEBT SERVICE GOB 2015 FUND	TOTAL DEBT SERVICE FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 424,562	\$ -	\$ -	\$ 424,562
Investments	-	-	-	-
Other Receivables	-	-	-	-
Due from other funds	-	-	-	-
Receivables from other governments	-	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	\$ 424,562	\$ -	\$ -	\$ 424,562
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 424,562	\$ -	\$ -	\$ 424,562
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Compensated Absences	-	-	-	-
Payable to other governments	-	-	-	-
Prepayments	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-	-
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	-	-	-	-
Restricted Fund Balance	424,562	-	-	424,562
Committed Fund Balance	-	-	-	-
Assigned Fund Balance	-	-	-	-
TOTAL FUND BALANCES	424,562	-	-	424,562
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 424,562	\$ -	\$ -	\$ 424,562

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Debt Service Funds
For the Year Ended June 30, 2015

	DEBT SERVICE STABILIZATION FUND	DEBT SERVICE GOB 2014A FUND	DEBT SERVICE GOB 2015 FUND	TOTAL DEBT SERVICE FUNDS
REVENUES				
Local Sources	\$ 1,640	\$ -	\$ -	\$ 1,640
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	<u>1,640</u>	<u>-</u>	<u>-</u>	<u>1,640</u>
	-----	-----	-----	-----
EXPENDITURES				
Instruction	-	-	-	-
Support Services	-	186,558	177,594	364,152
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	3,546	2,786	6,332
TOTAL EXPENDITURES	<u>-</u>	<u>190,104</u>	<u>180,380</u>	<u>370,484</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,640</u>	<u>(190,104)</u>	<u>(180,380)</u>	<u>(368,844)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term capital-related debt	-	-	-	-
Proceeds from Refunding Bond Issues	-	9,970,000	9,955,000	19,925,000
Bond Premium	-	94,346	163,934	258,280
Bond Discount	-	-	-	-
Payment to bond refunding escrow agent	-	9,874,242	9,938,554	19,812,796
Sale/Compensation for Fixed Assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	122,433	-	-	122,433
TOTAL OTHER FINANCING SOURCES AND USES	<u>(122,433)</u>	<u>190,104</u>	<u>180,380</u>	<u>248,051</u>
NET CHANGE IN FUND BALANCES	<u>(120,793)</u>	<u>-</u>	<u>-</u>	<u>(120,793)</u>
FUND BALANCES - BEGINNING	<u>545,355</u>	<u>-</u>	<u>-</u>	<u>545,355</u>
FUND BALANCES - ENDING	<u>\$ 424,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,562</u>

**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2015**

	HAMBURG BOROUGH	PERRY TOWNSHIP	SHOEMAKERSVILLE BOROUGH
<u>CURRENT REAL ESTATE TAXES</u>			
Assessed Value	\$ 166,634,600	\$ 134,454,800	\$ 48,131,400
Millage Rate	<u>0.02621</u>	<u>0.02621</u>	<u>0.02621</u>
TOTAL	4,367,489	3,524,058	1,261,523
Less: Act 1 Reduction	<u>164,252</u>	<u>131,818</u>	<u>55,604</u>
TOTAL TAXABLE DUPLICATE	4,203,237	3,392,240	1,205,919
Plus - Additions	558	1,687	450
Prior Year Unpaid Additions		-	-
Penalties	<u>9,652</u>	<u>5,151</u>	<u>1,255</u>
TOTAL TAXES TO BE COLLECTED	4,213,447	3,399,078	1,207,624
Less - Discounts	69,469	57,365	21,100
Reductions	-	-	-
Exemptions	1,463	-	-
Refunds	709	917	450
Returned to County	127,177	101,071	40,687
Cabela's / Lowe's	-	-	-
Outstanding	<u>-</u>	<u>393</u>	<u>-</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 4,014,629</u>	<u>\$ 3,239,332</u>	<u>\$ 1,145,387</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 23,971</u>	<u>\$ 5,494</u>	<u>\$ 66</u>
<u>CURRENT PER CAPITA TAXES</u>			
No. of Persons Assessed	3,285	1,871	1,069
Tax Rate	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
Taxable Valuation	32,850	18,710	10,690
Plus - Additions	590	310	210
Penalties	<u>267</u>	<u>131</u>	<u>77</u>
TAXES TO BE COLLECTED	33,707	19,151	10,977
Less - Discounts	385	252	120
Exonerations	2,700	900	1,010
Refunds	-	-	-
Outstanding	5,910	2,150	1,750
Reductions	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 24,712</u>	<u>\$ 15,849</u>	<u>\$ 8,097</u>

STRAUSSTOWN BOROUGH	TILDEN TOWNSHIP	UPPER BERN TOWNSHIP	UPPER TULPEHOCKEN TOWNSHIP	WINDSOR TOWNSHIP	TOTAL
\$ 11,896,000	\$ 218,952,900	\$ 90,206,400	\$ 73,765,000	\$ 124,431,600	\$ 868,472,700
<u>0.02621</u>	<u>0.02621</u>	<u>0.02621</u>	<u>0.02621</u>	<u>0.02621</u>	<u>0.02621</u>
311,794	5,738,753	2,364,307	1,933,380	3,261,351	22,762,655
<u>13,592</u>	<u>165,253</u>	<u>91,093</u>	<u>77,049</u>	<u>130,449</u>	<u>829,110</u>
298,202	5,573,500	2,273,214	1,856,331	3,130,902	21,933,545
6,238	15,758	701	-	2,781	28,173
-	-	-	-	-	-
<u>825</u>	<u>7,276</u>	<u>14,141</u>	<u>2,943</u>	<u>6,233</u>	<u>47,476</u>
305,265	5,596,534	2,288,056	1,859,274	3,139,916	22,009,194
4,725	98,229	35,905	30,255	52,030	369,078
-	-	-	-	-	-
18,835	287	367	-	1,731	22,683
-	13,639	121	1,433	-	17,269
8,910	126,211	100,754	51,126	91,813	647,749
-	554,289	-	-	-	554,289
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393</u>
<u>\$ 272,795</u>	<u>\$ 4,803,879</u>	<u>\$ 2,150,909</u>	<u>\$ 1,776,460</u>	<u>\$ 2,994,342</u>	<u>\$ 20,397,733</u>
<u>\$ -</u>	<u>\$ 14,580</u>	<u>\$ 4,565</u>	<u>\$ 16,997</u>	<u>\$ 7,888</u>	<u>\$ 73,561</u>
239	2,699	1,314	1,172	1,923	13,572
<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
2,390	26,990	13,140	11,720	19,230	135,720
50	260	530	200	240	2,390
<u>28</u>	<u>222</u>	<u>121</u>	<u>81</u>	<u>139</u>	<u>1,066</u>
2,468	27,472	13,791	12,001	19,609	139,176
24	338	166	151	262	1,698
270	1,030	570	530	900	7,910
-	-	-	-	-	-
470	4,620	1,910	1,360	2,120	20,290
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,704</u>	<u>\$ 21,484</u>	<u>\$ 11,145</u>	<u>\$ 9,960</u>	<u>\$ 16,327</u>	<u>\$ 109,278</u>

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015**

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 20,397,733	
Interim Real Estate Taxes	73,561	
Public Utility	28,906	
Payment in Lieu of Taxes	10,018	
Current Per Capita Taxes - 511	54,639	
Current Per Capita Taxes - 679	54,639	
Occupational Privilege Tax	-	
Earned Income Tax	1,997,096	
Real Estate Transfer Tax	229,638	
Amusement Taxes	-	
Delinquent Real Estate Taxes	837,735	
Delinquent Interim Real Estate Taxes	-	
Delinquent Per Capita Taxes - 511	5,131	
Delinquent Per Capita Taxes - 679	5,131	
Delinquent OPT Taxes	-	
Interest	63,594	
Gain on Sale of Investments	-	
Admissions	51,133	
Fees	37,390	
State Revenue Received from Other Sources	-	
I/U Services - Federal	329,801	
Rentals	50,982	
Contributions	10,930	
Tuition	-	
Summer School	2,010	
Adult School	-	
Receipts from Other LEA's - Education	11,130	
Miscellaneous	22,237	
Energy Efficiency Revenue	11,057	
Refunds of Prior Yr. Expenditures	39,432	
TOTAL LOCAL SOURCE REVENUE	24,323,923	\$ 24,323,923

STATE SOURCES:

Basic Subsidy - ESBE	6,402,875
Read to Succeed	-
Charter Schools	-
School Performance	-
Orphan Tuition	89,415
Homebound	-
Vocational Education	20
Alternative Education	-
Driver Education	-
Migratory Children	-
Special Education	1,335,019
SUB-TOTAL	7,827,329

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015**

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$ 7,827,329	
Early Intervention	-	
Transportation	944,993	
Rentals	578,343	
Health Services	42,157	
State Property Tax Reduction Allocation	829,098	
Ready to Learn Grant	264,949	
Project 720 H. S. Reform	-	
Extra Grants	-	
Dual Enrollment Grants	-	
FICA Revenue	619,957	
Retirement Revenue	1,699,077	
Classrooms for the Future	-	
TOTAL STATE SOURCE REVENUE	-	\$ 12,805,903

FEDERAL SOURCES:

Title I	337,036	
Title I - ARRA	-	
Title II	69,634	
State Fiscal Stabilization Fund - ARRA	-	
Ed Jobs Grant	-	
Medical Assistance Reimbursement	9,959	
TOTAL FEDERAL SOURCE REVENUE	9,959	416,629
TOTAL REVENUE		37,546,455

EXPENDITURES

Instruction - Regular	14,043,453
Instruction - Federally Funded Programs	498,484
Life Skills Support - Public	307,983
Life Skills Support - PRRI	-
Deaf or Hearing Impaired Support	206,892
Blind or Visually Impaired Support	35,841
Speech & Language Impaired	326,655
Emotional Support - Public	622,929
Emotional Support - PRRI	11,508
Autistic Support	523,611
Learning Support - Public	2,415,799
Gifted Support	157,085
Physical Support	5,572
Multi-Handicapped Support	-
Early Intervention Support	10,360
Other Support	17,861
SUB-TOTAL	19,184,033

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015**

SUB-TOTAL (CARRIED FORWARD)	\$ 19,184,033
Agricultural Education	76,388
Industrial Arts Education	-
Trade and Industrial Education	-
Other Vocational Education	905,354
Drivers' Education	-
Summer School	9,856
Homebound Instruction	3,979
Adjudicated/Court Placed Programs	-
Alternative Education Program	30,399
Other Instructional Programs	19,554
Guidance Services	748,644
Counseling Services	83,888
Information Services	-
Psychological Services	170,693
Social Work Services	42,986
Student Accounting Services	55,841
Other Pupil Personnel Services	157,480
Instructional Staff	-
Technology Support Services	895,262
Computer Assisted Instruction Support Service	-
School Library Services	411,083
Instruction and Curriculum Development Services	197,571
Instructional Staff Development Services	170,315
Board Services	99,009
Board Treasurer Services	29
Tax Assessment and Collection Services	105,053
Staff Relations	-
Legal Services	299,826
Office of the Superintendent Services	438,004
Office of the Principal Services	1,355,793
Other Administration Services	-
Medical Services	1,391
Dental Services	571
Nursing Services	406,488
Support Services - Business	306,898
SUB-TOTAL	26,176,388

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015**

SUB-TOTAL (CARRIED FORWARD)	\$ 26,176,388	
Supervision of Fiscal Services	147,832	
Warehousing and Distributing Services	-	
Operation and Maintenance of Plant Services	795,710	
Supervision of Operation and Maint. of Plant Svcs.	910	
Supervision of Operation and Maint. of Plant Svcs.- Head	211,988	
Operation of Building Services	1,932,835	
Care and Upkeep of Grounds Services	8,858	
Care and Upkeep of Equipment Services	13,106	
Vehicle Operation and Maint. Services	2,903	
Student Transportation Services	1,594,113	
Supervision of Student Transportation Services - Head	84,633	
Supervision of Student Transportation Services	-	
Non-Public Transportation	134,767	
System-Wide Technology Services	134,325	
Supervision of Planning, Research, Development	800	
Supervision of Information Services	137,529	
Other Support Services	28,209	
Student Activities/Athletics	688,958	
Community Services	26,122	
Site Acquisition Services - Original and Additional	-	
Existing Site Improvement Services	-	
Architecture and Engineering Services - Org/Add.	-	
Existing Building Improvement Services	-	
Debt Service	4,132,613	
Refund of Prior Yr. Receipts	1,383	
TOTAL Expenditures	<u>36,253,982</u>	\$ 36,253,982
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		\$ 1,292,473

**Hamburg Area School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015**

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (carried forward)		\$ 1,292,473
<u>OTHER FINANCING SOURCES (USES)</u>		
Proceeds from Extended Term Financing	\$ -	
Debt Service Fund Transfers	122,433	
Transfer from Trust Funds	-	
Transfer from Activity Funds		
Sale of Fixed Assets	171,997	
Special Revenue Fund Transfers in	-	
Capital Projects Funds Transfers	(161,892)	
Special Revenue Fund Transfers out	-	
Transfer to Food Service Fund	-	
Debt Service Fund Transfers out	-	
Activity Fund Transfers	-	
TOTAL OTHER FINANCING SOURCES (USES)	132,538	
Special Items	-	
Extraordinary Items	-	132,538
NET CHANGE IN FUND BALANCE		1,425,011
FUND BALANCE - JULY 1, 2014		12,314,683
FUND BALANCE - JUNE 30, 2015		<u>\$ 13,739,694</u>

**Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2015**

REVENUES

Lunches	\$ 657,283	
Special Functions	38,309	
Federal Subsidy	455,609	
Donated Commodities Received	83,181	
State Subsidy	37,383	
State Reimbursement - FICA & Retirement	71,996	
Other Food Service Revenue	-	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	-	
Interest	261	
TOTAL REVENUES	<u> </u>	\$ 1,344,022

COST OF GOODS SOLD

Inventory - July 1, 2014	44,993	
Food and Milk	383,540	
Donated Commodities	83,181	
Supplies	38,041	
LESS - Inventory - June 30, 2015	<u>(34,708)</u>	
TOTAL COST OF GOODS SOLD		<u>515,047</u>

GROSS PROFIT

828,975

EXPENSES

Salaries	478,177	
Benefits	343,144	
Professional Fees	2,328	
Travel	1,385	
Repairs	29,464	
Rentals	846	
Food Handling Costs	3,911	
Depreciation	6,536	
Purchased Services	10,118	
Uncapitalized Equipment	7,511	
Dues and Fees	43	
Other	<u>-</u>	
TOTAL EXPENSES		<u>883,463</u>

CHANGES IN FUND NET POSITION

(54,488)

FUND NET POSITION - BEGINNING

489,054

Prior Period Adjustment

(1,312,718)

FUND NET POSITION - ENDING

\$ (878,152)

**Hamburg Area School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2015**

ASSETS

Cash and Cash Equivalents	\$ 258,516
Due From Other Funds	129,016
Intergovernmental Receivables	69,583
Other Receivables	-
Inventory	
- Food	18,366
- Supplies	-
- Federal Commodities	16,342
Prepaid Expenses	-
Equipment (net of accum. Depreciation)	125,354

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Changes in Proportion	12,588
Deferred Outflows - 2014-15 Contributions	97,103

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$	<u>726,868</u>
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LIABILITIES

Accounts Payable	\$ 14,172
Due to Other Funds	-
Accrued Salaries and Benefits	14,695
Compensated Absences	28,937
Prepayments from Students	18,856
Net OPEB Obligation	77,564
Years of Service Benefit	4,058
Net Pension Liability	1,350,049

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Difference in Investment Earnings	96,537	
Deferred Inflows - Projected vs Actual Contributions	152	1,605,020

FUND NET POSITION		<u>(878,152)</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$	<u><u>726,868</u></u>
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**Hamburg Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014		\$ 5,660,097
REVENUES AND OTHER FINANCING SOURCES		
Interest	\$ 3,540	
Refund of Prior Year Expenditures	-	
Interfund Transfers In	<u>161,892</u>	<u>165,432</u>
TOTAL FUNDS AVAILABLE		5,825,529
EXPENDITURES		
INSTRUCTIONAL SERVICES:		
General Supplies	11,445	
Equipment	7,170	
SUPPORT SERVICES:		
Professional Services	78	
Misc. Purchased Services	2,355	
Rentals	660	
General Supplies	5,970	
Equipment	27,724	
CAPITAL OUTLAY:		
Professional Services	501,966	
Rentals	18,550	
Construction Services	3,432,208	
Land Purchases	-	
Supplies	-	
Equipment	-	
Dues and Fees	1,000	
OTHER FINANCING USES		
Interfund Transfers Out	<u>-</u>	<u>4,009,126</u>
FUND BALANCE - JUNE 30, 2015		<u>\$ 1,816,403</u>

**Hamburg Area School District
2011B Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014	\$	562,400
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REVENUES AND OTHER FINANCING SOURCES

Proceeds from Bond Issues	\$ -	
Miscellaneous	200	
Interest	91	291
TOTAL FUNDS AVAILABLE		562,691

EXPENDITURES

INSTRUCTIONAL:

Supplies	-	
Equipment	170,605	

SUPPORT SERVICES:

Advertising	-	
Repairs and Maintenance	-	
Supplies	-	
Equipment	17,860	

NON-INSTRUCTIONAL SERVICES:

Supplies	-	
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CAPITAL OUTLAY:

Professional Services	4,242	
Repairs and Maintenance	-	
Utility Services	-	
Insurance	-	
Travel	-	
Supplies	-	
Construction Services	-	
Equipment	-	
Dues and Fees	-	

OTHER FINANCING USES

Debt Service - Interest	-	
Bond Discounts	-	192,707
		192,707

FUND BALANCE - JUNE 30, 2015	\$	369,984
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**Hamburg Area School District
Debt Service Stabilization Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014		\$ 545,355
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ -	
Transfer from General Fund	-	
Interest	1,640	1,640
TOTAL FUNDS AVAILABLE		<u>546,995</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	-	
OTHER FINANCING USES:		
Transfer to General Fund	122,433	
Payment to Refunded Bonds Escrow Agent	-	122,433
FUND BALANCE - JUNE 30, 2015		<u><u>\$ 424,562</u></u>

**Debt Service Fund - GOB 2014A
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014		\$ -
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ 9,970,000	
Bond Premium	94,346	
Interest	-	10,064,346
TOTAL FUNDS AVAILABLE		<u>10,064,346</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	183,058	
Insurance	-	
Printing	3,500	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	3,546	
OTHER FINANCING USES:		
Bond Discount		
Payment to Refunded Bonds Escrow Agent	9,874,242	10,064,346
FUND BALANCE - JUNE 30, 2015		<u><u>\$ -</u></u>

**Hamburg Area School District
Debt Service Fund - GOB 2015
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014 \$ -

REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding of Bonds	\$ 9,955,000	
Bond Premium	163,934	
Interest	-	10,118,934
TOTAL FUNDS AVAILABLE		10,118,934

EXPENDITURES AND OTHER FINANCING USES

SUPPORT SERVICES:

Professional Services	174,094	
Insurance	-	
Printing	3,500	

DEBT SERVICE:

Bond Principal	-	
Bond Interest	2,786	

OTHER FINANCING USES:

Bond Discount		
Payment to Refunded Bonds Escrow Agent	9,938,554	10,118,934

FUND BALANCE - JUNE 30, 2015 \$ -

Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2011
For the Year Ended June 30, 2015

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2015-16	2.450%	\$ 600,622	\$ 80,000
2016-17	2.750%	598,662	70,000
2017-18	3.000%	596,738	375,000
2018-19	3.375%	585,488	1,510,000
2019-20	3.625%	534,525	1,565,000
2020-21	3.750%	477,794	2,140,000
2021-22	4.000%	397,544	2,225,000
2022-23	4.125%	308,544	2,310,000
2023-24	0.000%	213,256	-
2024-25	0.000%	213,256	-
2025-26	4.625%	213,256	2,680,000
2026-27	4.875%	89,306	1,805,000
2027-28	0.000%	1,312	-
2028-29	5.250%	1,313	5,000
2029-30	5.250%	1,050	5,000
2030-31	5.250%	788	5,000
2031-32	5.250%	525	5,000
2032-33	5.250%	263	5,000
TOTAL OUTSTANDING		\$ 4,834,242	\$ 14,785,000

**Hamburg Area School District
Schedule on General Obligation Bonds
Series B of 2011
For the Year Ended June 30, 2015**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2015-16	2.450	\$ 515,416	\$ 5,000
2016-17	4.000	515,294	5,000
2017-18	4.000	515,094	5,000
2018-19	4.000	514,894	5,000
2019-20	4.000	514,694	5,000
2020-21	4.000	514,494	5,000
2021-22	4.750	514,294	5,000
2022-23	4.750	514,056	5,000
2023-24	4.750	513,818	5,000
2024-25	4.750	513,582	5,000
2025-26	4.750	513,344	5,000
2026-27	4.750	513,106	5,000
2027-28	5.000	512,856	570,000
2028-29	5.000	484,356	3,245,000
2029-30	5.000	322,106	-
2030-31	5.125	322,106	3,585,000
2031-32	5.125	138,375	2,700,000
TOTAL OUTSTANDING		\$ 7,951,885	\$ 10,160,000

**Schedule on General Obligation Bonds
Series of 2014
For the Year Ended June 30, 2015**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2015-16	0.5 to 2.0	\$ 126,820	\$ 2,030,000
2016-17	1.00 to 2.00	96,270	2,075,000
2017-18	1.40 to 3.00	57,520	1,780,000
2018-19	2.00	27,800	550,000
2019-20	3.00	16,800	560,000
TOTAL OUTSTANDING		\$ 325,210	\$ 6,995,000

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2014
For the Year Ended June 30, 2015**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2015-16	0.600	\$ 278,321	\$ 5,000
2016-17	1.000	278,291	80,000
2017-18	1.000	277,491	170,000
2018-19	1.500	275,791	170,000
2019-20	2.000	273,241	175,000
2020-21	2.000	269,741	175,000
2021-22	2.125	266,241	185,000
2022-23	2.250	262,310	185,000
2023-24	2.400	258,148	2,590,000
2024-25	3.000	195,988	2,660,000
2025-26	3.250	116,188	60,000
2026-27	3.250	114,238	1,060,000
2027-28	3.250	79,787	2,455,000
TOTAL OUTSTANDING		\$ 2,945,776	\$ 9,970,000

**Schedule on General Obligation Bonds
Series of 2015
For the Year Ended June 30, 2015**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2015-16	0.50	\$ 322,368	\$ 5,000
2016-17	0.85	322,342	5,000
2017-18	1.10	322,300	5,000
2018-19	1.40	322,245	5,000
2019-20	2.00	322,175	35,000
2020-21	2.00	321,475	110,000
2021-22	2.00	319,275	110,000
2022-23	2.25	317,075	120,000
2023-24	2.25	314,375	115,000
2024-25	2.25	311,787	120,000
2025-26	3.00	309,088	125,000
2026-27	3.00	305,338	125,000
2027-28	3.00	301,587	135,000
2028-29	3.25	297,538	135,000
2029-30	3.250	293,150	3,550,000
2030-31	3.000	177,775	80,000
2031-32	3.000	175,375	1,150,000
2032-33	3.500	140,875	4,025,000
TOTAL OUTSTANDING		\$ 5,196,143	\$ 9,955,000

SINGLE AUDIT SECTION

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/14	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/15	FOOTNOTES
<u>U. S. DEPARTMENT OF EDUCATION</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF EDUCATION</u>											
ESEA - TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-14-0178A	7/1/13-9/30/14	\$ 330,151	\$ 241,540	\$ 241,540	\$ -	\$ -	\$ -	2
ESEA - TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-15-0178A	7/1/14-9/30/15	337,036	218,080	-	337,036	337,036	118,956	
TOTAL TITLE I PROGRAM						459,620	241,540	337,036	337,036	118,956	
						-----	-----	-----	-----	-----	
<u>PASSED THROUGH THE PDE</u>											
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-14-0178A	7/1/13-9/30/14	69,169	50,704	50,704	-	-	-	2
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-15-0178A	7/1/14-9/30/15	69,634	59,694	-	69,634	69,634	9,940	
TOTAL TITLE II PROGRAM						110,398	50,704	69,634	69,634	9,940	
						-----	-----	-----	-----	-----	
<u>PASSED THROUGH THE BERKS COUNTY I.U.</u>											
IDEA	I	84.027	N/A	7/1/14-6/30/15	326,400	357,404	188,739	326,400	326,400	157,735	2
IDEA - SECTION 619	I	84.173	N/A	7/1/14-6/30/15	2,011	1,407	1,407	2,011	2,011	2,011	1
TOTAL IDEA CLUSTER						358,811	190,146	328,411	328,411	159,746	
ARRA - RACE TO THE TOP - PHASE 3	I	84.413A	N/A	7/1/12-6/30/15	23,513	1,533	143	1,390	1,390	-	5
TOTAL U.S. DEPARTMENT OF EDUCATION						930,362	482,533	736,471	736,471	288,642	
						-----	-----	-----	-----	-----	
<u>U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF PUBLIC WELFARE</u>											
ESEA - TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/14-9/30/15	N/A	4,938	1,755	3,183	3,183	-	2
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						4,938	1,755	3,183	3,183	-	
						-----	-----	-----	-----	-----	
<u>U. S. DEPT. OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPT OF EDUCATION</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/13-6/30/14	N/A	54,850	54,850	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/14-6/30/15	N/A	354,513	-	411,953	411,953	57,440	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/13-6/30/14	N/A	4,692	4,692	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/14-6/30/15	N/A	36,680	-	43,656	43,656	6,976	
PASSED THROUGH THE PA											
<u>DEPARTMENT OF AGRICULTURE</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/14-6/30/15	N/A	83,181	(20,637)	87,476	87,476	(16,343)	2
TOTAL CHILD NUTRITION CLUSTER						533,916	38,905	543,085	543,085	48,073	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						533,916	38,905	543,085	543,085	48,073	
TOTAL FEDERAL AWARDS						\$ 1,469,216	\$ 523,193	\$ 1,282,739	\$ 1,282,739	\$ 336,715	

SOURCE: D-DIRECT; I-INDIRECT

Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2015

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 1.96% of its total general fund revenue in federal awards and 40.4% 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	\$ 805,990	\$ 862,279
Berks County I.U.	351,924	329,801
PA Department of Welfare	N/A	3,183
PA Department of Agriculture	N/A	87,476
Totals	\$ 1,157,914	\$ 1,282,739

3. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$83,181 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2014-15 fiscal year, the District used \$87,476 in commodities and established a year-end inventory of \$16,343 at June 30, 2015.
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	\$ 416,629
Federal Grants in Local Sources	329,801
Food Service Fund Federal Revenue	<u>538,790</u>
Total Federal Revenue, per financial statements	1,285,220
Less - Medical Access	(6,775)
Change in Donated Commodities	<u>4,294</u>
Federal Revenue on SEFA	<u>\$ 1,282,739</u>



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, 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 18, 2015.

Internal Control over Financial Reporting

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

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

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

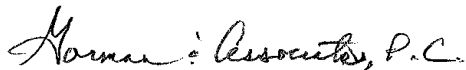
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

November 18, 2015



GORMAN & ASSOCIATES, P.C.

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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, 2015*. 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, 2015.

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 18, 2015

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

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
10.553,10.555	Child Nutrition Cluster

Percentage of programs tested to total awards 42.3%

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, 2015**

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.