

HAMBURG BOROUGH SCHOOL DISTRICT

**Hamburg Borough Board of Education
Hamburg, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

**Comprehensive Annual
Financial Report**

of the

HAMBURG BOROUGH SCHOOL DISTRICT

Hamburg, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

**Hamburg Borough Board of Education
Business Office**

HAMBURG BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

Hamburg School District

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Hamburg, New Jersey 07419
Ph. 973.827.7570 · Fax 973.827.3624
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Mr. Roger A. Jinks, Jr.
Chief School Administrator

Mr. William J. Sabo
Business Administrator/Board Secretary

Mr. Patrick Ketch
Vice Principal

August 16, 2011

The Honorable President and Members
of the Board of Education
Hamburg Borough School District
County of Sussex, New Jersey

Dear Honorable President and Board Members:

The comprehensive annual financial report of the Hamburg Borough School District (the "District") for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of officials and a list of consultants and advisors. The financial section includes The Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

The Hamburg Borough School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Hamburg Borough School District and its school constitute the District's reporting entity.

1) REPORTING ENTITY AND ITS SERVICES:

The District provides a full range of educational services appropriate to grade levels K through 8 as well as special education for handicapped students. The District completed the 2010-2011 fiscal year with an average daily enrollment of 282 students, which is the same as the previous year's enrollment.

Average Daily Enrollment				
Fiscal Year		Student Enrollment		Percent Change
2010-2011		282		0.00%
2009-2010		282		(2.71%)
2008-2009		276		(5.15%)
2007-2008		291		(6.13%)
2006-2007		310		(1.31%)
2005-2006		306		(4.67%)
2004-2005		321		(7.23%)

2) ECONOMIC CONDITION AND OUTLOOK:

The Hamburg Public School District, preschool through grade eight, is located in the north central portion of scenic Sussex County, in the State of New Jersey. It is bounded on the west, north, and east by Hardyston Township and on the south by Franklin Borough. Hamburg Borough, first settled in the early 18th century, was formed March 19, 1920 from Hardyston Township. Hamburg Borough is a community of single frame homes situated nicely on shady lanes with a downtown main street and two major routes (94 and 23) intersecting at its center. In recent years, a condominium development, one/two bedroom townhouses, and two/three bedroom single family home developments have started construction. Several of these projects are not completed to date. As a result Hamburg's population has grown in recent years. For example, the population has steadily grown from approximately 1,500 residents in 1960, to 1,800 residents in 1970 and 1980, to a total of 3,277 residents according to 2010 census figures. The implication is that with an increase in local residents, there will also be an increase in the student population.

With the opening of the school in September 2010, the District had a student population of 280 students. These numbers do not include the population of special needs students that the District must place out-of-district due to the lack of adequate special needs programs. These numbers also do not include the population of students who attend charter school. Rising costs for special needs and charter school students in out-of-district placements is a growing concern. In order to offset some of these out-of-district costs, the District opened its own pre-school handicapped class in the 2005-2006 school year and multiple handicapped class in March of 2008.

We still anticipate an increasing student population when the remaining housing projects are completed. In anticipation of rising enrollment, the District completed and opened a new addition in 2004 that houses Grades 6-8 plus Art, Media, Science and Technology rooms.

In reference to the District's budget, the community has been consistently supportive of the District's annual budget; voting to approve it each year. However, as ever increasing financial constraints surround Borough taxpayers, the April 2011 budget passed by a margin of 60% or 56 votes [160 to 104].

2) ECONOMIC CONDITION AND OUTLOOK:

Going forward, we remain optimistic that once the public is properly informed about the time and effort spent on the formulation of a fiscally responsible school budget and our ongoing efforts to lower costs by participating in shared service agreements, purchasing cooperatives and the analysis of district expenditures, that the voters shall remain supportive of the school district budget.

An example of this occurred in FY 2009-10 when the Hamburg and the Franklin Borough Boards of Education entered into an inter-local agreement to share Franklin's Business Administrator with Hamburg. This arrangement allowed Hamburg to reduce its business office expenses [from the prior school year] by over \$30,000 and both boards of education renewed the shared services contract for the FY 2011-12 school year. Currently, this shared services arrangement is the only one of its kind in Sussex County.

3) MAJOR INITIATIVES:

Hamburg School is a preschool through eighth grade learning community that benefits from having a supportive Board of Education, a concerned parent body, and a hardworking and caring faculty. Historically, we have always done well with our mandated and in-house standardized testing and we are progressively working on increasing our students' academic abilities. This is a direct result of our initiatives that stress time-on-task, high expectations for our students' efforts, orderly teaching classes and timely feedback for student efforts.

As in the past years, goals and objectives are always set to challenge students to do their best. Goals and objectives have included the areas of Mathematics, Reading, Writing, Science, World Language, Visual and Performing Arts and Computer Science. Our goals for the 2011-2011 and 2011-2012 academic years continue to be focused on enhanced Language Arts and Mathematics achievement. In addition, major initiatives in curriculum and technology updates are taking place to ensure that Hamburg School students are being prepared with 21st Century skills to ready them for high school and college.

In support of our academic programs, we constantly review our textbooks and curriculum for possible revisions and improvements. In 2010-2011, several science series were reviewed and a decision was made to implement a new science series in grades K-8. In the 2011-2012 school year, social studies and visual and performing arts series will be reviewed for consideration.

To help support our programs and Professional Development requirements, the faculty and administration participate in local in-service/workshop activities and commercially available in-district and out-of-district professional development workshops. Professional development mandates were completed as all teachers met the 100-hours requirement. Additional programs included the introduction of a character education program, whole-school pride assemblies, and career-oriented guest speakers. To the credit of the Hamburg students, we continue to support programs for the less fortunate. Our students also participate in the Sussex County Anti-bullying Summit, the Week of Respect, and Kindness Awareness Month.

Aside from academic requirements, our students are also provided with an enriching extra-curricular program that includes a drama society, literary magazine, student newspaper, interscholastic athletic program, cheerleading program, academic field trips for all grades and expanded assembly programs.

4) INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and agreements.

5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

The Honorable President and Members
of the Board of Education
Hamburg Borough School District
August 16, 2011
Page 5

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The New Jersey School Boards Association Insurance Group oversees risk management for the District. A Schedule of Insurance Coverage is found on Exhibit J-20.

9) DEBT ADMINISTRATION: During the fiscal year, the District issued \$1,885,000 of School Refunding Bonds which defeased a portion of its 2001 School Bonds. The refunding resulted in \$135,480 in cash savings and \$117,617 in Net Present Value Savings to the District. At June 30, 2011, the District had \$2,025,000 in outstanding general obligation bonds in connection with a bond referendum for the construction of an addition containing new classrooms, storage space and renovations to the original school building.

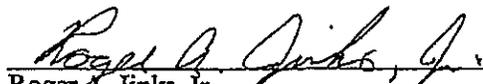
10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and State OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS:

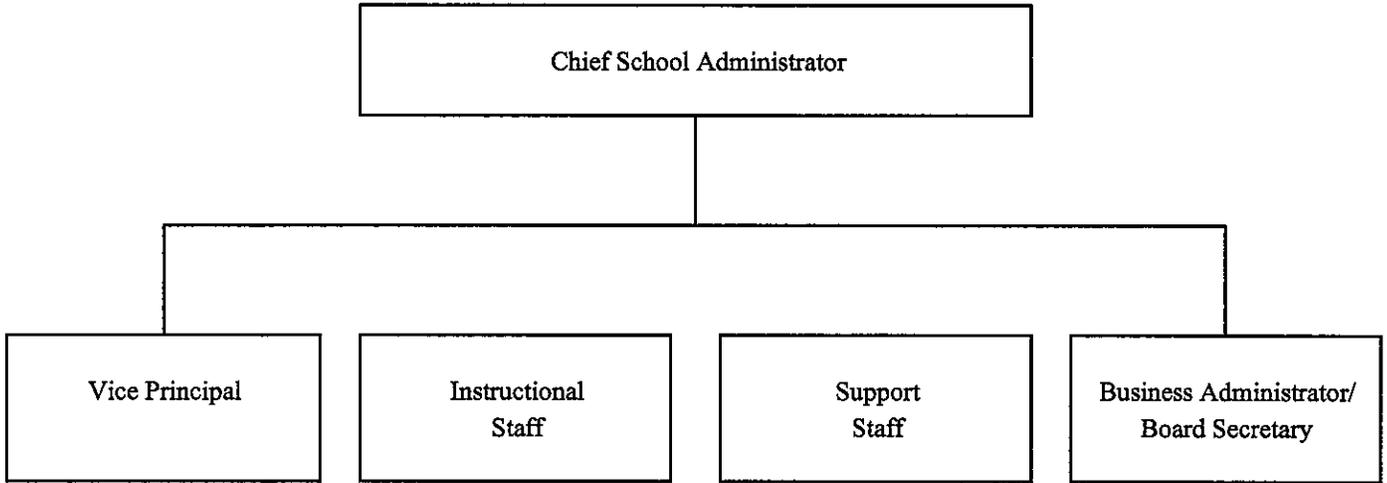
We would like to express our appreciation to the members of the Hamburg Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,


Roger A. Jinks, Jr.
Chief School Administrator


William J. Sabo
Business Administrator/Board Secretary

HAMBURG BOROUGH SCHOOL DISTRICT 2011 ORGANIZATIONAL CHART



**HAMBURG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>		<u>Expiration of Term</u>
Patricia G. Harby, President		2012
John Burd, Vice President		2013
Charlotte Ambrose		2013
Danielle Brunner		2014
Sandra Cunningham	(Appointed 7/2011)	2012
Sheila Frayko		2013
Donna Mangine		2012
Charles McCann	(Resigned 2/2011)	2012
Dawn O'Grady		2014
Allen Rude		2014

<u>Other Officials</u>	<u>Title</u>
Roger A. Jinks, Jr.	Chief School Administrator
William J. Sabo	Business Administrator/Board Secretary
Amy Maronpot	Treasurer

**HAMBURG BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Nisivoccia LLP, CPAs
200 Valley Road, Suite 300
Mount Arlington, New Jersey, 07856
and
11 Lawrence Road
Newton, New Jersey 07860

Attorney

Matthew J. Giacobbe, Esq.
Cleary Giacobbe Alfieri & Jacobs
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Matawan, NJ 07747

Architect

Parette Somjen Architects, LLC
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Rockaway, NJ 07866

Insurance Agent

D&H Alternative
Risk Solutions, Inc.
P.O. Box 68
Newton, New Jersey 07860

Dental Insurance Agent

Northeast Professional Planning Group, Inc.
121 Monmouth Street, Suite A
Red Bank, NJ 07701

Official Depositories

Lakeland Bank
Administration Center
250 Oak Ridge Road
Oak Ridge, New Jersey 07438

FINANCIAL SECTION



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Hamburg Borough School District
County of Sussex, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hamburg Borough School District in the County of Sussex as of June 30, 2011 which collectively comprise the School District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Hamburg Borough School District in the County of Sussex as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2011 on our consideration of the Board of Education of the Hamburg Borough 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable President and Members
of the Board of Education
Hamburg Borough School District
Page 2

The Management's Discussion and Analysis and Budgetary Comparison Information on Schedules C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Hamburg Borough School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey OMB's Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules, and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

August 16, 2011
Mount Arlington, New Jersey

Nisivoccia, LLP

NISIVOCCIA, LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

This section of Hamburg Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- Overall revenue was \$5,956,585.
- Overall expenses were \$5,446,762.
- The District's financial position increased \$509,823 over the course of the year on a district-wide basis.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of Hamburg Borough School District’s Financial Report**

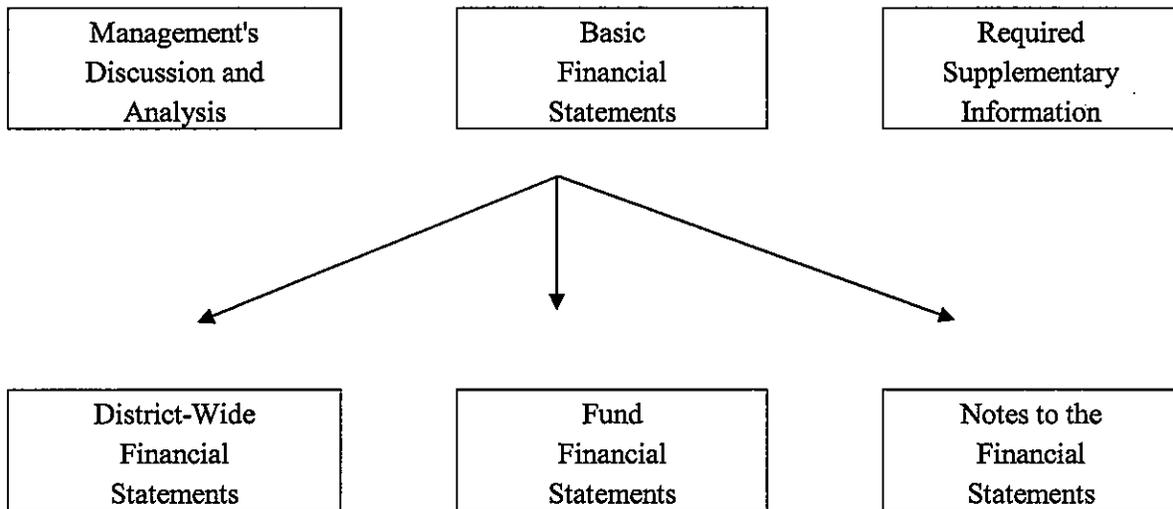


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents of each of the statements.

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

Figure A-2

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)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources 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 are included	All assets and liabilities, both financial and capital, 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 revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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 Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

Fund Financial Statements

- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased \$509,823. Net assets from governmental activities increased \$525,206 and net assets from business-type activities decreased \$15,383. Net assets invested in capital assets increased \$115,924, restricted net assets increased \$66,437, and unrestricted net assets increased \$327,462.

**Figure A-3
Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District		Percent Change 2010-2011
	2011	2010	2011	2010	2011	2010	
Current/Other Assets	\$ 985,277	\$ 506,573	\$ 22,310	\$ 32,305	\$ 1,007,587	\$ 538,878	86.98%
Capital Assets	5,037,137	5,014,825	22,037	27,425	5,059,174	5,042,250	0.34%
Total Assets	6,022,414	5,521,398	44,347	59,730	6,066,761	5,581,128	8.70%
Long-term Debt							
Outstanding	2,078,953	2,258,426			2,078,953	2,258,426	-7.95%
Other Liabilities	364,586	209,303			364,586	209,303	74.19%
Total Liabilities	2,443,539	2,467,729			2,443,539	2,467,729	-0.98%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	3,012,137	2,890,825	22,037	27,425	3,034,174	2,918,250	3.97%
Restricted	285,382	218,945			285,382	218,945	30.34%
Unrestricted/(Deficit)	281,356	(56,101)	22,310	32,305	303,666	(23,796)	1376.12%
Total Net Assets	\$3,578,875	\$3,053,669	\$ 44,347	\$ 59,730	\$3,623,222	\$3,113,399	16.38%

Changes in Net Assets. The District's combined net assets were \$3,623,222 on June 30, 2011, \$509,823 or 16.38% greater than they were the year before. (See Figure A-3).

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

Financial Analysis of the District as a Whole

The increase in net assets from governmental activities is due to several factors. Net assets invested in capital assets increased \$115,924 due to a \$135,000 reduction in debt combined with \$141,894 in construction in progress, \$10,865 in equipment purchases offset by \$132,154 in current year depreciation, and \$3,681 in asset disposals. Restricted net assets increased \$66,437 primarily due to the unexpended balance of a new capital project of \$30,881. Unrestricted net assets increased \$327,462 predominantly as a result of unspent budget appropriations. The decrease in net assets from business-type activities is primarily attributable to over \$12,000 in nonrecurring purchases of furniture for the cafeteria.

**Figure A-4
Changes in Net Assets from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
Revenue:							
Program Revenue:							
Fees for Services			\$ 58,992	\$ 58,756	\$ 58,992	\$ 58,756	0.40%
Operating Grants/ Contributions	\$ 640,024	\$ 716,094	38,788	34,010	678,812	750,104	-9.50%
General Revenue:							
Property Taxes	3,762,799	3,623,374			3,762,799	3,623,374	3.85%
Federal/State Aid	1,436,603	1,628,963			1,436,603	1,628,963	-11.81%
Other	19,460	13,942	(81)	12,075	19,379	26,017	-25.51%
Total Revenue	<u>5,858,886</u>	<u>5,982,373</u>	<u>97,699</u>	<u>104,841</u>	<u>5,956,585</u>	<u>6,087,214</u>	-2.15%
Expenses:							
Instruction	3,027,219	3,357,907			3,027,219	3,357,907	-9.85%
Pupil/Instruction Services	799,120	769,141			799,120	769,141	3.90%
Administration/ Business	547,157	563,896			547,157	563,896	-2.97%
Maintenance and Operations	592,027	622,059			592,027	622,059	-4.83%
Transportation	154,774	210,267			154,774	210,267	-26.39%
Other	213,383	265,629	113,082	92,403	326,465	358,032	-8.82%
Total Expenses	<u>5,333,680</u>	<u>5,788,899</u>	<u>113,082</u>	<u>92,403</u>	<u>5,446,762</u>	<u>5,881,302</u>	-7.39%
Increase/(Decrease) in Net Assets	<u>\$ 525,206</u>	<u>\$ 193,474</u>	<u>\$ (15,383)</u>	<u>\$ 12,438</u>	<u>\$ 509,823</u>	<u>\$ 205,912</u>	147.59%

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

Financial Analysis of the District as a Whole

Revenue Sources. The District's total revenue for the 2010-2011 school year was \$5,956,585. (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$3,762,799 of the total, or 63.17 percent. (See Figure A-5). Another 35.51 percent came from state and federal aid for specific programs and general aid, and the remaining 1.32 percent from miscellaneous sources. The Hamburg Borough School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

**Figure A-5
Sources of Revenue for Fiscal Year 2011 and 2010**

Sources of Income	2011	Percentage	2010	Percentage
State Formula Aid	\$ 1,590,369	26.70%	\$ 1,705,295	28.01%
Property Taxes	3,762,799	63.17%	3,623,374	59.52%
Federal and State Categorical Grants	525,046	8.81%	673,772	11.07%
Charges for Services	58,992	0.99%	58,756	0.97%
Other	19,379	0.33%	26,017	0.43%
	<u>\$ 5,956,585</u>	<u>100.00%</u>	<u>\$ 6,087,214</u>	<u>100.00%</u>

Expenses. The total cost of all programs and services was \$5,446,762. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (73.09%). (See Figure A-6). The District's administrative and business activities accounted for 10.05% of total costs. The Hamburg Borough School District operates one school building with various offices/out buildings, as well a substantial campus, which results in maintenance costs of 10.87% of total expenses. Other expenses represent 5.99% of total costs and include \$132,154 of depreciation expense related to its capital assets - \$126,947 from its Governmental and \$5,207 from its Business-type activities.

**Figure A-6
Expenses for Fiscal Year 2011 and 2010**

Expense Category	2011	Percentage	2010	Percentage
Instruction	\$ 3,027,219	55.58%	\$ 3,357,907	57.09%
Pupil and Instruction Services	799,120	14.67%	769,141	13.08%
Administration and Business	547,157	10.05%	563,896	9.59%
Maintenance and Operations	592,027	10.87%	622,059	10.58%
Transportation	154,774	2.84%	210,267	3.58%
Other	326,465	5.99%	358,032	6.09%
	<u>\$ 5,446,762</u>	<u>100.00%</u>	<u>\$ 5,881,302</u>	<u>100.00%</u>

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

Governmental Activities

The financial position of the District has increased significantly over the course of the year. Through careful budgeting the District has managed to maintain programs including extra-curricular activities, in spite of increased special education, salary and fringe benefit costs.

Careful management of expenses remains essential for the District to sustain its financial health. It is crucial that the District constantly monitors all expenditures throughout the fiscal year.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instruction services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

**Figure A-7
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2011	2010	2011	2010
Instruction	\$ 3,027,219	\$ 3,357,907	\$ 2,456,336	\$ 2,702,219
Pupil and Instruction Services	799,120	769,141	796,275	766,886
Administration and Business	547,157	563,896	532,218	552,408
Maintenance and Operations	592,027	622,059	592,027	622,059
Transportation	154,774	210,267	103,417	163,604
Other	213,383	265,529	213,383	265,629
Total	<u>\$ 5,333,680</u>	<u>\$ 5,788,799</u>	<u>\$ 4,693,656</u>	<u>\$ 5,072,805</u>

- The cost of all governmental activities this year was \$5,333,680.
- The federal and state governments subsidized certain programs with grants and contributions.
- Approximately 63% of the District's costs, however, were financed by District taxpayers.
- A portion of the governmental activities was financed with formula-based state aid.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's business-type activity decreased \$15,383 is primarily attributable to over \$12,000 in one-time purchases of furniture (tables) for the cafeteria. (Refer to Figure A-4).

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

Financial Analysis of the District's Funds

Significant changes in the student population and difficult economic times have added pressure to the District's budget. Special education costs continue to escalate with several pupils with disabilities placed in out-of-district programs. These pupils are profoundly disabled and require complex educational and related services our District does not have capacity or personnel to provide.

Construction of renovations to the elementary school was completed several years ago; however, the contractor's default has resulted in the District now being entangled in costly litigation. Estimated liabilities associated with the project have been accrued; however, should additional costs arise from litigation, the District will have to appeal to the State Department of Education for financial relief.

Faculty/staffing costs have increased slightly each year while the fringe benefit costs for these staff members continue to increase dramatically. The District has been very proactive in trying to minimize the fringe benefit allocation and cost increases.

Difficult economic times have had a direct impact upon the District's revenue sources placing a greater burden on our local taxpayers. The District has historically utilized funds from the unappropriated balance to reduce the tax levy.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into the following category:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Capital Assets

The District's capital assets increased \$16,924, or .34% – the result of \$152,759 in acquisitions offset by current year depreciation of \$132,154 (\$126,947 from its governmental and \$5,207 from its business-type activities), and \$3,681 in capital asset disposals (\$3,500 from its governmental and \$181 from its business-type activities).

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

Capital Asset and Debt Administration

Capital Assets

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Percent Change 2010-2011
	2011	2010	2011	2010	2011	2010	
Sites (Land)	\$ 125,600	\$ 125,600			\$ 125,600	\$ 125,600	
Construction in Progress	141,894				141,894	- 0 -	100.00%
Buildings/Bldg. Improvements	4,646,736	4,765,770			4,646,736	4,765,770	-2.50%
Machinery & Equipment	122,907	123,455	\$ 22,037	\$ 27,425	144,944	150,880	-3.93%
Total	\$ 5,037,137	\$ 5,014,825	\$ 22,037	\$ 27,425	\$ 5,059,174	\$ 5,042,250	0.34%

Long-term Debt

At year-end, the District had \$2,025,000 in general obligation bonds – a reduction of \$130,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Figure A-9

Outstanding Long-Term Debt

	Total School District		Percentage Change 2010-2011
	2011	2010	
General Obligation Bonds, Net of Deferred Interest (Financed with Property Taxes)	\$ 1,940,048	\$ 2,124,000	-8.66%
Compensated Absences Payable	138,905	134,426	3.33%
	\$ 2,078,953	\$ 2,258,426	-7.95%

- The District continued to pay down its debt, retiring \$99,000 of outstanding bonds and reducing its liability for compensated absences by a net amount of \$4,479.
- The District issued \$1,885,000 of School Refunding Bonds which advance refunded or defeased \$1,849,000 of the 2001 School Bonds.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment continues to decline resulting in reduced state and federal aid.
- The current contract with the Teachers' Union will expire June 30, 2012 and future negotiations will have a significant impact on the District's largest expenditure (salaries). Rising salary, health benefit, and special education costs, in addition to reduced State Aid and Federal funding, could significantly impact future programs and services provided by the District.

**Hamburg Borough School District
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2011
(Unaudited)**

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 30 Linwood Avenue, Hamburg, New Jersey 07419.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 606,102	\$ 17,649	\$ 623,751
Internal Balances	(3,100)	3,100	
Receivable from State Government	31,215		31,215
Receivable from Federal Government	8,528		8,528
Other Accounts Receivable	9,500		9,500
Inventories		1,561	1,561
Unamortized Bond Issuance Costs	88,398		88,398
Restricted Assets:			
Capital Reserve Account - Cash	244,634		244,634
Capital Assets, Net:			
Site (Land) and Construction in Progress	267,494		267,494
Depreciable Buildings, Building Improvements and Machinery and Equipment	4,769,643	22,037	4,791,680
Total Assets	6,022,414	44,347	6,066,761
LIABILITIES			
Accrued Interest Payable	21,413		21,413
Accounts Payable - Vendors	238,669		238,669
Unamortized Bond Premium	100,404		100,404
Deferred Revenue	4,100		4,100
Noncurrent Liabilities:			
Due Within One Year	151,505		151,505
Due Beyond One Year	1,927,448		1,927,448
Total Liabilities	2,443,539		2,443,539
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,012,137	22,037	3,034,174
Restricted for:			
Capital Projects	275,515		275,515
Debt Service	9,867		9,867
Unrestricted	281,356	22,310	303,666
Total Net Assets	\$ 3,578,875	\$ 44,347	\$ 3,623,222

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,320,955		\$ 285,677		\$ (2,035,278)		\$ (2,035,278)
Special Education	655,926		279,982		(375,944)		(375,944)
Other Instruction	50,338		5,224		(45,114)		(45,114)
Support Services:							
Tuition	262,343				(262,343)		(262,343)
Student & Instruction Related Services	536,777		2,845		(533,932)		(533,932)
General Administration Services	265,826				(265,826)		(265,826)
School Administration Services	141,087		14,939		(126,148)		(126,148)
Central Services	140,244				(140,244)		(140,244)
Plant Operations and Maintenance	592,027				(592,027)		(592,027)
Pupil Transportation	154,774		51,357		(103,417)		(103,417)
Interest on Long-Term Debt	39,948				(39,948)		(39,948)
Capital Outlay	22,496				(22,496)		(22,496)
Unallocated Depreciation	118,854				(118,854)		(118,854)
Transfer of Funds to Charter Schools	32,085				(32,085)		(32,085)
Total Governmental Activities	5,333,680		640,024		(4,693,656)		(4,693,656)

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:							
Food Service	\$ 113,082	\$ 58,992	\$ 38,788		\$ (15,302)	\$ (15,302)	
Total Business-Type Activities	<u>113,082</u>	<u>58,992</u>	<u>38,788</u>		<u>(15,302)</u>	<u>(15,302)</u>	
Total Primary Government	<u>\$ 5,446,762</u>	<u>\$ 58,992</u>	<u>\$ 678,812</u>	<u>\$ -0-</u>	\$ (4,693,656)	(15,302)	(4,708,958)
General Revenue and Transfers:							
Taxes:							
					\$ 3,532,674		\$ 3,532,674
					230,125		230,125
					1,436,603		1,436,603
					1,000	100	1,100
					38,460		38,460
						(181)	(181)
					(20,000)		(20,000)
					<u>5,218,862</u>	<u>(81)</u>	<u>5,218,781</u>
					525,206	(15,383)	509,823
					<u>3,053,669</u>	<u>59,730</u>	<u>3,113,399</u>
					<u>\$ 3,578,875</u>	<u>\$ 44,347</u>	<u>\$ 3,623,222</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

HAMBURG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 382,167		\$ 214,199	\$ 9,736	\$ 606,102
Interfund Receivables	56,475			131	56,606
Receivables from State	31,215				31,215
Other Accounts Receivable	9,500				9,500
Receivables from Federal Government		\$ 8,528			8,528
Restricted Cash and Cash Equivalents	244,634				244,634
Total Assets	\$ 723,991	\$ 8,528	\$ 214,199	\$ 9,867	\$ 956,585
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 107,529		\$ 131,140		\$ 238,669
Interfund Payable	3,100	\$ 4,428	52,178		59,706
Deferred Revenue		4,100			4,100
Total Liabilities	110,629	8,528	183,318		302,475
Fund Balances:					
Restricted:					
Capital Reserve Account	244,634				244,634
Excess Surplus	181,848				181,848
Debt Service Fund				9,867	9,867
Committed			58,506		58,506
Assigned	60,000				60,000

HAMBURG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES:					
Unassigned	\$ 126,880		\$ (27,625)		\$ 99,255
Total Fund Balances	613,362		30,881	\$ 9,867	654,110
Total Liabilities and Fund Balances	<u>\$ 723,991</u>	<u>\$ 8,528</u>	<u>\$ 214,199</u>	<u>\$ 9,867</u>	<u>\$ 956,585</u>

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (A-1) are different because:

Total Fund Balances - Governmental Funds (Above)	\$ 654,110
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$7,285,464 and the accumulated depreciation is \$2,248,327.	5,037,137
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. Deferred Bond Interest costs are not reported as expenditures in the Governmental Funds in the year of the expenditures	(2,078,953)
Interest on long-term debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(21,413)
Bond premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The premium is \$100,404 and accumulated amortization is \$- 0 -.	(100,404)
Bond issuance costs are reported as expenditures in the Governmental Funds in the year the bonds are sold. The cost is \$106,211 and accumulated amortization is \$17,813.	88,398
Net Assets of Governmental Activities (Exhibit A-1)	<u>\$ 3,578,875</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 3,532,674			\$ 230,125	\$ 3,762,799
Interest Earned on Capital Reserve Funds	869				869
Miscellaneous	31,974		\$ 131	2,440	34,545
Total - Local Sources	3,565,517		131	232,565	3,798,213
State Sources	1,946,858				1,946,858
Federal Sources	4,046	\$ 129,769			133,815
Total Revenue	5,516,421	129,769	131	232,565	5,878,886
EXPENDITURES:					
Instruction:					
Regular Instruction	1,628,892	47,723			1,676,615
Special Education Instruction	396,469	82,046			478,515
Other Instruction	35,926				35,926
Support Services and Undistributed Costs:					
Tuition	262,343				262,343
Student & Instruction Related Services	425,982				425,982
General Administration Services	225,083				225,083
School Administration Services	94,154				94,154
Central Services	111,121				111,121
Plant Operations and Maintenance	532,969				532,969
Pupil Transportation	154,774				154,774
Unallocated Benefits	1,110,243				1,110,243
Capital Outlay	29,861		141,894		171,755
Debt Service:					
Principal				135,000	135,000
Interest and Other Charges				70,234	70,234

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Transfer of Funds to Charter Schools	\$ 32,085				\$ 32,085
Total Expenditures	5,039,902	\$ 129,769	\$ 141,894	\$ 205,234	5,516,799
Excess/(Deficiency) of Revenue over Expenditures	476,519		(141,763)	27,331	362,087
OTHER FINANCING SOURCES/(USES):					
Contribution for Bond Refunding				(20,000)	(20,000)
Serial Bond Issued				(1,885,000)	(1,885,000)
Bond Discount				(100,404)	(100,404)
Debt Service Contribution				(20,000)	(20,000)
Serial Bonds Defeased				1,849,000	1,849,000
Bond Issuance Costs				71,452	71,452
Deferred Interest				84,952	84,952
Transfers In			200,400	131	200,531
Transfers Out	(200,400)		(131)		(200,531)
Total Other Financing Sources/(Uses)	(200,400)		200,269	(19,869)	(20,000)
Net Change in Fund Balances	276,119		58,506	7,462	342,087
Fund Balance/(Deficit)—July 1	337,243		(27,625)	2,405	312,023
Fund Balance/(Deficit)—June 30	\$ 613,362	\$ - 0 -	\$ 30,881	\$ 9,867	\$ 654,110

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 342,087
Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are different because:		
Capital Outlays are reported in Governmental Funds 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 and disposals of capital assets in the period.		
	Depreciation Expense	\$ (126,947)
	Disposal of Assets with Carrying Value	(3,500)
	Capital Outlays	<u>152,759</u>
		22,312
In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+)		(4,479)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and is not reported in the Statement of Activities. (+)		135,000
Debt issued for the advanced refunding less the amount of bonds defeased are are not recorded in the Governmental Funds.		
	School Bonds Issued	(1,885,000)
	School Bonds Defeased	1,849,000
	School Bond Deferred Interest	84,952
	School Bond Issuance Costs	71,452
	School Bond Premium	<u>(100,404)</u>
		20,000
In the Statement of Activities, interest on long-term debt is accrued, regardless of when due. In the Governmental Fund, interest is reported when due. The accrued interest is an addition in the reconciliation (+)		12,024
The Governmental Funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (-)		<u>(1,738)</u>
Change in Net Assets - Governmental Activities (from Exhibit A-2)		<u>\$ 525,206</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2011

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 17,649
Interfund Receivable	3,100
Inventories	1,561
	<hr/>

Total Current Assets	<hr/> 22,310
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Non-Current Assets:

Capital Assets:

Depreciable Furniture and Equipment, Net	22,037
	<hr/>

Total Non-Current Assets	<hr/> 22,037
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Total Assets	<hr/> 44,347
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NET ASSETS:

Investment in Capital Assets Net of Related Debt	22,037
Unrestricted	22,310
	<hr/>

Total Net Assets	<hr/> \$ 44,347 <hr/>
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THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 34,003
Daily Sales - Non-Reimbursable Programs	24,989
	<hr/>
Total Operating Revenue	58,992
	<hr/>
Operating Expenses:	
Cost of Sales	49,029
Salaries, Benefits & Payroll Taxes	29,514
Supplies, Insurance & Other Costs	21,870
Management Fee	7,462
Depreciation Expense	5,207
	<hr/>
Total Operating Expenses	113,082
	<hr/>
Operating Loss	(54,090)
Non-Operating Income:	
Local Sources:	
Interest Income	100
State Sources:	
State School Lunch Program	1,212
Federal Sources:	
National School Lunch Program	29,381
Special Milk Program	2,596
Food Distribution Program	5,599
	<hr/>
Total Non-Operating Income	38,888
	<hr/>
Deletion of Capital Assets, Net	(181)
Change in Net Assets	(15,383)
Net Assets - Beginning of Year	59,730
	<hr/>
Net Assets - End of Year	\$ 44,347
	<hr/> <hr/>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 58,992
Payments to Employees	(29,514)
Payments to Food Service Vendor	(50,629)
Payments to Suppliers	(21,870)
	(43,021)
Net Cash Used for Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Revenue	100
State Sources:	
State School Lunch Program	1,302
Federal Sources:	
National School Lunch Program	30,902
Special Milk Program	2,628
Interfund Advanced to General Fund	(3,100)
	31,832
Net Cash Provided by Noncapital Financing Activities	
	(11,189)
Net Increase/(Decrease) in Cash and Cash Equivalents	
	28,838
Cash and Cash Equivalents, July 1	
	\$ 17,649
Cash and Cash Equivalents, June 30	
	\$ 17,649
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (54,090)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	5,207
Food Distribution Program	5,599
Changes in Assets and Liabilities:	
Decrease in Inventory	263
	(43,021)
Net Cash Used for Operating Activities	
	\$ (43,021)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized USDA Donated Commodities through the Food Distribution Program valued at \$5,599 for the fiscal year ended June 30, 2011.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 7,181</u>
Total Assets	<u>7,181</u>
LIABILITIES:	
Due to Student Groups	<u>7,181</u>
Total Liabilities	<u>7,181</u>
Total Net Assets	<u>\$ -0-</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Hamburg Borough School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary school located in the Borough of Hamburg. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

During the fiscal 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. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board Resolution.

Special Revenue Fund: The Special Revenue Fund is 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. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is 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 (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund and Payroll Agency Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

Reports for the District's Enterprise Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to SDA grants receivable which are not recognized on the GAAP basis until they are expended.

Sources/Inflows of Resources:	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,488,423	\$ 129,769
Differences - Budget to GAAP:		
Prior Year State Aid Payment Recognized for GAAP Statements	182,333	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(154,335)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 5,516,421</u>	<u>\$ 129,769</u>

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,039,902	\$ 129,769
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 5,039,902	\$ 129,769
		Capital Projects Fund
		Fund Balance
Actual Amounts (Budgetary Basis) from Supplementary Schedules	\$ 133,600	\$ 164,481
SDA Grant Receivable not Recognized for GAAP Purposes	(133,600)	(133,600)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ - 0 -	\$ 30,881

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary changes necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2011.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service.

In the district-wide Statement of Net Assets, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Deferred Revenue:

Deferred revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$613,362 General Fund Balance at June 30, 2011, no portion is assigned for encumbrances; \$244,634 is restricted in the capital reserve account; \$181,848 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2013; \$60,000 is assigned and has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2012; and \$126,880 is unassigned.

Capital Projects Fund: The \$30,881 Capital Projects Fund balance at June 30, 2011 consists of \$58,506 of committed funds for unexpended capital projects financed with SDA grants (net of grants receivable) and a \$27,625 unassigned deficit.

Debt Service Fund: The \$9,867 Debt Service fund balance at June 30, 2011 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$154,335, respectively, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated: (Cont'd)

For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable.

The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payment and not the fund balance reported on the fund statement which excludes the last state aid payment.

Q. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, a tuition reserve, a maintenance reserve and an emergency reserve.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

S. Revenue - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

T. Operating Revenue and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

U. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents, and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following pages.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (b) the custody of collateral is transferred to a third party;
- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in statute; and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2011, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve	Total
Checking & Savings Accounts	\$ 630,932	\$ 244,634	\$ 875,566
	\$ 630,932	\$ 244,634	\$ 875,566

During the period ended June 30, 2011, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2011, was \$875,566 and the bank balance was \$904,571.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Hamburg Board of Education by inclusion of \$200,000 on July 1, 1991 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end of any unanticipated revenue or unexpended line item appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Balance at June 30, 2010		\$	244,165
Increased by:			
Board Resolution (June 21, 2011)	\$		200,000
Interest			869
			200,869
			445,034
Decreased by:			
Budgeted Withdrawal			200,400
			200,400
Balance at June 30, 2011		\$	244,634

The balance in the capital reserve account at June 30, 2011 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). Any withdrawals from the capital reserve are for use in a DOE approved facilities project, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 125,600			\$ 125,600
Construction in Progress		\$ 141,894		141,894
Total Capital Assets not Being Depreciated	125,600	141,894		267,494
Capital Assets Being Depreciated:				
Buildings and Building Improvements	6,651,210			6,651,210
Machinery and Equipment	355,895	10,865		366,760
Total Capital Assets Being Depreciated	7,007,105	10,865		7,017,970
Governmental Activities Capital Assets	7,132,705	152,759		7,285,464
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,885,440)	(115,534)	\$ (3,500)	(2,004,474)
Machinery and Equipment	(232,440)	(11,413)		(243,853)
Total Accumulated Depreciation	(2,117,880)	(126,947)	(3,500)	(2,248,327)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 5,014,825	\$ 25,812	\$ (3,500)	\$ 5,037,137

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 81,477			\$ 81,477
Less Accumulated Depreciation	(54,052)	\$ (5,207)	\$ (181)	(59,440)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 27,425</u>	<u>\$ (5,207)</u>	<u>\$ (181)</u>	<u>\$ 22,037</u>
GRAND TOTAL	<u>\$ 5,042,250</u>	<u>\$ 20,605</u>	<u>\$ (3,681)</u>	<u>\$ 5,059,174</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction			
General and School Administration Services			\$ 7,773
Operations and Maintenance of Plant			320
General/Unallocated			<u>118,854</u>
			<u>\$ 126,947</u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011, the District transferred \$10,950 to capital outlay accounts for the acquisition of equipment. These transfers did not require the approval of the County Superintendent.

NOTE 7. LONG-TERM LIABILITIES:

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be retired through the Debt Service Fund.

	<u>Balance 6/30/2010</u>	<u>Accrued</u>	<u>Defeased/ Retired</u>	<u>Balance 6/30/2011</u>
Serial Bonds Payable	\$ 2,124,000	\$ 1,885,000	\$ 1,984,000	\$ 2,025,000
Less: Deferred Interest		(84,952)		(84,952)
Serial Bonds Payable	<u>2,124,000</u>	<u>1,800,048</u>	<u>1,984,000</u>	<u>1,940,048</u>
Compensated Absences Payable	<u>134,426</u>	<u>27,084</u>	<u>22,605</u>	<u>138,905</u>
	<u>\$ 2,258,426</u>	<u>\$ 1,827,132</u>	<u>\$ 2,006,605</u>	<u>\$ 2,078,953</u>

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

On November 16, 2010, the District issued \$1,885,000 refunding bonds with interest rates ranging from 2.00% to 4.00% to advance refund \$1,849,000 of the 2001 serial bonds with rates ranging from 4.60% to 4.875%. The total cash savings amounted to \$135,480.53 and the total net present value (NPV) savings was \$117,616.82, or 6.36% of the refunded debt.

The refunding bonds will mature on September 1, 2011 through September 1, 2021, and interest will be payable semi-annually on March 1 and September 1, commencing on March 1, 2011 in each of the years and at the interest rates set forth in the maturity schedule or earlier redemption by the Board. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

The District has bonds outstanding as of June 30, 2011 as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
9/1/2011	4.60%	\$ 140,000
9/1/2021	2.00%-4.00%	1,885,000
		<u>\$ 2,025,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 160,000	\$ 60,820	\$ 220,820
2013	160,000	55,800	215,800
2014	170,000	52,500	222,500
2015	170,000	49,100	219,100
2016	175,000	44,775	219,775
2017-2021	970,000	139,625	1,109,625
2022	220,000	4,400	224,400
	<u>\$ 2,025,000</u>	<u>\$ 407,020</u>	<u>\$ 2,432,020</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board has no bonds authorized but not issued.

C. Capital Leases Payable:

The District had no capital leases as of June 30, 2011.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability and will be liquidated through the General Fund. There is no current portion of the compensated absences balance of the governmental funds in the current year; therefore, the entire \$138,905 represents the long-term liability balance of compensated absences.

There is no liability for compensated absences in the District's Enterprise Funds.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple - employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to \$54,317, \$43,131 and \$37,135 for 2011, 2010 and 2009, respectively. The employee and employer contributions for the DCRP for the years ended June 30, 2011, 2010 and 2009 were \$1,515, \$-0- and \$-0- , respectively.

During the fiscal years ended June 30, 2011, 2010 and 2009, the State of New Jersey made no contributions on behalf of the District to the TPAF for normal pension benefits.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2010, the State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$149,318 \$148,954, and \$147,204 for 2011, 2010, and 2009, respectively.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health benefit coverage through Horizon Blue Cross Blue Shield.

Property and Liability

The District maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The Hamburg School District is a member of the New Jersey School Boards Association Insurance Group (the "Group"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of this Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

The audit for the Group for the fiscal year ended June 30, 2011 was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2010 is as follows:

	New Jersey School Board's Association Insurance Group (NJSBAIG)
Total Assets	\$ 241,084,120
Net Assets	\$ 57,984,070
Total Revenue	\$ 85,455,060
Total Expenses	\$ 76,536,630
Change in Net Assets	\$ 8,918,430
Net Assets Distribution to Participating Members	\$ - 0 -

Financial statements for the Group are available at the Group's Executive Director's Office:

Willis Pooling
340 Scotch Road
West Trenton, NJ 08628
(609) 538-0159

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District remits employee withholdings and employer's share of New Jersey Unemployment Compensation Insurance taxes to the State each pay period. The State makes all unemployment payments to former employees, and the District has no further liability.

NOTE 11. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Equitable
Lincoln Financial Group

Lincoln National Insurance
VALIC

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 56,475	\$ 3,100
Special Revenue Fund		4,428
Capital Projects Fund		52,178
Debt Service Fund	131	
Proprietary Fund	3,100	
	<u>\$ 59,706</u>	<u>\$ 59,706</u>

The interfund receivable in the General Fund represents a prior year interfund which was not liquidated as of June 30, 2011 due to the deficit position in the Capital Projects Fund. The interfund receivable in the Debt Service Fund represents interest earnings in the Capital Projects Fund which was not transferred to the Debt Service Fund by June 30, 2011. The interfund between the General Fund and the Special Revenue fund represents cash advanced to the Special Revenue Fund awaiting the receipt of federal grant awards. The interfund receivable in the Proprietary Fund represents the June subsidy lunch reimbursement received and not turned over by the General Fund.

NOTE 14. CONTINGENT LIABILITIES

Litigation

The District is currently in litigation with several contractors relating to the capital referendum for renovations to the District's school. All known obligations to the various contractors have been recorded in the Capital Projects fund as accounts payable as of June 30, 2011. It is uncertain whether the District will incur any additional costs or obligations and/or will be able to recover any of these costs and obligations from third parties. Also, the District has incurred and will continue to incur legal and architectural fees in their defense against these parties. All legal and architectural fees incurred as of June 30, 2011 have been recorded in the District's financial statements.

The District is periodically involved in other pending lawsuits. The District estimates that the potential claims against it resulting from such other litigation and not covered by insurance would not materially affect the financial statements of the District.

Grant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 14. CONTINGENT LIABILITIES (Cont'd)

Arbitrage

The District is not subject to liability for arbitrage payable to the federal government relative to its outstanding bond issues as the District is considered a small issuer with debt under \$15,000,000.

NOTE 15. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten- day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

BUDGETARY COMPARISON SCHEDULES

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 3,532,674		\$ 3,532,674	\$ 3,532,674	
Interest on Capital Reserve	1,000		1,000	869	\$ (131)
Miscellaneous	1,000		1,000	31,974	30,974
Total - Local Sources	3,534,674		3,534,674	3,565,517	30,843
State Sources:					
Equalization Aid	650,970		650,970	650,970	
Transportation Aid	47,287		47,287	47,287	
Special Education Aid	131,268		131,268	131,268	
Security Aid	28,733		28,733	28,733	
Adjustment Aid	704,115		704,115	704,115	
Extraordinary Aid				27,343	27,343
Non Public Transportation				3,872	3,872
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				7,030	7,030
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				149,318	149,318
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				168,924	168,924
Total State Sources	1,562,373		1,562,373	1,918,860	356,487
Federal Sources:					
Medicaid Assistance Program	5,828		5,828	4,046	(1,782)
Total Federal Sources	5,828		5,828	4,046	(1,782)
TOTAL REVENUE	5,102,875		5,102,875	5,488,423	385,548

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 63,785	\$ 58,000	\$ 121,785	\$ 120,792	\$ 993
Grades 1-5 - Salaries of Teachers	758,803	121,900	880,703	876,135	4,568
Grades 6-8 - Salaries of Teachers	471,636	(47,200)	424,436	419,292	5,144
Regular Programs - Home Instruction:					
Salaries of Teachers	1,500		1,500		1,500
Purchased Professional - Educational Services	500		500		500
Regular Programs - Unidistributed Instruction:					
Other Salaries for Instruction	39,558	7,000	46,558	42,875	3,683
Purchased Professional - Educational Services	30,800		30,800	27,152	3,648
Other Purchased Services (400-500 series)	21,692	(8,000)	13,692	2,283	11,409
General Supplies	105,191	(21,650)	83,541	77,561	5,980
Textbooks	38,700	28,500	67,200	62,802	4,398
Total Regular Programs - Instruction	1,532,165	138,550	1,670,715	1,628,892	41,823
Special Education - Instruction:					
Multiple Handicapped:					
Salaries of Teachers	21,564	44,000	65,564	64,395	1,169
Other Salaries for Instruction	2,082	5,800	7,882	7,028	854
General Supplies	2,000		2,000	526	1,474
Total Multiple Handicapped	25,646	49,800	75,446	71,949	3,497
Resource Room/Resource Center:					
Salaries of Teachers	267,229	(600)	266,629	264,970	1,659
Other Salaries for Instruction	43,811	(42,800)	1,011		1,011
General Supplies	3,500	(1,400)	2,100	952	1,148
Total Resource Room/Resource Center	314,540	(44,800)	269,740	265,922	3,818

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Preschool Disabilities - Full-Time:					
Salaries of Teachers	\$ 60,005	\$ (4,000)	\$ 56,005	\$ 54,042	\$ 1,963
Other Salaries for Instruction	2,560		2,560	2,141	419
General Supplies	1,000		1,000	651	349
Total Preschool Disabilities - Full-Time	63,565	(4,000)	59,565	56,834	2,731
Home Instruction:					
Salaries of Teachers	1,000	1,000	2,000	1,764	236
Purchased Professional - Educational Services	500		500		500
Total Home Instruction	1,500	1,000	2,500	1,764	736
Total Special Education - Instruction	405,251	2,000	407,251	396,469	10,782
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	108,450	(107,900)	550		550
General Supplies	1,000	(1,000)			
Total Basic Skills/Remedial - Instruction	109,450	(108,900)	550		550
School-Sponsored Cocurricular/Extracurricular - Instruction:					
Salaries	20,500		20,500	15,278	5,222
Supplies and Materials	500		500		500
Transfer to Cover Deficit (Agency Funds) - Board Subsidy	5,000		5,000	3,435	1,565
Total School-Sponsored Cocurricular/Extracurricular - Instruction	26,000		26,000	18,713	7,287

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 17,200		\$ 17,200	\$ 16,756	\$ 444
Supplies and Materials	500		500	457	43
Total School-Sponsored Cocurricular Athletics - Instruction	<u>17,700</u>		<u>17,700</u>	<u>17,213</u>	<u>487</u>
Total Instruction	<u>2,090,566</u>	<u>\$ 31,650</u>	<u>2,122,216</u>	<u>2,061,287</u>	<u>60,929</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	124,005		124,005	109,420	14,585
Tuition to Private Schools for the Handicapped - Within State	215,856	(33,800)	182,056	152,923	29,133
Total Undistributed Expenditures - Instruction	<u>339,861</u>	<u>(33,800)</u>	<u>306,061</u>	<u>262,343</u>	<u>43,718</u>
Attendance & Social Work:					
Salaries	27,040		27,040	26,910	130
Total Attendance & Social Work	<u>27,040</u>		<u>27,040</u>	<u>26,910</u>	<u>130</u>
Health Services:					
Salaries	67,113	2,000	69,113	68,446	667
Other Purchased Services (400-500 series)	4,200	(1,000)	3,200	2,883	317
Supplies and Materials	2,600	1,000	3,600	3,099	501
Total Health Services	<u>73,913</u>	<u>2,000</u>	<u>75,913</u>	<u>74,428</u>	<u>1,485</u>

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Other Support Services - Students - Guidance:					
Salaries	\$ 47,433	\$ 1,400	\$ 48,833	\$ 48,594	\$ 239
Supplies and Materials	250		250	250	
Total Other Support Services - Students - Guidance	47,683	1,400	49,083	48,844	239
Other Support Services - Students - Speech, OT, PT:					
Salaries	52,065	1,500	53,565	52,315	1,250
Purchased Professional - Educational Services	38,100	(2,000)	36,100	20,360	15,740
Supplies and Materials	750	2,500	3,250	2,778	472
Total Other Support Services - Students - Speech, OT, PT	90,915	2,000	92,915	75,453	17,462
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	128,727	3,000	131,727	128,391	3,336
Salaries of Secretarial and Clerical Assistants	44,668		44,668	44,462	206
Purchased Professional - Educational Services	4,650	(2,000)	2,650	875	1,775
Other Purchased Services (400-500 series)	400		400		400
Miscellaneous Purchased Services (400-500 series)	100		100		100
Supplies and Materials	1,000		1,000	631	369
Other Objects	200		200	100	100
Total Other Support Services - Students - Child Study Team	179,745	1,000	180,745	174,459	6,286
Educational Media Services/School Library:					
Salaries	15,446	2,300	17,746	17,446	300
Purchased Professional and Technical Services	1,500	1,000	2,500	1,541	959
Supplies and Materials	3,350	300	3,650	3,428	222
Total Educational Media Services/School Library	20,296	3,600	23,896	22,415	1,481

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Instructional Staff Training Services:					
Purchased Professional - Educational Services		\$ 800	\$ 800	\$ 20	\$ 780
Other Purchased Services (400-500 series)	\$ 2,500	1,200	3,700	3,453	247
Total Instructional Staff Training Services	2,500	2,000	4,500	3,473	1,027
Support Services - General Administration:					
Salaries	158,433	(9,710)	148,723	145,899	2,824
Legal Services	5,000	14,000	19,000	9,156	9,844
Audit Fees	26,000		26,000	22,500	3,500
Architectural/Engineering Services		5,000	5,000	1,905	3,095
Other Purchased Professional Services		5,000	5,000	3,275	1,725
Communications/Telephone	17,000	5,000	22,000	19,615	2,385
BOE Other Purchased Services	4,000		4,000	245	3,755
Other Purchased Services (400-500 series)	17,000	1,210	18,210	12,164	6,046
General Supplies - Board	1,900	3,000	4,900	2,293	2,607
BOE In-House Training/ Meeting Supplies	100		100		100
Miscellaneous Expenditures	5,000		5,000	4,417	583
BOE Membership Dues and Fees	4,700		4,700	3,614	1,086
Total Support Services - General Administration	239,133	23,500	262,633	225,083	37,550

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 56,240	\$ 12,510	\$ 68,750	\$ 68,750	
Salaries of Secretarial and Clerical Assistants	22,853		22,853	22,852	\$ 1
Other Purchased Services (400-500 series)	425		425		425
Supplies and Materials	1,500	700	2,200	1,252	948
Other Objects	1,700	1,490	3,190	1,300	1,890
Total Support Services - School Administration	82,718	14,700	97,418	94,154	3,264
Central Services:					
Salaries	58,240		58,240	57,960	280
Purchased Professional Services	37,000		37,000	37,000	
Purchased Technical Services	7,500	8,000	15,500	10,458	5,042
Miscellaneous Purchased Services 400-500)	600	(300)	300		300
Supplies and Materials	3,000	2,900	5,900	5,703	197
Miscellaneous Expenditures	500		500		500
Total Central Services	106,840	10,600	117,440	111,121	6,319
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	50,000	54,000	104,000	94,278	9,722
Total Required Maintenance of School Facilities	50,000	54,000	104,000	94,278	9,722
Custodial Services:					
Salaries	191,958	2,000	193,958	192,433	1,525
Purchased Professional and Technical Services	40,500	3,000	43,500	42,260	1,240

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Custodial Services (Cont'd):					
Cleaning, Repair and Maintenance Services	\$ 23,000	\$ (2,000)	\$ 21,000	\$ 11,201	\$ 9,799
Other Purchased Property Services	10,000		10,000	8,994	1,006
Insurance	22,000	(2,000)	20,000	18,359	1,641
Miscellaneous Purchased Services	1,800		1,800	917	883
General Supplies	41,000	(1,000)	40,000	38,142	1,858
Energy (Gasoline)		1,000	1,000	193	807
Energy (Electricity)	87,000		87,000	73,975	13,025
Energy (Natural Gas)	80,000		80,000	40,942	39,058
Total Custodial Services	<u>497,258</u>	<u>1,000</u>	<u>498,258</u>	<u>427,416</u>	<u>70,842</u>
Care & Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	11,000	2,000	13,000	11,275	1,725
Total Care & Upkeep of Grounds	<u>11,000</u>	<u>2,000</u>	<u>13,000</u>	<u>11,275</u>	<u>1,725</u>
Security:					
Cleaning, Repair and Maintenance Services	2,000		2,000		2,000
Total Security	<u>2,000</u>		<u>2,000</u>		<u>2,000</u>
Student Transportation Services:					
Management Fee - ESC & CTSA Transportation Program	9,000		9,000	4,817	4,183
Contracted Services: Other Between Home and School - Vendors	12,000	2,000	14,000	12,717	1,283
Contracted Services: Regular Students - ESC and CTSA	45,000	(2,000)	43,000	15,045	27,955
Contracted Services: Special Education Students - ESC and CTSA	150,000		150,000	120,427	29,573
Contracted Services: Aid in Lieu Payments - Nonpublic Students	3,000		3,000	1,768	1,232
Total Student Transportation Services	<u>219,000</u>		<u>219,000</u>	<u>154,774</u>	<u>64,226</u>

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Benefits:					
Group Insurance	\$ 53,106	\$ (6,100)	\$ 47,006	\$ 40,603	\$ 6,403
Social Security Contributions	64,500		64,500	51,142	13,358
Other Retirement Contributions - PERS	52,000	2,585	54,585	54,317	268
Other Retirement Contributions - Regular		1,515	1,515	1,515	
Unemployment Compensation	9,400	4,000	13,400	10,557	2,843
Workmen's Compensation	40,000	(5,000)	35,000	27,879	7,121
Health Benefits	673,256	(102,600)	570,656	548,549	22,107
Tuition Reimbursement	10,000	6,000	16,000	14,247	1,753
Other Employee Benefits	26,625	14,000	40,625	36,162	4,463
Total Unallocated Benefits	<u>928,887</u>	<u>(85,600)</u>	<u>843,287</u>	<u>784,971</u>	<u>58,316</u>
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				7,030	(7,030)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				149,318	(149,318)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				168,924	(168,924)
Total Undistributed Expenditures	<u>2,918,789</u>	<u>(1,600)</u>	<u>2,917,189</u>	<u>2,916,669</u>	<u>520</u>
TOTAL CURRENT EXPENSE	<u>5,009,355</u>	<u>30,050</u>	<u>5,039,405</u>	<u>4,977,956</u>	<u>61,449</u>
CAPITAL OUTLAY:					
Equipment:					
Grades 6-8		4,150	4,150	4,150	
Non-Instructional Services		6,800	6,800	6,715	85
Total Equipment		<u>10,950</u>	<u>10,950</u>	<u>10,865</u>	<u>85</u>

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Other Objects	\$ 18,996		\$ 18,996	\$ 18,996	
Total Facilities Acquisition and Construction Services	18,996		18,996	18,996	
Total Capital Outlay	18,996	\$ 10,950	29,946	29,861	\$ 85
Transfer of Funds to Charter Schools	73,524	(41,000)	32,524	32,085	439
TOTAL EXPENDITURES	5,101,875		5,101,875	5,039,902	61,973
Excess (Deficiency) of Revenues Over/(Under) Expenditures	1,000		1,000	448,521	447,521
Other Financing Sources/(Uses):					
Operating Transfer In/(Out):					
Transfer to Capital Projects Fund	(200,000)	(400)	(200,400)	(200,400)	
Total Other Financing Sources/(Uses)	(200,000)	(400)	(200,400)	(200,400)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(199,000)	(400)	(199,400)	248,121	447,521
Fund Balance, July 1	519,576		519,576	519,576	
Fund Balance, June 30	\$ 320,576	\$ (400)	\$ 320,176	\$ 767,697	\$ 447,521

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Recapitulation:</u>					
Restricted Fund Balances:					
Capital Reserve				\$ 244,634	
Excess Surplus - Current Year				181,848	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				60,000	
Unassigned Fund Balance				<u>281,215</u>	
				767,697	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				<u>(154,335)</u>	
Fund Balance per Governmental Funds (GAAP)				<u><u>\$ 613,362</u></u>	

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
Federal Sources	\$ 124,788	\$ 4,981	\$ 129,769	\$ 129,769	
Local Sources		4,100	4,100		\$ (4,100)
Total Revenue	<u>124,788</u>	<u>9,081</u>	<u>133,869</u>	<u>129,769</u>	<u>(4,100)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	32,875	(32,875)			
Other Salaries for Instruction	<u>75,631</u>	<u>8,358</u>	<u>83,989</u>	<u>83,989</u>	
Total Instruction	<u>108,506</u>	<u>(24,517)</u>	<u>83,989</u>	<u>83,989</u>	
Support Services:					
Purchased Professional/Educational Services	4,260	37,593	41,853	41,853	
Purchased Technical Services		3,469	3,469	3,469	
Other Purchased Professional Services	12,022	(11,564)	458	458	
Cleaning, Repair & Maintenance Services		<u>4,100</u>	<u>4,100</u>		<u>4,100</u>
Total Support Services	<u>16,282</u>	<u>33,598</u>	<u>49,880</u>	<u>45,780</u>	<u>4,100</u>
Total Expenditures	<u>\$ 124,788</u>	<u>\$ 9,081</u>	<u>\$ 133,869</u>	<u>\$ 129,769</u>	<u>\$ 4,100</u>

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,488,423	\$ 129,769
Differences - Budget to GAAP:		
Prior Year State Aid Payment Recognized for GAAP Statements	182,333	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(154,335)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 5,516,421	\$ 129,769
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,039,902	\$ 129,769
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 5,039,902	\$ 129,769

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C.6:20-2A.2(m)l. Transfers of appropriations may be made by school board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HAMBURG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	No Child Left Behind				
	Title I	Title I - Carryover	Title I - ARRA	Title II A	Title II A - Carryover
REVENUE:					
Federal Sources	\$ 30,620	\$ 1,150	\$ 495	\$ 12,168	\$ 2,894
Total Revenue	30,620	1,150	495	12,168	2,894
EXPENDITURES:					
Instruction:					
Other Salaries for Instruction	29,089			12,168	1,008
Total Instruction	29,089			12,168	1,008
Support Services:					
Purchased Professional/Educational Services	1,531				
Purchased Technical Services		1,150	495		1,500
Other Purchased Professional Services					386
Total Support Services	1,531	1,150	495		1,886
Total Expenditures	\$ 30,620	\$ 1,150	\$ 495	\$ 12,168	\$ 2,894

HAMBURG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>No Child Left Behind</u>		<u>IDEA Part B Basic</u>	<u>IDEA Part B Preschool</u>	<u>Totals June 30, 2011</u>
	<u>Title II D</u>	<u>Title II D - Carryover</u>			
REVENUE:					
Federal Sources	\$ 71	\$ 325	\$ 77,671	\$ 4,375	\$ 129,769
Total Revenue	<u>71</u>	<u>325</u>	<u>77,671</u>	<u>4,375</u>	<u>129,769</u>
EXPENDITURES:					
Instruction:					
Other Salaries for Instruction			41,724		83,989
Total Instruction			<u>41,724</u>		<u>83,989</u>
Support Services:					
Purchased Professional/Educational Services			35,947	4,375	41,853
Purchased Technical Services	71	253			3,469
Other Purchased Professional Services		72			458
Total Support Services	<u>71</u>	<u>325</u>	<u>35,947</u>	<u>4,375</u>	<u>45,780</u>
Total Expenditures	<u>\$ 71</u>	<u>\$ 325</u>	<u>\$ 77,671</u>	<u>\$ 4,375</u>	<u>\$ 129,769</u>

CAPITAL PROJECTS FUND

HAMBURG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Revenue:	
State Sources - SDA Grant	\$ 133,600
Interest Earned	131
Total Revenues	<u>133,731</u>
Expenditures:	
Purchased Professional and Technical Services	26,784
Construction Services	115,110
Total Expenditures	<u>141,894</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	(8,163)
Other Financing Sources/(Uses):	
Operating Transfers In - Capital Reserve	200,400
Operating Transfers Out - Debt Service Fund	<u>(131)</u>
Total Other Financing Sources/(Uses)	<u>200,269</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	192,106
Fund Balance/(Deficit) - Beginning Balance	<u>(27,625)</u>
Fund Balance/(Deficit) - Ending Balance	<u>\$ 164,481</u>
<u>Recapitulation:</u>	
Fund Balance - Budgetary Basis	\$ 164,481
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	<u>(133,600)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 30,881</u>

Exhibit F-1a

HAMBURG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
CONSTRUCTION OF HAMBURG ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
SCC Grant	\$ 1,701,374		\$ 1,701,374	\$ 1,701,374
Local Contributions - Approved Funds	338,092		338,092	338,092
Bond Proceeds	3,074,000		3,074,000	3,074,000
Total Revenues	<u>5,113,466</u>		<u>5,113,466</u>	<u>5,113,466</u>
Expenditures:				
Purchased Professional/Technical Services	709,414		709,414	709,414
Construction Services	4,194,706		4,194,706	4,194,706
Site Development	234,236		234,236	234,236
Other Objects	2,735		2,735	2,735
Total Expenditures	<u>5,141,091</u>		<u>5,141,091</u>	<u>5,141,091</u>
Excess (Deficit) of Revenue and Other Financing Sources Over (Under) Expenditures	<u>\$ (27,625)</u>	<u>\$ - 0 -</u>	<u>\$ (27,625)</u>	<u>\$ (27,625)</u>

Additional Project Information:

Project Numbers	SP#201265
Grant Date	1/12/2001
Bond Authorization Date	3/12/2001
Bonds Authorized	\$ 3,074,000
Bonds Issued	3,074,000
Original Authorized Cost	4,775,374
Additional Authorized Cost	377,027
Revised Authorized Cost	5,141,091
Percentage Increase over Original Authorized Cost	7%
Percentage Completion	100%
Original Target Completion Date	09/01/04
Revised Target Completion Date	Not Applicable

HAMBURG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
PARTIAL REMOVAL & REPLACEMENT OF EXISTING ROOF - HAMBURG ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:				
SDA Grant		\$ 133,600	\$ 133,600	\$ 133,600
Transfer from Capital Reserve		200,400	200,400	200,400
Total Revenues		334,000	334,000	334,000
Expenditures and Other Financing Uses:				
Purchased Professional/Technical Services		26,784	26,784	42,500
Construction Services		115,110	115,110	291,500
Total Expenditures		141,894	141,894	334,000
Excess (Deficit) of Revenue and Other Financing Sources Over (Under) Expenditures	\$ - 0 -	\$ 192,106	\$ 192,106	\$ - 0 -

Additional Project Information:

Project Numbers	1930-060-10-GOGI
Grant Date	11/12/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 334,000
Additional Authorized Cost	\$ - 0 -
Revised Authorized Cost	\$ 334,000
Percentage Increase over Original	
Authorized Cost	0%
Percentage Completion	42%
Original Target Completion Date	08/01/11
Revised Target Completion Date	Not Applicable

PROPRIETARY FUNDS

HAMBURG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 17,649
Interfund Receivable	3,100
Inventories	1,561
	<hr/>

Total Current Assets	<hr/> 22,310
----------------------	--------------

Non-Current Assets:

Capital Assets:

Depreciable Furniture and Equipment, Net	22,037
	<hr/>

Total Non-Current Assets	<hr/> 22,037
--------------------------	--------------

Total Assets	<hr/> 44,347
--------------	--------------

NET ASSETS:

Investment in Capital Assets Net of Related Debt	22,037
Unrestricted	22,310
	<hr/>

Total Net Assets	<hr/> <hr/> \$ 44,347
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HAMBURG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 34,003
Daily Sales - Non-Reimbursable Programs	24,989
	<hr/>
Total Operating Revenue	58,992
	<hr/>
Operating Expenses:	
Cost of Sales	49,029
Salaries, Benefits & Payroll Taxes	29,514
Supplies, Insurance & Other Costs	21,870
Management Fee	7,462
Depreciation Expense	5,207
	<hr/>
Total Operating Expenses	113,082
	<hr/>
Operating Loss	(54,090)
Non-Operating Income:	
Local Sources:	
Interest Income	100
State Sources:	
State School Lunch Program	1,212
Federal Sources:	
National School Lunch Program	29,381
Special Milk Program	2,596
Food Distribution Program	5,599
	<hr/>
Total Non-Operating Income	38,888
	<hr/>
Deletion of Capital Assets, Net	(181)
Change in Net Assets	(15,383)
Net Assets - Beginning of Year	59,730
	<hr/>
Net Assets - End of Year	\$ 44,347
	<hr/> <hr/>

HAMBURG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 58,992
Payments to Employees	(29,514)
Payments to Food Service Vendor	(50,629)
Payments to Suppliers	<u>(21,870)</u>
Net Cash Used for Operating Activities	<u>(43,021)</u>
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
Interest Revenue	100
State Sources:	
State School Lunch Program	1,302
Federal Sources:	
National School Lunch Program	30,902
Special Milk Program	2,628
Interfund Advanced to General Fund	<u>(3,100)</u>
Net Cash Provided by Noncapital Financing Activities	<u>31,832</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(11,189)
Cash and Cash Equivalents, July 1	<u>28,838</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 17,649</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (54,090)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	5,207
Food Distribution Program	5,599
Changes in Assets and Liabilities:	
Decrease in Inventory	<u>263</u>
Net Cash Used for Operating Activities	<u><u>\$ (43,021)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized USDA Donated Commodities through the Food Distribution Program valued at \$5,599 for the fiscal year ended June 30, 2011.

FIDUCIARY FUNDS

HAMBURG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	Agency		Total
	Student Activities	Payroll	
ASSETS:			
Cash and Cash Equivalents	\$ 7,181		\$ 7,181
Total Assets	7,181		7,181
LIABILITIES:			
Due to Student Groups	7,181		7,181
Total Liabilities	7,181		7,181
TOTAL NET ASSETS	\$ - 0 -	\$ - 0 -	\$ - 0 -

HAMBURG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

HAMBURG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 8,607	\$ 23,839	\$ 25,265	\$ 7,181
Total Assets	<u>\$ 8,607</u>	<u>\$ 23,839</u>	<u>\$ 25,265</u>	<u>\$ 7,181</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 8,607	\$ 23,839	\$ 25,265	\$ 7,181
Total Liabilities	<u>\$ 8,607</u>	<u>\$ 23,839</u>	<u>\$ 25,265</u>	<u>\$ 7,181</u>

HAMBURG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Elementary Schools:				
Hamburg School	\$ 8,607	\$ 23,839	\$ 25,265	\$ 7,181
Total All Schools	<u>\$ 8,607</u>	<u>\$ 23,839</u>	<u>\$ 25,265</u>	<u>\$ 7,181</u>

HAMBURG BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ - 0 -	\$ 1,238,647	\$ 1,238,647	\$ - 0 -
Total Assets	<u>\$ - 0 -</u>	<u>\$ 1,238,647</u>	<u>\$ 1,238,647</u>	<u>\$ - 0 -</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ - 0 -	\$ 1,238,647	\$ 1,238,647	\$ - 0 -
Total Liabilities	<u>\$ - 0 -</u>	<u>\$ 1,238,647</u>	<u>\$ 1,238,647</u>	<u>\$ - 0 -</u>

LONG-TERM DEBT

HAMBURG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding 6/30/2011		Interest Rate	Balance July 1, 2010	Issued	Retired or Matured	Defeased Debt	Balance June 30, 2011
			Date	Amount						
School Bonds	3/1/2001	\$3,074,000	9/1/2011	\$ 140,000	4.600%	\$2,124,000		\$ 135,000	\$1,849,000	\$ 140,000
School Refunding Bonds	11/16/2010	1,885,000	9/1/2011	20,000	2.000%					
			9/1/2012	160,000	2.000%					
			9/1/2013	170,000	2.000%					
			9/1/2014	170,000	2.000%					
			9/1/2015	175,000	3.000%					
			9/1/2016	180,000	2.000%					
			9/1/2017	185,000	3.000%					
			9/1/2018	190,000	4.000%					
			9/1/2019	205,000	4.000%					
			9/1/2020	210,000	4.000%					
			9/1/2021	220,000	4.000%					
							<u>\$1,885,000</u>			<u>\$1,885,000</u>
						<u>\$2,124,000</u>	<u>\$1,885,000</u>	<u>\$ 135,000</u>	<u>\$1,849,000</u>	<u>\$2,025,000</u>

HAMBURG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 230,125		\$ 230,125	\$ 230,125	
Miscellaneous				2,440	\$ 2,440
Total Revenues	<u>230,125</u>		<u>230,125</u>	<u>232,565</u>	<u>2,440</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	97,207		97,207	70,234	26,973
Redemption of Principal	135,000		135,000	135,000	
Total Regular Debt Service	<u>232,207</u>		<u>232,207</u>	<u>205,234</u>	<u>26,973</u>
Total Expenditures	<u>232,207</u>		<u>232,207</u>	<u>205,234</u>	<u>26,973</u>
Excess/(Deficit) of Revenues Over/(Under) Expenditures	<u>(2,082)</u>		<u>(2,082)</u>	<u>27,331</u>	<u>29,413</u>
Other Financing Sources (Uses):					
Contribution for Bond Refunding				(20,000)	(20,000)
Serial Bond Issued				(1,885,000)	(1,885,000)
Bond Discount				(100,404)	(100,404)
Debt Service Contribution				(20,000)	(20,000)
Serial Bonds Defeased				1,849,000	1,849,000
Bond Issuance Costs				71,452	71,452
Deferred Interest				84,952	84,952
Operating Transfers In - Capital Projects Fund				131	131
Total Other Financing Sources/(Uses)				<u>(19,869)</u>	<u>(19,869)</u>

HAMBURG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficit) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ (2,082)		\$ (2,082)	\$ 7,462	\$ 9,544
Fund Balance, July 1	<u>2,405</u>		<u>2,405</u>	<u>2,405</u>	
Fund Balance, June 30	<u>\$ 323</u>	<u>\$ -0-</u>	<u>\$ 323</u>	<u>\$ 9,867</u>	<u>\$ 9,544</u>
				\$ 323	
Restricted - Designated for Subsequent Year's Expenditures Restricted				<u>9,544</u>	
				<u>\$ 9,867</u>	

STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

HAMBURG BOROUGH SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 2,658,641	\$ 2,840,388	\$ 2,832,417	\$ 2,871,200	\$ 2,874,230	\$ 2,890,825	\$ 3,012,137
Restricted	208,632	100,473	158,579	90,882	137,712	218,945	285,382
Unrestricted/(Deficit)	<u>(144,977)</u>	<u>(136,541)</u>	<u>(84,886)</u>	<u>(63,005)</u>	<u>(151,747)</u>	<u>(56,101)</u>	<u>281,356</u>
Total Governmental Activities Net Assets	<u>\$ 2,722,296</u>	<u>\$ 2,804,320</u>	<u>\$ 2,906,110</u>	<u>\$ 2,899,077</u>	<u>\$ 2,860,195</u>	<u>\$ 3,053,669</u>	<u>\$ 3,578,875</u>
Business-Type Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 48,333	\$ 43,330	\$ 38,327	\$ 34,765	\$ 32,503	\$ 27,425	\$ 22,037
Unrestricted	<u>28,621</u>	<u>18,588</u>	<u>12,954</u>	<u>15,210</u>	<u>14,789</u>	<u>32,305</u>	<u>22,310</u>
Total Business-Type Activities Net Assets	<u>\$ 76,954</u>	<u>\$ 61,918</u>	<u>\$ 51,281</u>	<u>\$ 49,975</u>	<u>\$ 47,292</u>	<u>\$ 59,730</u>	<u>\$ 44,347</u>
District-Wide:							
Invested in Capital Assets, Net of Related Debt	\$ 2,706,974	\$ 2,883,718	\$ 2,870,744	\$ 2,905,965	\$ 2,906,733	\$ 2,918,250	\$ 3,034,174
Restricted	208,632	100,473	158,579	90,882	137,712	218,941	285,382
Unrestricted/(Deficit)	<u>(116,356)</u>	<u>(117,953)</u>	<u>(71,932)</u>	<u>(47,795)</u>	<u>(136,958)</u>	<u>(23,792)</u>	<u>303,666</u>
Total District-Wide Net Assets	<u>\$ 2,799,250</u>	<u>\$ 2,866,238</u>	<u>\$ 2,957,391</u>	<u>\$ 2,949,052</u>	<u>\$ 2,907,487</u>	<u>\$ 3,113,399</u>	<u>\$ 3,623,222</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough School District Financial Reports.

HAMBURG BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenses:							
Governmental Activities:							
Instruction:							
Regular	\$ 2,043,748	\$ 1,855,902	\$ 1,975,744	\$ 2,111,398	\$ 2,093,154	\$ 2,288,982	\$ 2,320,955
Special Education	474,011	597,211	681,826	732,117	810,612	874,456	655,926
Other Instruction	107,259	116,220	128,067	122,962	148,741	194,469	50,338
Support Services:							
Tuition	286,399	260,488	329,617	365,992	273,156	245,219	262,343
Student & Instruction Related Services	428,964	630,681	657,782	649,141	668,046	523,922	536,777
General Administration Services	280,318	345,388	315,003	323,320	319,740	310,582	265,826
School Administration Services	163,679	166,368	95,395	105,871	73,757	118,607	141,087
Central Services	108,667	115,133	164,081	166,630	225,187	134,707	140,244
Plant Operations and Maintenance	514,258	561,204	608,345	654,744	635,197	622,059	592,027
Pupil Transportation	178,592	182,944	196,955	227,770	180,382	210,267	154,774
Interest On Long-Term Debt	130,499	125,324	118,424	114,699	108,986	103,046	39,948
Capital Outlay	(46,567)	(45,444)	429	48,933	14,821		22,496
Unallocated Depreciation	124,556	137,426	141,194	139,457	128,596	118,957	118,854
Charter Schools	37,001	49,710	93,626	100,174	95,108	43,626	32,085
Total Governmental Activities Expenses	<u>4,831,384</u>	<u>5,098,555</u>	<u>5,506,488</u>	<u>5,863,208</u>	<u>5,775,483</u>	<u>5,788,899</u>	<u>5,333,680</u>
Business-Type Activities:							
Food Service	80,409	90,534	88,884	84,363	89,149	92,403	113,082
Total Business-Type Activities Expenses	<u>80,409</u>	<u>90,534</u>	<u>88,884</u>	<u>84,363</u>	<u>89,149</u>	<u>92,403</u>	<u>113,082</u>
Total District-Wide Expenses	<u>\$ 4,911,793</u>	<u>\$ 5,189,089</u>	<u>\$ 5,595,372</u>	<u>\$ 5,947,571</u>	<u>\$ 5,864,632</u>	<u>\$ 5,881,302</u>	<u>\$ 5,446,762</u>

HAMBURG BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Program Revenues:							
Governmental Activities:							
Operating Grants and Contributions	\$ 2,125,358	\$ 2,159,923	\$ 2,304,417	\$ 2,331,551	\$ 637,789	\$ 716,094	\$ 640,024
Total Governmental Activities Program Revenues	<u>2,125,358</u>	<u>2,159,923</u>	<u>2,304,417</u>	<u>2,331,551</u>	<u>637,789</u>	<u>716,094</u>	<u>640,024</u>
Business-Type Activities:							
Charges for Services:							
Food Service	52,408	50,211	51,288	50,174	55,508	58,756	58,992
Operating Grants and Contributions	26,104	25,287	26,959	31,477	28,252	34,010	38,788
Total Business Type Activities Program Revenues	<u>78,512</u>	<u>75,498</u>	<u>78,247</u>	<u>81,651</u>	<u>83,760</u>	<u>92,766</u>	<u>97,780</u>
Total District-Wide Program Revenues	<u>\$ 2,203,870</u>	<u>\$ 2,235,421</u>	<u>\$ 2,382,664</u>	<u>\$ 2,413,202</u>	<u>\$ 721,549</u>	<u>\$ 808,860</u>	<u>\$ 737,804</u>
Net (Expenses)/Revenue:							
Governmental Activities	\$ 2,706,026	\$ 2,938,632	\$ 3,202,071	\$ 3,531,657	\$ 5,137,694	\$ 5,072,805	\$ 4,693,656
Business-Type Activities	1,897	15,036	10,637	2,712	5,389	(363)	15,302
Total District-Wide Net (Expenses)/Revenue	<u>\$ 2,707,923</u>	<u>\$ 2,953,668</u>	<u>\$ 3,212,708</u>	<u>\$ 3,534,369</u>	<u>\$ 5,143,083</u>	<u>\$ 5,072,442</u>	<u>\$ 4,708,958</u>
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	\$ 2,494,767	\$ 2,636,855	\$ 2,983,833	\$ 3,173,552	\$ 3,277,935	\$ 3,396,802	\$ 3,532,674
Taxes Levied for Debt Service	219,911	240,323	231,924	225,176	225,041	226,572	230,125
Unrestricted Grants and Contributions	75,190	121,555	57,369	108,093	1,589,593	1,628,963	1,436,603
Investment Earnings	474	15,489	12,565	12,107	4,672	1,652	1,000
Miscellaneous Income	11,214	6,434	18,170	5,696	4,277	12,980	38,460

HAMBURG BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets:							
Board Contribution						\$ (12,000)	
Cancellation of Prior Year Accounts Payable						11,310	
Transfer - Contribution for Bond Refunding							\$ (20,000)
Transfer to Food Service Fund - Capital Assets					\$ (2,706)		
Total Governmental Activities General Revenues & Other Changes in Net Assets	\$ 2,801,556	\$ 3,020,656	\$ 3,303,861	\$ 3,524,624	5,098,812	5,266,279	5,218,862
Business-Type Activities:							
Board Contribution					2,706	12,000	
Deletion of Capital Assets, Net							(181)
Interest Income				1,406		75	100
Total Business-Type Activities General Revenues & Other Changes in Net Assets	- 0 -	- 0 -	- 0 -	1,406	2,706	12,075	(81)
Total District-Wide General Revenues & Other Changes in Net Assets	\$ 2,801,556	\$ 3,020,656	\$ 3,303,861	\$ 3,526,030	\$ 5,101,518	\$ 5,278,354	\$ 5,218,781
Change in Net Assets:							
Governmental Activities	\$ 95,530	\$ 82,024	\$ 101,790	\$ (7,033)	\$ (38,882)	\$ 193,474	\$ 525,206
Business-Type Activities	(1,897)	(15,036)	(10,637)	(1,306)	(2,683)	12,438	(15,383)
Total District-Wide Change in Net Assets	\$ 93,633	\$ 66,988	\$ 91,153	\$ (8,339)	\$ (41,565)	\$ 205,912	\$ 509,823

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough School District Financial Reports.

HAMBURG BOROUGH SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Fund:							
Reserved/Restricted	\$ 244,341	\$ 126,556	\$ 179,337	\$ 115,249	\$ 167,835	\$ 244,165	\$ 426,482
Committed							60,000
Unassigned							126,880
Unreserved	23,740	32,590	80,153	102,943	342	93,078	
Total General Fund	<u>\$ 268,081</u>	<u>\$ 159,146</u>	<u>\$ 259,490</u>	<u>\$ 218,192</u>	<u>\$ 168,177</u>	<u>\$ 337,243</u>	<u>\$ 613,362</u>
All Other Governmental Funds:							
Restricted							\$ 9,867
Committed							58,506
Unassigned (Deficit)							(27,625)
Unreserved (Deficit)	\$ (35,709)	\$ (26,658)	\$ (20,758)	\$ (24,367)	\$ (30,123)	\$ (25,220)	
Total All Other Governmental Funds	<u>\$ (35,709)</u>	<u>\$ (26,658)</u>	<u>\$ (20,758)</u>	<u>\$ (24,367)</u>	<u>\$ (30,123)</u>	<u>\$ (25,220)</u>	<u>\$ 40,748</u>
Total Governmental Funds:							
Reserved/Restricted	\$ 244,341	\$ 126,556	\$ 179,337	\$ 115,249	\$ 167,835	\$ 244,165	\$ 426,482
Committed							118,506
Unassigned							99,255
Unreserved (Deficit)	(11,969)	5,932	59,395	78,576	(29,781)	67,858	
Total All Governmental Funds	<u>\$ 232,372</u>	<u>\$ 132,488</u>	<u>\$ 238,732</u>	<u>\$ 193,825</u>	<u>\$ 138,054</u>	<u>\$ 312,023</u>	<u>\$ 654,110</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough School District Financial Reports.

HAMBURG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Revenues:							
Tax Levy	\$2,714,678	\$2,877,178	\$3,215,757	\$3,398,728	\$3,502,976	\$3,623,374	\$3,762,799
Interest on Capital Reserve	474	421	2,466	5,378	2,592	1,327	869
Miscellaneous	11,214	21,502	28,269	12,425	6,357	15,307	34,545
State Sources	2,060,573	2,133,152	2,230,472	2,308,877	2,099,670	2,035,713	1,946,858
Federal Sources	139,975	148,326	131,315	130,767	127,712	307,342	133,815
Total Revenue	4,926,914	5,180,579	5,608,279	5,856,175	5,739,307	5,983,063	5,878,886
Expenditures:							
Instruction:							
Regular Instruction	1,348,192	1,317,709	1,438,726	1,513,158	1,540,253	1,668,096	1,676,615
Special Education Instruction	474,011	500,343	466,622	500,100	587,650	661,892	478,515
Other Instruction	107,259	114,651	125,718	125,951	142,717	139,048	35,926
Support Services:							
Tuition	286,399	260,488	329,617	365,992	273,156	245,219	262,343
Student & Instruction Related Services	428,964	519,450	471,795	467,233	477,960	425,604	425,982
General Administrative Services	280,318	316,703	269,315	275,880	284,983	271,301	225,083
School Administrative Services	72,721	73,373	73,221	59,214	61,486	100,956	94,154
Central Services	114,307	119,792	127,958	132,843	151,738	116,920	111,121
Administrative Information Technology					2,893		
Plant Operations And Maintenance	421,774	458,113	464,573	497,917	483,616	547,488	532,969
Pupil Transportation	178,592	182,944	196,955	227,770	180,382	210,267	154,774
Allocated Benefits		705,606	733,513	831,838	911,211		

HAMBURG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenditures: (Cont'd)							
Support Services: (Cont'd)							
Unallocated Benefits	\$ 843,809	\$ 284,600	\$ 454,498	\$ 468,222	\$ 338,554	\$ 1,129,286	\$ 1,110,243
Capital Outlay	4,200	136,657	20,749	99,990	26,500	15,400	171,755
Debt Service:							
Principal	115,000	115,000	115,000	120,000	125,000	130,000	135,000
Interest And Other Charges	130,499	125,324	120,149	114,801	109,165	103,301	70,234
Charter Schools	37,001	49,710	93,626	100,173	95,108	43,626	32,085
Total Expenditures	<u>4,843,046</u>	<u>5,280,463</u>	<u>5,502,035</u>	<u>5,901,082</u>	<u>5,792,372</u>	<u>5,808,404</u>	<u>5,516,799</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 83,868</u>	<u>\$ (99,884)</u>	<u>\$ 106,244</u>	<u>\$ (44,907)</u>	<u>\$ (53,065)</u>	<u>\$ 174,659</u>	<u>\$ 362,087</u>
Debt Service as a Percentage of Noncapital Expenditures	5.07%	4.67%	4.29%	4.05%	4.06%	4.03%	3.84%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough School District Financial Reports.

HAMBURG BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

Fiscal Year Ended June 30,	Interest on Investments	Tuition	Prior Year Refunds	Refunds	Other	Total
2002	\$ 9,574				\$ 2,310	\$ 11,884
2003	4,566				726	5,292
2004	2,065		\$ 7,233		6,041	15,339
2005	1,235				7,228	8,463
2006	5,862				5,592	11,454
2007	3,440	1,000	13,900	1,335	1,935	21,610
2008	6,951		1,412		2,711	11,074
2009	3,578		210		3,081	6,869
2010	3,525		6,141		4,644	14,310
2011	2,956		22,228		7,659	32,843

Source: Hamburg Borough School District Financial Reports.

HAMBURG BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST SEVEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 3,315,750	\$ 171,463,500	\$ 169,000	\$ 30,100	\$ 19,814,900	\$ 3,375,700	\$ 331,500	\$ 198,500,450	\$ 559,099	\$ 199,059,549	\$ 4,098,300	\$ 1.86	\$ 215,360,340
2005	6,566,750	174,416,900	169,000	5,100	19,814,900	3,375,700	331,500	204,679,850	485,727	205,165,577	4,318,300	1.94	259,190,581
2006	6,094,650	176,644,900	169,000	4,500	20,174,100	3,375,700	331,500	206,794,350	372,337	207,166,687	4,784,600	1.47	305,923,738
2007	5,635,450	179,462,200	169,000	4,500	19,514,500	3,375,700	331,500	208,492,850	302,368	208,795,218	4,659,200	1.58	352,714,111
2008	5,610,450	179,426,800	169,000	4,500	19,514,500	3,375,700	331,500	208,432,450	278,884	208,711,334	4,659,200	1.65	384,783,759
2009	5,708,150	180,852,200	169,000	4,500	19,405,200	2,745,700	331,500	209,216,250	221,848	209,438,098	4,750,400	1.70	356,187,241
2010	5,734,750	180,536,500	169,000	4,500	18,712,800	2,745,700	331,500	208,234,750	307,672	208,542,422	4,750,400	1.77	338,268,324

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when ordered by the County Board of Taxation.

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

^b Tax rates are per \$100 of assessed value.

Source: Hamburg Borough Tax Assessor.

HAMBURG BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	Hamburg Borough School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Direct Rate			Borough of Sussex County			
	Basic Rate ^a	General Obligation Debt ^b	Total Direct	Regional School	Hamburg	County	
2001	\$ 1.57	\$ 0.19	\$ 1.76	\$ 0.50	\$ 0.65	\$ 0.60	\$ 3.02
2002	^ 1.48	^ 0.19	^ 1.67	^ 0.49	^ 0.54	^ 0.54	2.74
2003	1.59	0.18	1.77	0.50	0.55	0.54	2.86
2004	1.68	0.18	1.86	0.51	0.61	0.54	3.01
2005	1.78	0.16	1.94	0.57	0.64	0.58	3.16
2006	1.36	0.11	1.47	0.64	0.67	0.65	3.43
2007	1.48	0.10	1.58	0.66	0.71	0.69	3.64
2008	1.55	0.11	1.65	0.68	0.77	0.71	3.82
2009	1.59	0.11	1.70	0.70	0.81	0.70	3.91
2010	1.66	0.11	1.77	0.70	0.89	0.69	4.05

^ - Revaluation of property was effective.

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a General Fund tax levy. The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

^b Rates for debt service are based on each year's requirements.

Source: Hamburg Borough Tax Collector and School Business Administrator.

HAMBURG BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>2010</u>			<u>2001</u>		
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Lorterdan Hamburg Development LLC	\$ 3,784,800	1.81%	Ames Rubber Corporation	\$ 3,350,000	2.47%
Ames Rubber Corp	2,500,000	1.20%	Plastoid Corporation	2,318,600	1.71%
Kaytes Realty, LLC	1,840,000	0.88%	Accurate Forming	2,182,800	1.61%
Silver Fox LLC	1,780,100	0.85%	Southgate Associates	1,620,000	1.20%
Governor Haines Square Corp	1,488,700	0.71%	Wynfield Corporation	1,528,400	1.13%
24 Ames Boulevard, LLC	1,176,000	0.56%	WHC Seven Investors, Inc.	1,306,000	0.96%
Grey Elephant, LLC	1,032,800	0.50%	First Fidelity Bank	1,064,200	0.79%
TRB Investments, LLC	916,000	0.44%	Individual Taxpayer #1	947,700	0.70%
Wachovia Tax Dept	690,900	0.33%	Governor Haines Square Corporation	852,800	0.63%
Plaza 23, LLC	678,000	0.33%	Pipquarry Company, Inc.	844,000	0.62%
Total	\$ 15,887,300	7.62%	Total	\$ 16,014,500	11.82%

Source: Borough of Hamburg Tax Assessor.

HAMBURG BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2002	\$ 1,825,141	\$ 1,825,141	100.00%	\$ - 0 -
2003	2,361,592	2,361,592	100.00%	- 0 -
2004	2,562,340	2,562,340	100.00%	- 0 -
2005	2,714,678	2,714,678	100.00%	- 0 -
2006	2,877,178	2,877,178	100.00%	- 0 -
2007	3,215,757	3,215,757	100.00%	- 0 -
2008	3,398,728	3,398,728	100.00%	- 0 -
2009	3,502,976	3,502,976	100.00%	- 0 -
2010	3,623,374	3,623,374	100.00%	- 0 -
2011	3,762,799	3,762,799	100.00%	- 0 -

^a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified, prior to the end of the school year.

Source: Hamburg Borough School District's records including the Certificate and Report of School Taxes (Form A4F).

HAMBURG BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Governmental Activities</u>						
<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Loans</u> <u>Payable</u>	<u>Capital</u> <u>Leases</u>	<u>Total</u> <u>District</u>	<u>Percentage</u> <u>of Personal</u> <u>Income ^a</u>	<u>Per Capita ^a</u>
2005	\$ 2,729,000	\$ - 0 -	\$ 94,533	\$ 2,823,533	1.78%	\$ 807.18
2006	2,614,000	- 0 -	61,100	2,675,100	1.59%	768.93
2007	2,499,000	- 0 -	25,853	2,524,853	1.50%	725.74
2008	2,379,000	- 0 -	- 0 -	2,379,000	1.40%	685.59
2009	2,254,000	- 0 -	- 0 -	2,254,000	1.37%	651.63
2010	2,124,000	- 0 -	- 0 -	2,124,000	1.29%	614.05
2011	2,025,000	- 0 -	- 0 -	2,025,000	1.23%	585.43

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

^a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough School District Financial Reports.

HAMBURG BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 2,729,000	\$ - 0 -	\$ 2,729,000	1.37%	\$ 807.18
2006	2,614,000	- 0 -	2,614,000	1.27%	768.93
2007	2,499,000	- 0 -	2,499,000	1.21%	725.74
2008	2,379,000	- 0 -	2,379,000	1.14%	685.59
2009	2,254,000	- 0 -	2,254,000	1.08%	651.63
2010	2,124,000	- 0 -	2,124,000	1.01%	614.05
2011	2,025,000	- 0 -	2,025,000	0.97%	585.43

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

^a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

^b Population data can be found on Exhibit J-14. This ratio is calculated using valuation data for the prior calendar year

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough School District Financial Reports.

HAMBURG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes:			
Borough of Hamburg	\$ 570,000	100.00%	\$ 570,000
Wallkill Valley Regional High School	2,585,000	14.78%	382,063
Sussex County General Obligation Debt	74,528,115	1.18%	<u>877,264</u>
Subtotal, Overlapping Debt			1,829,327
Hamburg Borough School District Direct Debt			<u>2,025,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 3,854,327</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Borough of Hamburg. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Sources: Assessed value data used to estimate applicable percentages provided by the Sussex County Board of Taxation; debt outstanding data provided by each governmental unit.

HAMBURG BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 4,263,195	\$ 4,664,916	\$ 5,327,434	\$ 6,286,590	\$ 7,565,068	\$ 8,563,956	\$ 9,507,191	\$10,133,965	\$11,213,021	\$ 10,762,347
Total Net Debt Applicable to Limit	3,074,000	2,959,000	2,844,000	2,729,000	2,614,000	2,499,000	2,379,000	2,254,000	2,124,000	2,025,000
Legal Debt Margin	<u>\$ 1,189,195</u>	<u>\$ 1,705,916</u>	<u>\$ 2,483,434</u>	<u>\$ 3,557,590</u>	<u>\$ 1,189,195</u>	<u>\$ 6,064,956</u>	<u>\$ 7,128,191</u>	<u>\$ 7,879,965</u>	<u>\$ 9,089,021</u>	<u>\$ 8,737,347</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	72.11%	63.43%	53.38%	43.41%	34.55%	29.18%	25.02%	22.24%	18.94%	18.82%

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized Valuation Basis	Hamburg Borough
2010	\$ 337,769,262
2009	355,809,949
2008	382,655,498
	<u>\$1,076,234,709</u>
Average Equalized Valuation of Taxable Property	<u>\$ 358,744,903</u>
Debt Limit (3% of Average Equalization Value) ^a	\$ 10,762,347
Net Bonded School Debt as of June 30, 2011	2,025,000
Legal Debt Margin	<u>\$ 8,737,347</u>

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

HAMBURG BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Borough Population ^a	Sussex County Per Capita Personal Income ^b	Borough Personal Income ^c	Borough Unemployment Rate ^d
2002	3,368	\$ 38,723	\$ 130,419,064	7.40%
2003	3,457	39,336	135,984,552	7.90%
2004	3,479	40,819	142,009,301	6.00%
2005	3,504	42,450	148,744,800	4.90%
2006	3,498	45,448	158,977,104	4.60%
2007	3,479	48,474	168,641,046	4.40%
2008	3,470	48,828	169,433,160	5.60%
2009	3,459	47,497	164,292,123	9.30%
2010	3,459 **	47,497 *	164,292,123	9.90%
2011	3,459 **	47,497 *	164,292,123	N/A

* - Latest Sussex County per capita personal income available (2009) was used for calculation purposes.

** - Latest population data available (2009) was used for calculation purposes.

N/A - Information is not available.

Sources:

- ^a Population information provided by the NJ Department of Labor and Workforce Development.
- ^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- ^c Personal income has been estimated based upon the municipal population and per capita personal income presented.
- ^d Unemployment data provided by the NJ Department of Labor and Workforce Development.

HAMBURG BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - SUSSEX COUNTY
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2010			2001		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	5.05%	Selective Insurance	954	2.41%
Newton Memorial Hospital	1,490	3.76%	Andover Subacute and Rehab Center	906	2.29%
Selective Insurance	900	2.27%	County of Sussex	815	2.06%
County of Sussex	830	2.10%	Mountain Creek Resort	800	2.20%
Mountain Creek Resort	800	2.02%	Newton Memorial Hospital	757	1.91%
Shop Rite (Ronetco)	697	1.76%	Ronetco Supermarkets	711	1.80%
Ames Rubber Corp	445	1.12%	Vernon Township Bd. of Education	629	1.59%
Walmart	412	1.04%	F.O. Phoenix, Inc.	600	1.52%
Andover Subacute and Rehab Center	300	0.76%	Hopatcong Board of Education	450	1.14%
Sussex County Community College	300	0.76%	Walmart	380	0.96%
	<u>8,174</u>	<u>20.64%</u>		<u>7,002</u>	<u>17.88%</u>
Total Employment - Sussex County	<u>39,602</u>		Total Employment - Sussex County	<u>39,161</u>	

Source: County of Sussex, Department of Administration and Finance.

HAMBURG BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction:							
Regular	25.9	26.2	25.3	25.4	26.0	25.0	26.3
Special Education	11.2	11.2	14.6	16.6	16.9	16.4	8.2
Support Services:							
Student & Instruction Related Services	7.9	7.9	7.9	7.5	5.2	5.2	5.2
School Administration Services	2.4	2.4	2.4	2.4	2.5	2.5	2.5
General and Business Administration Services	1.8	2.0	2.0	2.0	3.6	3.4	3.4
Plant Operations and Maintenance	4.8	4.8	4.8	4.8	4.5	3.5	3.5
Total	<u>54.0</u>	<u>54.5</u>	<u>57.0</u>	<u>58.7</u>	<u>58.7</u>	<u>56.0</u>	<u>49.1</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough District Personnel Records.

HAMBURG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^b</u>	<u>Percentage Change</u>	<u>Teaching Staff^c</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^d</u>	<u>Average Daily Attendance (ADA)^d</u>	<u>% Change In Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2005	321	\$ 4,593,347	\$ 14,309	7.75%	39	7:1	321	305	-7.23%	95.02%
2006	306	4,903,482	16,024	11.98%	41	7:1	306	291	-4.67%	95.10%
2007	310	5,246,137	16,923	5.61%	41	7:1	310	295	1.31%	95.26%
2008	291	5,566,291	19,128	13.03%	42	7:1	291	273	-6.13%	93.81%
2009	276	5,531,707	20,042	4.78%	42	7:1	276	263	-5.15%	95.29%
2010	291	5,559,703	19,106	-4.67%	41	7.1:1	282	269	2.17%	95.39%
2011	286	5,139,810	17,971	-5.94%	34	8.1:1	282	266	0.00%	94.33%

Note: Enrollment based on annual October District count.

- ^a Operating expenditures equal total expenditures less debt service and capital outlay.
- ^b Costs per pupil is calculated based upon enrollment and operating expenditures as presented and may not be the same as other cost per pupil calculations.
- ^c Teaching staff includes only full-time equivalents of certificated staff.
- ^d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough School District records.

HAMBURG BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SEVEN FISCAL YEARS

<u>District Buildings</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Hamburg Elementary School (1904, 2003)							
Square Feet	61,503	61,503	61,503	61,503	61,503	61,503	61,503
Capacity (Students)	546	546	546	546	546	546	546
Enrollment	321	306	310	291	276	291	286

Number of Schools at June 30, 2011:

Elementary = 1

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Hamburg Borough School District Facilities Office.

HAMBURG BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures:
 Required Maintenance for School Facilities*
 11-000-261-XXX

School Facilities	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Hamburg Elementary	\$ 16,873	\$ 19,555	\$ 11,017	\$ 24,815	\$ 58,325	\$ 37,974	\$ 57,524	\$ 46,882	\$ 105,336	\$ 94,278

* School facilities as defined under EFCFA. (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Hamburg Borough School District Reports.

HAMBURG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

	Coverage	Deductible
NJSBAIG:		
Commercial Package Policy:		
Blanket Building & Contents	\$ 10,142,851	\$ 1,000
Blanket Hardware/Software	160,000	1,000
Boiler & Machinery	100,000,000	1,000
Crime/Faithful Performance	50,000	500
Comprehensive General Liability	11,000,000	N/A
Automobile Coverage	11,000,000	N/A
Employee Benefits Program Liability	11,000,000	N/A
School Board Legal Liability:		
Coverage A	11,000,000	5,000
Coverage B	100,000 / 300,000	
Workers Compensation	Statutory	
Environmental Impairment Liability	1,000,000	10,000
Student Accident	1,000,000	
Volunteer Workers	1,000,000	
Surety Bonds:		
Treasurer	180,000	
Board Secretary	85,000	

Source: Hamburg Borough School District Records.

SINGLE AUDIT SECTION



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and
 Other Matters Based on an Audit of Financial Statements Performed in Accordance with
 Government Auditing Standards

The Honorable President and Members
 of the Board of Education
 Hamburg Borough School District
 County of Sussex, New Jersey

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Board of Education of the Hamburg Borough School District, in the County of Sussex (the "Board") as of, and for the fiscal year ended, June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

The Honorable President and Members
of the Board of Education
Hamburg Borough School District
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted a certain matter that we have reported in the Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance, a separate report dated August 16, 2011.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nisivoccia, LLP

August 16, 2011
Mount Arlington, New Jersey

NISIVOCCIA, LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant



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Independent Auditors' Report on Compliance with Requirements That Could Have a
 Direct and Material Effect on Each Major Program and on Internal Control over
 Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

The Honorable President and Members
 of the Board of Education
 Hamburg Borough School District
 County of Sussex, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Hamburg Borough School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133, and New Jersey's OMB Circular NJOMB 04-04 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 state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

The Honorable President and Members
of the Board of Education
Hamburg Borough School District
Page 2

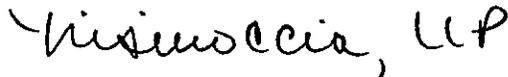
Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board'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 or state 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 or state program will not be prevented, or detected and corrected, on a timely basis.

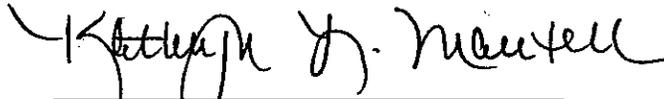
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal or state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



NISIVOCCIA, LLP

August 16, 2011
Mount Arlington, New Jersey



Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

HAMBURG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Cash Received	Budgetary Expenditures	Balance at June 30, 2011		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue			Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:											
Special Revenue Fund:											
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	IDEA193011	9/1/10-8/31/11	\$ 77,671			\$ 73,504	\$ (77,671)	\$ 4,167		
I.D.E.A. Part B, Basic	84.027	IDEA193010	9/1/09-8/31/10	75,631	\$ 6,600		6,600				
I.D.E.A. Part B, Basic - ARRA	84.027	IDEA193010	9/1/09-8/31/11	63,675	2,172		2,172				
I.D.E.A. Part B, Preschool	84.173	IDEA193011	9/1/10-8/31/11	4,375			4,375	(4,375)			
Total Special Education Cluster						8,772	86,651	(82,046)	4,167		
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB193010	9/1/09-8/31/11	32,875	5,705		6,855	(1,150)			
Title I	84.010A	NCLB193011	9/1/10-8/31/11	30,620			27,713	(30,620)	2,907		
Title I - ARRA	84.010A	NCLB193010	9/1/09-8/31/11	9,890			495	(495)			
Title II, Part A	84.367A	NCLB193010	9/1/09-8/31/11	11,697	728		3,622	(2,894)			
Title II, Part A	84.367A	NCLB193011	9/1/10-8/31/11	12,168			10,786	(12,168)	1,382		
Title II, Part D	84.318	NCLB193011	9/1/10-8/31/11	71				(71)	71		
Title II, Part D	84.318	NCLB193010	9/1/09-8/31/11	325			324	(325)	1		
Title IV	84.184	NCLB193010	9/1/09-8/31/10	786	225		225				
Total Special Fund						15,430	136,671	(129,769)	8,528		
Total U.S. Department of Education						15,430	136,671	(129,769)	8,528		

HAMBURG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Balance at June 30, 2011			
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
U.S. Department of Agriculture:											
Passed-through State Department of Education:											
Child Nutrition Cluster:											
Federal Special Milk	10.556	N/A	7/1/09-6/30/10	\$ 500	\$ 32		\$ 32				
Federal Special Milk	10.556	N/A	7/1/10-6/30/11	2,596			2,596	\$ (2,596)			
U.S.D.A Commodities	10.555	N/A	7/1/10-6/30/11	5,599			5,599	(5,599)			
National School Lunch	10.555	N/A	7/1/09-6/30/10	25,100	1,521		1,521				
National School Lunch	10.555	N/A	7/1/10-6/30/11	29,381			29,381	(29,381)			
Total Child Nutrition Cluster - Total U.S. Department of Agriculture					1,553		39,129	(37,576)			
U.S. Department of Health and Human Services											
Passed-Through State Department of Human Services:											
Medicaid Assistance Program	93.778	N/A	7/1/10-6/30/11	4,046			4,046	(4,046)			
Total U.S. Department of Health and Human Services							4,046	(4,046)			
Total Federal Awards					\$ 16,983	\$ - 0 -	\$ 179,846	\$ (171,391)	\$ 8,528	\$ - 0 -	\$ - 0 -

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

**HAMBURG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Budgetary Expenditures	Balance at June 30, 2011		MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Cash Received		GAAP Accounts Receivable	Budgetary Deferred Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education											
General Fund:											
Equalization Aid	10-495-034-5120-078	7/1/09 - 6/30/10	\$ 449,017	\$ 48,677		\$ 48,677					\$ 449,017
Special Education Aid	10-495-034-5120-089	7/1/09 - 6/30/10	141,365	15,325		15,325					141,365
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	25,132	2,725		2,725					25,132
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	1,021,475	110,737		110,737					1,021,475
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	23,393	23,393		23,393					23,393
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	44,913	4,869		4,869					44,913
Non Public Transportation	10-495-034-5120-014	7/1/09 - 6/30/10	2,073	2,073		2,073					2,073
Equalization Aid	11-495-034-5120-078	7/1/10 - 6/30/11	650,970			586,665	\$ (650,970)			\$ 64,305	650,970
Special Education Aid	11-495-034-5120-089	7/1/10 - 6/30/11	131,268			118,301	(131,268)			12,967	131,268
Security Aid	11-495-034-5120-084	7/1/10 - 6/30/11	28,733			25,895	(28,733)			2,838	28,733
Adjustment Aid	11-495-034-5120-085	7/1/10 - 6/30/11	704,115			634,561	(704,115)			69,554	704,115
Extraordinary Aid	11-100-034-5120-473	7/1/10 - 6/30/11	27,343				(27,343)	\$ 27,343		27,343	27,343
Transportation Aid	11-495-034-5120-014	7/1/10 - 6/30/11	47,287				(47,287)			4,671	47,287
Non Public Transportation	11-495-034-5120-014	7/1/10 - 6/30/11	3,872				(3,872)	3,872		3,872	3,872
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10 - 6/30/11	168,924			168,924	(168,924)				168,924
Total General Fund State Aid				207,799		1,784,761	(1,762,512)	31,215		185,550	3,469,880
Capital Projects Fund:											
Schools Development Authority:											
Educational Facilities Construction & Financing Act:											
Partial Removal/Replacement of Existing Roof											
	1930-060-10-G0GI	11/12/10 - 11/12/11	133,600								133,600
Total Special Revenue Fund											133,600
Enterprise Fund:											
State School Lunch Program	10-100-010-3350-023	9/1/09 - 6/30/10	1,492	90		90					1,492
State School Lunch Program	11-100-010-3350-023	9/1/10 - 6/30/11	1,212			1,212	(1,212)				1,212
Total Enterprise Fund				90		1,302	(1,212)				2,704
Total State Awards				\$207,889	\$ - 0 -	\$1,786,063	\$(1,763,724)	\$ 31,215	\$ - 0 -	\$319,150	\$3,472,584

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the Hamburg Borough School District Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments for the prior and current years, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, the current year payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year and the final payment for the prior year are recognized in the current year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The Capital Projects Fund is presented in the accompanying schedules on the modified accrual basis which recognizes SDA grants as revenue when the grant is awarded, whereas the GAAP basis recognizes SDA grants as revenue when they are expended and submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$27,998 for the General Fund and (\$133,600) for the Capital Projects Fund. See Exhibits C-3 and F-1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds and Capital Projects Fund, respectively. The schedule of expenditures of state awards does not include the TPAF Non-Contributory Insurance and Post Retirement Medical contributions paid by the State on behalf of the District of \$7,030 and \$149,318, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below.

HAMBURG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 4,046	\$ 1,946,858	\$ 1,950,904
Special Revenue Fund	129,769		129,769
Food Service Fund	<u>37,576</u>	<u>1,212</u>	<u>38,788</u>
	<u>\$ 171,391</u>	<u>\$ 1,948,070</u>	<u>\$ 2,119,461</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Hamburg Borough School District had no loan balances outstanding at June 30, 2011.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2011. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

HAMBURG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with State OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2011 as grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's major state programs for the current fiscal year consisted of the following state awards:

<u>State:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 650,970	\$ 650,970
Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	47,287	47,287
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	131,268	131,268
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	28,733	28,733
Adjustment Aid	11-495-034-5120-085	7/1/10-6/30/11	704,115	704,115

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal circular and New Jersey's OMB Circular NJOMB 04-04.

HAMBURG BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no prior year audit findings.