

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2018

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HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have performed the Single Audit of the Hamburg Area School District for the fiscal year ended June 30, 2018, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and of internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards and our report thereon; and,
4. An opinion on compliance with requirements applicable to each major program, and a review of internal control over compliance in accordance with the Uniformed Guidance, explained above, and our report thereon.

As part of our report, we have enclosed our management letter.

Respectfully submitted,

Gorman & Associates, P.C.

November 13, 2018



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of School Directors
Dr. Richard J. Mextorf, Superintendent
Hamburg Area School District
Windsor Street
Hamburg, PA 19526

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hamburg Area School District for the year ended June 30, 2018, and have issued our report thereon dated November 13, 2018.

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

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on June 21, 2018.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hamburg Area School District are described in the notes to the financial statements. No new accounting policies were adopted during this past year and the existing policies were properly applied. We did not discover any transactions entered into by the District that lacked authoritative guidance or consensus. In addition, there are no significant transactions affecting the financial statements that have been recognized incorrectly in the wrong year.

Accounting estimates, which are part of the significant accounting policies, are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events may differ significantly from those expected. The most sensitive estimates affecting the financial statements was depreciation taken on capital assets based upon the estimated useful life of each asset and calculated on the straight-line basis of depreciation and the actuary's estimate of Other Post-Employment Benefits, and Net Pension Liability. We have evaluated the factors and assumptions used to develop these estimates and have determined the estimates to be reasonable in relation to the financial statements taken as a whole.

We wish to inform you that the disclosures in your financial statements are neutral, consistent, and clear. From time to time, certain disclosures are more sensitive than others due to their significance to financial statement users. The most sensitive disclosures involve capital assets and long-term debt.

We have requested certain representations from management that are included in the management representation letter provided to us on November 13, 2018. We advise the government body to request this letter from management for their review. In conjunction with their representations, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant or any related accounting or auditing issue.

In addition, the representation letter provided to us, by management, confirmed there were no uncorrected misstatements. Management has recorded all of our adjusting journal entries, and has agreed to the conversion entries necessary to convert governmental funds and proprietary funds to governmental activities and business-type activities, respectively.

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2017-18 basic financial statements.

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

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

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

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

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

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

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

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

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

CONTROL DEFICIENCIES

General Fund – Cash

During our testing of cash, we found discrepancies inside of the bank reconciliations for the M&T NOW account (#31600239) and PLGIT Payroll account (#1281048) that should have been addressed and cleared up at year end. The M&T account reconciliation was showing a recurring difference of \$237.17, and the PLGIT payroll account was showing various small discrepancies regarding PSERS adjustments.

We recommend management review these reconciliations and resolve these discrepancies on a monthly basis.

RECOMMENDATIONS

Journal Entries

During our review of the District's records, we requested a journal entry book to support various entries recorded during the year by management. We discovered management does maintain a journal entry book. However, many of the entries recorded lack documentation and were difficult to find.

We would like to suggest all journal entries made use a numbering system and recorded in a manually prepared book providing a detailed explanation for the reason each entry is made with supporting documentation. In this manner, management and auditors can readily look up each recorded journal entry and trace it to the corresponding documentation.

Real Estate / Per Capita Tax Reporting

During our testing of each tax collector's monthly Act 169 reports, we discovered the Borough of Hamburg's June 2017 report showed the ending balance to collect interim taxes matched the revised July 2017 monthly report; however, going forward the amount collectible for interims disappeared. The balance collectible on June 2017's tax report was \$11,116.70. During our investigation as to what happened to this balance, we discovered the tax collector received payment for the balance on June 16, 2017. However, the amount wasn't deposited until July 13, 2017. As such, two issues developed, the incorrect reporting and untimely deposits.

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

Additionally, we discovered a number of other instances of noncompliance where tax collectors did not properly report the beginning and ending balances, the cash collections did not match what was remitted to the District, and the reports were filed past the 10th day of the following month.

During our testing of Perry Township current real estate taxes, the amounts reported as cash collections on the July and August tax collector reports did not agree with the deposits made by \$279.62. After further investigation, we discovered the tax collector owed the District this money. As of June 30th, this money was not turned over.

We suggest management review these monthly reports for discrepancies and notify the elected tax collector to correct their report and/or make deposits on a timelier basis. If the District continues to have problems with any of their tax collectors, we advise you to contact your solicitor, since Tax Collection Law does provide the taxing authority to penalize a tax collector.

During our testing of per capital taxes, we discovered a slight difference of \$9.80 between what the tax collector reported on their report versus what was deposited to the District. Ironically, the difference represents money owed by the tax collector's boyfriend that was not paid by June 30th.

We have discussed with personnel in the business office, the tax collector's due diligence and how they should remit all money collected regardless of the situation. We also discussed how personnel should handle any future situations that may arise.

OTHER INFORMATION

Activity Funds

GASB Statement No. 84 on Fiduciary Activities becomes effective for the 2019-20 fiscal year. Since this date is a few years away, you might wonder why we are bringing it to your attention now. The reason is to provide the District ample time to change their recordkeeping on Student Clubs. When this Statement goes into effect, the Student Clubs will be considered Custodial Funds and there will be two financial statements: Statement of Net Position and Statement of Changes in Net Position. To make this easier think of a balance sheet and income statement.

Currently, most Districts report their disbursements as Deletions by School without breaking the disbursements into categories similar to the Food Service Fund. Receipts are reported as Additions without breaking out the categories of receipts. This new Statement will require management to separate receipts into revenue categories and disbursements into expense categories.

We wanted to give our clients ample time to revise their recordkeeping and computer systems to accommodate these changes.

Leases

The Governmental Accounting Standards Board has issued Statement No. 87 dealing with Operating and Financing Leases. Under current accounting principles, only Financing Leases are recorded on the financial statements as assets and liabilities. Operating leases are shown as rent expense. As such, we have only been interested in capital or financing leases in past years, but the new standard below will require the need to audit all leases.

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

The new standard defines a lease as a contract that conveys control of the right to use another entity's non-financial asset as specified in the contract for a period of time. As such, all leases will be recorded on the financial statements as either a tangible or intangible asset with a corresponding liability for future present value of lease payments.

The effective date of this new standard occurs in the 2020-21 fiscal year.

This letter is required by our standards and has been combined with, what we previously referred to as, the management letter. The intent of this letter is to communicate with those charged with governance on matters pertaining to the audit and includes information that we believe can help you correct or improve operating efficiency, under the limitations of staff availability, within the District.

Respectively submitted,

Hanna: Associates, P.C.

November 13, 2018

REPORT DISTRIBUTION LIST

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

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

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

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

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Hamburg Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Hamburg Area School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2-G to the financial statements, effective July 1, 2017, the Hamburg Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Financial Reporting for Postemployment Benefits by Employers, Governmental Accounting Standards Board Statement No. 81, Irrevocable Split-Interest Agreements, Governmental Accounting Standards Board Statement No. 85, Omnibus, Governmental Accounting Standards Board Statement No. 86, Certain Debt Extinguishment Issues and Implementation Guide 2017-1.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11-19, and Schedules of the District's Proportionate Share of Net Pension Liability, Schedules of District's Contributions – Pension, and the Schedules associated with Multi-Employer and Single Employer OPEB Plans, on pages 87-93, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

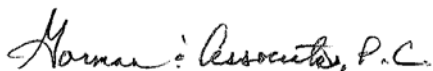
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamburg Area School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards*; as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are the responsibility of management and were derived from and related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, on our consideration of the Hamburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamburg Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



November 13, 2018

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2018

The Hamburg Area School District's Management's Discussion & Analysis (MD&A) is designed to provide an overview of the District's financial activity and identify changes in the District's financial position.

The following Discussion and Analysis provides an overall review of the Hamburg Area School District's financial activities for the fiscal year ended June 30, 2018.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by \$1,366,546. However due to a \$2,500,000 transfer to the capital reserve fund, the general fund's fund balance decreased by the amount of \$1,131,450. The primary reasons for the excess of revenues over expenditures were a \$423,000 increase in transfer tax revenue and a \$200,000 increase in Title I revenue over budget, and the delayed hiring of open positions, a \$357,000 decrease in special education and charter school tuitions versus budget, and strict control of expenditures.

The Board of Directors passed a 2017-18 budget with a real estate tax increase of .25 mills. The increase was necessitated by contractual obligations, PSERS rate increases, and the continuing increases for special education and charter school costs.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Reporting

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

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

Both statements report two activities:

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

District Fund Reporting

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

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

DISTRICT-WIDE FINANCIAL ANALYSIS

The District's net position was (\$10,462,887) at June 30, 2018, a decrease of \$3,249,428. The governmental net position decreased by \$3,152,131, while business-type net position decreased by \$97,297.

Table A-1
Fiscal Year Ended June 30, 2018
Net Position

	2017				2018		
	Govern- mental Activities	Business- type Activities	Total		Govern- mental Activities	Business- type Activities	Total
Current and Other Assets	\$ 20,797,256	\$ 523,065	\$ 21,261,108	(1)	\$ 22,781,867	\$ 524,960	\$ 23,189,117
Non-Current Assets	73,935,153	120,937	74,056,090		72,278,878	113,787	72,392,665
Deferred Outflow of Resource	14,761,776	324,478	15,086,254		13,277,437	287,672	13,565,109
Total Assets & Deferred							
Outflow of Resources	\$ 109,494,185	\$ 968,480	\$ 103,672,122		\$ 108,338,182	\$ 926,419	\$ 109,146,891
Current and Other Liabilities	\$ 6,279,242	\$ 40,540	\$ 6,236,083	(1)	\$ 7,038,355	\$ 42,714	\$ 6,963,359
Long-term Liabilities	108,129,635	1,781,081	109,910,716		110,622,806	1,860,750	112,483,556
Deferred Inflow of Resources	1,400,592	45,034	1,445,626		144,436	18,427	162,863
Total Liabilities & Deferred							
Inflow of Resources	\$ 115,809,469	\$ 1,866,655	\$ 117,592,425		\$ 117,805,597	\$ 1,921,891	\$ 119,609,778
Net Position							
Net Investment in Capital Assets	\$ 28,653,230	\$ 120,936	\$ 28,774,166		\$ 28,951,519	\$ 113,787	\$ 29,065,306
Restricted	46,792	-	46,792		2,526,129	-	2,526,129
Unrestricted	(35,015,306)	(1,019,111)	(36,034,417)		(40,945,063)	(1,109,259)	(42,054,322)
Total Net Position	\$ (6,315,284)	\$ (898,175)	\$ (7,213,459)		\$ (9,467,415)	\$ (995,472)	\$ (10,462,887)

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

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

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-2
Fiscal Year Ended June 30, 2018
Changes in Net Position

	2017			2018		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 87,202	\$ 662,982	\$ 750,184	\$ 79,662	\$ 641,730	\$ 721,392
Operating grants and contributions	6,879,012	788,297	7,667,309	7,401,037	802,612	8,203,649
Capital grants and contributions	980,345	-	980,345	534,933	-	534,933
<i>General Revenues</i>						
Property taxes	21,565,454	-	21,565,454	22,022,049	-	22,022,049
Other taxes	2,513,047	-	2,513,047	3,055,988	-	3,055,988
Grants, subsidies and contributions	7,574,835	-	7,574,835	7,686,129	-	7,686,129
Other	292,699	53	292,752	469,174	3,344	472,518
Total Revenues	39,892,594	1,451,332	41,343,926	41,248,972	1,447,686	42,696,658
Expenses						
Instruction	23,526,267	-	23,526,267	24,088,098	-	24,088,098
Instructional student support	2,773,899	-	2,773,899	2,843,343	-	2,843,343
Administrative and financial support	4,003,403	-	4,003,403	3,984,473	-	3,984,473
Operation and maintenance of plant	3,175,149	-	3,175,149	3,317,002	-	3,317,002
Pupil transportation	1,901,188	-	1,901,188	1,876,465	-	1,876,465
Student activities	801,230	-	801,230	825,142	-	825,142
Community services	30,993	-	30,993	35,754	-	35,754
Interest on long-term debt	1,795,772	-	1,795,772	1,924,999	-	1,924,999
Unallocated depreciation expense	1,577,380	-	1,577,380	1,796,079	-	1,796,079
Food services	-	1,491,373	1,491,373	-	1,491,274	1,491,274
Total Expenses	39,585,281	1,491,373	41,076,654	40,691,355	1,491,274	42,182,629
Increase (decrease) in net position	\$ 307,313	\$ (40,041)	\$ 267,272	\$ 557,617	\$ (43,588)	\$ 514,029

Table A-3 shows the total cost of program expenses and the net costs of programs offset by charges for services and grant revenue. Net Cost of Services is supported by unrestricted grants including the basic education subsidy, local taxes, and other miscellaneous revenues. Local real estate taxes support 61.4% of the total cost of governmental activities in the school district.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-3
Fiscal Year Ended June 30, 2018
Governmental Activities

Functions/Programs	2017		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 23,526,267	\$ 18,499,160	\$ 24,088,098	\$ 18,601,320
Instructional Student Support	2,773,899	2,456,549	2,843,343	2,495,407
Administrative	4,003,403	3,689,030	3,984,473	3,643,769
Operation and Maintenance	3,175,149	2,971,075	3,317,002	3,119,513
Pupil Transportation	1,901,188	941,833	1,876,465	910,170
Student Activities	801,230	657,275	825,142	685,066
Community Services	30,993	30,993	35,754	34,333
Interest on Long-term Debt	1,795,772	815,427	1,924,999	1,390,066
Unallocated Depreciation Expense	1,577,380	1,577,380	1,796,079	1,796,079
Total Governmental Activities	\$ 39,585,281	\$ 31,638,722	\$ 40,691,355	\$ 32,675,723
Less:				
Unrestricted Grants and Subsidies		7,574,835		7,686,129
Total Contribution from Local Taxes and other Revenues		\$ 24,063,887		\$ 24,989,594

The only Business-type entity of the school district is the Food Service operation. As shown in Table A-4, the Food Service Department ended the fiscal year with a \$43,588 loss. The cost of services increased, primarily due to equipment replacements. Food service operations are continually evaluated in light of the current costs of operations.

The statement of Revenues, Expenses, and Changes in Net Position for this Proprietary Fund will further detail actual results of operation.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-4
Fiscal Year ended June 30, 2018
Business-type Activities

Functions/Programs	2017		2018	
	Total Cost of Services	Net Revenue	Total Cost of Services	Net Revenue
Food Services	\$ 1,491,373	\$ (40,094)	\$ 1,491,274	\$ (46,932)
Less:				
Investment Earnings		1,134		3,344
Gain/Loss Asset Sale		(1,081)		-
Total business-type Activities		\$ (40,041)		\$ (43,588)

The District Funds:

At June 30, 2018, the District governmental funds reported a combined fund balance of \$17,600,530. This represents an increase of \$1,376,122 from the prior year. The reason for this increase is due to unbudgeted transfer tax and Title I revenue and strict control of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets net of accumulated depreciation decreased \$1,656,275, or 2.2%. Tables A-5 and A-6 summarize the capital assets of both the governmental and business activities of the School District.

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

	6/30/2017	6/30/2018	Change
Land and Land Improvements (net of Accum Depreciation)	\$ 589,069	\$ 589,069	\$ -
Building and Building Improvements (net of Accum Depreciation)	72,601,109	70,871,789	(1,729,320)
Furniture and Equipment (net of Accum Depreciation)	744,975	818,020	73,045
Construction in Progress	-	-	-
TOTAL	\$ 73,935,153	\$ 72,278,878	\$ (1,656,275)

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 120,937	\$ 113,787	\$ 7,150
Total	<u>\$ 120,937</u>	<u>\$ 113,787</u>	<u>\$ 7,150</u>

DEBT ADMINISTRATION:

As of June 30, 2018, the District had outstanding debt of \$47,370,000. Figure A-7 shows outstanding debt at June 30, 2018.

Table A-7
Outstanding Debt

	<u>2017</u>	<u>2018</u>
General Obligation Bonds		
-Series of 2011 A	\$ 7,235,000	\$ 6,860,000
-Series of 2014	2,890,000	1,110,000
-Series of 2014 A	9,885,000	9,715,000
-Series of 2015	9,945,000	9,940,000
-Series of 2016 A	5,165,000	5,160,000
-Series of 2016 B	4,700,000	4,700,000
-Series of 2016 C	65,000	35,000
-Series of 2017	9,850,000	9,850,000
	-	-
Total	<u>\$ 49,735,000</u>	<u>\$ 47,370,000</u>

LOOKING TO THE FUTURE:

CAPITAL PROJECTS:

By the end of calendar 2019 the District plans to upgrade the HVAC system at the High School and make some improvements to the HVAC system at the Fieldhouse and Tilden Elementary. There are no other major building projects planned by the District for the foreseeable future. Projects currently in the planning stages are a new roof at the Middle School and resurfacing of the HS stadium turf field.

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

BUDGET 2018-2019

The Board of School Directors approved a 0 millage increase for 2018-2019. The millage remains at 26.96 mills, which means that property owners will pay \$26.96 for each \$1,000.00 of assessed valuation.

The 2018-19 budget maintained the existing programs offered in the District, but the rapidly increasing costs for retirement, special education, and charter school tuition make it a challenge to do so.

The comparison of revenue and expenditure categories is as follows:

Table A-8

BUDGETED REVENUES

	<u>2017-2018</u>	<u>2018-2019</u>
Local	62.5%	62.6%
State	35.7%	35.7%
Federal/Other	1.8%	1.7%

BUDGETED EXPENDITURES

	<u>2017-2018</u>	<u>2018-2019</u>
Instruction	59.2%	59.0%
Support Services	29.0%	29.8%
Non Instruction/Community	2.1%	2.1%
Fund Transfers/Debt	9.7%	9.1%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT:

If you have questions about this report, or wish to receive additional financial information please contact Michele Zimmerman, Business Manager/Board Treasurer at Hamburg Area School District, 701 Windsor Street, Hamburg PA 19526. 610-562-2241.

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

**Hamburg Area School District
Statement of Net Position
As of June 30, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 10,322,187	\$ 271,763	\$ 10,593,950
Investments	9,447,000	-	9,447,000
Receivables, net	1,155,665	-	1,155,665
Internal Balances	5,237	112,473	- (1)
Due From Other Governments	1,723,426	90,894	1,814,320
Other Receivables	82,931	-	82,931
Inventories	44,071	49,830	93,901
Prepaid Expenses	1,350	-	1,350
Other Current Assets	-	-	-
Total Current Assets	22,781,867	524,960	23,189,117
Non-Current Assets:			
Land	589,069	-	589,069
Site Improvements (net of depreciation)	1,423,688	-	1,423,688
Building and Bldg. Improvements (net of depreciation)	69,448,101	-	69,448,101
Furniture and Equipment (net of depreciation)	818,020	113,787	931,807
Construction in Progress	-	-	-
Total Non-Current Assets	72,278,878	113,787	72,392,665
Total Assets	95,060,745	638,747	95,581,782
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion	507,681	14,319	522,000
Deferred Outflows of Resources - Current Year Contributions	5,259,522	163,411	5,422,933
Deferred Outflows of Resources - Change in Assumptions	1,586,567	54,974	1,641,541
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
Deferred Outflows of Resources - Difference in Proj. vs Actual Invest, Earnings	1,367,032	54,968	1,422,000
Deferred Outflows of Resources - Difference in Expected vs Actual Experience	267,551	-	267,551
Deferred Outflows of Resources - Diff. between Proportionate Share vs Actual	-	-	-
Paid - Separately Financed Liabilities	-	-	-
Deferred Amount on Debt Refundings, net	4,289,084	-	4,289,084
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 108,338,182	\$ 926,419	\$ 109,146,891
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 112,473	\$ 5,237	\$ - (1)
Due to other governments	76,008	-	76,008
Accounts Payable	373,098	259	373,357
Current Portion of Long-Term Obligations	2,454,875	-	2,454,875
Accrued Salaries and Benefits	3,666,751	20,598	3,687,349
Payroll Deductions and Withholdings	-	-	-
Payments Received in Advance	-	16,620	16,620
Other Current Liabilities	355,150	-	355,150
Total Current Liabilities	7,038,355	42,714	6,963,359
Non-Current Liabilities:			
Bonds Payable	45,212,099	-	45,212,099
Net OPEB Liability - Single Employer Plan	2,778,726	46,097	2,824,823
Net OPEB Liability - Multiple Employer Plan	2,451,044	76,147	2,527,191
Long-Term Portion of Compensated Absences	818,698	39,228	857,926
Net Defined Contribution Pension Liability	242,772	9,129	251,901
Net Defined Benefit Pension Liability	59,092,887	1,690,149	60,783,036
Capital Lease Obligations	26,580	-	26,580
Total Liabilities	117,661,161	1,903,464	119,446,915
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Change in Proportion - NPL	-	-	-
Deferred Inflows of Resources - Change in Assumptions	-	-	-
Deferred Inflows of Resources - Projected vs Actual Contributions	143,633	4,483	148,116
Deferred Inflows of Resources - Difference in Proj. vs Actual Invest, Earnings	-	-	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	-	13,944	13,944
Deferred Inflows of Resources - Diff. between Proportionate Share vs Actual	803	-	803
Paid - Separately Financed Liabilities	-	-	-
Unearned Revenue from Grants	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	117,805,597	1,921,891	119,609,778
NET POSITION			
Net Investment in Capital Assets	28,951,519	113,787	29,065,306
Restricted For:			
Capital Projects	2,526,129	-	2,526,129
Other Restrictions	-	-	-
Unrestricted (deficit)	(40,945,063)	(1,109,259)	(42,054,322)
TOTAL NET POSITION	(9,467,415)	(995,472)	(10,462,887)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 108,338,182	\$ 926,419	\$ 109,146,891

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

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

Hamburg Area School District
Statement of Activities
For the Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 24,088,098	\$ -	\$ 5,486,778	\$ -	\$ (18,601,320)	\$ -	\$ (18,601,320)
Instructional Student Support	2,843,343	-	347,936	-	(2,495,407)	-	(2,495,407)
Admin. & Fin'l Support Services	3,984,473	-	340,704	-	(3,643,769)	-	(3,643,769)
Oper. & Maint. Of Plant Svcs.	3,317,002	-	197,489	-	(3,119,513)	-	(3,119,513)
Pupil Transportation	1,876,465	-	966,295	-	(910,170)	-	(910,170)
Student activities	825,142	79,662	60,414	-	(685,066)	-	(685,066)
Community Services	35,754	-	1,421	-	(34,333)	-	(34,333)
Interest on Long-Term Debt	1,924,999	-	-	534,933	(1,390,066)	-	(1,390,066)
Unallocated Depreciation Expense	1,796,079	-	-	-	(1,796,079)	-	(1,796,079)
TOTAL GOVERNMENT ACTIVITIES	40,691,355	79,662	7,401,037	534,933	(32,675,723)	-	(32,675,723)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,491,274	641,730	802,612	-	-	(46,932)	(46,932)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 42,182,629	\$ 721,392	\$ 8,203,649	\$ 534,933	\$ (32,675,723)	\$ (46,932)	\$ (32,722,655)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 22,022,049	\$ -	\$ 22,022,049
Taxes levied for specific purposes					3,055,988	-	3,055,988
Grants, subsidies, & contributions not restricted					7,686,129	-	7,686,129
Investment Earnings					323,162	3,344	326,506
Miscellaneous Income					146,932	-	146,932
Special Item - Gain or (Loss) on sale of capital assets					(920)	-	(920)
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					33,233,340	3,344	33,236,684
CHANGES IN NET POSITION					557,617	(43,588)	514,029
NET POSITION - BEGINNING					(6,315,284)	(898,175)	(7,213,459)
Prior Period Adjustment					(3,709,748)	(53,709)	(3,763,457)
NET POSITION - ENDING					\$ (9,467,415)	\$ (995,472)	\$ (10,462,887)

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

**Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2018**

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,367,320	\$ 2,954,867	\$ 10,322,187
Investments	9,447,000	-	9,447,000
Taxes Receivable, net	1,155,665	-	1,155,665
Due from other funds	7,190	-	7,190
Due from Other Governments	1,723,426	-	1,723,426
Other Receivables	18,234	-	18,234
Inventories	-	-	-
Prepaid Expenditures	1,350	-	1,350
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 19,720,185	\$ 2,954,867	\$ 22,675,052
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 19,720,185	\$ 2,954,867	\$ 22,675,052
<u>LIABILITIES</u>			
Due to Other Funds	\$ 112,473	\$ -	\$ 112,473
Due to Other Governments	76,008	-	76,008
Accounts Payable	307,121	-	307,121
Current Portion of Long-Term Debt	77,111	-	77,111
Accrued Salaries and Benefits	2,260,451	-	2,260,451
Payroll Deductions and Withholdings	1,406,300	-	1,406,300
Other Current Liabilities	1,856	-	1,856
TOTAL LIABILITIES	4,241,320	-	4,241,320
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue from Property Taxes	833,202	-	833,202
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	5,074,522	-	5,074,522
<u>FUND BALANCES</u>			
Nonspendable	1,350	-	1,350
Restricted	20,258	2,526,129	2,546,387
Committed	2,946,153	-	2,946,153
Assigned	8,490,433	428,738	8,919,171
Unassigned	3,187,469	-	3,187,469
TOTAL FUND BALANCES	14,645,663	2,954,867	17,600,530
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 19,720,185	\$ 2,954,867	\$ 22,675,052

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

**Hamburg Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of June 30, 2018**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 17,600,530

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$96,052,433 and the accumulated depreciation is \$23,773,555. 72,278,878

Additional receivables established that do not meet the availability criteria reflected in the fund financial statements. This amount represents the difference between the prior year receivables and the current year receivables established under the accrual basis of accounting. 62,745

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds, but not in the government-wide statement of net position. 833,202

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory. 44,071

An estimate of incurred but not reported claims (IBNR) on the District's self-insurance plan is reported as an expense on the government-wide statement of activities, but not in the fund financial statements. (65,977)

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. 4,289,084

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability 8,843,916

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities and related items at year end consist of:

Bonds payable	\$ (47,577,099)	
Accrued interest on the bonds	(353,294)	
Compensated absences	(818,698)	
Net Defined Benefit Pension Liability	(59,092,887)	
Net Defined Contribution Pension Liability	(242,772)	
Net OPEB Liability - Single Employer	(2,778,726)	
Net OPEB Liability - Multiple Employer	(2,451,044)	
Capital Leases	(39,344)	(113,353,864)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (9,467,415)**

Hamburg Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>GENERAL</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Local Sources	\$ 25,946,339	\$ 8,317	\$ 25,954,656
State Sources	14,514,393	-	14,514,393
Federal Sources	<u>749,689</u>	<u>-</u>	<u>749,689</u>
TOTAL REVENUES	----- 41,210,421	----- 8,317	----- 41,218,738
EXPENDITURES			
Instruction	23,238,993	-	23,238,993
Support Services	11,826,544	-	11,826,544
Operation of Non-Instructional Services	829,376	-	829,376
Capital Outlay	60,996	745	61,741
Debt Service	<u>3,887,966</u>	<u>-</u>	<u>3,887,966</u>
TOTAL EXPENDITURES	----- 39,843,875	----- 745	----- 39,844,620
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	----- 1,366,546	----- 7,572	----- 1,374,118
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Refunding Bond Proceeds	-	-	-
Proceeds from Extended Term Financing	-	-	-
Interfund Transfers in	-	2,500,000	2,500,000
Sale/Compensation for Fixed Assets	2,004	-	2,004
Insurance Recoveries	-	-	-
Bond Premium	-	-	-
Bond Discount	-	-	-
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	-
Operating Transfers Out	<u>(2,500,000)</u>	<u>-</u>	<u>(2,500,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	----- (2,497,996)	----- 2,500,000	----- 2,004
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items	----- -	----- -	----- -
NET CHANGE IN FUND BALANCES	(1,131,450)	2,507,572	1,376,122
FUND BALANCES - BEGINNING	<u>15,777,113</u>	<u>447,295</u>	<u>16,224,408</u>
FUND BALANCES - ENDING	<u>\$ 14,645,663</u>	<u>\$ 2,954,867</u>	<u>\$ 17,600,530</u>

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

**Hamburg Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2018**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,376,122

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense	\$ 1,892,015	
less - capital outlays	<u>236,659</u>	(1,655,356)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities.

-

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of fixed assets sold.

(920)

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

(14,670)

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

2,382,391

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

112,787

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING

2,200,354

**Hamburg Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2018**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) **\$ 2,200,354**

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include accumulated interest accreted on capital appreciation bonds. The additional interest accrued in the statement of activities over the amount due is shown here. (419,425)

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available. 43,820

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Refunding bond issues becomes a use of current financial resources in governmental funds, but refundings represent payments of long-term debt in the statement of net position. This figure represents the difference between bond proceeds and refunding payments made to paying agents. -

The governmental funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, this adjustment reflects the inventory difference. (14,353)

The difference between current year pension/OPEB expense reported on the governmental activities column of the government-wide financial statements and the pension/OPEB contributions made this past year reported as expenditures in the governmental funds. (1,252,779)

CHANGE IN POSITION OF GOVERNMENTAL ACTIVITIES **\$ 557,617**

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

**Hamburg Area School District
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 271,763	\$ -	\$ 271,763
Investments	-	-	-
Due from other funds	112,473	-	112,473
Due From Other Governments	90,894	-	90,894
Other Receivables	-	-	-
Inventories	49,830	-	49,830
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	524,960	-	524,960
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	113,787	-	113,787
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	113,787	-	113,787
TOTAL ASSETS	\$ 638,747	\$ -	\$ 638,747
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Changes in Proportion	14,319	-	14,319
Deferred Outflows - Current Year Contributions	163,411	-	163,411
Deferred Outflows - Change in Assumptions	54,974	-	54,974
Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	54,968	-	54,968
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 926,419	\$ -	\$ 926,419
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 5,237	\$ -	\$ 5,237
Accounts Payable	259	-	259
Current Portion of Long-Term Debt	-	-	-
Prepayments from Students	16,620	-	16,620
Accrued Salaries and Benefits	20,598	-	20,598
TOTAL CURRENT LIABILITIES	42,714	-	42,714
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	39,228	-	39,228
Net Defined Contribution Pension Liability	9,129	-	9,129
Net Defined Benefit Pension Liability	1,690,149	-	1,690,149
Net OPEB Liability - Single Employer Plan	46,097	-	46,097
Net OPEB Liability - Multiple Employer Plan	76,147	-	76,147
TOTAL NON-CURRENT LIABILITIES	1,860,750	-	1,860,750
TOTAL LIABILITIES	1,903,464	-	1,903,464
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - Diff. between Projected vs Actual Invest. Earnings	-	-	-
Deferred Inflows - Projected vs Actual Contributions	4,483	-	4,483
Deferred Inflows - Change in Proportion - NPL	-	-	-
Deferred Inflows - Diff. between Expected vs Actual Experience	13,944	-	13,944
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,921,891	-	1,921,891
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	113,787	-	113,787
Restricted for Legal Purposes	-	-	-
Unrestricted	(1,109,259)	-	(1,109,259)
TOTAL FUND NET POSITION	(995,472)	-	(995,472)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 926,419	\$ -	\$ 926,419

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

Hamburg Area School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 613,222	\$ -	\$ 613,222
Other Operating Revenues	28,508	-	28,508
TOTAL OPERATING REVENUES	<u>641,730</u>	<u>-</u>	<u>641,730</u>
OPERATING EXPENSES:			
Salaries	527,981	-	527,981
Employee Benefits	405,269	-	405,269
Purchased Professional and Technical Services	2,285	-	2,285
Purchased Property Service	25,340	-	25,340
Other Purchased Services	25,675	-	25,675
Supplies	492,675	-	492,675
Depreciation	7,150	-	7,150
Dues and Fees	616	-	616
Other Operating Expenses	4,283	-	4,283
TOTAL OPERATING EXPENSES	<u>1,491,274</u>	<u>-</u>	<u>1,491,274</u>
OPERATING INCOME (LOSS)	<u>(849,544)</u>	<u>-</u>	<u>(849,544)</u>
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	3,344	-	3,344
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	143,394	-	143,394
Federal Sources	659,218	-	659,218
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>805,956</u>	<u>-</u>	<u>805,956</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(43,588)</u>	<u>-</u>	<u>(43,588)</u>
Capital contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	<u>(43,588)</u>	<u>-</u>	<u>(43,588)</u>
FUND NET POSITION - BEGINNING	<u>(898,175)</u>	<u>-</u>	<u>(898,175)</u>
Prior Period Adjustment	<u>(53,709)</u>	<u>-</u>	<u>(53,709)</u>
FUND NET POSITION - ENDING	<u>\$ (995,472)</u>	<u>\$ -</u>	<u>(995,472)</u>

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

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2018**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 604,508	\$ -	\$ 604,508
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	28,508	-	28,508
Cash Payments to Employees for Services	(893,823)	-	(893,823)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(456,405)	-	(456,405)
Cash Payments to Other Operating Expenses	(4,899)	-	(4,899)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(722,111)	-	(722,111)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	143,237	-	143,237
Federal Sources	548,311	-	548,311
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	691,548	-	691,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
Capital Contributions	-	-	-
Interest paid on Financing Agreements	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	3,344	-	3,344
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	3,344	-	3,344
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,219)	-	(27,219)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	298,982	-	298,982
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 271,763	\$ -	\$ 271,763

Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2018

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (849,544)	\$ -	\$ (849,544)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	7,150	-	7,150
Donated Commodities Used	86,559	-	86,559
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	-	-
(Increase) Decrease in Advances to Other Funds	(8,714)	-	(8,714)
(Increase) Decrease in Inventories	4,104	-	4,104
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Deferred Outflows - Change in Proportion	(14,319)	-	(14,319)
(Increase) Decrease in Deferred Outflows - Current Year Contributions	(18,090)	-	(18,090)
(Increase) Decrease in Deferred Outflows - Change in Assumptions	11,266	-	11,266
(Increase) Decrease in Deferred Outflows - Diff. in Projected vs Actual Contributions	-	-	-
(Increase) Decrease in Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	57,949	-	57,949
(Increase) Decrease in Deferred Outflows - Diff. between Expected vs Actual Experience	-	-	-
(Increase) Decrease in Deferred Outflows - Diff. between Proj. Share vs Actual - POS	-	-	-
Increase (Decrease) in Accounts Payable	(118)	-	(118)
Increase (Decrease) in Accrued Salaries and Benefits	10,380	-	10,380
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	(111,733)	-	(111,733)
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	103,330	-	103,330
Increase (Decrease) in Net Pension Defined Contribution Liability	(5,297)	-	(5,297)
Increase (Decrease) in Net Pension Defined Benefit Liability	32,548	-	32,548
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion - NPL	(26,210)	-	(26,210)
Increase (Decrease) in Deferred Inflows of Resources - Change in Assumptions	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Projected and Actual Contributions	876	-	876
Increase (Decrease) in Deferred Inflows of Resources - Difference in Investment Earnings	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Expected vs Actual Experience	(1,272)	-	(1,272)
Increase (Decrease) in Deferred Inflows of Resources - Difference in Prop. Share vs Actual - POS	-	-	-
Increase (Decrease) in Advances from Other Funds	950	-	950
Increase (Decrease) in Prepayments	(1,926)	-	(1,926)
TOTAL ADJUSTMENTS	127,433	-	127,433
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (722,111)	\$ -	\$ (722,111)

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

**Hamburg Area School District
Statement of Net Position
Fiduciary Funds
As of June 30, 2018**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 93,151
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	-	-	93,151
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ 93,151
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	1,953
Due to Student Clubs	-	-	91,198
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	93,151
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	93,151
NET POSITION			
Restricted	-	-	-
Unrestricted	-	-	-
TOTAL NET POSITION	\$ -	\$ -	\$ -

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

**Hamburg Area School District
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2018**

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

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

Hamburg Area School District
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 25,327,568	\$ 25,327,569	\$ 25,946,339	\$ 618,770	\$ -	\$ 25,946,339
State Sources	14,475,417	14,475,416	14,514,393	38,977	-	14,514,393
Federal Sources	489,138	489,138	749,689	260,551	-	749,689
TOTAL REVENUES	<u>40,292,123</u>	<u>40,292,123</u>	<u>41,210,421</u>	<u>918,298</u>	<u>-</u>	<u>41,210,421</u>
EXPENDITURES						
Regular Instruction	17,600,951	16,216,951	16,214,265	2,686	-	16,214,265
Special Programs	6,197,282	6,070,282	6,059,930	10,352	-	6,059,930
Vocational Programs	965,337	930,937	930,378	559	-	930,378
Other Instructional Programs	110,500	30,400	28,447	1,953	-	28,447
Nonpublic School Programs	-	1,500	1,488	12	-	1,488
Adult Education Programs	-	-	-	-	-	-
Higher Education Programs	-	5,000	4,485	515	-	4,485
Pupil Personnel Services	1,277,535	1,205,535	1,200,926	4,609	-	1,200,926
Instructional Staff Services	893,720	1,088,220	1,083,210	5,010	-	1,083,210
Administrative Services	2,183,012	2,213,012	2,206,349	6,663	-	2,206,349
Pupil Health	449,296	448,296	446,893	1,403	-	446,893
Business Services	617,063	548,063	544,006	4,057	-	544,006
Operation & Maintenance of Plant Services	3,389,473	3,324,473	3,317,176	7,297	-	3,317,176
Student Transportation Services	2,093,239	1,871,239	1,867,331	3,908	-	1,867,331
Central Support Services	1,239,766	1,136,866	1,130,707	6,159	-	1,130,707
Other Support Services	29,902	30,802	29,946	856	-	29,946
Student Activities	842,825	795,825	793,622	2,203	-	793,622
Community Services	33,000	36,000	35,754	246	-	35,754
Facilities, Acquisition and Construction	-	62,000	60,996	1,004	-	60,996
Debt Service	3,831,588	3,889,588	3,887,966	1,622	-	3,887,966
TOTAL EXPENDITURES	<u>41,754,489</u>	<u>39,904,989</u>	<u>39,843,875</u>	<u>61,114</u>	<u>-</u>	<u>39,843,875</u>
Excess (deficiency) of revenues over expenditures	(1,462,366)	387,134	1,366,546	979,412	-	1,366,546
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Proceeds from Extended Term Financing	-	-	-	-	-	-
Interfund Transfers in	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	1,000	1,000	2,004	1,004	-	2,004
Insurance Recoveries	-	-	-	-	-	-
Fund Transfers out	-	(2,099,500)	(2,500,000)	(400,500)	-	(2,500,000)
Budgetary Reserve	(250,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(249,000)</u>	<u>(2,098,500)</u>	<u>(2,497,996)</u>	<u>(399,496)</u>	<u>-</u>	<u>(2,497,996)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(1,711,366)</u>	<u>(1,711,366)</u>	<u>(1,131,450)</u>	<u>579,916</u>	<u>-</u>	<u>(1,131,450)</u>
FUND BALANCE - JULY 1, 2017	<u>\$ 14,634,236</u>	<u>\$ 14,634,236</u>	<u>\$ 15,777,113</u>	<u>\$ 1,142,877</u>	<u>\$ -</u>	<u>\$ 15,777,113</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 12,922,870</u>	<u>\$ 12,922,870</u>	<u>\$ 14,645,663</u>	<u>\$ 1,722,793</u>	<u>\$ -</u>	<u>\$ 14,645,663</u>

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Note 1 - Description of the School District and Reporting Entity

School District

The Hamburg Area School District is located in Hamburg, Pennsylvania. The District's tax base consists of five Townships; Perry, Upper Tulpehocken, Upper Bern, Tilden, and Windsor, and three Boroughs; Hamburg, Shoemakersville, and Strausstown.

The Hamburg Area School District is a unit established, organized, and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act." (Article II, Section 211).

Board of School Directors

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The Hamburg Area School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

The Business Manager, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Hamburg Area School District. The Business Manager is directly responsible to the Superintendent.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Hamburg Area School District, this includes general operations, food service, and student related activities of the School District.

Hamburg Area School District is a municipal Corporation governed by an elected nine-member board. As required by generally accepted accounting principles, these financial statements are to present Hamburg Area School District (the primary government) and organizations for which the primary government is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the School District in that the School District approved the budget, the issuance of debt, or the levying of taxes. The Hamburg Area School District does not have any component units.

Joint Ventures

Berks Career and Technology Center

The School District is a participating member of the Berks Career and Technology Center. The Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the Center's annual operating budget. Each participating district pays a pro-rata share of the Center's operating costs based on the number of students attending the Center from each District. The District's share of the Center's operating costs for 2017-18 was \$915,910.

On dissolution of the Berks Career and Technology Center, the net position of the Center will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have any equity interest in the Center as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the Center can be obtained from the Center's administrative office at 1057 County Road, Leesport, PA 19533.

Jointly Governed Organizations

Berks County Intermediate Unit

The School District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the BCIU's annual operating budget. The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no on-going financial interest or financial responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and acts as a conduit for certain federal programs.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Note 2 - Summary of significant accounting policies

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with predecessors' statements and interpretations pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

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

B. Fund Accounting

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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

General Fund

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

Special Revenue Funds

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

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

Capital Project Funds

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

The District has the following Capital Project Fund:

Capital Reserve Fund

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Food Service Fund

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Revenues - Exchange and Non-Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the Board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The Board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this Option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2017-18 budget transfers.

F. Use of Estimates

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

G. Changes in Accounting Principles

During the 2017-18 fiscal year the District implemented the following new generally accepted accounting principles:

- GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*), which establishes new reporting requirements about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental employers.
- GASB Statement No. 81 (*Irrevocable Split-Interest Agreements*). The purpose of this standard is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of this type of agreement.
- GASB Statement No. 85 (*Omnibus 2017*). This Statement amends previous standards associated with blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, blending a component unit in circumstances in which the primary government is a business-type activity, reporting amounts previously reported as goodwill and "negative" goodwill, measuring certain money market investments at amortized cost, timing of the measurement of pension or OPEB liabilities using the current resources measurement focus, recognizing on-behalf payments for pensions or OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
- GASB Statement No. 86 (*Certain Debt Extinguishment Issues*). This Statement addresses accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.
- GASB Implementation Guide 2017-1. This is the latest Implementation Guide to be utilized in answering pertinent questions about the previously issued standards.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

H. Pensions

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

I. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

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

Single Employer OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information was obtained from the Actuary Report conducted by Conrad Siegel. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The single employer plan is not funded.

J. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments

In accordance to GASB Statement No. 72, investments generally are to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has the present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts.

A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

Receivables and Payables

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

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2018, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred inflows of resources in the fund financial statements.

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory taken at June 30, 2018, shows \$44,071 as an asset in the governmental activities column of the government-wide statement of net position and \$49,830 as an asset in the business-type activities column of the government-wide statement of net position.

Inventory type items in governmental funds utilize the purchase method; that is, they are charged to expenditures when purchased.

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, and purchased food.

Inventories on hand at June 30, 2018, consist of:

Purchased Food & Supplies	\$ 17,145
Donated Commodities	<u>32,685</u>
TOTAL	<u>\$ 49,830</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Prepaid Expenses

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

Capital Assets

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

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

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

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

Compensated Absences

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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

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

Long-Term Obligations

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

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2018, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Position

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

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

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used are explained in Note 9 to the financial statements:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action. This government's governing body is the School Board and the formal action taken to commit resources are done by resolution.

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. There were no outside capital contributions this past fiscal year in the proprietary fund.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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

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

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

The details of this \$113,353,864, difference are:

Bonds payable	\$ 47,370,000
Less: Issuance discount (to be amortized as interest expense)	-
Add: Issuance premium (to be amortized as a credit to interest expense)	207,099
Capital Lease	39,344
Accrued interest payable	353,294
Net Defined Benefit Pension Liability	59,092,887
Net Defined Contribution Pension Liability	242,772
Net OPEB Liability - Single Employer	2,778,726
Net OPEB Liability - Multiple Employer	2,451,044
Compensated absences	818,698
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u><u>\$ 113,353,864</u></u>

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

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

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements, and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT ITEMS	TOTAL FOR STATEMENT OF ACTIVITIES
<u>REVENUES AND OTHER SOURCES</u>					
LOCAL SOURCES:					
Property Taxes	\$ 22,036,717	\$ (14,668)	\$ -	\$ -	\$ 22,022,049
Taxes levied for specific purposes	3,055,988	-	-	-	3,055,988
Interest and investment earnings	279,343	43,819	-	-	323,162
Miscellaneous	130,042	-	2,004	-	132,046
Contributions and Donations	14,886	-	-	-	14,886
Charges for Services	79,662	-	-	-	79,662
Grants, subsidies & contributions not restricted	7,686,129	-	-	-	7,686,129
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	6,828,264	-	-	-	6,828,264
FEDERAL SOURCES:					
Operating & Capital grants and contributions	1,107,706	-	-	-	1,107,706
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	-	-	-	-	-
Proceeds from Extended Term Financing	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-
Bond Premium	-	-	-	-	-
Gain or (Loss) on disposal of assets	2,004	-	(2,924)	-	(920)
TOTAL REVENUES	41,220,741	29,151	(920)	-	41,248,972
<u>EXPENDITURES/EXPENSES</u>					
Instruction	23,238,993	817,052	32,053	-	24,088,098
Instructional Student Support	2,731,029	102,099	10,215	-	2,843,343
Admin. & Fin'l Support Services	3,911,008	97,402	(23,937)	-	3,984,473
Oper. & Maint. Of Plant Svcs.	3,317,176	114,471	(114,645)	-	3,317,002
Pupil Transportation	1,867,331	4,804	4,330	-	1,876,465
Student activities	793,622	18,519	13,001	-	825,142
Community Services	35,754	-	-	-	35,754
Capital Outlay	61,741	-	(61,741)	-	-
Debt Service	3,887,966	-	-	(1,962,967)	1,924,999
Bond Discount	-	-	-	-	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,796,079	-	1,796,079
TOTAL EXPENDITURES/EXPENSES	39,844,620	1,154,347	1,655,355	(1,962,967)	40,691,355
NET CHANGE FOR THE YEAR	\$ 1,376,121	\$ (1,125,196)	\$ (1,656,275)	\$ 1,962,967	\$ 557,617

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit fund balance or net position of individual funds.

No individual fund contains a deficit fund balance or net position at June 30, 2018, except the governmental activities has negative net position of \$9,467,415 and business-type activities (Food Service Fund) has a negative net position of \$995,472.

C. Excess of expenditures over appropriations in individual funds

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2018.

Note 5 - Detailed notes on all funds and account groups

Assets

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2018, \$1,453,396 of the District's bank balance of \$5,484,898 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the District's name	1,453,396
TOTAL	<u>\$ 1,453,396</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 1,453,396
Plus: Insured Amount	4,031,502
Less: Outstanding Checks	<u>(212,094)</u>
Carrying Amount - Bank Balances	5,272,804
Plus: Petty Cash	533
Deposits in Investment Pools Considered Cash Equivalents	8,860,764
Less: Certificates of Deposit considered Investment by School Code	<u>(3,447,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 10,687,101</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Investments

Permitted investments for Hamburg Area School District are defined in the Public School Code of 1949, as amended by Act 10 of 2016 as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.
5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

- The investments of the company are the authorized investments listed above.
- The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
- The investment company is rated in the highest category by a nationally recognized rating agency.

11. Savings or demand deposits placed in accordance with the following conditions:

- The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
- The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
- The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
- On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

As of June 30, 2018, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
Certificates of Deposit	Varies	\$ 3,447,000
PA Local Gov't Investment Trust - Term		6,000,000
PA Local Gov't Investment Trust		6,334,635
PA School District Liquid Asset Fund		2,526,129
US Treasury Notes		-
TOTAL		<u>\$ 18,307,764</u>

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018, the District's investment in the PA School District Liquid Asset Fund, and the PA Local Government Investment Trust were rated AAA by Standard & Poor's.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30th, the District did not invest more than 5% of all investments with any single issuer.

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total Investments Above	\$ 18,307,764
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(8,860,764)</u>
Total Investments Per Financial Statements	<u>\$ 9,447,000</u>

Fair Value Reporting

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District did not have any recurring fair value investments at June 30, 2018. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$868,600,300. In accordance with Act 1 of 2006, the District received \$829,298 in property tax reduction funds for the 2017-18 fiscal year. The tax rate for the year was \$2.696 per \$100 of assessed valuation or 26.96 mills.

The property tax calendar is:

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,155,665	-	-	-	-	1,155,665
Accounts	18,234	-	-	-	-	18,234
Intergovernmental	<u>1,723,426</u>	-	<u>90,894</u>	-	-	<u>1,814,320</u>
GROSS RECEIVABLES	2,897,325	-	90,894	-	-	2,988,219
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET RECEIVABLES	<u>\$ 2,897,325</u>	<u>\$ -</u>	<u>\$ 90,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,988,219</u>

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

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 833,202	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	<u>\$ 833,202</u>	<u>\$ -</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Capital Assets

Capital asset balances and activity for the year ending June 30, 2018, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 589,069	\$ -	\$ -	\$ 589,069
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	<u>589,069</u>	<u>-</u>	<u>-</u>	<u>589,069</u>
Capital Assets being depreciated:				
Site Improvements	3,065,144	60,996	-	3,126,140
Buildings and Bldg. Improvements	89,331,474	-	-	89,331,474
Furniture and Equipment	<u>2,839,287</u>	<u>175,663</u>	<u>(9,200)</u>	<u>3,005,750</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>95,235,905</u>	<u>236,659</u>	<u>(9,200)</u>	<u>95,463,364</u>
Less accumulated depreciation for:				
Site Improvements	(1,604,862)	(97,590)	-	(1,702,452)
Buildings and Bldg. Improvements	(18,190,647)	(1,692,726)	-	(19,883,373)
Furniture and Equipment	<u>(2,094,312)</u>	<u>(101,698)</u>	<u>8,280</u>	<u>(2,187,730)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(21,889,821)</u>	<u>(1,892,014)</u>	<u>8,280</u>	<u>(23,773,555)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>73,346,084</u>	<u>(1,655,355)</u>	<u>(920)</u>	<u>71,689,809</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 73,935,153</u>	<u>\$ (1,655,355)</u>	<u>\$ (920)</u>	<u>\$ 72,278,878</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 813,360	\$ -	\$ -	\$ 813,360
Less accumulated depreciation	<u>(692,423)</u>	<u>(7,150)</u>	<u>-</u>	<u>(699,573)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 120,937</u>	<u>\$ (7,150)</u>	<u>\$ -</u>	<u>\$ 113,787</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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

Regular Instruction	\$ 23,869
Special Instruction	8,184
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	-
Instructional Staff Svcs.	9,261
Administrative Services	5,480
Health Services	953
Business Services	860
Operation & Maintenance of Plant Svcs.	26,633
Pupil Transportation	4,330
Central Services	3,364
Other Support Services	-
Student Activities	13,001
Community Services	-
Depreciation - unallocated	1,796,079
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,892,014</u>

The District's governmental activities disposed of \$9,200 in obsolete equipment and buildings during the year, with accumulated depreciation of \$8,280, leaving a loss of disposition of \$920. The business-type activities did not dispose of any equipment during the year.

Commitments

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

Construction Commitments

The District did not have any Construction Commitments at June 30, 2018.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2018:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 7,190	\$ 112,473
Enterprise (Food Service) Fund	112,473	5,237
Agency (Activity) Fund	-	1,953
TOTAL	<u>\$ 119,663</u>	<u>\$ 119,663</u>

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2018:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 2,500,000
2017 Bond Fund	-	-
Capital Reserve Fund	2,500,000	-
TOTAL	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2018, were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 49,977,994	\$ -	\$ 2,400,895	\$ 47,577,099	\$ 2,365,000
Other than capital projects	-	-	-	-	-
Capital Leases	56,735	-	17,391	39,344	12,764
Total general obligation debt	50,034,729	-	2,418,286	47,616,443	2,377,764
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	117,847	3,948	-	121,795	25,451
Sick pay	774,027	-	13	774,014	51,660
Net Defined Contribution Pension Liability	257,840	-	15,068	242,772	-
Net Defined Benefit Pension Liability	58,042,708	1,050,179	-	59,092,887	-
Net OPEB Liability - Single Employer	2,553,787	224,939	-	2,778,726	-
Net OPEB Liability - Multiple Employer	2,396,464	54,580	-	2,451,044	-
Total other liabilities	64,142,673	1,333,646	15,081	65,461,238	77,111
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 114,177,402	\$ 1,333,646	\$ 2,433,367	\$ 113,077,681	\$ 2,454,875
 <u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Net Defined Contribution Pension Liability	\$ 16,601		\$ 7,472	\$ 9,129	\$ -
Net Defined Benefit Pension Liability	1,657,601	32,548		1,690,149	
Net OPEB Liability - Single Employer	58,193	-	12,096	46,097	-
Net OPEB Liability - Multiple Employer	74,460	1,687		76,147	-
Sick pay	32,116	7,112	-	39,228	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 1,838,971	\$ 41,347	\$ 19,568	\$ 1,860,750	\$ -

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

Total Interest paid and accrued during the year:

	EXPENSE	PAID
GOVERNMENTAL ACTIVITIES		
General obligation debt	\$ 1,886,005	\$ 1,466,581
Capital Leases	1,576	1,576
Refund of Prior Year Receipts	37,418	37,418
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	\$ 1,924,999	\$ 1,505,575

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

General Obligation Bonds – Series A of 2011

On April 27, 2011, the District issued \$23,160,000 of General Obligation Bonds, Series A of 2011. The purpose of this issue is to refund the outstanding General Obligation Bonds – Series of 2010, pay a fee of \$2,386,000 to the Royal Bank of Canada with respect to the termination of a swap agreement related to the General Obligation Bonds, Series of 2010, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from October 2011 to April 2033, with fixed interest rate ranging from 1% to 5.5%, with a total projected indebtedness of \$13,765,699.

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

On February 4, 2016 the District locked into a forward interest rate that settled on January 17, 2017 that advanced refunded the remaining GOB Series of B 2011, \$1,525,000 with interest rates ranging from 4.0% to 5.0%, a advance refund a portion Series A 2011, \$7,400,000 with a new debt GOB Series of 2017 in the amount of \$9,850,000 with interest at 2.7% to 4.25%.

The remaining debt service obligations at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 1,510,000	\$ 253,744
2019-20	1,565,000	202,782
2020-21	2,140,000	146,050
2021-22	1,645,000	65,800
Sub-Total	\$ 6,860,000	\$ 668,376
Unamortized Premium	260	
TOTAL OUTSTANDING	\$ 6,860,260	

General Obligation Bonds – Series of 2014

On February 3, 2014, the District issued \$9,250,000 of General Obligation Bonds, Series of 2014. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series of 2009, and Series A of 2009, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from May 1, 2014 to May 1, 2020, with interest rates ranging from 0.2% to 3.5%, with a total projected indebtedness of \$491,529. The debt service requirements at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 550,000	\$ 27,800
2019-20	560,000	16,800
Sub-Total	\$ 1,110,000	\$ 44,600
Unamortized Premium	13,068	
TOTAL OUTSTANDING	\$ 1,123,068	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

General Obligation Bonds – Series A of 2014

On December 18, 2014, the District issued \$9,970,000 of General Obligation Bonds, Series A of 2014. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series A of 2011, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from April 1, 2016 to April 1, 2028, with interest rates ranging from .6% to 3.25%, with a total projected indebtedness of \$3,025,407. The debt service requirements at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 170,000	\$ 275,791
2019-20	175,000	273,241
2020-21	175,000	269,741
2021-22	185,000	266,241
2022-23	185,000	262,310
2023-28	<u>8,825,000</u>	<u>764,349</u>
Sub-Total	\$ 9,715,000	\$ 2,111,673
Unamortized Premium	<u>65,851</u>	
TOTAL OUTSTANDING	\$ <u>9,780,851</u>	

General Obligation Bonds – Series of 2015

On January 28, 2014, the District issued \$9,995,000 of General Obligation Bonds, Series of 2015. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series B of 2011, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from April 1, 2016 to April 1, 2033, with interest rates ranging from .50% to 3.50%, with a total projected indebtedness of \$5,252,557. The outstanding debt service requirements at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 5,000	\$ 322,245
2019-20	35,000	322,175
2020-21	110,000	321,475
2021-22	110,000	319,275
2022-23	120,000	317,075
2023-28	620,000	1,542,175
2028-33	<u>8,940,000</u>	<u>1,084,713</u>
Sub-Total	\$ 9,940,000	\$ 4,229,133
Unamortized Premium	<u>127,920</u>	
TOTAL OUTSTANDING	\$ <u>10,067,920</u>	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

General Obligation Bonds – Series A of 2016

On February 4, 2016, the District looked into a forward interest rate that settled on May 13, 2016 and issued \$5,170,000 of General Obligation Bonds – Series A of 2016. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series A of 2011, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds bear interest at the initial bank qualified tax free rate of 2.8% annum for a period of 10 years, subject to adjustment on January 15, 2026 to a maximum rate of 4.25% annum. The bonds mature from April 1, 2017 to April 1, 2032 with a total projected indebtedness of \$2,303,633. The debt service requirements at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 5,000	\$ 144,480
2019-20	65,000	144,340
2020-21	85,000	142,520
2021-22	85,000	140,140
2022-23	85,000	137,760
2023-28	330,000	800,217
2028-32	4,505,000	520,837
Sub-Total	\$ 5,160,000	\$ 2,030,294
Unamortized Premium	-	-
TOTAL OUTSTANDING	\$ 5,160,000	

General Obligation Bonds - Series B of 2016

On February 4, 2016, the District looked into a forward interest rate for the General Obligation Bonds – Series B of 2016 that settled on December 15, 2016 in the amount of \$4,700,000. The purpose of this issue is to pay off a portion of the General Obligation Bonds Series of 2011B. The bonds bears interest at the initial bank qualified tax free rate of 2.80% per annum for a period of ten years, subject to adjustment on January 15, 2026 with a maximum rate of 4.25% per annum, has a final maturity date of April 1, 2032, and is payable in principal installments, with a total interest indebtedness of 2,092,145. The outstanding debt service requirements at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ -	\$ 131,600
2019-20	-	131,600
2020-21	-	131,600
2021-22	60,000	131,600
2022-23	80,000	129,920
2023-28	305,000	754,838
2028-32	4,255,000	510,638
Sub-Total	\$ 4,700,000	\$ 1,921,796
Unamortized Premium	-	-
TOTAL OUTSTANDING	\$ 4,700,000	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

General Obligation Bonds – Series C of 2016

On January 28, 2014, the District issued \$125,000 of General Obligation Bonds, Series C of 2016. The purpose of this issue is to (1) pay for the issue cost of the General Obligation Bonds – Series B of 2016. That is scheduled to be issued on December 15, 2016. This was done to lock in an interest rate for the forward issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from April 1, 2017 to April 1, 2019, with interest rates at 3.25% with a total projected indebtedness of \$7,956. The outstanding debt service requirements at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 35,000	\$ 1,137
Sub-Total	\$ 35,000	\$ 1,137
Unamortized Premium	-	
TOTAL OUTSTANDING	\$ 35,000	

General Obligation Bonds – Series of 2017

On January 17, 2017, the District issued General Obligation Bonds – Series of 2017 for \$9,850,000, to advance refund a portion of the General Obligation Bonds Series A of 2011, advance refund a portion of the General Obligation Bonds – Series B of 2011, and to pay the issuance costs. The bonds mature from April 1, 2017 to April 1, 2032, with interest bearing 2.70% to 4.25%. Total interest indebtedness is \$2,351,051. The debt service obligations at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2018-19	\$ 90,000	\$ 265,950
2019-20	140,000	263,520
2020-21	140,000	259,740
2021-22	775,000	255,960
2022-23	2,450,000	235,035
2023-28	5,420,000	714,741
2028-32	835,000	35,488
Sub-Total	\$ 9,850,000	\$ 2,030,434
Unamortized Premium	-	
TOTAL OUTSTANDING	\$ 9,850,000	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Capital Lease – Copiers/Printers

On November 10, 2016, the District entered into a capital lease agreement with Fulton Bank for 16 copiers/printers for \$65,000, with a \$1 buyout at the end of the lease term. The annual interest rate is 2.72%, with total indebtedness of \$3,573. The remaining obligations at June 30, 2018, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-19	\$ 12,764	\$ 1,070
2017-20	13,111	723
2017-21	13,468	366
2017-22	1	-
TOTAL OUTSTANDING	\$ 39,344	\$ 2,159

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES OF 2015	G.O.B SERIES A OF 2016	G.O.B SERIES B OF 2016	G.O.B SERIES C OF 2016	G.O.B SERIES OF 2017	TOTAL PRINCIPAL PAYMENTS
2018-19	\$ 1,510,000	\$ 550,000	\$ 170,000	\$ 5,000	\$ 5,000	\$ -	\$ 35,000	\$ 90,000	\$ 2,365,000
2019-20	1,565,000	560,000	175,000	35,000	65,000	-	-	140,000	2,540,000
2020-21	2,140,000	-	175,000	110,000	85,000	-	-	140,000	2,650,000
2021-22	1,645,000	-	185,000	110,000	85,000	60,000	-	775,000	2,860,000
2022-23			185,000	120,000	85,000	80,000	-	2,450,000	2,920,000
2023-28	-	-	8,825,000	620,000	330,000	305,000	-	5,420,000	15,500,000
2028-33	-	-	-	8,940,000	4,505,000	4,255,000	-	835,000	18,535,000
TOTAL	6,860,000	1,110,000	9,715,000	9,940,000	5,160,000	4,700,000	35,000	9,850,000	47,370,000
LESS- Payable within one year	1,510,000	550,000	170,000	5,000	5,000	-	35,000	90,000	2,365,000
PRINCIPAL DUE AFTER ONE YEAR	\$ 5,350,000	\$ 560,000	\$ 9,545,000	\$ 9,935,000	\$ 5,155,000	\$ 4,700,000	\$ -	\$ 9,760,000	\$ 45,005,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES OF 2015	G.O.B SERIES A OF 2016	G.O.B SERIES B OF 2016	G.O.B SERIES C OF 2016	G.O.B SERIES OF 2017	TOTAL DEBT SERVICE PAYMENTS
2018-19	\$ 1,763,744	\$ 577,800	\$ 445,791	\$ 327,245	\$ 149,480	\$ 131,600	\$ 36,137	\$ 355,950	\$ 3,787,747
2019-20	1,767,782	576,800	448,241	357,175	209,340	131,600	-	403,520	3,894,458
2020-21	2,286,050	-	444,741	431,475	227,520	131,600	-	399,740	3,921,126
2021-22	1,710,800	-	451,241	429,275	225,140	191,600	-	1,030,960	4,039,016
2022-23			447,310	437,075	222,760	209,920	-	2,685,035	4,002,100
2023-28	-	-	9,589,349	2,162,175	1,130,217	1,059,838	-	6,134,741	20,076,320
2028-33	-	-	-	10,024,713	5,025,837	4,765,638	-	870,488	20,686,676
TOTAL	\$ 7,528,376	\$ 1,154,600	\$ 11,826,673	\$ 14,169,133	\$ 7,190,294	\$ 6,621,796	\$ 36,137	\$ 11,880,434	\$ 60,407,443

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Lease Rental Debt

On November 15, 1998, the Berks County Vocational Technical School Authority issued \$34,850,000 in revenue bonds, Series of 1998. The Bonds are being issued under the Municipality Authorities Act of 1945, as amended, and pursuant to the provisions of a Trust Indenture, dated as of November 15, 1998, between the Authority and Bank of Pennsylvania, a division of Dauphin Deposit Bank and Trust Company, as trustee. Under the Indenture, the Authority has pledged and assigned to the Trustee the sublease rentals to be paid pursuant to a Lease and Sublease, dated as of November 15, 1998, between the Authority, as lessee and sublessor, and Berks Vocational Technical School, a/k/a Berks Career and Technology Center (BCTC), as lessor and sublessee.

The governing body of the Authority is its Board consisting of sixteen (16) members appointed to staggered terms of five years by the Antietam School District, with the advice of the joint operating committee of BCTC.

BCTC was created and operates under Articles of Agreement by and among sixteen participating school districts located in Berks County and portions of Montgomery and Chester Counties, Pennsylvania.

Under the Articles of Agreement, dated June 1, 1965, between BCTC and the participating school districts, the annual operating expenses of BCTC are allocated to and paid by the participating school districts in proportion to the three-year average daily number of students enrolled by each in BCTC computed at the end of each school year. Lease rental payments (including payments under the Sublease) or capital outlays are shared in proportion to each participating school district's market valuation of taxable real estate to the total valuation of all participating school districts. As a result of this debt, the participating school districts amended Section 11 of the BCTC's By-Laws to read: the obligations of each of the participating school districts to pay its proportionate share of the rentals shall be subject to an annual appropriation by each school district. Any school district that does not budget, appropriate, and pay its proportionate share of the rentals payable hereunder shall lose all of its rights as a participating school district, including the right to send students to the Center. It is the intent of Hamburg Area School District to continue to participate.

The proceeds to be realized by the Authority will be used to finance certain capital projects of BCTC, including renovations, alterations, and additions to the East Campus and West Campus of the Berks Career and Technology Center, to pay capitalized interest on the Bonds, to fund a debt service reserve fund and to pay the costs of issuance of the Bonds.

The lease rental debt owed by BCTC to the Authority is equal to the bond principal and interest of the Authority's revenue bonds. This debt is not considered general obligation debt of the School District. The bonds mature from June 1, 2002 to June 1, 2019, at interest rates between 3.6% and 5.0%. Since market values fluctuate year to year, the District's future share of the lease rental debt, as shown below, is an estimate using current market values:

	RENTAL PAYMENT
FISCAL YEAR	
2018-19	\$ 148,956
TOTAL OUTSTANDING	\$ 148,956

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Compensated Absences

Sick-Pay

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

Management Employees - each unused sick day times \$70, after fifteen (15) years of service.

Classified Personnel - each unused sick day times \$30, after ten (10) ears of service.

Professional Employees - employees with fifteen (15) or more credited years of service to the District, shall receive \$50 per each unused sick day.

The District maintains a record of each employee's accumulated sick days and the District has valued the accumulated sick days that are earned by employees who are eligible to retire. In accordance with GASB Statement No. 16, a long-term liability of \$722,354 including FICA tax (net of reimbursement) has been established within the governmental activities column in the government-wide statement of net position. A long-term liability of \$39,228 including FICA tax (net of reimbursement) has been established in the business-type activity column in the statement of net position. In addition, liabilities of \$51,660, and \$39,228, including FICA tax, have been established within the General Fund and Food Service Fund, respectively. The General Fund liability is reflected as a current liability in the government-wide statement of net position.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2018, that will use currently available financial resources is \$25,451, including FICA tax and retirement contributions, which has been recorded in the General Fund and as a current liability within the governmental activities column in the government-wide statement of net position. The remaining vacation pay earned at June 30, 2018, of \$96,344, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Pension Plan

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

General Information about the Pension Plan

Plan Description

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided

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

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

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

Contributions

Member Contributions

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contributes at 10.3% (base rate) of the member's qualifying

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

compensation. Membership Class T-E and T-F are affected by a “shared risk” provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The school districts’ contractually required contribution rate for fiscal year ended June 30, 2018 was 29.2% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$5,137,715 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$60,783,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, with rolling forward the System’s total pension liability as of June 30, 2017. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District’s proportion was 0.1214 percent, which was an increase of 0.0003 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$6,299,697. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities	\$ -	\$ 1,097
Changes in Assumptions	1,664,000	-
Net difference between projected and actual contributions made	-	148,051
Net difference between projected and actual earnings on pension plan investments	1,419,000	
Difference between expected and actual experience	269,000	-
Changes in proportion of the Net Pension Liability	468,000	-
District contributions subsequent to the measurement date	5,137,715	-
Total	<u>\$ 8,957,715</u>	<u>\$ 149,148</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

\$5,137,715 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Amount</u>
2018	\$ 817,000
2019	1,548,697
2020	1,288,836
2021	31,684
2022	<u>(15,365)</u>
Total	<u>\$ 3,670,852</u>

Actuarial assumptions

The total pension liability as of June 30, 2017, was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were based on the RP-2014 Combined Healthy Annuitant Tables (male and female) adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate, using the net pension liability reported by PSERS before adjusting for differences projected vs actual contributions made.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current</u> <u>Discount Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	\$ 75,383,000	\$ 61,242,000	\$ 49,302,000

Pension plan fiduciary net position

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

Defined Contributions Pension Plan

Retirement Severance Benefits

Under various contracts with administrators, support staff and custodians a lump sum payment is offered upon retirement. The payment is based on a flat amount per year of service reduced by a per diem amount based on the number of sick days used in each year.

The lump sum payment shall be paid in full to the employee in one payment on the date to be determined by the employee after the employees' effective date of retirement. In the event of death of the employee, the lump sum payment will be paid in full to the employee's estate.

In accordance with Government Accounting Standards Board Statement No. 73, this benefit is considered a pension plan. The following is a summary of plan provisions:

Employer Contributions

The school district pays this benefit on a pay-as-you-go basis. It does not accumulate funds into any trust for future benefits. Contributions to the pension plan from the District were \$19,620 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$251,901 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July, 2017, with rolling forward the System's total pension liability as of June 30, 2018.

For the year ended June 30, 2018, the District recognized pension expense of (\$21,845). The following table reflects the changes to the pension obligation during the year:

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Notes To Basic Financial Statements
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Changes to Defined Contribution Pension Plan

	Retirement Severance Benefit
Interest Rate	3.13%
Plan Members	298
Covered Payroll	\$ 15,990,231
Defined Contribution Pension Liability at June 30, 2017	\$ 274,441
Service Cost	17,825
Interest	6,622
Change in Benefit Terms	(47,658)
Change in Experience	28,435
Change in Assumptions	(10,679)
Benefit Payments	(17,085)
Defined Contribution Pension Liability at June 30, 2018	<u>\$ 251,901</u>

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by the actuarial valuation on July 1, 2017, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return – 3.13%.

The actuarial assumptions used in the July 1, 2017 valuation were based on the experience study conducted by the actuary, including the assumed retirement rates based on PSERS plan experience and vary by age, service, and gender.

Schedule on Defined Contribution Pension Deferred Outflows/Inflows

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	\$ 9,858
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	26,248	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	19,620	-
Total	<u>\$ 45,868</u>	<u>\$ 9,858</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Funded Status and Funding Process.

The funded status of the benefits as of June 30, 2018, was as follows:

	Retirement Incentive Benefit
Actuarial accrued liability	\$ 251,901
Actuarial value of plan asset	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 251,901</u>
Funded Ratio	0.00%
Covered Payroll	\$ 15,990,231
Unfunded actuarial accrued liability (funding excess) as percentage of covered payroll.	1.6%

Sensitivity of the District's proportion share of the net defined contribution pension liability In the discount rate:

The following presents the District's proportionate share of the net defined contribution pension liability calculated using the discount rate off 3.13%, as well as what the District's proportionate share of the net defined contribution pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage point higher (4.13%) than the current rate, using the net defined contribution liability reported by the actuary before adjusting for differences on projected vs actual contributions made.

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB Pension liability	\$ 263,696	\$ 251,901	\$ 240,197

**Hamburg Area School District
Notes To Basic Financial Statements
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OTHER POST-EMPLOYMENT BENEFITS

General Information about the Health Insurance Premium Assistance Program – Multiple Employer OPEB Plan

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan description

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$134,351 for the year ended June 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$2,527,191 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.1240 percent, which was an increase of 0.0029 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$117,038. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 294	\$ -
Changes in Assumptions	-	118,000
Net difference between projected and actual contributions made	-	65
Net difference between projected and actual investment earnings	3,000	
Difference between expected and actual experience	-	-
Changes in proportion of the Net OPEB Liability	54,000	-
District contributions subsequent to the measurement date	134,351	-
Total	<u>\$ 191,645</u>	<u>\$ 118,065</u>

\$134,351 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Year ended June 30:	<u>Amount</u>
2018	\$ (10,000)
2019	(9,962)
2020	(9,962)
2021	(9,962)
2022	(10,962)
Thereafter	<u>(9,923)</u>
Total	<u>\$ (60,771)</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

	1% Decrease (Between 4% to 7%)	Current Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
System net OPEB liability	\$ 2,526,000	\$ 2,526,000	\$ 2,527,000

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 2,872,000	\$ 2,526,000	\$ 2,239,000

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Single Employer Healthcare OPEB Plan

The Following table reflects those Employees eligible for this other post-employment benefit:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Summary of Plan Provisions			
Group	Eligibility	Coverage And Premium Sharing	Duration
<u>I. ALL EMPLOYEES</u>	<i>Must retire from the District</i>	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, and Dental. Premium Sharing Member pays 100% of the premium plus a monthly fee of \$5.00. Dependents: Family Included. 	<p>Member and spouse may each continue coverage until Medicare age regardless of the status of the other.</p> <p>Grandfathered retiree. One retiree is allowed to continue dental coverage until spouse reaches Medicare age.</p>

Notes: PSERS Retirement

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

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

	<u>Professional (teaching) Staff</u>	<u>Administrators</u>	<u>Classified and Confidential Employees</u>
10 years' experience with district	\$110 per year of service with district	\$132 per year of district service	\$45 per year of district service
21 years' experience with district	\$140 per year of service with district	\$168 per year of district service	\$70 per year of district service
31 years' experience with district	\$170 per year of service with district	\$204 per year of district service	\$95 per year of district service

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Employees covered by benefit terms:

At June 30, 2017, the following employees were covered by the benefit terms:

Active Participants	298
Vested Former Participants	0
Retired Participants	<u>23</u>
Total	321

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$2,824,823, was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs

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

Actuarial Methods and Assumptions

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

	Single Employer OPEB Healthcare Benefit
Actuarial valuation date	7/1/2017
Actuarial cost method	Entry Age Normal
Discount Rate	3.13%
Salary Increases	3.75% to 6.25%
	6.0% in 2017, and 5.5% in 2018 to 2023. Rates gradually decrease from 5/4% in 2024 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
Healthcare cost trend rates	
Asset Valuation Method	pay as you go basis

The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2017.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Mortality rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into our retirement table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study on September 30, 2017.

Changes in the Total OPEB Liability

Total OPEB Liability	<u>2017-18</u>
Service Cost	\$ 178,873
Interest	67,324
Changes in Benefit Terms	57,876
Difference between expected and actual experience	(45,427)
Changes in assumptions	114,981
Benefit payment	<u>(160,784)</u>
Net change in total OPEB Liability	212,843
Total OPEB Liability - beginning	<u>2,611,980</u>
Total OPEB Liability - ending	<u>\$ 2,824,823</u>
 Covered employee payroll	 <u>\$ 15,990,231</u>

Total OPEB Liability as a percentage of covered employee payroll 17.67%

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage point higher (4.13%) than the current discount rate:

	1% Decrease	Current	1% Increase
	<u>2.13%</u>	<u>Discount Rate</u>	<u>4.13%</u>
		<u>3.13%</u>	
District's proportionate share of the net OPEB liability	\$ 3,034,100	\$ 2,824,823	\$ 2,627,587

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.0% decreasing to 2.9%) or 1-percentage point higher (7.0% decreasing to 4.9%) than the current healthcare cost trend rates:

	1% Decrease (Between 2.9% to 5.0%)	Current Trend Rate (Between 3.9% to 6.0%)	1% Increase (Between 4.9% to 7.0%)
System net OPEB liability	\$ 2,516,991	\$ 2,824,823	\$ 3,189,528

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School recognized OPEB expense of \$309,869. At June 30, 2018, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 105,399	\$ -
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	41,641
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	131,247	-
Total	<u>\$ 236,646</u>	<u>\$ 41,641</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to this single employer OPEB plan will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Amount</u>
2019	\$ 5,796
2020	5,796
2021	5,796
2022	5,796
2023	5,796
Thereafter	<u>34,778</u>
Total	<u>\$ 63,758</u>

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018

Combined Deferred Outflows on Pensions and OPEB

As a result of having multiple pension and other post-employment benefit plans, the following schedule is prepared to illustrate the individual components reflected on the Statement of Net Position.

GOVERNMENTAL ACTIVITIES					
	<i>Pension - GASB 68</i>	<i>Pension - GASB 73</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>
RECONCILIATION OF NET CHANGE	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR
IN DEFERRED OUTFLOWS/INFLOWS	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE
Change in Proportion	\$ 455,308	\$ -	\$ -	\$ 52,373	\$ 507,681
Current Year Contributions	4,980,854	17,172	131,247	130,249	5,259,522
Change in Assumption	1,612,887	(9,578)	97,702	(114,444)	1,586,567
Diff in Projected Vs Actual Contributions	(143,568)	-	-	(65)	(143,633)
Difference in Investment Earnings	1,364,122	-	-	2,910	1,367,032
Diff. between Expected vs Actual Experience	261,043	26,258	(19,750)	-	267,551
Diff. between Prop. Share vs Actual POS	(1,097)	-	-	294	(803)
Net Pension Liability	\$ 59,092,887				\$ 59,092,887
Net OPEB Pension Liability		\$ 242,772			\$ 242,772
Net OPEB Liability			\$ 2,778,726	\$ 2,451,044	\$ 5,229,770

BUSINESS-TYPE ACTIVITIES					
	<i>Pension - GASB 68</i>	<i>Pension - GASB 73</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>
RECONCILIATION OF NET CHANGE	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR
IN DEFERRED OUTFLOWS/INFLOWS	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE
Change in Proportion	\$ 12,692	\$ -	\$ -	\$ 1,627	\$ 14,319
Current Year Contributions	156,861	2,448	-	4,102	163,411
Change in Assumption	51,113	(280)	7,697	(3,556)	54,974
Diff in Projected Vs Actual Contributions	(4,483)	-	-	(0)	(4,483)
Difference in Investment Earnings	54,878	-	-	90	54,968
Diff. between Expected vs Actual Experience	7,957	(10)	(21,891)	-	(13,944)
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 1,690,149				\$ 1,690,149
Net OPEB Pension Liability		\$ 9,129			\$ 9,129
Net OPEB Liability			\$ 46,097	\$ 76,147	\$ 122,244

STATEMENT OF NET POSITION	
	<u>Total</u>
	<u>DR OR (CR)</u>
RECONCILIATION OF NET CHANGE	CURRENT YR
IN DEFERRED OUTFLOWS/INFLOWS	BALANCE
Change in Proportion	\$ 522,000
Current Year Contributions	5,422,933
Change in Assumption	1,641,541
Diff in Projected Vs Actual Contributions	(148,116)
Difference in Investment Earnings	1,422,000
Diff. between Expected vs Actual Experience	253,607
Diff. between Prop. Share vs Actual POS	(803)
Net Pension Liability	\$ 60,783,036
Net OPEB Pension Liability	\$ 251,901
Net OPEB Liability	\$ 5,352,014

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018

Note 6 - Risk Management

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

Note 7 - Tax Abatements

1. On October 9, 2002, the Hamburg Area School District entered a Development and Interlocal Agreement with Cabela's Retail, Inc., Berks County Development Authority, Commonwealth of Pennsylvania, County of Berks, and Tilden Township. The agreement is for the financing, acquisition, and construction of the Cabela's Project, which means Cabela's will acquire, construct, furnish, and equip the Retail Center in the Tax Increment District.

Under this Agreement, Hamburg Area School District agrees to contribute 95% of the Tax Increment Revenues from the Tax Increment District received during 2004 through 2024 to the issuer of the financing bonds to pay principal and interest on said bonds.

Under the authority of the Pennsylvania Tax Increment Financing Act, on September 1, 2003, the Tilden Township Tax Incremental Financing Project (TIF) was created and shall continue in existence until such time as all Project Costs are fully paid or until August 31, 2023, whichever occurs first.

Upon creation of the Tax Increment District, the County tax assessor calculated the aggregate market value of all real property to be \$4,056,200 (Tax Increment Base). Tax Increment shall mean the incremental tax revenues, resulting from an increase in the total market value of taxable real property situated in the Tax Increment District. Tax Increment Revenues shall mean 82% of the Tax Increment.

On March 28, 2008, a First Supplemental Loan and Trust Agreement was executed that adjusted the Tax Increment Revenues paid by Hamburg Area School District to the Authority for payment of bonds to 64%.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

The Tax Increment Revenues paid to the Authority are as follows:

• 2006-2007	\$374,631
• 2007-2008	428,680
• 2008-2009	362,043
• 2009-2010	406,442
• 2010-2011	480,241
• 2011-2012	577,250
• 2012-2013	612,045
• 2013-2014	472,965
• 2014-2015	554,289
• 2015-2016	497,755
• 2016-2017	595,736
• 2017-2018	536,285

2. Under the authority of the Pennsylvania Tax Increment Financing Act, on May 19, 2008 the Hamburg Area School District approved a resolution to participate in the Grand Street Tax Increment Financing Plan dated April 2008, which creates the Grand Street Tax Increment District (Project). This resolution commits 80% of the District's share of the Tax Increment to the Project.

A Cooperation Agreement for the Grand Street Tax Increment Financing District was entered into on August 1, 2008 between Hamburg Area School District, Redevelopment Authority of the County of Berks, Borough of Hamburg, and the County of Berks. The Grand Street TIF District shall terminate on the earlier of August 1, 2029 or the date when the Authority has received Tax Increment Revenues in an amount equal to all debt service and administrative expense payments made on the bonds.

The County tax assessor calculated the aggregate market value of all real property located within the Grand Street TIF District to be \$4,927,300 (base). Tax Increment shall mean the incremental tax revenues, determined with reference to the Base, resulting from an increase in the total market value of taxable real estate situated in the Grand Street TIF District. Tax Incremental Revenues shall mean 80% of the Tax Increment collected by Hamburg Area School District, which shall be paid to the Authority.

The Tax Increment Revenues paid to the Authority, are as follows:

• 2016-2017	\$ 489
• 2017-2018	20,729

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Note 8- Prior Adjustments – General Fund/Net Position

	Food Service Fund	Business-Type Activities	Governmental Activities
Fund Balance/Net Position - June 30, 2017 (as reported)	\$ (898,175)	\$ (898,175)	\$ (6,315,284)
Adjustments to the fund balance:			
As a result of the new accounting principle GASB Statement No. 75, a prior period adjustment needed to be made pertaining to the multiple employer cost sharing OPEB plan on health assistance handled by PSERS reporting the net opeb liability at June 30, 2016.	27,183	27,183	(2,396,464)
As a result of the new accounting principle GASB Statement No. 73, a prior period adjustment needed to be made to the defined contribution pension plan pertaining to years of service benefit.	(6,432)	(6,432)	(34,842)
As a result of the new accounting principle GASB Statement No. 75, a prior period adjustment needed to be made pertaining to the the single employer OPEB plan dealing with age-adjusted vs global healthcare rates, reporting the net opeb liability at June 30, 2016.	(74,460)	(74,460)	(1,278,442)
Fund Balance/Net Position - June 30, 2017 (restated)	<u>\$ (951,884)</u>	<u>\$ (951,884)</u>	<u>\$ (10,025,032)</u>

Note 9 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund has \$1,350 in Nonspendable fund balance, comprising of prepaid expenditures.

Restricted Fund Balance

The Capital Reserve Fund's \$2,526,129 fund balance at year end is restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this code restricts the use of resources for limited purposes.

The General Fund has \$20,258 restricted for unspent outside contributions received during the fiscal year.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$2,824,823, of the General Fund's year end fund balance for eventual payment to be made for Other Post-Employment Benefits, which equals the entire actuarial accrued liability. In addition, the Board has committed \$121,330 for HRA purposes.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

Assigned Fund Balance

The General fund has assigned \$7,540,020, for future building projects and \$950,413 to balance the 2018-19 General Fund budget. In addition, \$428,738 has been assigned for the purpose of the Debt Service Stabilization Fund.

Note 10 – Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$72,278,878, with related debt of \$43,327,359, which includes unamortized bonds discounts, premiums, and deferred refunding charges. The business-type activities column reflects \$113,787 invested in capital assets with no related debt.

Note 11 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2018.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 12 – New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following standards, which have not yet been implemented:

- Statement No. 83, *Certain Asset Retirement Obligations* – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. Effective date: for periods beginning after June 15, 2018.
- Statement No. 84, *Fiduciary Activities* – This Statement is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Effective date: Periods beginning after December 15, 2018.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2018**

- Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Effective date: Periods beginning after December 15, 2019.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash or other assets in or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires additional essential information related to debt be disclosed, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to default events. Effective date: for periods beginning after June 15, 2018.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of the statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before construction ends. This standard requires expensing interest costs when incurred rather than capitalizing the costs.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.1240%	0.1211%	0.1213%	0.1252%
District's proportionate share of the net pension liability (asset)	\$ 61,242,000	\$ 60,013,000	\$ 52,542,000	\$ 49,548,102
District's covered employee payroll	16,186,878	16,515,232	15,752,617	15,666,583
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	378.34%	363.38%	333.54%	316.27%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Contractually required contribution	\$ 5,137,715	\$ 4,822,448	\$ 3,938,150	\$ 3,211,649	\$ 2,645,068	\$ 1,921,058	\$ 1,328,416	\$ 865,781	\$ 710,312	\$ 734,735
Contributions in relation to the contractually required contribution	<u>5,137,715</u>	<u>4,822,448</u>	<u>3,938,150</u>	<u>3,211,649</u>	<u>2,645,068</u>	<u>1,921,058</u>	<u>1,328,416</u>	<u>865,781</u>	<u>710,312</u>	<u>734,735</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 16,186,878	\$ 16,515,232	\$ 15,752,617	\$ 15,666,583	\$ 16,531,675	\$ 16,704,852	\$ 16,605,200	\$ 17,315,620	\$ 17,757,800	\$ 18,368,375
Contributions as a percentage of covered employee payroll	31.74%	29.20%	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S DEFINED CONTRIBUTION PENSION
LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2017-18</u>
Total Defined Contribution Pension Liability - beginning	\$ 274,441
Service Cost	17,825
Interest	6,622
Changes in Benefit Terms	(47,658)
Difference between expected and actual experience	28,435
Changes in assumptions	(10,679)
Benefit payments	(17,085)
Net change in total Pension Liability	(22,540)
Total Defined Contribution Pension Liability - ending	<u>\$ 251,901</u>

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET DEFINED
CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2017-18</u>
District's proportionate share of the net defined contribution pension liability (asset)	\$ 251,901
District's covered employee payroll	\$ 15,990,231
District's proportionate share of the net defined contribution pension liability (asset) as a percentage of its covered employee payroll	1.58%

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.1240%	0.1211%
District's proportionate share of the net OPEB liability (asset)	\$ 2,526,000	\$ 2,608,000
District's covered-employee payroll	16,186,878	16,515,232
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	15.61%	15.79%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%	5.47%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Contractually required contribution	\$ 134,351	\$ 137,076	\$ 132,322	\$ 141,000	\$ 153,746	\$ 143,660	\$ 107,932	\$ 110,821	\$ 138,508	\$ 139,599
Contributions in relation to the contractually required contribution	<u>134,351</u>	<u>137,076</u>	<u>132,322</u>	<u>141,000</u>	<u>153,746</u>	<u>143,660</u>	<u>107,932</u>	<u>110,821</u>	<u>138,508</u>	<u>139,599</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 16,186,878	\$ 16,515,232	\$ 15,752,617	\$ 15,666,583	\$ 16,531,675	\$ 16,704,852	\$ 16,605,200	\$ 17,315,620	\$ 17,757,800	\$ 18,368,375
Contributions as a percentage of covered employee payroll	0.83%	0.83%	0.84%	0.90%	0.93%	0.86%	0.65%	0.64%	0.78%	0.76%

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SINGLE EMPLOYER HEALTH CARE PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

Total OPEB Liability	<u>2017-18</u>
Service Cost	\$ 178,873
Interest	67,324
Changes in Benefit Terms	57,876
Difference between expected and actual experience	(45,427)
Changes in assumptions	114,981
Benefit payment	<u>(160,784)</u>
Net change in total OPEB Liability	212,843
Total OPEB Liability - beginning	<u>2,611,980</u>
Total OPEB Liability - ending	<u>\$ 2,824,823</u>
 Covered employee payroll	 <u>\$ 15,990,231</u>
 Total OPEB Liability as a percentage of covered employee payroll	 17.67%

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2018**

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

- During this fiscal year, there were no changes in assumptions used in the prior reporting period.

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.25%, includes inflation at 2.75%.
- Salary increases – Effective average of 5.0%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and merit or seniority increases.
- Benefit payments – no postretirement benefit increases assumed in the future.
- Multiple decrement tables – mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary.

Proportionate Share of the Net Pension Liability

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

Other Post-Employment Benefits – Teachers Health Insurance Assistance

Changes of benefit terms

None

Changes in assumptions

- The discount rate used to measure the Total OPEB liability increased from 2.71% as of June 30, 2016 to 3.13% as of June 30, 2017.

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2018**

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 5.0%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Proportionate Share of the Net OPEB Liability

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

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2018**

Other Post-Employment Benefits – Single Employer Healthcare Plan

Changes of benefit terms

Changes were made to the current Executive Director's eligibility and dependent coverage, but had no effect on liability. Written notification of retirement language was added to the Administrators, Administrative Support, and Teacher groups, but had no effect on liability do to current assumptions.

Changes in assumptions

The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Methods and assumptions used in calculations of actuarially determined contributions

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 3.50% to 5.25%
- Healthcare cost trend rate – 6.0% in 2017, and 5.5% in 2018 to 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Asset Valuation Method – Pay as you go basis
- Discount Rate – The rate of 3.13% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2017.

**OTHER
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Combining Balance Sheet
All Non-Major Governmental Funds
As of June 30, 2018**

	CAPITAL RESERVE FUND	TOTAL DEBT SERVICE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,526,129	\$ 428,738	\$ 2,954,867
Investments	-	-	-
Other Receivables	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 2,526,129	\$ 428,738	\$ 2,954,867
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,526,129	\$ 428,738	\$ 2,954,867
<u>LIABILITIES</u>			
Accounts Payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
TOTAL LIABILITIES	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	2,526,129	-	2,526,129
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	428,738	428,738
TOTAL FUND BALANCES	2,526,129	428,738	2,954,867
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,526,129	\$ 428,738	\$ 2,954,867

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended June 30, 2018

	CAPITAL RESERVE FUND	TOTAL DEBT SERVICE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 6,947	\$ 1,370	\$ 8,317
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>6,947</u>	<u>1,370</u>	<u>8,317</u>
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	-	-	-
Operation of Non-Instructional Services	-	-	-
Capital Outlay	745	-	745
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>745</u>	<u>-</u>	<u>745</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,202</u>	<u>1,370</u>	<u>7,572</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term capital-related debt	-	-	-
Proceeds from Refunding Bond Issues	-	-	-
Bond Premium	-	-	-
Bond Discount	-	-	-
Payment to bond refunding escrow agent	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	2,500,000	-	2,500,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>
NET CHANGE IN FUND BALANCES	2,506,202	1,370	2,507,572
FUND BALANCES - BEGINNING	<u>19,927</u>	<u>427,368</u>	<u>447,295</u>
FUND BALANCES - ENDING	<u><u>\$ 2,526,129</u></u>	<u><u>\$ 428,738</u></u>	<u><u>\$ 2,954,867</u></u>

**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2018**

	HAMBURG BOROUGH	PERRY TOWNSHIP	SHOEMAKERSVILLE BOROUGH	TILDEN TOWNSHIP	UPPER BERN TOWNSHIP	UPPER TULPEHOCKEN TOWNSHIP	WINDSOR TOWNSHIP	TOTAL
<u>CURRENT REAL ESTATE TAXES</u>								
Assessed Value	\$ 168,090,000	\$ 135,092,000	\$ 47,627,200	\$ 216,907,300	\$ 90,688,400	\$ 85,247,100	\$ 124,948,300	\$ 868,600,300
Millage Rate	0.02696	0.02696	0.02696	0.02696	0.02696	0.02696	0.02696	0.02696
TOTAL	4,531,706	3,642,081	1,284,029	5,847,821	2,444,960	2,298,262	3,368,606	23,417,452
Less: Act 1 Reduction	162,133	133,618	51,974	165,997	92,559	90,039	132,533	828,853
TOTAL TAXABLE DUPLICATE	4,369,573	3,508,463	1,232,055	5,681,824	2,352,388	2,208,223	3,236,073	22,588,599
Plus - Additions	25,925	22,930	884	100,874	26,998	48,927	5,088	231,626
Prior Year Unpaid Additions		-	-	-	-	-	-	-
Penalties	12,800	5,453	2,176	13,536	8,937	6,372	10,783	60,057
TOTAL TAXES TO BE COLLECTED	4,408,298	3,536,846	1,235,115	5,796,234	2,388,323	2,263,522	3,251,944	22,880,282
Less - Discounts	72,501	60,693	22,112	98,211	37,272	35,455	55,006	381,250
Reductions	-	-	-	-	-	-	-	-
Exemptions	3,475	20,945	-	98,186	20,762	33,184	1,080	177,632
Refunds	2,738	1,558	-	-	-	-	-	4,296
Returned to County	118,935	84,765	20,429	130,115	101,872	64,092	86,726	606,934
Cabela's / Grand Street	20,729	-	-	536,285	-	-	-	557,014
Outstanding	-	-	7,056	44	5,281	-	1,469	13,850
NET CURRENT REAL ESTATE TAXES COLLECTED	\$ 4,189,920	\$ 3,368,885	\$ 1,185,518	\$ 4,933,393	\$ 2,223,136	\$ 2,130,791	\$ 3,107,663	\$ 21,139,306
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	\$ 11,876	\$ 11,456	\$ -	\$ 22,204	\$ 12,337	\$ 1,279	\$ 14,086	\$ 73,238
<u>CURRENT PER CAPITA TAXES</u>								
No. of Persons Assessed	3,247	1,810	962	2,595	1,356	1,369	1,860	13,199
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	32,470	18,100	9,620	25,950	13,560	13,690	18,600	131,990
Plus - Additions	470	310	170	170	140	260	220	1,740
Penalties	297	143	110	195	84	105	127	1,061
TAXES TO BE COLLECTED	33,237	18,553	9,900	26,315	13,784	14,055	18,947	134,791
Less - Discounts	359	248	103	315	169	173	248	1,615
Exonerations	3,380	1,000	1,230	1,630	920	710	1,060	9,930
Refunds	-	-	-	-	-	-	-	-
Outstanding	5,540	2,120	1,470	4,030	1,880	1,730	2,230	19,000
Reductions	-	-	-	-	-	-	-	-
NET CURRENT PER CAPITA TAXES COLLECTED	\$ 23,958	\$ 15,185	\$ 7,097	\$ 20,340	\$ 10,815	\$ 11,442	\$ 15,409	\$ 104,246

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018

6000 - Revenue from Local Services		Budget	Actual	Variance
6111	Current Real Estate Taxes	\$ 21,055,615	\$ 21,139,306	\$ 83,691
6112	Interim Real Estate Taxes	50,000	73,238	23,238
6113	Public Utility	26,200	24,668	(1,532)
6114	Payment in Lieu of Taxes	10,018	10,018	-
6120	Current Per Capita Taxes - 511	53,500	52,123	(1,377)
6141	Current Per Capita Taxes - 679	53,500	52,123	(1,377)
6151	Earned Income Tax	2,150,000	2,181,560	31,560
6153	Real Estate Transfer Tax	300,000	723,604	423,604
6411	Delinquent Real Estate Taxes	900,000	824,173	(75,827)
6420	Delinquent per Capita Taxes, Section 679	-	5,946	5,946
6441	Delinquent Act 511 Per Capita Taxes	-	5,946	5,946
6510	Interest	100,000	271,027	171,027
6700	Revenues From Student Activities	35,850	-	(35,850)
6710	Admissions	31,900	41,201	9,301
6711	Tournament Fees	12,250	13,300	1,050
6712	Playoff Fees	-	-	-
6740	Fees	-	25,161	25,161
6821	State Revenue Received From Other PA Public School	-	-	-
6832	I/U Services - Federal	355,851	358,017	2,166
6836	Federal ARRA Race to the Top	-	-	-
6910	Rentals	65,000	87,482	22,482
6920	Contributions	12,000	14,886	2,886
6942	Summer School	5,500	-	(5,500)
6961	Transportation Services Provided Other PA Schools	-	-	-
6990	Miscellaneous	110,385	28,907	(81,478)
6991	Refunds of Prior Yr. Expenditures	-	13,653	13,653
6992	Energy Efficiency Revenue	-	-	-
TOTAL REVENUE FROM LOCAL SOURCES		\$ 25,327,569	\$ 25,946,339	\$ 618,770
7000 - Revenue from State Sources				
7110	Basic Subsidy - ESBE	6,857,026	6,856,831	(195)
7160	Orphan Tuition	85,000	97,086	12,086
7271	Special Education	1,539,956	1,572,637	32,681
7299	Program revenues not listed previously in the 7200	-	524	524
7311	Transportation (Regular and Additional)	850,000	929,930	79,930
7312	Transportation (Nonpublic and Charter School)	-	21,945	21,945
7320	Rentals	515,842	534,933	19,091
7330	Health Services	38,000	40,193	2,193
7340	State Property Tax Reduction Allocation	829,297	829,298	1
7505	Ready to Learn Grant	338,158	338,158	-
7810	State Share of Social Security and Medicare Taxes	650,904	637,597	(13,307)
7820	State Share of Retirement Contributions	2,771,233	2,655,261	(115,972)
TOTAL REVENUE FROM STATE SOURCES		\$ 14,475,416	\$ 14,514,393	\$ 38,977
8000 - Revenue from Federal Sources				
8514	Title I	407,338	607,621	200,283
8515	Title II	67,800	87,144	19,344
8517	Title IV	-	12,771	12,771
8810	Medical Assistance Reimbursements (Access)	14,000	42,153	28,153
8690	Other Restricted Federal Grants-In-Aid	-	-	-
TOTAL REVENUE FROM FEDERAL SOURCES		489,138	749,689	260,551
9000 - Other Financing Sources				
9200	Proceeds From Extended Term Financing	-	-	-
9310	Debt Service Fund Transfers	-	-	-
9400	Sale of or Compensation For Loss of Fixed Assets	1,000	2,004	1,004
9990	Insurance Recoveries	-	-	-
TOTAL OTHER FINANCING SOURCES		1,000	2,004	1,004
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 40,293,123	\$ 41,212,425	\$ 919,302

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018

1000 - Instruction	Budget	Actual	Variance
1110 Instruction - Regular	15,390,607	15,388,816	1,791
1190 Instruction - Federally Funded Programs	826,344	825,449	895
1211 Life Skills Support - Public	622,466	621,055	1,411
1221 Deaf or Hearing Impaired Support	197,500	196,854	646
1224 Blind or Visually Impaired Support	116,000	115,231	769
1225 Speech & Language Support	376,369	375,096	1,273
1231 Emotional Support - Public	757,432	756,543	889
1233 Autistic Support	944,199	943,330	869
1241 Learning Support - Public	2,821,793	2,821,396	397
1243 Gifted Support	124,023	123,816	207
1260 Physical Support	10,000	9,425	575
1270 Multi-handicapped Support	84,000	82,661	1,339
1280 Early Intervention Support	1,000	477	523
1290 Other Support	15,500	14,046	1,454
1310 Agricultural Education	15,000	14,468	532
1380 Trade and Industrial Education	-	-	-
1390 Other Vocational Education	915,937	915,910	27
1420 Summer School	5,000	4,455	545
1430 Homebound Instruction	3,400	2,961	439
1441 Adjudicated/Court Placed Programs	17,000	16,178	822
1442 Alternative Education Program	5,000	4,853	147
1450 Instructional Programs Outside the Established Sch.	-	-	-
1500 Nonpublic School Programs	1,500	1,488	12
1690 Adult Education Programs	-	-	-
1700 Higher Education Programs	5,000	4,485	515
Total Instruction	23,255,070	23,238,993	16,077
2000 - Support Services			
2111 Supervision of Pupil Personnel Services	900	465	435
2120 Guidance Services	779,553	778,808	745
2122 Counseling Services	96,744	96,483	261
2124 Information Services	1,000	200	800
2140 Psychological Services	241,084	240,560	524
2160 Social Work Services	-	-	-
2170 Student Accounting Services	9,104	8,544	560
2190 Other Pupil Personnel Services	77,150	75,866	1,284
2220 Technology Support Services	233,795	232,269	1,526
2250 School Library Services	486,316	485,018	1,298
2260 Instruction and Curriculum Development Services	252,359	251,923	436
2270 Instructional Staff Development Services	800	-	800
2271 Instructional Staff Development Services (Certified)	114,000	114,000	-
2280 Nonpublic Support Services	950	-	950
2310 Board Services	46,725	45,143	1,582
2320 Board Treasurer Services	-	-	-
2330 Tax Assessment and Collection Services	134,132	133,501	631
2350 Legal Services	13,000	12,504	496
2360 Office of the Superintendent Services	415,205	413,534	1,671
2380 Office of the Principal Services	1,603,950	1,601,667	2,283
2420 Medical Services	2,500	2,000	500
2430 Dental Services	500	426	74
2440 Nursing Services	445,296	444,467	829
2511 Supervision of Fiscal Services	175,183	175,081	102
2519 Other Fiscal Services	358,880	356,075	2,805
2530 Warehousing and Distributing Services	4,000	3,867	133
2590 Other Support Services - Business	10,000	8,983	1,017
Sub - Total Support Services	5,503,126	5,481,384	21,742

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	Sub - Total Support Services (carried forward)	5,503,126	5,481,384	21,742
2610	Supervision of Operation and Maint. of Plant Svcs.	1,000	110	890
2611	Supervision of Operation and Maint. of Plant Svcs.- Head	202,598	201,250	1,348
2620	Operation of Building Services	3,102,875	3,100,307	2,568
2630	Care and Upkeep of Grounds Services	6,500	5,296	1,204
2640	Care and Upkeep of Equipment Services	9,500	8,760	740
2650	Vehicle Operation and Maint. Services	2,000	1,453	547
2710	Supervision of Student Transportation Services	2,000	1,546	454
2711	Supervision of Student Transportation Services - Head	103,974	102,803	1,171
2720	Vehicle Operation Services	1,581,265	1,580,602	663
2750	Non-Public Transportation	184,000	182,380	1,620
2811	Supervision of Planning, Research and Development	100	45	55
2818	System-Wide Technology Services	939,654	939,206	448
2821	Supervision of Information Services	162,112	161,509	603
2834	Staff Development Services - Non-Instructional	30,000	25,470	4,530
2836	Staff Development Services - Non-Instructional	5,000	4,477	523
2900	Other Support Services	30,000	29,946	54
2910	Support services not listed elsewhere in the 2000	802	-	802
	Total Support Services	11,866,506	11,826,544	39,962
	<u>3000 - Operation of Non-Instructional Services</u>			
3210	School Sponsored Student Activities	62,280	61,105	1,175
3250	School Sponsored Athletics	733,545	732,517	1,028
3300	Community Services	36,000	35,754	246
	Total Non-Instructional Services	831,825	829,376	2,449
	<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>			
4200	Existing Site Improvement Services	62,000	60,996	1,004
4600	Existing Building Improvement Services	-	-	-
	Total Facilities Acquisition, Construction and Improve. Svcs.	62,000	60,996	1,004
	<u>5000 - Other Expenditures and Financing Uses</u>			
5110	Debt Service	3,851,588	3,850,548	1,040
5130	Refund of Prior Yr. Receipts	38,000	37,418	582
5230	Capital Projects Fund Transfers Out	2,099,500	2,500,000	(400,500)
5900	Budgetary Reserve	-	-	-
	Total Other Expenditures and Financing Uses	5,989,088	6,387,966	(398,878)
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 42,004,489	\$ 42,343,875	\$ (339,386)

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 40,293,123	\$ 41,212,425	\$ 919,302
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>42,004,489</u>	<u>42,343,875</u>	<u>(339,386)</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,711,366)	(1,131,450)	579,916
Special Items	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	(1,711,366)	(1,131,450)	579,916
FUND BALANCE - JULY 1, 2017	<u>14,634,236</u>	<u>15,777,113</u>	<u>1,142,877</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 12,922,870</u>	<u>\$ 14,645,663</u>	<u>\$ 1,722,793</u>

Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

REVENUES

Lunches	\$ 613,222	
Special Functions	28,508	
Federal Subsidy	555,061	
Donated Commodities Received	104,157	
State Subsidy	37,961	
State Reimbursement - FICA & Retirement	105,433	
Other Food Service Revenue	-	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	-	
Interest	<u>3,344</u>	
TOTAL REVENUES		\$ 1,447,686

COST OF GOODS SOLD

Inventory - July 1, 2017	36,337	
Food and Milk	362,518	
Donated Commodities	104,156	
Supplies	39,494	
LESS - Inventory - June 30, 2018	<u>(49,830)</u>	
TOTAL COST OF GOODS SOLD		<u>492,675</u>

GROSS PROFIT

955,011

EXPENSES

Salaries	527,981	
Benefits	405,269	
Professional Fees	2,285	
Travel	2,273	
Repairs	25,340	
Rentals	-	
Food Handling Costs	5,626	
Depreciation	7,150	
Purchased Services	17,776	
Uncapitalized Equipment	4,283	
Dues and Fees	616	
Other	<u>-</u>	
TOTAL EXPENSES		<u>998,599</u>

CHANGES IN FUND NET POSITION

(43,588)

FUND NET POSITION - BEGINNING

(898,175)

Prior Period Adjustment

(53,709)

FUND NET POSITION - ENDING

\$ (995,472)

**Hamburg Area School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2018**

ASSETS

Cash and Cash Equivalents	\$ 271,763
Due From Other Funds	112,473
Intergovernmental Receivables	90,894
Other Receivables	-
Inventory	
- Food	17,145
- Supplies	-
- Federal Commodities	32,685
Prepaid Expenses	-
Equipment (net of accum. Depreciation)	113,787

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Changes in Proportion	14,319
Deferred Outflows - Current Year Contributions	163,411
Deferred Outflows - Change in Assumptions	54,974
Deferred Outflows - Diff. between Investment Earnings	54,968

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$	<u>926,419</u>
--	-----------	-----------------------

LIABILITIES

Accounts Payable	\$ 259
Due to Other Funds	5,237
Accrued Salaries and Benefits	20,598
Compensated Absences	39,228
Prepayments from Students	16,620
Net OPEB Liability - Single Employer	46,097
Net OPEB Liability - Multiple Employer Plan	76,147
Net Defined Contribution Pension Liability	9,129
Net Pension Liability	1,690,149

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Difference in Investment Earnings	-	
Deferred Inflows - Projected vs Actual Contributions	4,483	
Deferred Inflows - Change in Proportion - NPL	-	
Deferred Inflows - Diff. in Expected vs Actual Experience	13,944	1,921,891

FUND NET POSITION		<u>(995,472)</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$	<u>926,419</u>
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**Hamburg Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2018**

FUND BALANCE - JULY 1, 2017		\$	19,927
REVENUES AND OTHER FINANCING SOURCES			
Interest	\$	6,947	
Refund of Prior Year Expenditures		-	
Interfund Transfers In		<u>2,500,000</u>	<u>2,506,947</u>
TOTAL FUNDS AVAILABLE			<u>2,526,874</u>
EXPENDITURES			
INSTRUCTIONAL SERVICES:			
General Supplies		-	
Equipment		-	
SUPPORT SERVICES:			
Professional Services		-	
Misc. Purchased Services		-	
Other Admin. Services		-	
General Supplies		-	
Equipment		-	
CAPITAL OUTLAY:			
Professional Services		745	
Rentals		-	
Construction Services		-	
Land Purchases		-	
Supplies		-	
Equipment		-	
Dues and Fees		-	
OTHER FINANCING USES			
Interfund Transfers Out		<u>-</u>	<u>745</u>
FUND BALANCE - JUNE 30, 2018		<u>\$</u>	<u>2,526,129</u>

**Hamburg Area School District
Debt Service Stabilization Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2018**

FUND BALANCE - JULY 1, 2017	\$	427,368
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REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding of Bonds	\$	-	
Transfer from General Fund		-	
Interest		<u>1,370</u>	<u>1,370</u>

TOTAL FUNDS AVAILABLE			428,738
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EXPENDITURES AND OTHER FINANCING USES

SUPPORT SERVICES:

Professional Services	-
Insurance	-
Printing	-

DEBT SERVICE:

Bond Principal	-
Bond Interest	-

OTHER FINANCING USES:

Transfer to General Fund	-	
Payment to Refunded Bonds Escrow Agent	<u>-</u>	<u>-</u>

FUND BALANCE - JUNE 30, 2018	<u>\$</u>	<u>428,738</u>
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**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2011
For the Year Ended June 30, 2018**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2018-19	3.000%	\$ 253,744	\$ 1,510,000
2019-20	3.375%	202,782	1,565,000
2020-21	3.625%	146,050	2,140,000
2021-22	3.750%	65,800	1,645,000
TOTAL OUTSTANDING		\$ 668,376	\$ 6,860,000

**Schedule on General Obligation Bonds
Series of 2014
For the Year Ended June 30, 2018**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2018-19	2.00	\$ 27,800	\$ 550,000
2019-20	3.00	16,800	560,000
TOTAL OUTSTANDING		\$ 44,600	\$ 1,110,000

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2014
For the Year Ended June 30, 2018**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2018-19	1.500	\$ 275,791	\$ 170,000
2019-20	2.000	273,241	175,000
2020-21	2.000	269,741	175,000
2021-22	2.125	266,241	185,000
2022-23	2.250	262,310	185,000
2023-24	2.400	258,148	2,590,000
2024-25	3.000	195,988	2,660,000
2025-26	3.250	116,188	60,000
2026-27	3.250	114,238	1,060,000
2027-28	3.250	79,787	2,455,000
TOTAL OUTSTANDING		\$ 2,111,673	\$ 9,715,000

**Schedule on General Obligation Bonds
Series of 2015
For the Year Ended June 30, 2018**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2018-19	1.40	\$ 322,245	\$ 5,000
2019-20	2.00	322,175	35,000
2020-21	2.00	321,475	110,000
2021-22	2.00	319,275	110,000
2022-23	2.25	317,075	120,000
2023-24	2.25	314,375	115,000
2024-25	2.25	311,787	120,000
2025-26	3.00	309,088	125,000
2026-27	3.00	305,338	125,000
2027-28	3.00	301,587	135,000
2028-29	3.25	297,538	135,000
2029-30	3.250	293,150	3,550,000
2030-31	3.000	177,775	80,000
2031-32	3.000	175,375	1,150,000
2032-33	3.500	140,875	4,025,000
TOTAL OUTSTANDING		\$ 4,229,133	\$ 9,940,000

Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2016
For the Year Ended June 30, 2018

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2018-19	2.80	\$ 144,480	\$ 5,000
2019-20	2.80	144,340	65,000
2020-21	2.80	142,520	85,000
2021-22	2.80	140,140	85,000
2022-23	2.80	137,760	85,000
2023-24	2.80	135,380	90,000
2024-25	2.80	132,860	90,000
2025-26	4.25	144,589	80,000
2026-27	4.25	194,438	35,000
2027-28	4.25	192,950	35,000
2028-29	4.25	191,462	1,300,000
2029-30	4.250	136,212	25,000
2030-31	4.250	135,150	1,815,000
2031-32	4.250	58,013	1,365,000
TOTAL OUTSTANDING		\$ 2,030,294	\$ 5,160,000

Schedule on General Obligation Bonds
Series B of 2016
For the Year Ended June 30, 2018

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2018-19	2.80	\$ 131,600	\$ -
2019-20	2.80	131,600	-
2020-21	2.80	131,600	-
2021-22	2.80	131,600	60,000
2022-23	2.80	129,920	80,000
2023-24	2.80	127,680	85,000
2024-25	2.80	125,300	85,000
2025-26	4.25	136,358	75,000
2026-27	4.25	183,388	30,000
2027-28	4.25	182,112	30,000
2028-29	4.25	180,838	1,045,000
2029-30	4.25	136,425	25,000
2030-31	4.25	135,362	1,820,000
2031-32	4.25	58,013	1,365,000
TOTAL OUTSTANDING		\$ 1,921,796	\$ 4,700,000

**Hamburg Area School District
Schedule on General Obligation Bonds
Series C of 2016
For the Year Ended June 30, 2018**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2018-19	3.25	\$ 1,137	\$ 35,000
TOTAL OUTSTANDING		\$ 1,137	\$ 35,000

**Schedule on General Obligation Bonds
Series of 2017
For the Year Ended June 30, 2018**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2018-19	2.70	\$ 265,950	\$ 90,000
2019-20	2.70	263,520	140,000
2020-21	2.70	259,740	140,000
2021-22	2.70	255,960	775,000
2022-23	2.70	235,035	2,450,000
2023-24	2.70	168,885	115,000
2024-25	2.70	165,780	120,000
2025-26	2.70	182,239	2,780,000
2026-27	4.25	137,700	1,825,000
2027-28	4.25	60,137	580,000
2028-29	4.25	35,488	835,000
TOTAL OUTSTANDING		\$ 2,030,434	\$ 9,850,000

SINGLE AUDIT SECTION

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/17	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/18	FOOTNOTES
U. S. DEPARTMENT OF EDUCATION											
PASSED THROUGH PA DEPARTMENT OF EDUCATION											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-17-0178A	7/1/16-9/30/17	\$ 457,338	157,542	60,823	96,719	96,719	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-18-0178A	7/1/17-9/30/18	\$ 565,728	445,988	-	510,902	510,902	64,914	
TOTAL TITLE I PROGRAM						603,530	60,823	607,621	607,621	64,914	
						-----	-----	-----	-----	-----	
PASSED THROUGH PA DEPARTMENT OF EDUCATION											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-17-0178A	7/1/16-9/30/17	\$ 67,800	(472)	(472)	-	-	-	2 5
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-18-0178A	7/1/17-9/30/18	\$ 96,441	55,226	-	87,144	87,144	31,918	
TOTAL TITLE II PROGRAM						54,754	(472)	87,144	87,144	31,918	
						-----	-----	-----	-----	-----	
PASSED THROUGH PA DEPARTMENT OF EDUCATION											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICH	I	84.424	N/A	N/A	\$ -	-	-	-	-	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICH	I	84.424	144-18-0178	7/1/16-9/30/17	\$ 12,771	9,122	-	12,771	12,771	3,649	
TOTAL TITLE IV PROGRAM						9,122	-	12,771	12,771	3,649	
						-----	-----	-----	-----	-----	
PASSED THROUGH THE BERKS COUNTY I.U.											
IDEA	I	84.027	N/A	7/1/16-9/30/17	\$ 355,851	158,967	158,967	-	-	-	2 1
IDEA	I	84.027	N/A	7/1/17-9/30/18	\$ 351,517	136,234	-	351,517	351,517	215,283	
IDEA - SECTION 619	I	84.173	N/A	7/1/16-9/30/17	\$ 1,637	-	-	-	-	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/17-9/30/18	\$ 6,500	6,500	-	6,500	6,500	-	1
TOTAL IDEA CLUSTER						301,701	158,967	358,017	358,017	215,283	
TOTAL U.S. DEPARTMENT OF EDUCATION						969,107	219,318	1,065,553	1,065,553	315,764	
						-----	-----	-----	-----	-----	
U. S. DEPT. OF AGRICULTURE											
PASSED THROUGH THE PA. DEPT OF EDUCATION											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/16-6/30/17	N/A	68,833	68,833	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/17-6/30/18	N/A	412,561	-	487,061	487,061	74,500	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/16-6/30/17	N/A	2,128	2,128	-	-	-	6
BREAKFAST PROGRAM	I	10.553	N/A	7/1/17-6/30/18	N/A	-	-	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/16-6/30/17	N/A	7,569	7,569	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/17-6/30/18	N/A	57,219	-	68,000	68,000	10,781	
PASSED THROUGH THE PA DEPARTMENT OF AGRICULTURE											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/17-6/30/18	N/A	104,156	(15,087)	86,559	86,559	(32,684)	2 3,4
TOTAL CHILD NUTRITION CLUSTER						652,466	63,443	641,620	641,620	52,597	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						652,466	63,443	641,620	641,620	52,597	
TOTAL FEDERAL AWARDS						\$ 1,621,573	\$ 282,761	\$ 1,707,173	\$ 1,707,173	\$ 368,361	

SOURCE: D-DIRECT; I-INDIRECT

Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2018

Note 1 - Significant Accounting Policies

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

Note 2 - Organization and Scope

The District recognized 2.6% of its total general fund revenue in federal awards and 44.3% of its total enterprise fund revenue.

Note 3 – Indirect Costs

The District did not charge any indirect costs to any of their federal grants and programs during this fiscal year. As such, the District did not use the 10% de minimis cost rate.

Note 4 - Program Disclosure – Footnotes

1. The federal awards passed through the Berks County Intermediate Unit, under the U.S. Department of Education heading, are part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenue.
2. The Federal Grants were passed through the following entities in the totals below:

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 1,200,078	\$ 1,262,597
Berks County I.U.	715,505	358,017
PA Department of Agriculture	N/A	86,559
Totals	\$ 1,915,583	\$ 1,707,173

3. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$104,156 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2017-18 fiscal year, the District used \$86,559 in commodities and established a year-end inventory of \$32,684 at June 30, 2018.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used versus the commodities received, which are recognized as revenue in the basic financial statements.
5. The Pennsylvania Department of Education (PDE) over-paid the District \$472 for the Title II program. This amount was owed back to PDE as of June 30, 2017.
6. The opening balance in the Accrued (Deferred) column, as of July 1, 2017 is not equal to the prior year's ending Accrued/(Deferred) column as of June 30, 2017 by \$4,905. This was a result of a calculation error made when preparing the prior year's Schedule of Expenditures of Federal Awards. The prior year's Severe Need Breakfast program was reported as having an outstanding receivable of \$12,474 at June 30, 2017 when in fact the receivable should have been \$7,569.

Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2018

7. The Medical Access grant passed through the PA Department of Education is reflected as federal source revenue on the basic financial statements; however pursuant to instructions from the commonwealth of PA, it is not reported as revenue on the Schedule of Expenditures of Federal Awards.

<u>FINANCIAL STATEMENT RECONCILIATION</u>	
General Fund Federal Source Revenues	\$ 749,689
Federal Grants in Local Sources	358,017
Food Service Fund Federal Revenue	<u>659,218</u>
Total Federal Revenue, per financial statements	1,766,924
Less - Medical Access	(42,153)
Change in Donated Commodities	<u>(17,598)</u>
Federal Revenue on SEFA	<u>\$ 1,707,173</u>



GORMAN & ASSOCIATES, P.C.

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Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT UNDER GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Hamburg Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hamburg Area School District's basic financial statements, and have issued our report thereon dated November 13, 2018.

Internal Control over Financial Reporting

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

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

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

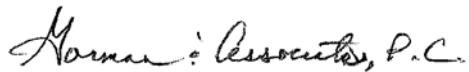
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

November 13, 2018



GORMAN & ASSOCIATES, P.C.

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Florida Institute of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
UNDER UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Hamburg Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement that could have a direct and material effect on each of Hamburg Area School District's major federal programs for the year ended June 30, 2018*. Hamburg Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hamburg Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hamburg Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hamburg Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Hamburg Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hamburg Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamburg Area School District's internal control over compliance.

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

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

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

Respectfully submitted,



November 13, 2018

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) Identified? ☐ yes ☒ no
- Significant Deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) Identified? ☐ yes ☒ no
- Significant Deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance ☐ yes ☒ no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
10.553,10.555	Child Nutrition Cluster

Percentage of programs tested to total awards 37.6%

Dollar threshold used to distinguish between type A and type B program: \$ 750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section II - Financial Statement Findings

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

Section III - Findings and Questioned Costs for Federal Awards

There were no findings discovered, relating to the federal awards, which are required to be reported in accordance with Uniform Guidance Section 200.516.

Audit Follow-Up Procedures

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