

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2019**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2019

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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, 2019, 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 18, 2019



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, 2019, and have issued our report thereon dated November 18, 2019.

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 27, 2019.

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

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

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

We have requested certain representations from management that are included in the management representation letter provided to us on November 18, 2019. 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 2018-19 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

Use of Activity Funds

While sampling various expenditures in the activity funds, we found a few instances where the activity fund money was being used inappropriately. There was one account for personal family living where money was used to purchase supplies for sewing projects that were a part of the school's regular curriculum. Student activity funds are meant to fund extracurricular type activities and purchasing school supplies such as this, circumvents management and purchasing decisions made for the District by the board or administration. In another instance, money collected via fundraising was used to help families in need. While students may raise money for charitable causes, it is generally discouraged to use money within an activity fund that will benefit individual students or families. An exception to this would be scholarships to students that participate in the activity fund itself.

If a student activity club wishes to contribute funds to a charitable cause, it is our recommendation the club donate the funds to a specific not-for-profit charity that could then disburse the money to the appropriate cause. It is our recommendation that the administration more thoroughly review activity fund expenditures to ensure that the students' funds are being used appropriately for extracurricular activities.

RECOMMENDATIONS

ACT 169 Tax Collector Reports – Borough of Hamburg

During our testing of current real estate taxes collected in the Borough of Hamburg, we discovered some issues with how installment payments were being handled. For example, a taxpayer would make an installment payment in July, and then their mortgage company will make an escrow payment in August. Since the original payment was already recorded in collections in July, the tax collector deletes the installment payment and the escrow payment, and then makes a new entry for the escrow payment. Then, the tax collector adds the duplicate payments to additions in the collections section of the Act 169 report, and increases collections for the month as well to arrive at the correct ending balance. As a result, the paid bills report does not coincide with the face amount of collections and revenue is overstated for the month. In addition, the total cash collected on the Act 169 report does not match the tax collector's reconciliation.

It is our recommendation that the client add a line to the bottom portion of the Act 169 report that contains overpayments. By doing so, the tax collector would not have to add an overpayment to additions in the top portion of the report, and ultimately an overpayment to the face collections for the month. Entering the overpayments below the face amount of collections at the bottom of the report would make the collections

match the paid bills report, as well as accurately reporting total cash collected for the month. This would also alert the District to the need to possibly issue refunds for any overpayments.

OTHER INFORMATION

Activity Funds

GASB Statement No. 84 on Fiduciary Activities becomes effective for the 2019-20 fiscal year. Since this date is for next fiscal year, we want to make sure you correct any recordkeeping that will be needed. 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 Schools 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.

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.

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,



November 18, 2019

REPORT DISTRIBUTION LIST

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

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

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

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

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Hamburg Area School District, as of and for the year ended June 30, 2019, 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, 2019, 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, 2018, the Hamburg Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*, and Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements.

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 10-18, 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 84-90, 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

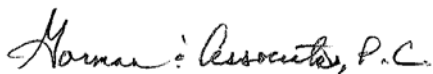
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamburg Area School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, by Title 2 U.S. 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 18, 2019, on our consideration of the Hamburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamburg Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



November 18, 2019

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2019

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, 2019.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by \$702,388. However due to a \$1,368,551 transfer to the capital reserve fund, the general fund's fund balance decreased by the amount of \$666,163. The primary reasons for the excess of revenues over expenditures were a \$263,000 increase in transfer tax revenue and a \$218,000 increase in earnings on investments over budget, and the delayed hiring of open positions, a \$436,000 decrease in special education versus budget, and strict control of expenditures.

The Board of Directors passed a 2018-19 budget without a real estate tax increase.

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 (\$10,142,022) at June 30, 2019, an increase of \$320,865. The governmental net position increased by \$285,126, while business-type net position increased by \$35,739.

Table A-1
Fiscal Year Ended June 30, 2019
Net Position

	2019				2018		
	Govern- mental Activities	Business- type Activities	Total		Govern- mental Activities	Business- type Activities	Total
Current and Other Assets	\$ 23,725,830	\$ 518,136	\$ 24,142,367	(1)	\$ 22,781,867	\$ 524,960	\$ 23,189,117
Non-Current Assets	70,650,937	158,305	70,809,242		72,278,878	113,787	72,392,665
Deferred Outflow of Resource	11,493,254	252,198	11,745,452		13,277,437	287,672	13,565,109
Total Assets & Deferred							
Outflow of Resources	\$ 105,870,021	\$ 928,639	\$ 106,697,061		\$ 108,338,182	\$ 926,419	\$ 109,146,891
Current and Other Liabilities	\$ 7,499,616	\$ 40,044	\$ 7,438,061	(1)	\$ 7,038,355	\$ 42,714	\$ 6,963,359
Long-term Liabilities	107,145,102	1,815,126	108,960,228		110,622,806	1,860,750	112,483,556
Deferred Inflow of Resources	407,592	33,202	440,794		144,436	18,427	162,863
Total Liabilities & Deferred							
Inflow of Resources	\$ 115,052,310	\$ 1,888,372	\$ 116,839,083		\$ 117,805,597	\$ 1,921,891	\$ 119,609,778
Net Position							
Net Investment in Capital Assets	\$ 29,287,658	\$ 158,305	\$ 29,445,963		\$ 28,951,519	\$ 113,787	\$ 29,065,306
Restricted	3,797,771	-	3,797,771		2,526,129	-	2,526,129
Unrestricted	(42,267,718)	(1,118,038)	(43,385,756)		(40,945,063)	(1,109,259)	(42,054,322)
Total Net Position	\$ (9,182,289)	\$ (959,733)	\$ (10,142,022)		\$ (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, 2019
Changes in Net Position

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 78,591	\$ 628,383	\$ 706,974	\$ 79,662	\$ 641,730	\$ 721,392
Operating grants and contributions	7,533,602	803,680	8,337,282	7,401,037	802,612	8,203,649
Capital grants and contributions	385,676	-	385,676	534,933	-	534,933
<i>General Revenues</i>						
Property taxes	22,413,038	-	22,413,038	22,022,049	-	22,022,049
Other taxes	2,905,672	-	2,905,672	3,055,988	-	3,055,988
Grants, subsidies and contributions	7,710,275	-	7,710,275	7,686,129	-	7,686,129
Other	756,873	6,404	763,277	469,174	3,344	472,518
Total Revenues	41,783,727	1,438,467	43,222,194	41,248,972	1,447,686	42,696,658
Expenses						
Instruction	24,349,374	-	24,349,374	24,088,098	-	24,088,098
Instructional student support	3,230,858	-	3,230,858	2,843,343	-	2,843,343
Administrative and financial support	3,954,569	-	3,954,569	3,984,473	-	3,984,473
Operation and maintenance of plant	3,496,056	-	3,496,056	3,317,002	-	3,317,002
Pupil transportation	1,979,113	-	1,979,113	1,876,465	-	1,876,465
Student activities	835,560	-	835,560	825,142	-	825,142
Community services	40,132	-	40,132	35,754	-	35,754
Interest on long-term debt	1,821,582	-	1,821,582	1,924,999	-	1,924,999
Unallocated depreciation expense	1,791,357	-	1,791,357	1,796,079	-	1,796,079
Food services	-	1,402,728	1,402,728	-	1,491,274	1,491,274
Total Expenses	41,498,601	1,402,728	42,901,329	40,691,355	1,491,274	42,182,629
Increase (decrease) in net position	\$ 285,126	\$ 35,739	\$ 320,865	\$ 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 51.2% 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, 2019
Governmental Activities

Functions/Programs	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 24,349,374	\$ 18,865,783	\$ 24,088,098	\$ 18,601,320
Instructional Student Support	3,230,858	2,830,207	2,843,343	2,495,407
Administrative	3,954,569	3,602,344	3,984,473	3,643,769
Operation and Maintenance	3,496,056	3,258,909	3,317,002	3,119,513
Pupil Transportation	1,979,113	992,366	1,876,465	910,170
Student Activities	835,560	692,905	825,142	685,066
Community Services	40,132	30,955	35,754	34,333
Interest on Long-term Debt	1,821,582	1,435,906	1,924,999	1,390,066
Unallocated Depreciation Expense	1,791,357	1,791,357	1,796,079	1,796,079
Total Governmental Activities	\$ 41,498,601	\$ 33,500,732	\$ 40,691,355	\$ 32,675,723
Less:				
Unrestricted Grants and Subsidies		7,710,275		7,686,129
Total Contribution from Local Taxes and other Revenues		\$ 25,790,457		\$ 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 \$35,739 surplus. 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, 2019
Business-type Activities

Functions/Programs	2019		2018	
	Total Cost of Services	Net Revenue	Total Cost of Services	Net Revenue
Food Services	\$ 1,402,728	\$ 29,335	\$ 1,491,274	\$ (46,932)
Less:				
Investment Earnings		6,404		3,344
Gain/Loss Asset Sale		-		-
Total business-type Activities		\$ 35,739		\$ (43,588)

The District Funds:

At June 30, 2019, the District governmental funds reported a combined fund balance of \$18,211,025. This represents an increase of \$610,495 from the prior year. The reason for this increase is transfer taxes and earnings on investments that were greater than budgeted and strict control of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets net of accumulated depreciation decreased \$1,528,978, or 2.1%. 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

	6/30/2018	6/30/2019	Change
Land and Land Improvements (net of Accum Depreciation)	\$ 2,012,757	\$ 1,913,794	\$ -
Building and Building Improvements (net of Accum Depreciation)	69,448,101	67,755,374	(1,692,727)
Furniture and Equipment (net of Accum Depreciation)	818,020	900,241	82,221
Construction in Progress	-	81,528	81,528
TOTAL	\$ 72,278,878	\$ 70,650,937	\$ (1,528,978)

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 113,787	\$ 158,305	\$ 44,518
Total	\$ 113,787	\$ 158,305	\$ 44,518

DEBT ADMINISTRATION:

As of June 30, 2019, the District had outstanding debt of \$45,050,000. Figure A-7 shows outstanding debt at June 30, 2019.

Table A-7
Outstanding Debt

	<u>2019</u>	<u>2018</u>
General Obligation Bonds		
-Series of 2011 A	\$ 5,350,000	\$ 6,860,000
-Series of 2014	560,000	1,110,000
-Series of 2014 A	9,545,000	9,715,000
-Series of 2015	9,935,000	9,940,000
-Series of 2016 A	5,155,000	5,160,000
-Series of 2016 B	4,700,000	4,700,000
-Series of 2016 C	-	35,000
-Series of 2017	9,760,000	9,850,000
	-	-
Total	\$ 45,005,000	\$ 47,370,000

LOOKING TO THE FUTURE:

CAPITAL PROJECTS:

The District is in the process of upgrading the HVAC systems at the High School, Fieldhouse, and Tilden Elementary. The next major project is the replacement of the field turf at the High School stadium. This project will begin in late spring/early summer of 2020. Projects currently in the planning stages are a new roof and HVAC upgrade at the Middle School.

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

BUDGET 2019-2020

The Board of School Directors approved a 0 millage increase for 2019-2020. 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 2019-20 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>2018-2019</u>	<u>2019-2020</u>
Local	62.6%	62.7%
State	35.7%	35.5%
Federal/Other	1.7%	1.8%

BUDGETED EXPENDITURES

	<u>2018-2019</u>	<u>2019-2020</u>
Instruction	59.0%	57.9%
Support Services	29.8%	31.3%
Non Instruction/Community	2.1%	2.0%
Fund Transfers/Debt	9.1%	8.8%

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, 2019**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 14,043,159	\$ 291,840	\$ 14,334,999
Investments	6,484,000	-	6,484,000
Receivables, net	1,159,966	-	1,159,966
Internal Balances	-	101,599	- (1)
Due From Other Governments	1,882,465	82,700	1,965,165
Other Receivables	106,520	-	106,520
Inventories	49,720	41,997	91,717
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
Total Current Assets	23,725,830	518,136	24,142,367
Non-Current Assets:			
Land	589,069	-	589,069
Site Improvements (net of depreciation)	1,324,725	-	1,324,725
Building and Bldg. Improvements (net of depreciation)	67,755,374	-	67,755,374
Furniture and Equipment (net of depreciation)	900,241	158,305	1,058,546
Construction in Progress	81,528	-	81,528
Total Non-Current Assets	70,650,937	158,305	70,809,242
Total Assets	94,376,767	676,441	94,951,609
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion	615,292	17,708	633,000
Deferred Outflows of Resources - Current Year Contributions	5,625,076	173,757	5,798,833
Deferred Outflows of Resources - Change in Assumptions	1,108,809	39,504	1,148,313
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	18,490	608	19,098
Deferred Outflows of Resources - Difference in Proj. vs Actual Invest, Earnings	276,379	20,621	297,000
Deferred Outflows of Resources - Difference in Expected vs Actual Experience	-	-	-
Deferred Outflows of Resources - Diff. between Proportionate Share vs Actual Paid - Separately Financed Liabilities	934	-	934
Deferred Amount on Debt Refundings, net	3,848,274	-	3,848,274
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 105,870,021	\$ 928,639	\$ 106,697,061
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 101,599	\$ -	\$ - (1)
Due to other governments	92,121	-	92,121
Accounts Payable	425,034	242	425,276
Current Portion of Long-Term Obligations	2,612,357	-	2,612,357
Accrued Salaries and Benefits	3,931,336	26,815	3,958,151
Payroll Deductions and Withholdings	-	-	-
Payments Received in Advance	-	12,987	12,987
Other Current Liabilities	337,169	-	337,169
Total Current Liabilities	7,499,616	40,044	7,438,061
Non-Current Liabilities:			
Bonds Payable	42,644,973	-	42,644,973
Net OPEB Liability - Single Employer Plan	2,940,815	51,260	2,992,075
Net OPEB Liability - Multiple Employer Plan	2,525,234	78,426	2,603,660
Long-Term Portion of Compensated Absences	869,649	28,043	897,692
Net Defined Contribution Pension Liability	249,542	7,303	256,845
Net Defined Benefit Pension Liability	57,901,420	1,650,094	59,551,514
Capital Lease Obligations	13,469	-	13,469
Total Liabilities	114,644,718	1,855,170	116,398,289
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	-	-	-
Deferred Inflows of Resources - Difference in Proj. vs Actual Invest, Earnings	-	-	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	407,592	33,202	440,794
Deferred Inflows of Resources - Diff. between Proportionate Share vs Actual Paid - Separately Financed Liabilities	-	-	-
Unearned Revenue from Grants	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	115,052,310	1,888,372	116,839,083
NET POSITION			
Net Investment in Capital Assets	29,287,658	158,305	29,445,963
Restricted For:			
Capital Projects	3,797,771	-	3,797,771
Other Restrictions	-	-	-
Unrestricted (deficit)	(42,267,718)	(1,118,038)	(43,385,756)
TOTAL NET POSITION	(9,182,289)	(959,733)	(10,142,022)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 105,870,021	\$ 928,639	\$ 106,697,061

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, 2019**

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	\$ 24,349,374	\$ -	\$ 5,483,591	\$ -	\$ (18,865,783)	\$ -	\$ (18,865,783)
Instructional Student Support	3,230,858	-	400,651	-	(2,830,207)	-	(2,830,207)
Admin. & Fin'l Support Services	3,954,569	-	352,225	-	(3,602,344)	-	(3,602,344)
Oper. & Maint. Of Plant Svcs.	3,496,056	-	237,147	-	(3,258,909)	-	(3,258,909)
Pupil Transportation	1,979,113	-	986,747	-	(992,366)	-	(992,366)
Student activities	835,560	78,591	64,064	-	(692,905)	-	(692,905)
Community Services	40,132	-	9,177	-	(30,955)	-	(30,955)
Interest on Long-Term Debt	1,821,582	-	-	385,676	(1,435,906)	-	(1,435,906)
Unallocated Depreciation Expense	1,791,357	-	-	-	(1,791,357)	-	(1,791,357)
TOTAL GOVERNMENT ACTIVITIES	41,498,601	78,591	7,533,602	385,676	(33,500,732)	-	(33,500,732)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,402,728	628,383	803,680	-	-	29,335	29,335
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 42,901,329	\$ 706,974	\$ 8,337,282	\$ 385,676	\$ (33,500,732)	\$ 29,335	\$ (33,471,397)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 22,413,038	\$ -	\$ 22,413,038
Taxes levied for specific purposes					2,905,672	-	2,905,672
Grants, subsidies, & contributions not restricted					7,710,275	-	7,710,275
Investment Earnings					623,076	6,404	629,480
Miscellaneous Income					133,797	-	133,797
Special Item - Gain or (Loss) on sale of capital assets					-	-	-
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					33,785,858	6,404	33,792,262
CHANGES IN NET POSITION					285,126	35,739	320,865
NET POSITION - BEGINNING					(9,467,415)	(995,472)	(10,462,887)
NET POSITION - ENDING					\$ (9,182,289)	\$ (959,733)	\$ (10,142,022)

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

Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2019

	<u>GENERAL</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,806,634	\$ 4,236,524	\$ 14,043,158
Investments	6,484,000	-	6,484,000
Taxes Receivable, net	1,159,966	-	1,159,966
Due from other funds	-	-	-
Due from Other Governments	1,882,465	-	1,882,465
Other Receivables	11,761	-	11,761
Inventories	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 19,344,826	\$ 4,236,524	\$ 23,581,350
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 19,344,826	\$ 4,236,524	\$ 23,581,350
<u>LIABILITIES</u>			
Due to Other Funds	\$ 104,128	\$ -	\$ 104,128
Due to Other Governments	92,121	-	92,121
Accounts Payable	363,157	4,999	368,156
Current Portion of Long-Term Debt	59,246	-	59,246
Accrued Salaries and Benefits	2,603,623	-	2,603,623
Payroll Deductions and Withholdings	1,327,713	-	1,327,713
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	4,549,988	4,999	4,554,987
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue from Property Taxes	815,338	-	815,338
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	5,365,326	4,999	5,370,325
<u>FUND BALANCES</u>			
Nonspendable	-	-	-
Restricted	8,842	3,797,771	3,806,613
Committed	3,095,616	-	3,095,616
Assigned	8,259,094	433,754	8,692,848
Unassigned	2,615,948	-	2,615,948
TOTAL FUND BALANCES	13,979,500	4,231,525	18,211,025
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 19,344,826	\$ 4,236,524	\$ 23,581,350

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, 2019**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 18,211,025

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 \$96,326,704 and the accumulated depreciation is \$25,675,767. 70,650,937

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. 94,759

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. 815,338

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory. 49,720

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. (54,349)

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. 3,848,274

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability 7,237,389

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	\$	(45,184,973)	
Accrued interest on the bonds		(337,169)	
Compensated absences		(869,649)	
Net Defined Benefit Pension Liability		(57,901,420)	
Net Defined Contribution Pension Liability		(249,542)	
Net OPEB Liability - Single Employer		(2,940,815)	
Net OPEB Liability - Multiple Employer		(2,525,234)	
Capital Leases		(26,580)	(110,035,382)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (9,182,289)**

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

Hamburg Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>GENERAL</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Local Sources	\$ 26,391,311	\$ 72,868	\$ 26,464,179
State Sources	14,721,525	-	14,721,525
Federal Sources	<u>583,320</u>	<u>-</u>	<u>583,320</u>
TOTAL REVENUES	<u>41,696,156</u>	<u>72,868</u>	<u>41,769,024</u>
EXPENDITURES			
Instruction	23,828,002	-	23,828,002
Support Services	12,507,719	164,761	12,672,480
Operation of Non-Instructional Services	851,879	-	851,879
Capital Outlay	4,932	-	4,932
Debt Service	<u>3,801,789</u>	<u>-</u>	<u>3,801,789</u>
TOTAL EXPENDITURES	<u>40,994,321</u>	<u>164,761</u>	<u>41,159,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>701,835</u>	<u>(91,893)</u>	<u>609,942</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Refunding Bond Proceeds	-	-	-
Proceeds from Extended Term Financing	-	-	-
Interfund Transfers in	-	1,368,551	1,368,551
Sale/Compensation for Fixed Assets	553	-	553
Insurance Recoveries	-	-	-
Bond Premium	-	-	-
Bond Discount	-	-	-
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	-
Operating Transfers Out	<u>(1,368,551)</u>	<u>-</u>	<u>(1,368,551)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,367,998)</u>	<u>1,368,551</u>	<u>553</u>
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(666,163)	1,276,658	610,495
FUND BALANCES - BEGINNING	<u>14,645,663</u>	<u>2,954,867</u>	<u>17,600,530</u>
FUND BALANCES - ENDING	<u>\$ 13,979,500</u>	<u>\$ 4,231,525</u>	<u>\$ 18,211,025</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, 2019**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 610,495

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	\$ 1,902,212	
less - capital outlays	<u>274,271</u>	(1,627,941)

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

-

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

-

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

(17,864)

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.

2,377,764

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.

(39,324)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **1,303,130**

**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, 2019**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) **\$ 1,303,130**

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. (397,556)

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. 32,014

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. 5,649

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. (658,111)

CHANGE IN POSITION OF GOVERNMENTAL ACTIVITIES **\$ 285,126**

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, 2019**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 291,840	\$ -	\$ 291,840
Investments	-	-	-
Due from other funds	101,599	-	101,599
Due From Other Governments	82,700	-	82,700
Other Receivables	-	-	-
Inventories	41,997	-	41,997
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	518,136	-	518,136
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	158,305	-	158,305
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	158,305	-	158,305
TOTAL ASSETS	\$ 676,441	\$ -	\$ 676,441
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Changes in Proportion	17,708	-	17,708
Deferred Outflows - Current Year Contributions	173,757	-	173,757
Deferred Outflows - Change in Assumptions	39,504	-	39,504
Deferred Outflows - Diff. in Projected vs Actual Contributions	608	-	608
Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	20,621	-	20,621
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 928,639	\$ -	\$ 928,639
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
Accounts Payable	242	-	242
Current Portion of Long-Term Debt	-	-	-
Prepayments from Students	12,987	-	12,987
Accrued Salaries and Benefits	26,815	-	26,815
TOTAL CURRENT LIABILITIES	40,044	-	40,044
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	28,043	-	28,043
Net Defined Contribution Pension Liability	7,303	-	7,303
Net Defined Benefit Pension Liability	1,650,094	-	1,650,094
Net OPEB Liability - Single Employer Plan	51,260	-	51,260
Net OPEB Liability - Multiple Employer Plan	78,426	-	78,426
TOTAL NON-CURRENT LIABILITIES	1,815,126	-	1,815,126
TOTAL LIABILITIES	1,855,170	-	1,855,170
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - Diff. between Projected vs Actual Invest. Earnings	-	-	-
Deferred Inflows - Projected vs Actual Contributions	-	-	-
Deferred Inflows - Change in Proportion - NPL	-	-	-
Deferred Inflows - Diff. between Expected vs Actual Experience	33,202	-	33,202
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,888,372	-	1,888,372
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	158,305	-	158,305
Restricted for Legal Purposes	-	-	-
Unrestricted	(1,118,038)	-	(1,118,038)
TOTAL FUND NET POSITION	(959,733)	-	(959,733)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 928,639	\$ -	\$ 928,639

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, 2019

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 595,602	\$ -	\$ 595,602
Other Operating Revenues	32,781	-	32,781
TOTAL OPERATING REVENUES	<u>628,383</u>	<u>-</u>	<u>628,383</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	487,382	-	487,382
Employee Benefits	357,699	-	357,699
Purchased Professional and Technical Services	2,285	-	2,285
Purchased Property Service	35,328	-	35,328
Other Purchased Services	19,657	-	19,657
Supplies	488,778	-	488,778
Depreciation	9,492	-	9,492
Dues and Fees	647	-	647
Other Operating Expenses	1,460	-	1,460
TOTAL OPERATING EXPENSES	<u>1,402,728</u>	<u>-</u>	<u>1,402,728</u>
OPERATING INCOME (LOSS)	<u>(774,345)</u>	<u>-</u>	<u>(774,345)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	6,404	-	6,404
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	142,899	-	142,899
Federal Sources	660,781	-	660,781
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>810,084</u>	<u>-</u>	<u>810,084</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	35,739	-	35,739
Capital contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	35,739	-	35,739
FUND NET POSITION - BEGINNING	<u>(995,472)</u>	<u>-</u>	<u>(995,472)</u>
FUND NET POSITION - ENDING	<u>\$ (959,733)</u>	<u>\$ -</u>	<u>(959,733)</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, 2019

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 606,476	\$ -	\$ 606,476
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	32,781	-	32,781
Cash Payments to Employees for Services	(834,239)	-	(834,239)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(449,826)	-	(449,826)
Cash Payments to Other Operating Expenses	(2,107)	-	(2,107)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(646,915)	-	(646,915)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	143,469	-	143,469
Federal Sources	571,129	-	571,129
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	714,598	-	714,598
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	(54,010)	-	(54,010)
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	(54,010)	-	(54,010)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	6,404	-	6,404
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	6,404	-	6,404
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,077	-	20,077
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	271,763	-	271,763
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 291,840	\$ -	\$ 291,840

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2019**

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (774,345)	\$ -	\$ (774,345)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	9,492	-	9,492
Donated Commodities Used	104,670	-	104,670
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	-	-
(Increase) Decrease in Advances to Other Funds	10,874	-	10,874
(Increase) Decrease in Inventories	439	-	439
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Deferred Outflows - Change in Proportion	(3,389)	-	(3,389)
(Increase) Decrease in Deferred Outflows - Current Year Contributions	(10,346)	-	(10,346)
(Increase) Decrease in Deferred Outflows - Change in Assumptions	15,470	-	15,470
(Increase) Decrease in Deferred Outflows - Diff. in Projected vs Actual Contributions	(608)	-	(608)
(Increase) Decrease in Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	34,347	-	34,347
(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	(17)	-	(17)
Increase (Decrease) in Accrued Salaries and Benefits	(4,968)	-	(4,968)
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	5,163	-	5,163
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	2,279	-	2,279
Increase (Decrease) in Net Pension Defined Contribution Liability	(1,826)	-	(1,826)
Increase (Decrease) in Net Pension Defined Benefit Liability	(40,055)	-	(40,055)
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion - NPL	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Change in Assumptions	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Projected and Actual Contributions	(4,483)	-	(4,483)
Increase (Decrease) in Deferred Inflows of Resources - Difference in Investment Earnings	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Expected vs Actual Experience	19,258	-	19,258
Increase (Decrease) in Deferred Inflows of Resources - Difference in Prop. Share vs Actual - POS	-	-	-
Increase (Decrease) in Advances from Other Funds	(5,237)	-	(5,237)
Increase (Decrease) in Prepayments	(3,633)	-	(3,633)
TOTAL ADJUSTMENTS	<u>127,430</u>	<u>-</u>	<u>127,430</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (646,915)</u>	<u>\$ -</u>	<u>\$ (646,915)</u>

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

Hamburg Area School District
Statement of Net Position
Fiduciary Funds
As of June 30, 2019

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 96,637
Investments	-	-	-
Due from Other Funds	-	-	2,529
Other Receivables	-	-	1,007
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	-	-	100,173
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ 100,173
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	100,173
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	100,173
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	100,173
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, 2019**

	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, 2019

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 25,605,729	\$ 25,605,730	\$ 26,391,311	\$ 785,581	\$ -	\$ 26,391,311
State Sources	14,573,680	14,573,679	14,721,525	147,846	-	14,721,525
Federal Sources	692,990	692,990	583,320	(109,670)	-	583,320
TOTAL REVENUES	40,872,399	40,872,399	41,696,156	823,757	-	41,696,156
EXPENDITURES						
Regular Instruction	16,943,634	16,573,634	16,570,064	3,570	-	16,570,064
Special Programs	6,809,222	6,385,222	6,373,070	12,152	-	6,373,070
Vocational Programs	867,775	856,775	856,197	578	-	856,197
Other Instructional Programs	55,700	28,700	25,262	3,438	-	25,262
Nonpublic School Programs	2,621	3,621	3,409	212	-	3,409
Adult Education Programs	-	-	-	-	-	-
Higher Education Programs	-	-	-	-	-	-
Pupil Personnel Services	1,630,744	1,494,744	1,484,378	10,366	-	1,484,378
Instructional Staff Services	1,075,814	1,211,814	1,195,792	16,022	-	1,195,792
Administrative Services	2,101,148	2,012,148	1,993,209	18,939	-	1,993,209
Pupil Health	479,269	479,269	477,133	2,136	-	477,133
Business Services	575,421	554,421	551,462	2,959	-	551,462
Operation & Maintenance of Plant Services	3,259,227	3,499,227	3,495,762	3,465	-	3,495,762
Student Transportation Services	1,962,231	1,973,231	1,971,941	1,290	-	1,971,941
Central Support Services	1,334,345	1,313,345	1,308,061	5,284	-	1,308,061
Other Support Services	29,947	30,947	29,981	966	-	29,981
Student Activities	833,132	813,132	811,747	1,385	-	811,747
Community Services	34,000	41,000	40,132	868	-	40,132
Facilities, Acquisition and Construction	-	5,000	4,932	68	-	4,932
Debt Service	3,829,582	3,802,582	3,801,789	793	-	3,801,789
TOTAL EXPENDITURES	41,823,812	41,078,812	40,994,321	84,491	-	40,994,321
Excess (deficiency) of revenues over expenditures	(951,413)	(206,413)	701,835	908,248	-	701,835
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Proceeds from Extended Term Financing	-	-	-	-	-	-
Interfund Transfers in	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	1,000	1,000	553	(447)	-	553
Insurance Recoveries	-	-	-	-	-	-
Fund Transfers out	-	(745,000)	(1,368,551)	(623,551)	-	(1,368,551)
Budgetary Reserve	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,000	(744,000)	(1,367,998)	(623,998)	-	(1,367,998)
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(950,413)	(950,413)	(666,163)	284,250	-	(666,163)
FUND BALANCE - JULY 1, 2018	\$ 13,277,112	\$ 13,277,112	\$ 14,645,663	\$ 1,368,551	\$ -	\$ 14,645,663
FUND BALANCE - JUNE 30, 2019	\$ 12,326,699	\$ 12,326,699	\$ 13,979,500	\$ 1,652,801	\$ -	\$ 13,979,500

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, 2019**

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, 2019**

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 2018-19 was \$825,375.

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, 2019**

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, 2019**

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. The Proprietary Funds of the School have operating and nonoperating revenues and/or expenses. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as nonoperating revenues and/or expenses, including subsidies received from the state and federal government for school lunches, donated commodities, and amounts received for fica and retirement subsidies. Operating revenues reported are consistent with the fees or charges incurred based on the intent of the individual proprietary fund.

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, 2019**

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, 2019**

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, 2019**

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 2018-19 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 2018-19 fiscal year the School District implemented the following new generally accepted accounting principles:

GASB 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.

GASB 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.

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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. 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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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, 2019, 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, 2019, shows \$49,720 as an asset in the governmental activities column of the government-wide statement of net position and \$41,997 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, 2019, consist of:

Purchased Food & Supplies	\$ 16,706
Donated Commodities	25,291
TOTAL	\$ 41,997

Prepaid Expenses

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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

Compensated Absences

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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, 2019, 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, 2019**

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, 2019**

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 \$110,035,382, difference are:

Bonds payable	\$ 45,005,000
Less: Issuance discount (to be amortized as interest expense)	-
Add: Issuance premium (to be amortized as a credit to interest expense)	179,973
Capital Lease	26,580
Accrued interest payable	337,169
Net Defined Benefit Pension Liability	57,901,420
Net Defined Contribution Pension Liability	249,542
Net OPEB Liability - Single Employer	2,940,815
Net OPEB Liability - Multiple Employer	2,525,234
Compensated absences	<u>869,649</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$ 110,035,382</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, 2019

	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	\$ 22,430,902	\$ (17,864)	\$ -	\$ -	\$ 22,413,038
Taxes levied for specific purposes	2,905,672	-	-	-	2,905,672
Interest and investment earnings	591,063	32,013	-	-	623,076
Miscellaneous	89,085	-	553	-	89,638
Contributions and Donations	44,159	-	-	-	44,159
Charges for Services	78,591	-	-	-	78,591
Grants, subsidies & contributions not restricted	7,710,275	-	-	-	7,710,275
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	7,011,250	-	-	-	7,011,250
FEDERAL SOURCES:					
Operating & Capital grants and contributions	908,028	-	-	-	908,028
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	-	-	-	-	-
Proceeds from Extended Term Financing	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-
Bond Premium	-	-	-	-	-
Gain or (Loss) on disposal of assets	553	-	(553)	-	-
TOTAL REVENUES	41,769,578	14,149	-	-	41,783,727
<u>EXPENDITURES/EXPENSES</u>					
Instruction	23,828,002	501,166	20,206	-	24,349,374
Instructional Student Support	3,157,303	65,929	7,626	-	3,230,858
Admin. & Fin'l Support Services	3,992,076	82,895	(120,402)	-	3,954,569
Oper. & Maint. Of Plant Svcs.	3,551,160	27,956	(83,060)	-	3,496,056
Pupil Transportation	1,971,941	2,842	4,330	-	1,979,113
Student activities	811,747	11,000	12,813	-	835,560
Community Services	40,132	-	-	-	40,132
Capital Outlay	4,932	-	(4,932)	-	-
Debt Service	3,801,789	-	-	(1,980,207)	1,821,582
Bond Discount	-	-	-	-	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,791,357	-	1,791,357
TOTAL EXPENDITURES/EXPENSES	41,159,082	691,788	1,627,938	(1,980,207)	41,498,601
NET CHANGE FOR THE YEAR	\$ 610,496	\$ (677,639)	\$ (1,627,938)	\$ 1,980,207	\$ 285,126

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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, 2019, except the governmental activities has negative net position of \$9,182,289 and business-type activities (Food Service Fund) has a negative net position of \$959,733.

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, except the General Fund exceeded appropriations by \$539,060. This was a result of fund transfers, which is not a violation of School Laws.

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, 2019.

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, 2019, \$1,348,807 of the District's bank balance of \$2,339,887 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,509
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	1,347,298
TOTAL	<u>\$ 1,348,807</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 1,347,298
Plus: Insured Amount	992,589
Less: Outstanding Checks	(222,649)
Carrying Amount - Bank Balances	2,117,238
Plus: Petty Cash	100
Deposits in Investment Pools Considered Cash Equivalents	12,798,298
Less: Certificates of Deposit considered Investment by School Code	(484,000)
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 14,431,636</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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, 2019**

- 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, 2019, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
Certificates of Deposit	Varies	\$ 484,000
PA Local Gov't Investment Trust - Term		6,000,000
PA Local Gov't Investment Trust		8,995,528
PA School District Liquid Asset Fund		3,802,770
US Treasury Notes		-
TOTAL		<u>\$ 19,282,298</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, 2019, 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, 2019**

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	\$ 19,282,298
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(12,798,298)</u>
Total Investments Per Financial Statements	<u>\$ 6,484,000</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, 2019. 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 \$882,728,700. In accordance with Act 1 of 2006, the District received \$829,487 in property tax reduction funds for the 2018-19 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, 2019**

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	1,159,966	-	-	-	-	1,159,966
Accounts	11,761	-	-	-	1,007	12,768
Intergovernmental	1,882,465	-	82,700	-	-	1,965,165
GROSS RECEIVABLES	3,054,192	-	82,700	-	1,007	3,137,899
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 3,054,192	\$ -	\$ 82,700	\$ -	\$ 1,007	\$ 3,137,899

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:

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 815,338	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 815,338	\$ -

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Capital Assets

Capital asset balances and activity for the year ending June 30, 2019, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 589,069	\$ -	\$ -	\$ 589,069
Construction in Progress	-	81,528	-	81,528
Total Capital Assets not being depreciated	589,069	81,528	-	670,597
Capital Assets being depreciated:				
Site Improvements	3,126,140	-	-	3,126,140
Buildings and Bldg. Improvements	89,331,474	-	-	89,331,474
Furniture and Equipment	3,005,750	192,743	-	3,198,493
TOTAL CAPITAL ASSETS BEING DEPRECIATED	95,463,364	192,743	-	95,656,107
Less accumulated depreciation for:				
Site Improvements	(1,702,452)	(98,963)	-	(1,801,415)
Buildings and Bldg. Improvements	(19,883,373)	(1,692,727)	-	(21,576,100)
Furniture and Equipment	(2,187,730)	(110,522)	-	(2,298,252)
TOTAL ACCUMULATED DEPRECIATION	(23,773,555)	(1,902,212)	-	(25,675,767)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	71,689,809	(1,709,469)	-	69,980,340
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 72,278,878	\$ (1,627,941)	\$ -	\$ 70,650,937
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 813,360	\$ 54,010	\$ -	\$ 867,370
Less accumulated depreciation	(699,573)	(9,492)	-	(709,065)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 113,787	\$ 44,518	\$ -	\$ 158,305

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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

Regular Instruction	\$ 24,917
Special Instruction	8,184
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	-
Instructional Staff Svcs.	6,674
Administrative Services	3,076
Health Services	953
Business Services	859
Operation & Maintenance of Plant Svcs.	29,356
Pupil Transportation	4,330
Central Services	19,691
Other Support Services	-
Student Activities	12,815
Community Services	-
Depreciation - unallocated	1,791,357
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 1,902,212

The District's governmental activities did not dispose of any obsolete equipment and buildings during the year. The business-type activities did not dispose of any equipment during the year.

Commitments

Encumbrances

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

Construction Commitments

The District did not have any Construction Commitments at June 30, 2019.

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2019:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ -	\$ 104,128
Enterprise (Food Service) Fund	101,599	-
Agency (Activity) Fund	2,529	-
TOTAL	\$ 104,128	\$ 104,128

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2019:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 1,368,551
2017 Bond Fund	-	-
Capital Reserve Fund	1,368,551	-
TOTAL	\$ 1,368,551	\$ 1,368,551

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2019, were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 47,577,099	\$ -	\$ 2,392,126	\$ 45,184,973	\$ 2,540,000
Other than capital projects	-	-	-	-	-
Capital Leases	39,344	-	12,764	26,580	13,111
Total general obligation debt	47,616,443	-	2,404,890	45,211,553	2,553,111
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	121,795	2,250	-	124,045	26,086
Sick pay	774,014	30,836	-	804,850	33,160
Net Defined Contribution Pension Liability	242,772	6,770	-	249,542	-
Net Defined Benefit Pension Liability	59,092,887	-	1,191,467	57,901,420	-
Net OPEB Liability - Single Employer	2,778,726	162,089	-	2,940,815	-
Net OPEB Liability - Multiple Employer	2,451,044	74,190	-	2,525,234	-
Total other liabilities	65,461,238	276,135	1,191,467	64,545,906	59,246
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 113,077,681	\$ 276,135	\$ 3,596,357	\$ 109,757,459	\$ 2,612,357
BUSINESS-TYPE ACTIVITIES					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Net Defined Contribution Pension Liability	\$ 9,129	-	\$ 1,826	\$ 7,303	\$ -
Net Defined Benefit Pension Liability	1,690,149	-	40,055	1,650,094	-
Net OPEB Liability - Single Employer	46,097	5,163	-	51,260	-
Net OPEB Liability - Multiple Employer	76,147	2,279	-	78,426	-
Sick pay	39,228	-	11,185	28,043	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 1,860,750	\$ 7,442	\$ 53,066	\$ 1,815,126	\$ -

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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	\$ 1,820,299	\$ 1,422,741
Capital Leases	1,070	1,070
Refund of Prior Year Receipts	213	213
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	\$ 1,821,582	\$ 1,424,024

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%, 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, 2019, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2019-20	\$ 1,565,000	\$ 202,782
2020-21	2,140,000	146,050
2021-22	1,645,000	65,800
Sub-Total	\$ 5,350,000	\$ 414,632
Unamortized Premium	162	
TOTAL OUTSTANDING	\$ 5,350,162	

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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, 2019, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2019-20	\$ 560,000	\$ 16,800
Sub-Total	\$ 560,000	\$ 16,800
Unamortized Premium	4,922	
TOTAL OUTSTANDING	\$ 564,922	

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, 2019, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2019-20	\$ 175,000	\$ 273,241
2020-21	175,000	269,741
2021-22	185,000	266,241
2022-23	185,000	262,310
2023-24	2,590,000	258,148
2024-28	6,235,000	506,201
Sub-Total	\$ 9,545,000	\$ 1,835,882
Unamortized Premium	57,251	
TOTAL OUTSTANDING	\$ 9,602,251	

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, 2019, are:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

FISCAL YEAR	PRINCIPAL	INTEREST
2019-20	\$ 35,000	\$ 322,175
2020-21	110,000	321,475
2021-22	110,000	319,275
2022-23	120,000	317,075
2023-24	115,000	314,375
2024-29	640,000	1,525,338
2029-33	8,805,000	787,175
Sub-Total	\$ 9,935,000	\$ 3,906,888
Unamortized Premium	117,638	
TOTAL OUTSTANDING	\$ 10,052,638	

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, 2019, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2019-20	\$ 65,000	\$ 144,340
2020-21	85,000	142,520
2021-22	85,000	140,140
2022-23	85,000	137,760
2023-24	90,000	135,380
2024-29	1,540,000	856,299
2029-32	3,205,000	329,375
Sub-Total	\$ 5,155,000	\$ 1,885,814
Unamortized Premium	-	
TOTAL OUTSTANDING	\$ 5,155,000	

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, 2019, are:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

FISCAL YEAR	PRINCIPAL	INTEREST
2019-20	\$ -	\$ 131,600
2020-21	-	131,600
2021-22	60,000	131,600
2022-23	80,000	129,920
2023-24	85,000	127,680
2024-29	1,265,000	807,996
2029-32	3,210,000	329,800
Sub-Total	\$ 4,700,000	\$ 1,790,196
Unamortized Premium	-	-
TOTAL OUTSTANDING	\$ 4,700,000	

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, 2019, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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
2023-24	115,000	168,885
2024-29	6,140,000	581,344
2029-32	-	-
Sub-Total	\$ 9,760,000	\$ 1,764,484
Unamortized Premium	-	-
TOTAL OUTSTANDING	\$ 9,760,000	

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, 2019, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-20	\$ 13,111	\$ 723
2017-21	13,468	366
2017-22	1	-
TOTAL OUTSTANDING	\$ 26,580	\$ 1,089

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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 OF 2017	TOTAL PRINCIPAL PAYMENTS
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
2023-24	-	-	2,590,000	115,000	90,000	85,000	115,000	2,995,000
2024-29	-	-	6,235,000	640,000	1,540,000	1,265,000	6,140,000	15,820,000
2029-33	-	-	-	8,805,000	3,205,000	3,210,000	-	15,220,000
TOTAL	5,350,000	560,000	9,545,000	9,935,000	5,155,000	4,700,000	9,760,000	45,005,000
LESS- Payable within one year	1,565,000	560,000	175,000	35,000	65,000	-	140,000	2,540,000
PRINCIPAL DUE AFTER ONE YEAR	\$ 3,785,000	\$ -	\$ 9,370,000	\$ 9,900,000	\$ 5,090,000	\$ 4,700,000	\$ 9,620,000	\$ 42,465,000

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 OF 2017	TOTAL DEBT SERVICE PAYMENTS
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
2023-24	-	-	2,848,148	429,375	225,380	212,680	283,885	3,999,468
2024-29	-	-	6,741,201	2,165,338	2,396,299	2,072,996	6,721,344	20,097,178
2029-33	-	-	-	9,592,175	3,534,375	3,539,800	-	16,666,350
TOTAL	\$ 5,764,632	\$ 576,800	\$ 11,380,882	\$ 13,841,888	\$ 7,040,814	\$ 6,490,196	\$ 11,524,484	\$ 56,619,696

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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, 2019**

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 \$771,690 including FICA tax (net of reimbursement) has been established within the governmental activities column in the government-wide statement of net position. A long-term liability of \$28,043 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 \$33,160, and \$28,043, 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, 2019, that will use currently available financial resources is \$26,086, 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, 2019, of \$97,959, 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, 2019**

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, 2019**

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, 2019 was 32.60% 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 \$5,510,687 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$59,551,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, with rolling forward the System’s total pension liability as of June 30, 2018. 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, 2019, the District’s proportion was 0.1244 percent, which was an increase of 0.0030 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$6,017,336. At June 30, 2019, 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	\$ 542	\$ -
Changes in Assumptions	1,113,000	-
Net difference between projected and actual contributions made	15,167	-
Net difference between projected and actual earnings on pension plan investments	293,000	-
Difference between expected and actual experience	-	443,000
Changes in proportion of the Net Pension Liability	581,000	-
District contributions subsequent to the measurement date	5,510,687	-
Total	\$ 7,513,396	\$ 443,000

**Hamburg Area School District
Notes To Basic Financial Statements
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\$5,510,687 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, 2020. 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>
2019	\$ 1,191,000
2020	907,475
2021	(353,677)
2022	(213,726)
2023	<u>28,637</u>
Total	<u>\$ 1,559,709</u>

Actuarial assumptions

The total pension liability as of June 30, 2018, was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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, 2019**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<u>100%</u>	

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, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.30%. 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
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	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 74,025,000	\$ 59,718,000	\$ 47,621,000

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.pfers.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 \$19,882 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$256,845 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019.

For the year ended June 30, 2019, the District recognized pension expense of (\$24,300). The following table reflects the changes to the pension obligation during the year:

**Hamburg Area School District
Notes To Basic Financial Statements
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Changes to Defined Contribution Pension Plan

	Retirement Severance Benefit
Interest Rate	2.98%
Plan Members	298
Covered Payroll	\$ 15,990,231
Defined Contribution Pension Liability at June 30, 2018	\$ 251,901
Service Cost	14,783
Interest	8,015
Change in Benefit Terms	-
Change in Experience	-
Change in Assumptions	1,766
Benefit Payments	(19,620)
Defined Contribution Pension Liability at June 30, 2019	<u>\$ 256,845</u>

Actuarial assumptions

The total pension liability as of June 30, 2019 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 – 2.98%.

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	\$ -	\$ 7,407
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	24,061	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	19,882	-
Total	<u>\$ 43,943</u>	<u>\$ 7,407</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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	\$ 256,845
Actuarial value of plan asset	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 256,845</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 2.98%, 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 (1.98%) or 1-percentage point higher (3.98%) 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 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB Pension liability	\$ 268,620	\$ 256,845	\$ 245,120

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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, 2018 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, 2018 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, 2019**

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 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 \$140,303 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$2,603,660 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the District's proportion was 0.1244 percent, which was an increase of 0.0004 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$130,726. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 392	\$ -
Changes in Assumptions	-	57,000
Net difference between projected and actual contributions made	3,931	-
Net difference between projected and actual investment earnings	4,000	
Difference between expected and actual experience	16,000	-
Changes in proportion of the Net OPEB Liability	52,000	-
District contributions subsequent to the measurement date	140,303	-
Total	\$ 216,626	\$ 57,000

\$140,303 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, 2020. 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, 2019**

Year ended June 30:	<u>Amount</u>
2019	\$ 1,000
2020	1,726
2021	1,726
2022	1,726
2023	726
Thereafter	<u>12,419</u>
Total	<u>\$ 19,323</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.98% - 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- 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, 2019**

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	5.9%	0.3%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.4%
	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, 2018.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.98%. 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 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, 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, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it 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, 2019**

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 2,593,000	\$ 2,594,000	\$ 2,594,000

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 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	\$ 2,950,000	\$ 2,594,000	\$ 2,298,000

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
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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 73 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, 2019**

Employees covered by benefit terms:

At June 30, 2018, 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 \$2,992,075, was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

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	2.98%
Salary Increases	3.75% to 6.25%
	6.0% in 2018, and 5.5% in 2019 to 2021. Rates gradually decrease from 5/4% in 2022 to 3.8% 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, 2019**

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, 2018 valuation were based on the results of an actuarial experience study on September 30, 2017.

Changes in the Total OPEB Liability

	<u>2018-19</u>
Total OPEB Liability	
Service Cost	\$ 201,735
Interest	92,506
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	4,258
Benefit payments	<u>(131,247)</u>
Net change in total OPEB Liability	167,252
Total OPEB Liability - beginning	<u>2,824,823</u>
Total OPEB Liability - ending	<u><u>\$ 2,992,075</u></u>
 Covered employee payroll	 <u><u>\$ 15,990,231</u></u>

Total OPEB Liability as a percentage of covered employee payroll 18.71%

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

For the year ended June 30, 2019, the School recognized OPEB expense of \$300,392. At June 30, 2019, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 99,720	\$ -
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	37,855
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>127,961</u>	<u>-</u>
Total	<u><u>\$ 227,681</u></u>	<u><u>\$ 37,855</u></u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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>
2020	\$ 6,151
2021	6,151
2022	6,151
2023	6,151
2024	6,151
Thereafter	<u>31,110</u>
Total	<u><u>\$ 61,865</u></u>

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 (1.98%) or 1-percentage point higher (3.98%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>1.98%</u>	<u>Discount Rate</u>	<u>2.98%</u>
			<u>3.98%</u>
District's proportionate share of the net OPEB liability	\$ 3,208,418	\$ 2,992,075	\$ 2,787,598

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 or 1-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		<u>Trend Rate</u>	
System net OPEB liability	\$ 2,643,152	\$ 2,992,075	\$ 3,407,123

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019

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	\$ 564,858	\$ -	\$ -	\$ 50,434	\$ 615,292
Current Year Contributions	5,347,020	17,229	124,691	136,136	5,625,076
Change in Assumption	1,078,710	(7,180)	92,585	(55,306)	1,108,809
Diff in Projected Vs Actual Contributions	14,681	-	-	3,809	18,490
Difference in Investment Earnings	272,500	-	-	3,879	276,379
Diff. between Expected vs Actual Experience	(429,219)	24,070	(17,954)	15,511	(407,592)
Diff. between Prop. Share vs Actual POS	542	-	-	392	934
Net Pension Liability	\$ 57,901,420				\$ 57,901,420
Net OPEB Pension Liability		\$ 249,542			\$ 249,542
Net OPEB Liability			\$ 2,940,815	\$ 2,525,234	\$ 5,466,049

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	\$ 16,142	\$ -	\$ -	\$ 1,566	\$ 17,708
Current Year Contributions	163,667	2,653	3,270	4,167	173,757
Change in Assumption	34,290	(227)	7,135	(1,694)	39,504
Diff in Projected Vs Actual Contributions	486	-	-	122	608
Difference in Investment Earnings	20,500	-	-	121	20,621
Diff. between Expected vs Actual Experience	(13,781)	(9)	(19,901)	489	(33,202)
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 1,650,094				\$ 1,650,094
Net OPEB Pension Liability		\$ 7,303			\$ 7,303
Net OPEB Liability			\$ 51,260	\$ 78,426	\$ 129,686

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	\$ 633,000
Current Year Contributions	5,798,833
Change in Assumption	1,148,313
Diff in Projected Vs Actual Contributions	19,098
Difference in Investment Earnings	297,000
Diff. between Expected vs Actual Experience	(440,794)
Diff. between Prop. Share vs Actual POS	934
Net Pension Liability	\$ 59,551,514
Net OPEB Pension Liability	\$ 256,845
Net OPEB Liability	\$ 5,595,735

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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, 2019**

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
• 2018-2019	558,611

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
• 2018-2019	32,309

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Note 8 - Fund Balance Allocations

Restricted Fund Balance

The Capital Reserve Fund's \$3,797,771 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 \$8,842 restricted for unspent outside contributions received during the fiscal year.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$2,992,075, 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 \$103,541 for HRA purposes.

Assigned Fund Balance

The General fund has assigned \$6,623,181, for future building projects and \$1,635,913 to balance the 2018-19 General Fund budget. In addition, \$433,754 has been assigned for the purpose of the Debt Service Stabilization Fund.

Note 9 – Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$70,650,937, with related debt of \$41,363,279, which includes unamortized bonds discounts, premiums, and deferred refunding charges. The business-type activities column reflects \$158,305 invested in capital assets with no related debt.

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2019.

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Note 11 – New Accounting Pronouncements

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

- 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.
- 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. 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. Effective date: Periods beginning after December 15, 2019.
- Statement No. 90, *Accounting and Financial Reporting for Majority Equity Interests* – The primary objective is to improve consistency and comparability when a government has a majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Effective date: Periods beginning after December 15, 2018.
- Statement No. 91, *Conduit Debt Obligations* – The primary objective is to provide a single method of reporting conduit debt obligations by issuers associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Effective date: Periods beginning after December 15, 2020.

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2019

Note 12 – Subsequent Events

On July 9th 2019, the District issued General Obligation Notes – Series of 2019 for \$22,210,000, to (1) currently refund the General Obligation Bonds Series A of 2011, (2) currently refund the GOB series A of 2016 (3) currently refund the GOB series B of 2016 (4) currently refund the GOB Series of 2017 and (5) pay the costs of issuing the Notes. The Notes mature from April 1, 2020 to April 1, 2032, with interest bearing 4.00% to 5.00%. Total interest indebtedness is \$7,657,911. The future debt service requirements are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2019-20	\$ 1,660,000	\$ 788,911
2020-21	1,955,000	1,001,000
2021-22	2,170,000	903,250
2022-23	2,235,000	794,750
2023-24	5,000	683,000
2024-29	7,995,000	2,815,250
2029-32	<u>6,190,000</u>	<u>671,750</u>
Sub-Total	\$ 22,210,000	\$ <u>7,657,911</u>
Unamortized Premium	<u>-</u>	
TOTAL OUTSTANDING	\$ <u>22,210,000</u>	

**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, 2019

	<u>2018-19</u>	<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)	0.1244%	0.1240%	0.1211%	0.1213%	0.1252%
District's proportionate share of the net pension liability (asset)	\$ 59,718,000	\$ 61,242,000	\$ 60,013,000	\$ 52,542,000	\$ 49,548,102
District's covered employee payroll	16,903,947	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	353.28%	378.34%	363.38%	333.54%	316.27%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	50.14%	54.36%	57.24%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2018-19</u>	<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>
Contractually required contribution	\$ 5,510,687	\$ 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
Contributions in relation to the contractually required contribution	<u>5,510,687</u>	<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>
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	\$ 16,903,947	\$ 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
Contributions as a percentage of covered employee payroll	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%	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, 2019

	<u>2018-19</u>	<u>2017-18</u>
Total Defined Contribution Pension Liability - beginning	\$ 251,901	\$ 274,441
Service Cost	14,783	17,825
Interest	8,015	6,622
Changes in Benefit Terms	-	(47,658)
Difference between expected and actual experience	-	28,435
Changes in assumptions	1,766	(10,679)
Benefit payments	(19,620)	(17,085)
Net change in total Pension Liability	<u>4,944</u>	<u>(22,540)</u>
Total Defined Contribution Pension Liability - ending	<u><u>\$ 256,845</u></u>	<u><u>\$ 251,901</u></u>
Interest Rate	2.98%	3.13%
Plan Members	298	298
Covered Payroll	\$ 15,990,231	\$ 15,990,231

**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, 2019**

	<u>2018-19</u>		<u>2017-18</u>
District's proportionate share of the net defined contribution pension liability (asset)	\$ 256,845	\$	251,901
District's covered employee payroll	\$ 15,990,231	\$	15,990,231
District's proportionate share of the net defined contribution pension liability (asset) as a percentage of its covered employee payroll	1.61%		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, 2019**

	<u>2018-19</u>		<u>2017-18</u>		<u>2016-17</u>
District's proportion of the net OPEB liability	0.1244%		0.1240%		0.1211%
District's proportionate share of the net OPEB liability (asset)	\$ 2,594,000	\$	2,526,000	\$	2,608,000
District's covered-employee payroll	16,903,947		16,186,878		16,515,232
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	15.35%		15.61%		15.79%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%		5.73%		5.47%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2018-19</u>	<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>
Contractually required contribution	\$ 140,303	\$ 134,351	\$ 137,076	\$ 132,322	\$ 141,000	\$ 153,746	\$ 143,660	\$ 107,932	\$ 110,821	\$ 138,508
Contributions in relation to the contractually required contribution	<u>140,303</u>	<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>
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	\$ 16,903,947	\$ 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
Contributions as a percentage of covered employee payroll	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%	0.86%	0.65%	0.64%	0.78%

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SINGLE EMPLOYER HEALTH INSURANCE PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability		
Service Cost	\$ 201,735	\$ 178,873
Interest	92,506	67,324
Changes in Benefit Terms	-	57,876
Difference between expected and actual experience	-	(45,427)
Changes in assumptions	4,258	114,981
Benefit payments	<u>(131,247)</u>	<u>(160,784)</u>
Net change in total OPEB Liability	167,252	212,843
Total OPEB Liability - beginning	<u>2,824,823</u>	<u>2,611,980</u>
Total OPEB Liability - ending	<u>\$ 2,992,075</u>	<u>\$ 2,824,823</u>
 Covered employee payroll	 <u>\$ 15,990,231</u>	 <u>\$ 15,990,231</u>
 Total OPEB Liability as a percentage of covered employee payroll	 18.71%	 17.67%

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2019**

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 decreased from 3.13% as of June 30, 2018 to 2.98% as of June 30, 2019.

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2019**

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 – 2.98% - 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 July 1, 2017 determined the employer contribution rate for fiscal year 2019.
- 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, 2019**

Other Post-Employment Benefits – Single Employer Healthcare Plan

Changes of benefit terms

No changes this year.

Changes in assumptions

The discount rate changed from 3.13% to 2.98%. 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 2018, and 5.5% in 2019 to 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% 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 2.98% 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, 2019**

	CAPITAL RESERVE FUND	TOTAL DEBT SERVICE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,802,770	\$ 433,754	\$ 4,236,524
Investments	-	-	-
Other Receivables	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 3,802,770	\$ 433,754	\$ 4,236,524
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,802,770</u>	<u>\$ 433,754</u>	<u>\$ 4,236,524</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 4,999	\$ -	\$ 4,999
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
TOTAL LIABILITIES	4,999	-	4,999
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,999	-	4,999
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	3,797,771	-	3,797,771
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	433,754	433,754
TOTAL FUND BALANCES	3,797,771	433,754	4,231,525
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,802,770</u>	<u>\$ 433,754</u>	<u>\$ 4,236,524</u>

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, 2019

	CAPITAL RESERVE FUND	TOTAL DEBT SERVICE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 67,852	\$ 5,016	\$ 72,868
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>67,852</u>	<u>5,016</u>	<u>72,868</u>
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	164,761	-	164,761
Operation of Non-Instructional Services	-	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
TOTAL EXPENDITURES	<u>164,761</u>	<u>-</u>	<u>164,761</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(96,909)</u>	<u>5,016</u>	<u>(91,893)</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	1,368,551	-	1,368,551
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>1,368,551</u>	<u>-</u>	<u>1,368,551</u>
NET CHANGE IN FUND BALANCES	1,271,642	5,016	1,276,658
FUND BALANCES - BEGINNING	<u>2,526,129</u>	<u>428,738</u>	<u>2,954,867</u>
FUND BALANCES - ENDING	<u><u>\$ 3,797,771</u></u>	<u><u>\$ 433,754</u></u>	<u><u>\$ 4,231,525</u></u>

**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2019**

	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	\$ 168,981,000	\$ 141,668,400	\$ 47,247,900	\$ 218,683,900	\$ 94,197,100	\$ 85,906,400	\$ 126,044,000	\$ 882,728,700
Millage Rate	0.02696	0.02696	0.02696	0.02696	0.02696	0.02696	0.02696	0.02696
TOTAL	4,555,734	3,819,380	1,273,804	5,895,720	2,539,554	2,316,037	3,398,146	23,798,375
Less: Act 1 Reduction	160,517	132,030	51,474	167,639	92,737	92,109	133,045	829,551
TOTAL TAXABLE DUPLICATE	4,395,217	3,687,350	1,222,330	5,728,081	2,446,817	2,223,928	3,265,101	22,968,824
Plus - Additions	2,978	202,534	1,379	2,054	30	491	5,521	214,987
Prior Year Unpaid Additions		-	-	-	5,282	-	1,469	6,751
Penalties	14,379	5,399	4,487	9,598	2,092	8,008	9,313	53,276
TOTAL TAXES TO BE COLLECTED	4,412,574	3,895,283	1,228,196	5,739,733	2,454,221	2,232,427	3,281,404	23,243,838
Less - Discounts	72,700	69,156	20,612	102,129	42,008	35,493	56,419	398,517
Reductions	-	-	-	-	-	-	-	-
Exemptions	2,354	4,782	3,968	479	-	-	123	11,706
Refunds	2,502	530	302	563	8,620	-	-	12,517
Returned to County	106,280	85,539	25,046	156,224	110,454	61,526	72,132	617,201
Cabela's / Grand Street	47,096	-	-	558,611	-	-	-	605,707
Outstanding	-	-	-	240	-	-	3,758	3,998
NET CURRENT REAL ESTATE TAXES COLLECTED	\$ 4,181,642	\$ 3,735,276	\$ 1,178,268	\$ 4,921,487	\$ 2,293,139	\$ 2,135,408	\$ 3,148,972	\$ 21,594,192
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	\$ 4,671	\$ 35,912	\$ 83	\$ 5,672	\$ 18,277	\$ 10,123	\$ 11,290	\$ 86,028
<u>CURRENT PER CAPITA TAXES</u>								
No. of Persons Assessed	3,070	1,796	897	2,516	1,323	1,368	1,823	12,793
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	30,700	17,960	8,970	25,160	13,230	13,680	18,230	127,930
Plus - Additions	1,280	160	250	100	100	210	180	2,280
Penalties	191	94	49	131	45	100	71	681
TAXES TO BE COLLECTED	32,171	18,214	9,269	25,391	13,375	13,990	18,481	130,891
Less - Discounts	333	248	101	310	172	170	247	1,581
Exonerations	2,540	900	680	1,300	930	740	630	7,720
Refunds	-	-	-	-	-	-	-	-
Outstanding	7,860	2,600	1,980	4,530	2,200	1,780	2,810	23,760
Reductions	-	-	-	-	-	-	-	-
NET CURRENT PER CAPITA TAXES COLLECTED	\$ 21,438	\$ 14,466	\$ 6,508	\$ 19,251	\$ 10,073	\$ 11,300	\$ 14,794	\$ 97,830

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019

6000 - Revenue from Local Services		Budget	Actual	Variance
6111	Current Real Estate Taxes	\$ 21,341,168	\$ 21,594,192	\$ 253,024
6112	Interim Real Estate Taxes	50,000	86,028	36,028
6113	Public Utility	24,668	24,647	(21)
6114	Payment in Lieu of Taxes	10,018	11,770	1,752
6120	Current Per Capita Taxes - 511	51,500	48,915	(2,585)
6141	Current Per Capita Taxes - 679	51,500	48,915	(2,585)
6151	Earned Income Tax	2,200,000	2,181,937	(18,063)
6153	Real Estate Transfer Tax	310,000	573,334	263,334
6411	Delinquent Real Estate Taxes	675,000	750,682	75,682
6420	Delinquent per Capita Taxes, Section 679	-	8,077	8,077
6441	Delinquent Act 511 Per Capita Taxes	-	8,077	8,077
6510	Interest	300,000	518,194	218,194
6700	Revenues From Student Activities	75,475	-	(75,475)
6710	Admissions	-	40,562	40,562
6711	Tournament Fees	-	13,309	13,309
6712	Playoff Fees	-	-	-
6740	Fees	-	24,720	24,720
6821	State Revenue Received From Other PA Public School	-	-	-
6831	Federal Revenue Received From Other Pennsylvania Schools	-	271	271
6832	I/U Services - Federal	351,469	324,437	(27,032)
6836	Federal ARRA Race to the Top	-	-	-
6910	Rentals	70,000	79,623	9,623
6920	Contributions	15,000	44,159	29,159
6942	Summer School	500	-	(500)
6961	Transportation Services Provided Other PA Schools	-	-	-
6990	Miscellaneous	79,432	7,536	(71,896)
6991	Refunds of Prior Yr. Expenditures	-	1,926	1,926
6992	Energy Efficiency Revenue	-	-	-
TOTAL REVENUE FROM LOCAL SOURCES		\$ 25,605,730	\$ 26,391,311	\$ 785,581
7000 - Revenue from State Sources				
7110	Basic Subsidy - ESBE	6,893,261	6,880,788	(12,473)
7160	Orphan Tuition	84,811	119,611	34,800
7271	Special Education	1,570,389	1,592,799	22,410
7299	Program revenues not listed previously in the 7200	-	8,831	8,831
7311	Transportation (Regular and Additional)	900,000	949,486	49,486
7312	Transportation (Nonpublic and Charter School)	-	21,560	21,560
7320	Rentals	385,450	385,676	226
7330	Health Services	40,000	39,289	(711)
7340	State Property Tax Reduction Allocation	829,486	829,487	1
7361	School Safety and Security Grants	-	25,000	25,000
7505	Ready to Learn Grant	338,158	338,158	-
7810	State Share of Social Security and Medicare Taxes	664,887	658,603	(6,284)
7820	State Share of Retirement Contributions	2,867,237	2,872,237	5,000
TOTAL REVENUE FROM STATE SOURCES		\$ 14,573,679	\$ 14,721,525	\$ 147,846
8000 - Revenue from Federal Sources				
8514	Title I	568,505	445,581	(122,924)
8515	Title II	96,714	84,773	(11,941)
8517	Title IV	12,771	39,649	26,878
8810	Medical Assistance Reimbursements (Access)	15,000	13,317	(1,683)
8690	Other Restricted Federal Grants-In-Aid	-	-	-
TOTAL REVENUE FROM FEDERAL SOURCES		692,990	583,320	(109,670)

General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
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	553	(447)
9990	Insurance Recoveries	-	-	-
	TOTAL OTHER FINANCING SOURCES	<u>1,000</u>	<u>553</u>	<u>(447)</u>
	TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 40,873,399</u>	<u>\$ 41,696,709</u>	<u>\$ 823,310</u>
1000 - Instruction				
1110	Instruction - Regular	16,020,422	16,018,432	1,990
1190	Instruction - Federally Funded Programs	553,212	551,632	1,580
1211	Life Skills Support - Public	671,055	670,215	840
1221	Deaf or Hearing Impaired Support	163,500	162,909	591
1224	Blind or Visually Impaired Support	105,000	104,431	569
1225	Speech & Language Support	394,133	392,431	1,702
1231	Emotional Support - Public	955,817	954,749	1,068
1233	Autistic Support	1,196,896	1,193,041	3,855
1241	Learning Support - Public	2,681,367	2,680,578	789
1243	Gifted Support	129,374	128,795	579
1260	Physical Support	10,500	10,012	488
1270	Multi-handicapped Support	53,380	52,961	419
1280	Early Intervention Support	4,200	3,410	790
1290	Other Support	20,000	19,538	462
1310	Agricultural Education	31,000	30,822	178
1380	Trade and Industrial Education	400	-	400
1390	Other Vocational Education	825,375	825,375	-
1420	Summer School	6,000	5,497	503
1430	Homebound Instruction	5,200	5,170	30
1441	Adjudicated/Court Placed Programs	5,000	3,580	1,420
1442	Alternative Education Program	12,500	11,015	1,485
1450	Instructional Programs Outside the Established Sch.	-	-	-
1500	Nonpublic School Programs	3,621	3,409	212
1690	Adult Education Programs	-	-	-
1700	Higher Education Programs	-	-	-
	Total Instruction	<u>23,847,952</u>	<u>23,828,002</u>	<u>19,950</u>
2000 - Support Services				
2111	Supervision of Pupil Personnel Services	6,030	5,663	367
2120	Guidance Services	919,008	916,867	2,141
2122	Counseling Services	105,963	101,130	4,833
2124	Information Services	500	-	500
2140	Psychological Services	259,308	257,703	1,605
2160	Social Work Services	125,000	124,661	339
2170	Student Accounting Services	-	-	-
2190	Other Pupil Personnel Services	78,935	78,354	581
2220	Technology Support Services	245,805	245,117	688
2240	Computer-Assisted Instruction Support Services	500	97	403
2250	School Library Services	587,897	581,095	6,802
2260	Instruction and Curriculum Development Services	257,960	256,764	1,196
2270	Instructional Staff Development Services	-	-	-
2271	Instructional Staff Development Services (Certified)	113,000	112,567	433
2280	Nonpublic Support Services	6,652	152	6,500
2310	Board Services	42,917	37,459	5,458
2320	Board Treasurer Services	-	-	-
2330	Tax Assessment and Collection Services	<u>105,000</u>	<u>104,193</u>	<u>807</u>
	Sub - Total Support Services	<u>2,854,475</u>	<u>2,821,822</u>	<u>32,653</u>

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	Sub - Total Support Services (carried forward)	2,854,475	2,821,822	32,653
2350	Legal Services	11,500	10,701	799
2360	Office of the Superintendent Services	408,100	398,597	9,503
2380	Office of the Principal Services	1,444,631	1,442,259	2,372
2420	Medical Services	1,750	1,470	280
2430	Dental Services	1,000	756	244
2440	Nursing Services	476,519	474,907	1,612
2511	Supervision of Fiscal Services	182,743	181,593	1,150
2519	Other Fiscal Services	361,778	360,686	1,092
2530	Warehousing and Distributing Services	-	-	-
2590	Other Support Services - Business	9,900	9,183	717
2610	Supervision of Operation and Maint. of Plant Svcs.	-	-	-
2611	Supervision of Operation and Maint. of Plant Svcs.- Head	176,510	175,956	554
2620	Operation of Building Services	3,297,717	3,296,212	1,505
2630	Care and Upkeep of Grounds Services	11,500	11,369	131
2640	Care and Upkeep of Equipment Services	9,500	8,807	693
2650	Vehicle Operation and Maint. Services	4,000	3,418	582
2710	Supervision of Student Transportation Services	2,000	1,603	397
2711	Supervision of Student Transportation Services - Head	108,231	107,798	433
2720	Vehicle Operation Services	1,657,000	1,656,954	46
2750	Non-Public Transportation	206,000	205,586	414
2811	Supervision of Planning, Research and Development	650	-	650
2818	System-Wide Technology Services	1,102,160	1,101,394	766
2821	Supervision of Information Services	169,635	167,189	2,446
2834	Staff Development Services - Non-Instructional	33,800	33,080	720
2836	Staff Development Services - Non-Instructional	7,100	6,398	702
2900	Other Support Services	-	-	-
2910	Support services not listed elsewhere in the 2000	30,947	29,981	966
	Total Support Services	12,569,146	12,507,719	61,427
	<u>3000 - Operation of Non-Instructional Services</u>			
3210	School Sponsored Student Activities	57,448	56,713	735
3250	School Sponsored Athletics	755,684	755,034	650
3300	Community Services	41,000	40,132	868
	Total Non-Instructional Services	854,132	851,879	2,253
	<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>			
4200	Existing Site Improvement Services	5,000	4,932	68
4600	Existing Building Improvement Services	-	-	-
	Total Facilities Acquisition, Construction and Improve. Svcs.	5,000	4,932	68
	<u>5000 - Other Expenditures and Financing Uses</u>			
5110	Debt Service	3,801,582	3,801,576	6
5130	Refund of Prior Yr. Receipts	1,000	213	787
5230	Capital Projects Fund Transfers Out	745,000	1,368,551	(623,551)
5900	Budgetary Reserve	-	-	-
	Total Other Expenditures and Financing Uses	4,547,582	5,170,340	(622,758)
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 41,823,812	\$ 42,362,872	\$ (539,060)

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 40,873,399	\$ 41,696,709	\$ 823,310
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>41,823,812</u>	<u>42,362,872</u>	<u>(539,060)</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(950,413)	(666,163)	284,250
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	(950,413)	(666,163)	284,250
FUND BALANCE - JULY 1, 2018	<u>13,277,112</u>	<u>14,645,663</u>	<u>1,368,551</u>
FUND BALANCE - JUNE 30, 2019	<u>\$ 12,326,699</u>	<u>\$ 13,979,500</u>	<u>\$ 1,652,801</u>

Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2019

REVENUES

Lunches	\$ 595,602	
Special Functions	32,781	
Federal Subsidy	563,505	
Donated Commodities Received	97,276	
State Subsidy	36,642	
State Reimbursement - FICA & Retirement	106,257	
Other Food Service Revenue	-	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	-	
Interest	<u>6,404</u>	
TOTAL REVENUES		\$ 1,438,467

COST OF GOODS SOLD

Inventory - July 1, 2018	49,830	
Food and Milk	343,230	
Donated Commodities	97,276	
Supplies	40,439	
LESS - Inventory - June 30, 2019	<u>(41,997)</u>	
TOTAL COST OF GOODS SOLD		<u>488,778</u>

GROSS PROFIT

949,689

EXPENSES

Salaries	487,382	
Benefits	357,699	
Professional Fees	2,285	
Travel	1,372	
Repairs	35,328	
Rentals	-	
Food Handling Costs	4,057	
Depreciation	9,492	
Purchased Services	14,228	
Uncapitalized Equipment	-	
Dues and Fees	647	
Other	<u>1,460</u>	
TOTAL EXPENSES		<u>913,950</u>

CHANGES IN FUND NET POSITION

35,739

FUND NET POSITION - BEGINNING

(995,472)

FUND NET POSITION - ENDING

\$ (959,733)

**Hamburg Area School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2019**

ASSETS

Cash and Cash Equivalents	\$ 291,840
Due From Other Funds	101,599
Intergovernmental Receivables	82,700
Other Receivables	-
Inventory	
- Food	16,706
- Supplies	-
- Federal Commodities	25,291
Prepaid Expenses	-
Equipment (net of accum. Depreciation)	158,305

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Changes in Proportion	17,708
Deferred Outflows - Current Year Contributions	173,757
Deferred Outflows - Change in Assumptions	39,504
Deferred Outflows - Diff. in Projected vs Actual Contributions	608
Deferred Outflows - Diff. between Investment Earnings	20,621

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$	<u>928,639</u>
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LIABILITIES

Accounts Payable	\$ 242
Due to Other Funds	-
Accrued Salaries and Benefits	26,815
Compensated Absences	28,043
Prepayments from Students	12,987
Net OPEB Liability - Single Employer	51,260
Net OPEB Liability - Multiple Employer Plan	78,426
Net Defined Contribution Pension Liability	7,303
Net Pension Liability	1,650,094

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Difference in Investment Earnings	-	
Deferred Inflows - Projected vs Actual Contributions	-	
Deferred Inflows - Change in Proportion - NPL	-	
Deferred Inflows - Diff. in Expected vs Actual Experience	33,202	1,888,372

FUND NET POSITION		<u>(959,733)</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$	<u>928,639</u>
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**Hamburg Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2019**

FUND BALANCE - JULY 1, 2018		\$ 2,526,129
REVENUES AND OTHER FINANCING SOURCES		
Interest	\$ 67,852	
Refund of Prior Year Expenditures	-	
Interfund Transfers In	1,368,551	1,436,403
TOTAL FUNDS AVAILABLE		3,962,532
EXPENDITURES		
INSTRUCTIONAL SERVICES:		
General Supplies	-	
Equipment	-	
SUPPORT SERVICES:		
Professional Services	-	
Misc. Purchased Services	-	
Repairs & Maintenance	28,784	
General Supplies	-	
Equipment	135,977	
CAPITAL OUTLAY:		
Professional Services	-	
Rentals	-	
Construction Services	-	
Land Purchases	-	
Supplies	-	
Equipment	-	
Dues and Fees	-	
OTHER FINANCING USES		
Interfund Transfers Out	-	164,761
FUND BALANCE - JUNE 30, 2019		\$ <u>3,797,771</u>

**Hamburg Area School District
Debt Service Stabilization Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2019**

FUND BALANCE - JULY 1, 2018	\$	428,738
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REVENUES AND OTHER FINANCING SOURCES

Proceeds from Refunding of Bonds	\$	-	
Transfer from General Fund		-	
Interest		5,016	5,016

TOTAL FUNDS AVAILABLE			433,754
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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	-	-

FUND BALANCE - JUNE 30, 2019	\$	<u>433,754</u>
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Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2011
For the Year Ended June 30, 2019

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		<u>\$ 414,632</u>	<u>\$ 5,350,000</u>

Schedule on General Obligation Bonds
Series of 2014
For the Year Ended June 30, 2019

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2019-20	3.00	\$ 16,800	\$ 560,000
TOTAL OUTSTANDING		<u>\$ 16,800</u>	<u>\$ 560,000</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2014
For the Year Ended June 30, 2019**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
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		\$ 1,835,882	\$ 9,545,000

**Schedule on General Obligation Bonds
Series of 2015
For the Year Ended June 30, 2019**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
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		\$ 3,906,888	\$ 9,935,000

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2016
For the Year Ended June 30, 2019**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
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		\$ 1,885,814	\$ 5,155,000

**Schedule on General Obligation Bonds
Series B of 2016
For the Year Ended June 30, 2019**

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
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		\$ 1,790,196	\$ 4,700,000

Hamburg Area School District
Schedule on General Obligation Bonds
Series of 2017
For the Year Ended June 30, 2019

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
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		\$ 1,764,484	\$ 9,760,000

SINGLE AUDIT SECTION

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/18	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/19	FOOTNOTES
<u>U. S. DEPARTMENT OF EDUCATION</u>											
<u>PASSED THROUGH PA DEPARTMENT OF EDUCATION</u>											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-18-0178A	7/1/17-9/30/18	\$ 565,728	119,740	64,914	54,826	54,826	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-19-0178A	7/1/18-9/30/19	\$ 523,376	279,295	-	390,755	390,755	111,460	
TOTAL TITLE I PROGRAM						399,035	64,914	445,581	445,581	111,460	
<u>PASSED THROUGH PA DEPARTMENT OF EDUCATION</u>											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-18-0178A	7/1/17-9/30/18	\$ 96,441	41,215	31,918	9,297	9,297	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-19-0178A	7/1/18-9/30/19	\$ 75,476	75,476	-	75,476	75,476	-	
TOTAL TITLE II PROGRAM						116,691	31,918	84,773	84,773	-	
<u>PASSED THROUGH PA DEPARTMENT OF EDUCATION</u>											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICH	I	84.424	144-18-0178	7/1/17-9/30/18	\$ 12,771	3,649	3,649	-	-	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICH	I	84.424	144-19-0178	7/1/18-9/30/19	\$ 40,925	24,555	-	39,649	39,649	15,094	
TOTAL TITLE IV PROGRAM						28,204	3,649	39,649	39,649	15,094	
<u>PASSED THROUGH THE BERKS COUNTY I.U.</u>											
IDEA	I	84.027	N/A	7/1/17-9/30/18	\$ 349,422	215,283	215,283	-	-	-	2
IDEA	I	84.027	N/A	7/1/18-9/30/19	\$ 320,734	116,976	-	320,734	320,734	203,758	1
IDEA - SECTION 619	I	84.173	N/A	7/1/17-9/30/18	\$ 6,500	-	-	-	-	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/18-9/30/19	\$ 3,703	3,703	-	3,703	3,703	-	1
TOTAL IDEA CLUSTER						335,962	215,283	324,437	324,437	203,758	
TOTAL U.S. DEPARTMENT OF EDUCATION						879,892	315,764	894,440	894,440	330,312	
<u>U. S. DEPT. OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPT OF EDUCATION</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/17-6/30/18	N/A	74,500	74,500	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/18-6/30/19	N/A	430,614	-	499,058	499,058	68,444	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/17-6/30/18	N/A	-	-	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/18-6/30/19	N/A	10,022	-	11,602	11,602	1,580	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/17-6/30/18	N/A	10,781	10,781	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/18-6/30/19	N/A	45,213	-	52,844	52,844	7,631	
<u>PASSED THROUGH THE PA</u>											
<u>DEPARTMENT OF AGRICULTURE</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/18-6/30/19	N/A	97,276	(32,684)	104,670	104,670	(25,290)	2
TOTAL CHILD NUTRITION CLUSTER						668,406	52,597	668,174	668,174	52,365	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						668,406	52,597	668,174	668,174	52,365	
TOTAL FEDERAL AWARDS						\$ 1,548,298	\$ 368,361	\$ 1,562,614	\$ 1,562,614	\$ 382,677	

SOURCE: D-DIRECT; I-INDIRECT

Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Hamburg Area School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hamburg Area School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hamburg Area School District.

Note 2 - 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 3 - Organization and Scope

The District recognized 2.2% of its total general fund revenue in federal awards and 46.5% of its total enterprise fund revenue.

Note 4 - 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 5 - 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	\$ 1,314,717	\$ 1,133,507
Berks County I.U.	680,359	324,437
PA Department of Agriculture	N/A	104,670
Totals	\$ 1,995,076	\$ 1,562,614

3. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$97,276 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2018-19 fiscal year, the District used \$104,670 in commodities and established a year-end inventory of \$25,290 at June 30, 2019.

Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2019

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 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.
6. The Transportation Access passed through the Schuylkill Intermediate Unit #29 is reflected as federal local 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	\$	583,320
Federal Grants in Local Sources		324,708
Food Service Fund Federal Revenue		<u>660,781</u>
Total Federal Revenue, per financial statements		1,568,809
Less - Medical Access		(13,317)
Less - Transportation Access		(271)
Change in Donated Commodities		<u>7,393</u>
Federal Revenue on SEFA	\$	<u>1,562,614</u>



GORMAN & ASSOCIATES, P.C.

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

INDEPENDENT AUDITOR'S REPORT UNDER GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Hamburg Area School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Hamburg Area School District's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

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

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

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

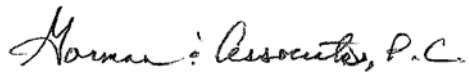
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

November 18, 2019



GORMAN & ASSOCIATES, P.C.

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Pennsylvania Institute of Certified Public Accountants
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, 2019*. 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, 2019.

Report on Internal Control over Compliance

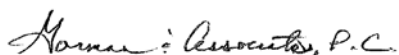
Management of Hamburg Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hamburg Area School District's internal 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 18, 2019

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

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
84.027, 84.173	IDEA Cluster

Percentage of programs tested to total awards 20.8%

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, 2019**

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.