

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page (s)</u>
Introductory Section	
Transmittal Letter	1
Letter to Governance/Management.....	2 - 6
Report Distribution List	7
Financial Section	
Independent Auditor's Report.....	8 - 10
Management's Discussion and Analysis	11 - 19
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	25 - 26
Statement of Fund Net Position - Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	28
Statement of Cash Flows - Proprietary Funds	29 - 30
Statement of Net Position - Fiduciary Funds	31
Statement of Changes in Net Position - Fiduciary Funds	32

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (continued)

	<u>Page (s)</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	33
Notes to Basic Financial Statements.....	34 - 75
Required Supplemental Information:	
Schedule of Funding Progress	76
Schedule of the District's Proportionate Share of Net Pension Liability	77
Schedule of District's Contributions	78
Notes to Required Supplemental Information	79
Other Supplemental Information:	
Combining Balance Sheet – All Capital Project Funds.....	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Capital Project Funds.....	81
Combining Balance Sheet – All Debt Service Funds	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All Debt Service Funds.....	83
General Fund - Schedule on Tax Collectors' Receipts	84
General Fund - Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget to Actual.....	85 – 88
Food Service Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position	89
Food Service Fund - Statement of Fund Net Position	90
Capital Reserve Fund - Statement of Revenues and Expenditures.....	91
2011B Construction Fund - Statement of Revenues and Expenditures.....	92
Debt Service Stabilization Fund - Statement of Revenues and Expenditures	93
Debt Service Fund – General Obligation Bond 2016 A - Statement of Revenues and Expenditures	93

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (continued)

	<u>Page (s)</u>
Debt Service Fund – General Obligation Bond 2016 C - Statement of Revenues and Expenditures	94
General Long-Term Debt	
Schedule on General Obligation Bonds - Series A of 2011	95
Schedule on General Obligation Bonds – Series B of 2011.....	96
Schedule on General Obligation Bonds – Series of 2014	96
Schedule on General Obligation Bonds – Series A of 2014	97
Schedule on General Obligation Bonds – Series of 2015	97
Schedule on General Obligation Bonds – Series A of 2016	98
Schedule on General Obligation Bonds – Series C of 2016.....	98
Single Audit Section	
Schedule of Expenditures of Federal Awards.....	99
Notes to the Schedule of Expenditures of Federal Awards.....	100
Independent Auditor’s Report Under Governmental Auditing Standards	101- 102
Independent Auditor’s Report Under Uniform Guidance.....	103 - 104
Schedule of Findings and Questioned Costs.....	105- 106

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, 2016, 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 30, 2016



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, 2016, and have issued our report thereon dated November 30, 2016.

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 August 15, 2016.

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 30, 2016. 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 2015-16 basic financial statements.

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

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

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

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

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

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

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

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

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

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

CONTROL DEFICIENCIES

Gate Receipts

During our review of gate receipts, we discovered a discrepancy of \$794 between actual revenue from athletic ticket sales and the amount recorded. This error was due to several factors. First, at the Nov. 6, 2015 football game against Schuylkill Valley, the \$800 beginning cash in the cash box was deposited into the bank with the actual ticket sales causing revenue to be overstated by \$800.

Second, there was a \$91 cash shortage between the \$860 in ticket revenue and the \$769 that was deposited from the cash box at the Sept. 14, 2015 boys' soccer game against Fleetwood. Additionally, there were many instances of cash shortages and overages in the cash boxes across many athletic events. Most of these shortages and overages are small amounts, except for a \$25 shortage at the Dec. 28, 2015 basketball game.

We suggest management reiterate the importance of properly reconciling the cash boxes at all athletic events and ensure proper controls are in place to prevent these discrepancies.

Tax Collector Receipts

During this year's audit, we had issues reconciling the Tax Collector reports for Windsor Township. The collectible balances shown as of June 30, 2016, did not agree with the District's recorded revenue. The monthly reports were filled with a litany of errors and corrections that were handwritten all over the reports, making it very difficult to reconcile these reports.

In the future, we advise the District to insist the elected tax collector submit a revised report filled out properly at it should have been originally. The District should keep both reports for our review.

During this investigation, we discovered controls missing in the District's personnel reconciling these reports to the deposits made and the revenue recorded. Presently, your clerk matches the deposits made to the monthly tax collector report and if everything matches that is the only reconciling step taken.

We have informed your clerk to look at the monthly collection report or paid bills report and compare that to what was remitted to the District. In addition, the unpaid bills report should match Line 8 of the monthly Act 169 report (Balance Collectible – End of Month). The collections report will also ensure timely remittance of taxes collected. Currently, it would be possible for the tax collector to receive taxes in one month, but not remit those taxes until a month later.

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

Middle School Activity Fund

During our review of disbursements made in the current year, we discovered 52 Kindle Tablets were purchased by the student club to be used in the Language Arts classroom. These Tablets are being used in the learning curriculum and, as such, should have been paid by the General Fund. All disbursements made from the student activity account should relate to the use of the student population in extra-curricular events or activities, and approved by the student officers.

In addition, there were several checks written in payment for teacher assemblies or refreshments for faculty meetings. In addition to the Kindle Tablets, the following items are not proper disbursements of an activity fund:

- Check no. 3590, \$798.68 on 8/18/15 for a speaker during In-Service.
- Check no. 3591, \$991.80 on 8/18/15 for the Master Teacher Program
- Check no. 3643, \$228.60 on 3/18/16 for faculty meeting refreshments.
- Check no. 3659, \$1,398.35 on 5/6/16 for faculty new staff meeting luncheon and snacks.
- ACH D0000002, \$367.50 on 10/20/15 for faculty in-service refreshments
- Credit Card Transaction, \$98.55 on 8/4/15 for room reservation.

We suggest management and the Board consider reimbursing the Student Activity Fund for these General Fund expenditures and provide future guidance to the faculty advisors of the Activity Fund not to use the student funds for these types of expenses.

We also discovered several questionable student clubs: Assemblies, 7th Grade Trips, 8th Grade Trips, Personal Family Living, and Student Agendas, which all held negative club balances. We can find no evidence of student officers representing the Clubs or minutes of meetings. We would advise management to investigate the legitimacy of these Clubs and acquire a legal opinion on the ability to maintain them.

As reported in our prior management letter from last year, there are still no student approvals on disbursements made from the Middle School Activity Fund.

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

OTHER INFORMATION

In prior years, we included in this section future Governmental Accounting Standards Board Statements that will affect the School District in future years. This year and future years, we are showing this in the Notes to the Basic Financial Statements.

GASB Projects

Leases

Although there is no official standard at this date, we are aware that the Governmental Accounting Standards Board (GASB) is working on a project that will change the reporting in future years on all capital and operating leases. Under present accounting principles, only capital leases are required to be reported on the financial statements; however, once this project is completed all operating leases will also be recorded onto the financial statements as an asset and liability.

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

Fiduciary Activities

The GASB is working on a new standard dealing with fiduciary activities. Although, we do not expect most changes to affect the District, one, in particular, can affect the current reporting of student clubs and/or organizations. Based on their last communication, they are contemplating showing a Statement of Changes in Net Position for Activity Funds.

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 30, 2016

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



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, 2016, 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, 2016, 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, 2015, the Hamburg Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, Governmental Accounting Standards Board Statement No. 73, Accounting and Financial Reporting Amendments to Certain Provisions of GASB Statement No. 68, Governmental Accounting Standards Board Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants. Our opinion is not modified with respect to these pronouncements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11-19, and the Schedule of Funding Progress, OPEB, Schedule of the District's Proportionate Share of Net Pension Liability and Schedule of District's Contributions – Pension on pages 76-78, 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

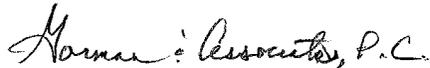
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamburg Area School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, by Title 2 U.S. 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 30, 2016, 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 30, 2016

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2016

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, 2016.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by \$2,013,009, resulting in an increase in fund balance of \$894,542. The primary reasons for this surplus was that expenditures were less than originally budgeted due to strict control of expenditures and the refinancing of the 2011B series bonds. Revenues were also less than originally budgeted.

The Board of Directors passed a 2015-16 budget with a real estate tax increase of .25 mills. The increase was necessitated by contractual obligations, PSERS rate increases, and the continuing increases for special education and charter school costs.

**HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis**

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

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Reporting –

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

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

* Statement of Activities – identifies the costs of providing services to the district and the financial resources obtained to finance the services.

Both statements report two activities:

* Governmental Activities – Most of the district's programs and services are reported here including instruction, support services, operation of plant, pupil transportation and student activities. Property taxes and state and federal subsidies finance most of this activity.

* Business-type Activities – The school district operates a food service operation. Students and staff are charged fees to cover some of the costs of operation. State and federal breakfast and lunch programs further subsidize food service costs.

District Fund Reporting -

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

* Governmental Funds – Major governmental funds of the District are the General Fund, Capital Reserve Fund, and Capital Projects Fund. Non-major funds include the Debt Service Fund. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental funds present a short-term view of the District's operations and the services it provides.

* Proprietary Funds – Reports the activities of the District's Food Service operation. These statements mirror those as provided by the Business-type activities in the Governmental-wide statements, while providing more detail and additional information such as cash flows.

* Fiduciary Funds – The School District acts as a trustee to manage assets belonging to others. The Scholarship (Private Purpose) Fund and Student Activities Funds are reported on a separate statement of fiduciary net position and statement of the changes in fiduciary net position because these funds may not be used to finance district operations.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

DISTRICT-WIDE FINANCIAL ANALYSIS

The District's net position was (\$7,480,731) at June 30, 2016, a increase of \$1,265,190. The governmental net position increased by \$1,245,172, while business-type net position increased by \$20,018.

Table A-1
Fiscal Year Ended June 30, 2016
Net Position

	2015			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 20,898,301	\$ 491,823	\$ 21,261,108 (1)	\$ 20,374,887	\$ 536,685	\$ 20,816,005
Non-Current Assets	73,945,531	125,354	74,070,885	74,703,376	119,607	74,822,983
Deferred Outflow of Resource	6,918,112	109,691	7,027,803	7,900,091	137,043	8,037,134
Total Assets & Deferred Outflow of Resources	\$ 101,761,944	\$ 726,868	\$ 102,359,796	\$ 102,978,354	\$ 793,335	\$ 103,676,122
Current and Other Liabilities	\$ 6,317,376	\$ 47,723	\$ 6,236,083 (1)	\$ 6,518,582	\$ 46,787	\$ 6,469,802
Long-term Liabilities	99,860,467	1,460,608	101,321,075	101,409,654	1,556,079	102,965,733
Deferred Inflow of Resources	3,451,870	96,689	3,548,559	1,672,715	48,603	1,721,318
Total Liabilities & Deferred Inflow of Resources	\$ 109,629,713	\$ 1,605,020	\$ 111,105,717	\$ 109,600,951	\$ 1,651,469	\$ 111,156,853
Net Position						
Net Investment in Capital Assets	\$ 25,660,627	\$ 125,354	\$ 25,785,981	\$ 26,053,132	\$ 119,607	\$ 26,172,739
Restricted	1,816,403	-	1,816,403	799,163	-	799,163
Unrestricted	(35,344,799)	(1,003,506)	(36,348,305)	(33,474,892)	(977,741)	(34,452,633)
Total Net Position	\$ (7,867,769)	\$ (878,152)	\$ (8,745,921)	\$ (6,622,597)	\$ (858,134)	\$ (7,480,731)

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, 2016
Changes in Net Position

	2015			2016		
	Governmental Activities	Business-type Activites	Total	Governmental Activities	Business-type Activites	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 101,663	\$ 695,592	\$ 797,255	\$ 97,291	\$ 678,297	\$ 775,588
Operating grants and contributions	5,742,017	648,169	6,390,186	6,480,657	743,401	7,224,058
Capital grants and contributions	578,343	-	578,343	467,274	-	467,274
<i>General Revenues</i>						
Property taxes	21,169,943	-	21,169,943	21,544,754	-	21,544,754
Other taxes	2,385,199	-	2,385,199	2,495,453	-	2,495,453
Grants, subsidies and contributions	7,231,973	-	7,231,973	7,380,390	-	7,380,390
Other	356,910	261	357,171	180,866	508	181,374
Total Revenues	37,566,048	1,344,022	38,910,070	38,646,685	1,422,206	40,068,891
Expenses						
Instruction	21,222,765	-	21,222,765	21,551,671	-	21,551,671
Instructional student support	3,483,458	-	3,483,458	2,956,951	-	2,956,951
Administrative and financial support	3,624,908	-	3,624,908	3,738,194	-	3,738,194
Operation and maintenance of plant	3,049,251	-	3,049,251	3,003,094	-	3,003,094
Pupil transportation	1,797,169	-	1,797,169	1,846,359	-	1,846,359
Student activities	716,550	-	716,550	789,808	-	789,808
Community services	26,122	-	26,122	31,987	-	31,987
Interest on long-term debt	1,971,195	-	1,971,195	2,123,396	-	2,123,396
Unallocated depreciation expense	1,360,240	-	1,360,240	1,360,053	-	1,360,053
Food services	-	1,398,510	1,398,510	-	1,402,188	1,402,188
Total Expenses	37,251,658	1,398,510	38,650,168	37,401,513	1,402,188	38,803,701
Increase (decrease) in net position	\$ 314,390	\$ (54,488)	\$ 259,902	\$ 1,245,172	\$ 20,018	\$ 1,265,190

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 57.6% 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, 2016
Governmental Activities**

Functions/Programs	2015		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 21,222,765	\$ 17,090,187	\$ 21,551,671	\$ 16,814,196
Instructional Student Support	3,483,458	3,193,172	2,956,951	2,595,995
Administrative	3,624,908	3,390,996	3,738,194	3,449,175
Operation and Maintenance	3,049,251	2,910,814	3,003,094	2,822,136
Pupil Transportation	1,797,169	842,568	1,846,359	985,594
Student Activities	716,550	622,684	789,808	641,033
Community Services	26,122	26,122	31,987	31,987
Interest on Long-term Debt	1,971,195	1,392,852	2,123,396	1,656,122
Unallocated Depreciation Expense	1,360,240	1,360,240	1,360,053	1,360,053
Total Governmental Activities	\$ 37,251,658	\$ 30,829,635	\$ 37,401,513	\$ 30,356,291
Less:				
Unrestricted Grants and Subsidies		7,231,973		7,380,390
Total Contribution from Local Taxes and other Revenues		\$ 23,597,662		\$ 22,975,901

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 \$20,018 gain. The cost of services increased only slightly, primarily due to retirements. Food service operations have been evaluated in light of the current costs of operations and lunch prices have been adjusted for the 2016-17 year to reflect the contractual increased costs of personnel and anticipated food supplies.

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-4
Fiscal Year ended June 30, 2016
Business-type Activities

Functions/Programs	2015		2016	
	Total Cost of		Total Cost of	
	Services	Net Revenue	Services	Net Revenue
Food Services	\$ 1,398,510	\$ (54,747)	\$ 1,402,188	\$ 19,510
Less:				
Investment Earnings		261		508
Gain/Loss Asset Sale		-		-
Total business-type Activities		\$ (54,486)		\$ 20,018

The District Funds:

At June 30, 2016, the District governmental funds reported a combined fund balance of \$15,871,059. This represents a decrease of \$479,584 from the prior year. The reason for this decrease is due to construction costs for the secured entry project at the Hamburg School District.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets net of accumulated depreciation increased \$757,845 or 1.0%. 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

	6/30/2015	6/30/2016	Change
Land and Land Improvements (net of Accum Depreciation)	\$ 2,253,336	\$ 2,145,569	\$ (107,767)
Building and Building Improvements (net of Accum Depreciation)	49,705,704	48,468,822	(1,236,882)
Furniture and Equipment (net of Accum Depreciation)	733,063	697,163	(35,900)
Construction in Progress	21,253,428	23,391,822	2,138,394
TOTAL	\$ 73,945,531	\$ 74,703,376	\$ 757,845

**HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis**

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

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 125,354	\$ 119,607	\$ 5,747
Total	<u>\$ 125,354</u>	<u>\$ 119,607</u>	<u>\$ 5,747</u>

DEBT ADMINISTRATION:

As of June 30, 2016, the District had outstanding debt of \$50,620,000. Figure A-7 shows outstanding debt at June 30, 2016.

**Table A-7
Outstanding Debt**

	<u>2015</u>	<u>2016</u>
General Obligation Bonds		
-Series of 2011 A	\$ 14,785,000	\$ 14,705,000
-Series of 2011 B	10,160,000	5,740,000
-Series of 2014	6,995,000	4,965,000
-Series of 2014 A	9,970,000	9,965,000
-Series of 2015	9,955,000	9,950,000
-Series of 2016 A	-	5,170,000
-Series of 2016 C	-	125,000
Total	<u>\$ 51,865,000</u>	<u>\$ 50,620,000</u>

LOOKING TO THE FUTURE:

CAPITAL PROJECTS:

The District has completed the process of consolidating five aging elementary buildings into two facilities. With the completion of Perry Elementary, there are no major building projects planned by the District for the foreseeable future. Projects currently in the planning stages are upgrades to the HVAC systems at the High School and Middle School, a new roof at the Middle School, and resurfacing of the HS stadium turf field.

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

BUDGET 2015-2016

Rising costs for special education, charter schools, and contractual obligations have necessitated a millage increase for 2016-17. The increase of .25 mills from 26.46 to 26.71 mills means that property owners will pay \$26.71 for each \$1,000.00 of assessed valuation.

The 2016-17 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>2015-2016</u>	<u>2016-2017</u>
Local	63.5%	64.2%
State	35.1%	34.6%
Federal/Other	1.4%	1.2%

BUDGETED EXPENDITURES

	<u>2015-2016</u>	<u>2016-2017</u>
Instruction	55.4%	57.6%
Support Services	30.1%	30.2%
Non Instruction/Community	1.9%	2.1%
Fund Transfers/Debt	12.6%	10.1%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT:

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

BASIC FINANCIAL STATEMENTS

**Hamburg Area School District
Statement of Net Position
As of June 30, 2016**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 12,785,193	\$ 339,721	\$ 13,124,914
Investments	4,661,000	-	4,661,000
Receivables, net	1,144,795	-	1,144,795
Internal Balances	9,517	86,050	- (1)
Due From Other Governments	1,673,055	71,047	1,744,102
Other Receivables	44,856	-	44,856
Inventories	56,471	39,867	96,338
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
Total Current Assets	20,374,887	536,685	20,816,005
Non-Current Assets:			
Land	589,069	-	589,069
Site Improvements (net of depreciation)	1,556,500	-	1,556,500
Building and Bldg. Improvements (net of depreciation)	48,468,822	-	48,468,822
Furniture and Equipment (net of depreciation)	697,163	119,607	816,770
Construction in Progress	23,391,822	-	23,391,822
Total Non-Current Assets	74,703,376	119,607	74,822,983
Total Assets	95,078,263	656,292	95,638,988
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion	341,768	9,232	351,000
Deferred Outflows of Resources - Current Year Contributions	3,817,718	120,432	3,938,150
Deferred Inflows of Resources - Difference in Investment Earnings	-	7,379	7,379
Deferred Outflows of Resources - Diff. between Proportionate Share vs Actual Paid - Separately Financed Liabilities	5,134	-	5,134
Deferred Amount on Debt Refundings, net	3,735,471	-	3,735,471
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 102,978,354	\$ 793,335	\$ 103,676,122
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 86,050	\$ 9,517	\$ - (1)
Due to other governments	78,499	-	78,499
Accounts Payable	540,256	1,037	541,293
Current Portion of Long-Term Obligations	2,480,741	-	2,480,741
Accrued Salaries and Benefits	2,915,834	16,253	2,932,087
Payroll Deductions and Withholdings	-	-	-
Payments Received in Advance	-	19,980	19,980
Other Current Liabilities	417,202	-	417,202
Total Current Liabilities	6,518,582	46,787	6,469,802
Non-Current Liabilities:			
Bonds Payable	48,498,544	-	48,498,544
Other Retirement Benefits	182,113	6,026	188,139
Net OPEB Obligation	1,038,310	81,502	1,119,812
Long-Term Portion of Compensated Absences	721,589	32,463	754,052
Net Pension Liability	50,964,133	1,436,088	52,400,221
Capital Lease Obligations	4,965	-	4,965
Total Liabilities	107,928,236	1,602,866	109,435,535
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Difference in Investment Earnings	113,379	-	113,379
Deferred Inflows of Resources - Projected vs Actual Contributions	65,897	2,042	67,939
Deferred Inflows of Resources - Change in Proportion - NPL	1,283,000	40,000	1,323,000
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	210,439	6,561	217,000
Unearned Revenue from Property Taxes	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	109,600,951	1,651,469	111,156,853
NET POSITION			
Net Investment in Capital Assets	26,053,132	119,607	26,172,739
Restricted For:			
Capital Projects	799,163	-	799,163
Other Restrictions	-	-	-
Unrestricted (deficit)	(33,474,892)	(977,741)	(34,452,633)
TOTAL NET POSITION	(6,622,597)	(858,134)	(7,480,731)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 102,978,354	\$ 793,335	\$ 103,676,122

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, 2016**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 21,551,671	\$ 240	\$ 4,737,235	\$ -	\$ (16,814,196)	\$ -	\$ (16,814,196)
Instructional Student Support	2,956,951	-	360,956	-	(2,595,995)	-	(2,595,995)
Admin. & Fin'l Support Services	3,738,194	-	289,019	-	(3,449,175)	-	(3,449,175)
Oper. & Maint. Of Plant Svcs.	3,003,094	-	180,958	-	(2,822,136)	-	(2,822,136)
Pupil Transportation	1,846,359	2,081	858,684	-	(985,594)	-	(985,594)
Student activities	789,808	94,970	53,805	-	(641,033)	-	(641,033)
Community Services	31,987	-	-	-	(31,987)	-	(31,987)
Interest on Long-Term Debt	2,123,396	-	-	467,274	(1,656,122)	-	(1,656,122)
Unallocated Depreciation Expense	1,360,053	-	-	-	(1,360,053)	-	(1,360,053)
TOTAL GOVERNMENT ACTIVITIES	37,401,513	97,291	6,480,657	467,274	(30,356,291)	-	(30,356,291)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,402,188	678,297	743,401	-	-	19,510	19,510
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 38,803,701	\$ 775,588	\$ 7,224,058	\$ 467,274	\$ (30,356,291)	\$ 19,510	\$ (30,336,781)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 21,544,754	\$ -	\$ 21,544,754
Taxes levied for specific purposes					2,495,453	-	2,495,453
Grants, subsidies, & contributions not restricted					7,380,390	-	7,380,390
Investment Earnings					84,518	508	85,026
Miscellaneous Income					99,848	-	99,848
Special Item - Gain or (Loss) on sale of capital assets					(3,500)	-	(3,500)
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					31,601,463	508	31,601,971
CHANGES IN NET POSITION					1,245,172	20,018	1,265,190
NET POSITION - BEGINNING					(7,867,769)	(878,152)	(8,745,921)
NET POSITION - ENDING					\$ (6,622,597)	\$ (858,134)	\$ (7,480,731)

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

**Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2016**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 11,421,918	\$ 925,614	\$ 437,660	\$ 12,785,192
Investments	4,661,000	-	-	4,661,000
Taxes Receivable, net	1,144,795	-	-	1,144,795
Due from other funds	9,517	-	-	9,517
Due from Other Governments	1,673,055	-	-	1,673,055
Other Receivables	34,796	-	-	34,796
Inventories	-	-	-	-
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 18,945,081	\$ 925,614	\$ 437,660	\$ 20,308,355
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 18,945,081	\$ 925,614	\$ 437,660	\$ 20,308,355
<u>LIABILITIES</u>				
Due to Other Funds	\$ 89,758	\$ -	\$ -	\$ 89,758
Due to Other Governments	78,499	-	-	78,499
Accounts Payable	217,569	126,451	-	344,020
Current Portion of Long-Term Debt	175,940	-	-	175,940
Accrued Salaries and Benefits	1,787,674	-	-	1,787,674
Payroll Deductions and Withholdings	1,128,160	-	-	1,128,160
Other Current Liabilities	-	-	-	-
TOTAL LIABILITIES	3,477,600	126,451	-	3,604,051
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned Revenue from Property Taxes	833,245	-	-	833,245
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,310,845	126,451	-	4,437,296
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	41,180	799,163	-	840,343
Committed	2,403,497	-	-	2,403,497
Assigned	10,494,119	-	437,660	10,931,779
Unassigned	1,695,440	-	-	1,695,440
TOTAL FUND BALANCES	14,634,236	799,163	437,660	15,871,059
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,945,081	\$ 925,614	\$ 437,660	\$ 20,308,355

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, 2016**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 15,871,059

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 \$94,945,977 and the accumulated depreciation is \$20,242,601. 74,703,376

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. 10,060

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds, but not in the government-wide statement of net position. 833,245

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. 56,471

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. (192,527)

This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues. 3,735,471

This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability 2,491,905

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	\$ (50,798,544)	
Accrued interest on the bonds	(417,202)	
Compensated absences	(721,589)	
Net Pension Liability	(50,964,133)	
Net OPEB Obligation	(1,038,310)	
Years of Service Benefit	(182,113)	
Capital Leases	(9,766)	(104,131,657)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (6,622,597)**

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, 2016

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 24,731,232	\$ 1,176	\$ 1,405	\$ 24,733,813
State Sources	13,548,700	-	-	13,548,700
Federal Sources	448,104	-	-	448,104
TOTAL REVENUES	<u>38,728,036</u>	<u>1,176</u>	<u>1,405</u>	<u>38,730,617</u>
	-----	-----	-----	-----
EXPENDITURES				
Instruction	21,175,667	-	-	21,175,667
Support Services	11,090,627	105,516	238,766	11,434,909
Operation of Non-Instructional Services	830,066	-	-	830,066
Capital Outlay	-	2,032,878	-	2,032,878
Debt Service	3,618,667	370,006	-	3,988,673
TOTAL EXPENDITURES	<u>36,715,027</u>	<u>2,508,400</u>	<u>238,766</u>	<u>39,462,193</u>
	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,013,009</u>	<u>(2,507,224)</u>	<u>(237,361)</u>	<u>(731,576)</u>
	-----	-----	-----	-----
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Refunding Bond Proceeds	-	-	5,295,000	5,295,000
Proceeds from Extended Term Financing	-	-	-	-
Interfund Transfers in	-	1,120,000	-	1,120,000
Sale/Compensation for Fixed Assets	910	-	-	910
Insurance Recoveries	623	-	-	623
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	(5,044,541)	(5,044,541)
Operating Transfers Out	(1,120,000)	-	-	(1,120,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,118,467)</u>	<u>1,120,000</u>	<u>250,459</u>	<u>251,992</u>
	-----	-----	-----	-----
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
	-----	-----	-----	-----
NET CHANGE IN FUND BALANCES	894,542	(1,387,224)	13,098	(479,584)
FUND BALANCES - BEGINNING	<u>13,739,694</u>	<u>2,186,387</u>	<u>424,562</u>	<u>16,350,643</u>
	-----	-----	-----	-----
FUND BALANCES - ENDING	<u>\$ 14,634,236</u>	<u>\$ 799,163</u>	<u>\$ 437,660</u>	<u>\$ 15,871,059</u>
	-----	-----	-----	-----

**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, 2016**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (479,584)

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	\$ 1,442,019	
less - capital outlays	<u>2,203,664</u>	761,645

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.

(3,800)

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.

-

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.

2,129,644

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.

(184,858)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **2,223,047**

**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, 2016**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) \$ 2,223,047

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. (264,367)

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. (81,665)

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. (250,459)

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. 4,879

The difference between current year pension expense reported on the governmental activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds. (386,263)

CHANGE IN POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,245,172**

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, 2016**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 339,721	\$ -	\$ 339,721
Investments	-	-	-
Due from other funds	86,050	-	86,050
Due From Other Governments	71,047	-	71,047
Other Receivables	-	-	-
Inventories	39,867	-	39,867
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	536,685	-	536,685
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	119,607	-	119,607
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	119,607	-	119,607
TOTAL ASSETS	\$ 656,292	\$ -	\$ 656,292
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Changes in Proportion	9,232	-	9,232
Deferred Outflows - Current Year Contributions	120,432	-	120,432
Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	7,379	-	7,379
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 793,335	\$ -	\$ 793,335
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 9,517	\$ -	\$ 9,517
Accounts Payable	1,037	-	1,037
Current Portion of Long-Term Debt	-	-	-
Prepayments from Students	19,980	-	19,980
Accrued Salaries and Benefits	16,253	-	16,253
TOTAL CURRENT LIABILITIES	46,787	-	46,787
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	32,463	-	32,463
Years of Service Benefit	6,026	-	6,026
Net Pension Liability	1,436,088	-	1,436,088
Net OPEB Obligation	81,502	-	81,502
TOTAL NON-CURRENT LIABILITIES	1,556,079	-	1,556,079
TOTAL LIABILITIES	1,602,866	-	1,602,866
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - Difference in Investment Earnings	-	-	-
Deferred Inflows - Projected vs Actual Contributions	2,042	-	2,042
Deferred Inflows - Change in Proportion - NPL	40,000	-	40,000
Deferred Inflows - Diff. between Expected vs Actual Experience	6,561	-	6,561
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,651,469	-	1,651,469
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	119,607	-	119,607
Restricted for Legal Purposes	-	-	-
Unrestricted	(977,741)	-	(977,741)
TOTAL FUND NET POSITION	(858,134)	-	(858,134)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 793,335	\$ -	\$ 793,335

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, 2016

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 643,491	\$ -	\$ 643,491
Other Operating Revenues	34,806	-	34,806
TOTAL OPERATING REVENUES	<u>678,297</u>	<u>-</u>	<u>678,297</u>
	-----	-----	-----
OPERATING EXPENSES:			
Salaries	511,207	-	511,207
Employee Benefits	322,259	-	322,259
Purchased Professional and Technical Services	1,350	-	1,350
Purchased Property Service	19,959	-	19,959
Other Purchased Services	17,922	-	17,922
Supplies	519,201	-	519,201
Depreciation	5,747	-	5,747
Dues and Fees	3,491	-	3,491
Other Operating Expenses	1,052	-	1,052
TOTAL OPERATING EXPENSES	<u>1,402,188</u>	<u>-</u>	<u>1,402,188</u>
	-----	-----	-----
OPERATING INCOME (LOSS)	<u>(723,891)</u>	<u>-</u>	<u>(723,891)</u>
	-----	-----	-----
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	508	-	508
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	123,654	-	123,654
Federal Sources	619,747	-	619,747
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>743,909</u>	<u>-</u>	<u>743,909</u>
	-----	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	20,018	-	20,018
Capital contributions	-	-	-
Transfers in (out)	-	-	-
	-----	-----	-----
CHANGES IN FUND NET POSITION	20,018	-	20,018
FUND NET POSITION - BEGINNING	<u>(878,152)</u>	<u>-</u>	<u>(878,152)</u>
	-----	-----	-----
FUND NET POSITION - ENDING	<u>\$ (858,134)</u>	<u>\$ -</u>	<u>\$ (858,134)</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, 2016**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 686,457	\$ -	\$ 686,457
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	34,806	-	34,806
Cash Payments to Employees for Services	(811,875)	-	(811,875)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(467,734)	-	(467,734)
Cash Payments to Other Operating Expenses	(4,543)	-	(4,543)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(562,889)	-	(562,889)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	124,065	-	124,065
Federal Sources	519,521	-	519,521
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	643,586	-	643,586
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	-	-	-
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
Capital Contributions	-	-	-
Interest paid on Financing Agreements	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	508	-	508
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	508	-	508
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81,205	-	81,205
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	258,516	-	258,516
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 339,721	\$ -	\$ 339,721

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2016**

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (723,891)	\$ -	\$ (723,891)
	-----	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	5,747	-	5,747
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	100,456	-	100,456
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	-	-
(Increase) Decrease in Advances to Other Funds	42,966	-	42,966
(Increase) Decrease in Inventories	(7,264)	-	(7,264)
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
(Increase) Decrease in Deferred Outflows - Change in Proportion	3,356	-	3,356
(Increase) Decrease in Deferred Outflows - Current Year Contributions	(23,329)	-	(23,329)
(Increase) Decrease in Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	(7,379)	-	(7,379)
Increase (Decrease) in Accounts Payable	(13,135)	-	(13,135)
Increase (Decrease) in Accrued Salaries and Benefits	5,084	-	5,084
Increase (Decrease) in Net OPEB Obligation	3,938	-	3,938
Increase (Decrease) in Years of Service Benefit	1,968	-	1,968
Increase (Decrease) in Net Pension Liability	86,039	-	86,039
Increase (Decrease) in Deferred Inflows of Resources - Difference in Projected and Actual Contributions	1,890	-	1,890
Increase (Decrease) in Deferred Inflows of Resources - Difference in Investment Earnings	(96,537)	-	(96,537)
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion - NPL	40,000	-	40,000
Increase (Decrease) in Deferred Inflows of Resources - Difference in Expected vs Actual Experience	6,561	-	6,561
Increase (Decrease) in Advances from Other Funds	9,517	-	9,517
Increase (Decrease) in Prepayments	1,124	-	1,124
TOTAL ADJUSTMENTS	161,002	-	161,002
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (562,889)	\$ -	\$ (562,889)

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, 2016**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 84,688
Investments	-	-	-
Due from Other Funds	-	-	3,708
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	-	-	88,396
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ 88,396
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 907
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	87,489
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	88,396
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	88,396
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, 2016**

	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, 2016

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 25,358,150	\$ 25,458,150	\$ 24,731,232	\$ (726,918)	\$ -	\$ 24,731,232
State Sources	13,459,641	13,459,641	13,548,700	89,059	-	13,548,700
Federal Sources	415,669	415,669	448,104	32,435	-	448,104
TOTAL REVENUES	<u>39,233,460</u>	<u>39,333,460</u>	<u>38,728,036</u>	<u>(605,424)</u>	<u>-</u>	<u>38,728,036</u>
EXPENDITURES						
Regular Instruction	15,776,804	15,249,804	15,214,225	35,579	-	15,214,225
Special Programs	4,976,712	5,015,712	4,958,386	57,326	-	4,958,386
Vocational Programs	974,932	974,932	954,143	20,789	-	954,143
Other Instructional Programs	69,200	64,200	48,259	15,941	-	48,259
Nonpublic School Programs	-	1,000	654	346	-	654
Adult Education Programs	-	-	-	-	-	-
Pupil Personnel Services	1,298,151	1,402,151	1,376,733	25,418	-	1,376,733
Instructional Staff Services	1,216,827	1,101,827	1,088,276	13,551	-	1,088,276
Administrative Services	2,303,529	2,019,529	1,984,803	34,726	-	1,984,803
Pupil Health	427,004	431,004	429,357	1,647	-	429,357
Business Services	570,355	463,355	446,416	16,939	-	446,416
Operation & Maintenance of Plant Services	3,083,923	3,083,923	2,945,757	138,166	-	2,945,757
Student Transportation Services	1,942,434	1,945,434	1,840,125	105,309	-	1,840,125
Central Support Services	973,616	974,616	950,263	24,353	-	950,263
Other Support Services	28,801	29,801	28,897	904	-	28,897
Student Activities	697,901	1,167,901	798,079	369,822	-	798,079
Community Services	34,000	34,000	31,987	2,013	-	31,987
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	3,974,271	3,989,271	3,618,667	370,604	-	3,618,667
TOTAL EXPENDITURES	<u>38,348,460</u>	<u>37,948,460</u>	<u>36,715,027</u>	<u>1,233,433</u>	<u>-</u>	<u>36,715,027</u>
Excess (deficiency) of revenues over expenditures	885,000	1,385,000	2,013,009	628,009	-	2,013,009
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Interfund Transfers in	100,000	-	-	-	-	-
Sale/Compensation for Fixed Assets	15,000	15,000	910	(14,090)	-	910
Insurance Recoveries	-	-	623	623	-	623
Fund Transfers out	(750,000)	(1,150,000)	(1,120,000)	30,000	-	(1,120,000)
Budgetary Reserve	(250,000)	(250,000)	-	250,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(885,000)</u>	<u>(1,385,000)</u>	<u>(1,118,467)</u>	<u>266,533</u>	<u>-</u>	<u>(1,118,467)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	894,542	894,542	-	894,542
FUND BALANCE - JULY 1, 2015	<u>\$ 12,261,812</u>	<u>\$ 12,261,812</u>	<u>\$ 13,739,694</u>	<u>\$ 1,477,882</u>	<u>\$ -</u>	<u>\$ 13,739,694</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 12,261,812</u>	<u>\$ 12,261,812</u>	<u>\$ 14,634,236</u>	<u>\$ 2,372,424</u>	<u>\$ -</u>	<u>\$ 14,634,236</u>

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, 2016**

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 2015-16 was \$912,393.

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, 2016**

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, 2016**

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

General Fund

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

Special Revenue Funds

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

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

Capital Project Funds

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

The District has the following Capital Project Funds:

2011 B Construction Fund

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

Capital Reserve Fund

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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

Food Service Fund

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, 2016**

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 2015-16 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 2015-16 fiscal year the District implemented the following new generally accepted accounting principles:

- GASB Statement No. 72 (*Fair Value Measurement and Application*), which establishes fair value reporting for governments. Fair value is described as an exit price. To determine a fair value measurement, a government should consider the unit of account, which refers to the level at which an asset or a liability is aggregated or disaggregated for measurement. This Statement requires a government to use valuation techniques using one of the following approaches: the market approach, the cost approach, or the income approach. This Statement establishes a hierarchy of inputs for valuation techniques used to measure fair values.
- GASB Statement No. 73 (Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68). The portion of this Statement applying to this government pertains to Amendments to GASB Statement 68. These Amendments clarify the application of Statement 68 as follows: (1) Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.
- GASB Statement No. 76 (The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments). This Statement establishes two categories of hierarchy: Category A consists of Governmental Accounting Standards Board Statements, including GASB interpretations. Category B consists of GASB Technical Bulletins; GASB Implementation Guides, and literature of the AICPA cleared by the GASB.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

- GASB Statement No. 79 (Certain External Investment Pools and Pool Participants). This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

H. Pensions

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

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

I. Investments

In accordance 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, 2016**

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, 2016, 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, 2016, shows \$56,471 as an asset in the governmental activities column of the government-wide statement of net position and \$39,867 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, 2016, consist of:

Purchased Food & Supplies	\$ 25,630
Donated Commodities	<u>14,237</u>
TOTAL	<u>\$ 39,867</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Prepaid Expenses

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

Capital Assets

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

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

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

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

Compensated Absences

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, 2016, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Position

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

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

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used are explained in Note 7 to the financial statements:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, 2016**

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 \$104,131,657, difference are:

Bonds payable	\$ 50,620,000
Less: Issuance discount (to be amortized as interest expense)	(113,589)
Add: Issuance premium (to be amortized as a credit to interest expense)	292,133
Capital Lease	9,766
Accrued interest payable	417,202
Net Pension Liability	50,964,133
Years of Service Benefit	182,113
Net OPEB Obligation	1,038,310
Compensated absences	721,589
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	\$ 104,131,657

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, 2016**

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

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT ITEMS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 21,612,095	\$ (67,341)	\$ -	\$ -	\$ 21,544,754
Taxes levied for specific purposes	2,495,453	-	-	-	2,495,453
Interest and investment earnings	98,841	(14,323)	-	-	84,518
Miscellaneous	83,216	-	1,232	-	84,448
Contributions and Donations	15,400	-	-	-	15,400
Charges for Services	95,210	-	-	-	95,210
Grants, subsidies & contributions not restricted	7,380,390	-	-	-	7,380,390
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Charges for Services	2,081	-	-	-	2,081
Operating & Capital grants and contributions	6,168,310	-	-	-	6,168,310
FEDERAL SOURCES:					
Operating & Capital grants and contributions	779,621	-	-	-	779,621
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	5,295,000	-	-	(5,295,000)	-
Proceeds from Extended Term Financing	-	-	-	-	-
Insurance Recoveries	623	-	(623)	-	-
Bond Premium	-	-	-	-	-
Gain or (Loss) on disposal of assets	910	-	(4,410)	-	(3,500)
TOTAL REVENUES	44,027,150	(81,664)	(3,801)	(5,295,000)	38,646,685
EXPENDITURES/EXPENSES					
Instruction	21,175,667	401,469	(25,465)	-	21,551,671
Instructional Student Support	2,894,366	47,871	14,714	-	2,956,951
Admin. & Fin'l Support Services	3,754,406	83,105	(99,317)	-	3,738,194
Oper. & Maint. Of Plant Svcs.	2,946,012	23,910	33,172	-	3,003,094
Pupil Transportation	1,840,125	1,904	4,330	-	1,846,359
Student activities	798,079	7,983	(16,254)	-	789,808
Community Services	31,987	-	-	-	31,987
Capital Outlay	2,032,878	-	(2,032,878)	-	-
Debt Service	9,033,214	-	-	(6,909,818)	2,123,396
Bond Discount	-	-	-	-	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,360,053	-	1,360,053
TOTAL EXPENDITURES/EXPENSES	44,506,734	566,242	(761,645)	(6,909,818)	37,401,513
NET CHANGE FOR THE YEAR	\$ (479,584)	\$ (647,906)	\$ 757,844	\$ 1,614,818	\$ 1,245,172

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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, 2016, except the governmental activities has negative net position of \$6,662,597 and business-type activities (Food Service Fund) has a negative net position of \$858,134.

C. Excess of expenditures over appropriations in individual funds

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

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2016.

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, 2016, \$11,227,650 of the District's bank balance of \$16,480,386 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the District's name		11,227,650
TOTAL		<u>\$ 11,227,650</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 11,227,650
Plus: Insured Amount	5,252,736
Less: Outstanding Checks	<u>(217,987)</u>
Carrying Amount - Bank Balances	16,262,399
Plus: Petty Cash	412
Deposits in Investment Pools Considered Cash Equivalents	1,607,791
Less: Certificates of Deposit considered Investment by School Code	<u>(4,661,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 13,209,602</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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:

5. United States Treasury Bills;
6. Short-term obligations of the United States Government or its agencies or instrumentalities;
7. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. 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, 2016**

- 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, 2016, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
Certificates of Deposit	Varies	\$ 4,661,000
PA Local Gov't Investment Trust		682,179
PA School District Liquid Asset Fund		925,614
US Treasury Notes		-
TOTAL		\$ 6,268,793

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2016, the District's investment in the PA School District Liquid Asset Fund, and the PA Local Government Investment Trust were rated AAA by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the Governmental Activities investments, 77.29% is in Certificates of Deposit. Of the General Fund's investments, 91.30% is in collateralized certificates of deposit. Of the investments Entity Wide, 74.35% are in certificates of deposit.

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total Investments Above	\$ 6,268,793
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(1,607,793)</u>
Total Investments Per Financial Statements	<u>\$ 4,661,000</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, 2016. 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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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 \$869,978,200. In accordance with Act 1 of 2006, the District received \$829,918 in property tax reduction funds for the 2015-16 fiscal year. The tax rate for the year was \$2.646 per \$100 of assessed valuation or 26.46 mills.

The property tax calendar is:

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

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,144,795	-	-	-	-	1,144,795
Accounts	34,796	-	-	-	-	34,796
Intergovernmental	1,673,055	-	71,047	-	-	1,744,102
GROSS RECEIVABLES	2,852,646	-	71,047	-	-	2,923,693
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 2,852,646	\$ -	\$ 71,047	\$ -	\$ -	\$ 2,923,693

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Schedule on Deferred Inflows of Resources - Unavailable and Unearned

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 833,245	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 833,245	\$ -

Capital Assets

Capital asset balances and activity for the year ending June 30, 2016, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 589,069	\$ -	\$ -	\$ 589,069
Construction in Progress	21,253,428	2,138,394	-	23,391,822
Total Capital Assets not being depreciated	21,842,497	2,138,394	-	23,980,891
Capital Assets being depreciated:				
Site Improvements	3,065,144	-	-	3,065,144
Buildings and Bldg. Improvements	65,164,804	19,265	-	65,184,069
Furniture and Equipment	2,707,868	46,005	(38,000)	2,715,873
TOTAL CAPITAL ASSETS BEING DEPRECIATED	70,937,816	65,270	(38,000)	70,965,086
Less accumulated depreciation for:				
Site Improvements	(1,400,877)	(107,767)	-	(1,508,644)
Buildings and Bldg. Improvements	(15,459,100)	(1,256,147)	-	(16,715,247)
Furniture and Equipment	(1,974,805)	(78,105)	34,200	(2,018,710)
TOTAL ACCUMULATED DEPRECIATION	(18,834,782)	(1,442,019)	34,200	(20,242,601)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	52,103,034	(1,376,749)	(3,800)	50,722,485
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 73,945,531	\$ 761,645	\$ (3,800)	\$ 74,703,376
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 815,277	\$ -	\$ -	\$ 815,277
Less accumulated depreciation	(689,923)	(5,747)	-	(695,670)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 125,354	\$ (5,747)	\$ -	\$ 119,607

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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

Regular Instruction	\$ 10,875
Special Instruction	4,580
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	25
Instructional Staff Svcs.	13,736
Administrative Services	5,083
Health Services	953
Business Services	860
Operation & Maintenance of Plant Svcs.	33,427
Pupil Transportation	4,330
Central Services	-
Other Support Services	-
Student Activities	8,097
Community Services	-
Depreciation - unallocated	<u>1,360,053</u>
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,442,019</u>

The District's governmental activities disposed of \$38,000 obsolete equipment and buildings during the year, with accumulated depreciation of \$34,200, leaving a loss of disposition of \$3,500. The business-type activities did not dispose of any equipment during the year.

Commitments

Encumbrances

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

Construction Commitments

The District had the following Construction Commitments at June 30, 2016:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/16</u>	<u>OUTSTANDING COMMITMENTS</u>
<u>MIDDLE SCHOOL & HIGH SCHOOL IMPROVEMENTS</u>			
AEM Architects - Project Management	\$ 35,000	\$ 30,100	\$ 4,900
MBR Construction Services, Inc.	86,000	8,100	77,900
Spotts Brothers, Inc.	24,460	8,110	16,350
Balton Construction, Inc.	654,263	116,592	537,671
GRAND TOTAL	<u>\$ 799,723</u>	<u>\$ 162,902</u>	<u>\$ 636,821</u>

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2016:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 9,517	\$ 89,758
2011 B Construction Fund	-	-
Enterprise (Food Service) Fund	86,050	9,517
Agency (Activity) Fund	3,708	-
TOTAL	<u>\$ 99,275</u>	<u>\$ 99,275</u>

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2016:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ 1,120,000
Debt Service Stabilization Fund	-	-
Capital Reserve Fund	1,120,000	-
TOTAL	<u>\$ 1,120,000</u>	<u>\$ 1,120,000</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Long-term liability balances and activity for the year ended June 30, 2016, were:

CHANGES IN LONG-TERM LIABILITIES

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 51,994,632	\$ 5,513,961	\$ 6,710,049	\$ 50,798,544	\$ 2,300,000
Other than capital projects	-	-	-	-	-
<i>Capital Leases</i>	<u>14,410</u>	<u>-</u>	<u>4,644</u>	<u>9,766</u>	<u>4,801</u>
Total general obligation debt	52,009,042	5,513,961	6,714,693	50,808,310	2,304,801
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	88,271	16,497	-	104,768	96,328
Sick pay	716,376	76,385	-	792,761	79,612
Years of Service Benefit	156,138	25,975	-	182,113	-
Net Pension Liability	48,198,053	2,766,080	-	50,964,133	-
Net OPEB Obligation	<u>987,984</u>	<u>50,326</u>	<u>-</u>	<u>1,038,310</u>	<u>-</u>
Total other liabilities	50,146,822	2,935,263	-	53,082,085	175,940
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	<u>\$ 102,155,864</u>	<u>\$ 8,449,224</u>	<u>\$ 6,714,693</u>	<u>\$ 103,890,395</u>	<u>\$ 2,480,741</u>
 <u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Net OPEB Obligation	\$ 77,564	\$ 3,938	\$ -	\$ 81,502	\$ -
Net Pension Liability	1,350,049	86,039	-	1,436,088	-
Years of Service Benefit	4,058	1,968	-	6,026	-
Sick pay	<u>28,937</u>	<u>3,526</u>	<u>-</u>	<u>32,463</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	<u>\$ 1,460,608</u>	<u>\$ 95,471</u>	<u>\$ -</u>	<u>\$ 1,556,079</u>	<u>\$ -</u>

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	\$ 2,108,557	\$ 1,844,191
Capital Leases	486	486
Refund of Prior Year Receipts	<u>14,353</u>	<u>14,353</u>
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	<u>\$ 2,123,396</u>	<u>\$ 1,859,030</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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%. The remaining debt service requirements at June 30, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 70,000	\$ 598,662
2017-18	375,000	596,738
2018-19	1,510,000	585,488
2019-20	1,565,000	534,525
2020-21	2,140,000	477,794
2021-26	7,215,000	1,345,856
2026-31	1,820,000	93,769
2031-33	10,000	788
Sub-Total	\$ 14,705,000	\$ 4,233,620
Unamortized Premium	2,326	
TOTAL OUTSTANDING	\$ 14,707,326	

General Obligation Bonds – Series B of 2011

On April 27, 2011, the District issued \$18,620,000 of General Obligation Bonds, Series B of 2011. The purpose of this issue is to (1) finance various capital improvement projects of the District, (2) finance capitalized interest on the Series B of 2011 and (3) to pay the related costs of issuance. In accordance with Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from October 2011 to April 2033, with fixed interest rate ranging from 1% to 5.125%, with a total projected indebtedness of \$18,882,850.

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

On February 4, 2016, the District locked into a forward interest rate that settled on May 13, 2016, which advanced refunded a portion of the General Obligation Bonds - Series B of 2011 (\$4,415,000) with interest rates ranging from 5.0% to 5.125%, with new debt of General Obligation Bonds - Series A of 2016 in the amount of \$5,170,000, with interest rates ranging from 2.8% to 4.25%.

SOURCES:

Gross Proceeds of Bonds	\$ 5,170,000
Plus: Accrued Interest	-
Premium	-
Less: Original Issue Discount	-
Underwriter's Discount	-
TOTAL SOURCES	<u>\$ 5,170,000</u>

USES:

Escrow Deposit	\$ 5,044,541
Issuance Costs	113,766
Sinking Fund Deposit	<u>11,693</u>
TOTAL USES	<u>\$ 5,170,000</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows	\$ 7,726,313
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$ 7,473,633
Less: Excess Funds Deposited in Sinking Fund	<u>(11,693)</u>
Net Cash Flows From New Debt	<u>7,461,940</u>
Net Difference in Cash Flows	<u>\$ 264,373</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$ 5,289,458
Present Value of New Debt Service Cash Flows	\$ 5,056,234
Less: Excess Funds Deposited in Sinking Fund	<u>(11,693)</u>
Total	<u>5,044,541</u>
Economic Gain	<u>\$ 244,917</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

The remaining debt service requirements at June 30, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 290,619
2017-18	5,000	290,419
2018-19	5,000	290,219
2019-20	5,000	290,018
2020-21	5,000	289,819
2021-26	25,000	1,445,718
2026-31	4,340,000	1,159,156
2031-33	1,350,000	69,188
Sub-Total	5,740,000	\$ 4,125,156
Unamortized Discount	(113,589)	
TOTAL OUTSTANDING	\$ 5,626,411	

General Obligation Bonds – Series of 2014

On February 3, 2014, the District issued \$9,250,000 of General Obligation Bonds, Series of 2014. The purpose of this issue is to (1) refund the outstanding General Obligation Bonds – Series of 2009, and Series A of 2009, and to pay the related costs of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from May 1, 2014 to May 1, 2020, with interest rates ranging from 0.2% to 3.5%, with a total projected indebtedness of \$491,529. The debt service requirements at June 30, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 2,075,000	\$ 96,270
2017-18	1,780,000	57,520
2018-19	550,000	27,800
2019-20	560,000	16,800
Sub-Total	\$ 4,965,000	\$ 198,390
Unamortized Premium	58,129	
TOTAL OUTSTANDING	\$ 5,023,129	

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, 2016, are:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 80,000	\$ 278,291
2017-18	170,000	277,491
2018-19	170,000	275,791
2019-20	175,000	273,241
2020-21	175,000	269,741
2021-26	5,680,000	1,098,875
2026-31	3,515,000	194,025
2031-33	-	-
Sub-Total	\$ 9,965,000	\$ 2,667,455
Unamortized Premium	83,183	
TOTAL OUTSTANDING	\$ 10,048,183	

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, 2016, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 322,342
2017-18	5,000	322,300
2018-19	5,000	322,245
2019-20	35,000	322,175
2020-21	110,000	321,475
2021-26	590,000	1,571,600
2026-31	4,025,000	1,375,388
2031-33	5,175,000	316,250
Sub-Total	\$ 9,950,000	\$ 4,873,775
Unamortized Premium	148,495	
TOTAL OUTSTANDING	\$ 10,098,495	

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, 2016, are:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 5,000	\$ 128,231
2017-18	5,000	144,620
2018-19	5,000	144,480
2019-20	65,000	144,340
2020-21	85,000	142,520
2021-26	430,000	690,729
2026-31	3,210,000	850,212
2031-33	1,365,000	58,013
Sub-Total	\$ 5,170,000	\$ 2,303,145
Unamortized Premium	-	-
TOTAL OUTSTANDING	\$ 5,170,000	

General Obligation Bonds – Series C of 2016

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

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 60,000	\$ 4,062
2017-18	30,000	2,113
2018-19	35,000	1,137
Sub-Total	\$ 125,000	\$ 7,312
Unamortized Premium	-	-
TOTAL OUTSTANDING	\$ 125,000	

Capital Lease

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

FISCAL YEAR	PRINCIPAL	INTEREST
2016-17	\$ 4,801	\$ 331
2017-18	4,965	168
TOTAL OUTSTANDING	\$ 9,766	\$ 499

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES B OF 2011	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES OF 2015	G.O.B SERIES A OF 2016	G.O.B SERIES C OF 2016	TOTAL PRINCIPAL PAYMENTS
2016-17	\$ 70,000	\$ 5,000	\$ 2,075,000	\$ 80,000	\$ 5,000	\$ 5,000	\$ 60,000	\$ 2,300,000
2017-18	375,000	5,000	1,780,000	170,000	5,000	5,000	30,000	2,370,000
2018-19	1,510,000	5,000	550,000	170,000	5,000	5,000	35,000	2,280,000
2019-20	1,565,000	5,000	560,000	175,000	35,000	65,000	-	2,405,000
2020-21	2,140,000	5,000	-	175,000	110,000	85,000	-	2,515,000
2021-26	7,215,000	25,000	-	5,680,000	590,000	430,000	-	13,940,000
2026-31	1,820,000	4,340,000	-	3,515,000	4,025,000	3,210,000	-	16,910,000
2031-33	10,000	1,350,000	-	-	5,175,000	1,365,000	-	7,900,000
TOTAL	14,705,000	5,740,000	4,965,000	9,965,000	9,950,000	5,170,000	125,000	50,620,000
LESS- Payable within one year	70,000	5,000	2,075,000	80,000	5,000	5,000	60,000	2,300,000
PRINCIPAL DUE AFTER ONE YEAR	\$ 14,635,000	\$ 5,735,000	\$ 2,890,000	\$ 9,885,000	\$ 9,945,000	\$ 5,165,000	\$ 65,000	\$ 48,320,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES B OF 2011	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES OF 2015	G.O.B SERIES A OF 2016	G.O.B SERIES C OF 2016	TOTAL DEBT SERVICE PAYMENTS
2016-17	\$ 668,662	\$ 295,619	\$ 2,171,270	\$ 358,291	\$ 327,342	\$ 133,231	\$ 64,062	\$ 4,018,477
2017-18	971,738	295,419	1,837,520	447,491	327,300	149,620	32,113	4,061,201
2018-19	2,095,488	295,219	577,800	445,791	327,245	149,480	36,137	3,927,160
2019-20	2,099,525	295,018	576,800	448,241	357,175	209,340	-	3,986,099
2020-21	2,617,794	294,819	-	444,741	431,475	227,520	-	4,016,349
2021-26	8,560,856	1,470,718	-	6,778,875	2,161,600	1,120,729	-	20,092,778
2026-31	1,913,769	5,499,156	-	3,709,025	5,400,388	4,060,212	-	20,582,550
2031-33	10,788	1,419,188	-	-	5,491,250	1,423,013	-	8,344,239
TOTAL	\$ 18,938,620	\$ 9,865,156	\$ 5,163,390	\$ 12,632,455	\$ 14,823,775	\$ 7,473,145	\$ 132,312	\$ 69,028,853

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

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:

FISCAL YEAR	RENTAL PAYMENT
2016-17	\$ 148,889
2017-18	149,089
2018-19	148,956
TOTAL OUTSTANDING	\$ 446,934

Compensated Absences

Sick-Pay

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

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

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

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

The District maintains a record of each employee's accumulated sick days and the District has valued the accumulated sick days that are earned by employees who are eligible to retire. In accordance with GASB Statement No. 16, a long-term liability of \$713,149 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 \$32,463 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 \$79,612, and \$32,463, 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, 2016, that will use currently available financial resources is \$96,328, 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, 2016, of \$8,439, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Pension Plan

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

General Information about the Pension Plan

Plan Description

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Benefits provided

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

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

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

Contributions

Member Contributions:

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

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,938,150 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$52,400,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, with rolling forward the System's total pension liability as of June 30, 2015. 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, 2015, the District's proportion was 0.1213 percent, which was an decrease of 0.0039 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the District recognized pension expense of \$4,335,014. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities	\$ 5,134	
Changes in Assumptions	-	-
Net difference between projected and actual contributions made		67,939
Net difference between projected and actual earnings on pension plan investments	-	106,000
Difference between expected and actual experience		217,000
Changes in proportion of the Net Pension Liability	351,000	1,323,000
District contributions subsequent to the measurement date	3,938,150	-
Total	<u>\$ 4,294,284</u>	<u>\$ 1,713,939</u>

\$3,938,150 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Actuarial assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 64,762,000	\$ 52,542,000	\$ 42,270,000

Pension plan fiduciary net position

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

Other Post-Employment Benefits

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

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Summary of Plan Provisions			
Group	Eligibility	Coverage And Premium Sharing	Duration
<u>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 premium. • Dependents: Family Included. 	<p>Member and spouse may each continue coverage until Medicare age regardless of the status of the other.</p> <p>Grandfathered retiree. One retiree is allowed to continue dental coverage until spouse reaches Medicare age.</p>

Notes: PSERS Retirement

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

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

Funding Policy and Annual OPEB Cost

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

Contribution Rates:	Governmental Activities			Business-Type Activities			Total
	Year of Service			Year of Service			
	Medical	Benefit	Sub-Total	Medical	Benefit	Sub-Total	
Interest Rate	4.5%	0.0%		4.5%	0.0%		
Plan Members	292	253		11	11		
Annual Required Contribution	\$ 254,054	\$ 25,975	\$ 280,029	\$ 5,210	\$ 1,968	\$ 7,178	\$ 287,207
Interest on net OPEB obligation	44,459	-	44,459	3,490	-	3,490	47,949
Adjustment to annual required contribution	(60,654)	-	(60,654)	(4,762)	-	(4,762)	(65,416)
Annual OPEB cost	237,859	25,975	263,834	3,938	1,968	5,906	269,740
Contributions made	(187,533)	-	(187,533)	-	-	-	(187,533)
Decrease in net OPEB obligation	50,326	25,975	76,301	3,938	1,968	5,906	82,207
Net OPEB obligation - beginning of year	987,984	156,138	1,144,122	77,564	4,058	81,622	1,225,744
Net OPEB obligation - end of year	\$ 1,038,310	\$ 182,113	\$ 1,220,423	\$ 81,502	\$ 6,026	\$ 87,528	\$ 1,307,951

The District's annual OPEB cost and years of service benefit, which is the percentage of annual OPEB cost and years of service benefit contributed to the plan and the net OPEB obligation for the five fiscal years ending June 30, 2016, were as follows:

Year ended	Annual OPEB/Yrs. Svc. Cost	Percentage of OPEB/Yrs.Svc. Cost Contributed	Net OPEB/ Yrs. Svc. Obligation
6/30/2016	\$ 269,740	69.5%	\$ 1,307,951
6/30/2015	272,820	68.4%	1,225,744
6/30/2014	274,120	60.8%	1,139,583
6/30/2013	461,196	55.6%	1,031,901
6/30/2012	461,196	45.7%	1,336,348

Funded Status and Funding Progress. The funded status of the benefits as of June 30, 2016, was as follows:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

	State-mandated Healthcare Benefit	Years of Service Increment Benefit
Actuarial accrued liability (a)	\$ 2,201,510	\$ 390,062
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 2,201,510</u>	<u>\$ 390,062</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 14,706,354	\$ 14,706,354
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	15.0%	2.7%

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

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

	State-mandated Healthcare Benefit	Years of Service Increment Benefit
Actuarial valuation date	7/1/2015	7/1/2015
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level basis over the earnings period	Level basis over the earnings period
Remaining amortization period	30 years	30 years
Asset valuation method	pay as you go basis	pay as you go basis
Actuarial assumptions:		
Investment rate of return	4.5%	5.0%
Projected salary increases	3.75% to 6.25%	5.0%
Healthcare inflation rate		
2016 to 2020	5.5%	N/A
2021 to 2075	5.4% to 3.8%	N/A

Note 6 - Risk Management

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

District's workers' compensation policy is a retrospectively rated policy. The final premium is based on actual payroll for the policy year and is determined by the insurance company. Any settlements received by the District or its employees did not exceed insurance charges in the last three years.

Note 7 - Fund Balance Allocations

Restricted Fund Balance

The Capital Reserve Fund's \$799,163 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 \$41,180 restricted for unspent outside contributions received during the fiscal year.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$2,201,510, 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 \$201,987 for HRA purposes.

Assigned Fund Balance

The General fund has assigned \$9,500,000, for future building improvement projects, and \$994,119 to balance the 2015-16 General Fund budget.

Note 8 – Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$74,703,376, with related debt of \$48,650,244, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities restricted \$799,163, for future capital projects. The business-type activities column reflects \$119,607 invested in capital assets with no related debt.

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2016.

Litigation

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

Note 10 – New Accounting Pronouncements

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

- Statement No. 74, *Financial Reporting for Postemployment Benefits Other than Pension Plans* – The objective of this statement is to improve the usefulness of information about other postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces the requirements of Statement No. 44, *Financial Reporting for Postemployment Benefits Other than Pension Plans*.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* – This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.
- Statement No. 77, *Tax Abatement Disclosures* – The requirements of this Statement enhances the disclosure of information about the nature and magnitude of tax abatements to make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) provides benefits to governmental employees and non-governmental employees, and (3) has no predominant state or local governmental employer. This Statement, at present, will not apply to this government.
- Statement No. 80, *Blending Requirements for Certain Component Units* – This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion, in this Statement, requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.
- Statement No. 81, *Irrevocable Split-Interest Agreements* – The purpose of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement, at present, will not apply to this government.
- Statement No. 82, *Pension Issues (an amendment of GASB Statements No. 67, No. 68, and No. 73)* – This Statement addresses certain issues that have been raised on previous issued Statements pertaining to Pension Plans. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2016**

- information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Note 11 – Subsequent Events

General Obligation Bonds – Series B of 2016

The Series B of 2016 is projected to be scheduled to settle on December 16, 2016 in the amount of \$4,700,000. The purpose of this issue is to pay off the remaining General Obligations Bonds – Series of 2011B. The bond 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 indebtedness of \$2,092,145.

The projected future debt service requirements are:

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2016-17	\$ -	\$ 38,749
2017-18	-	131,600
2018-19	-	131,600
2019-20	-	131,600
2020-21	-	131,600
2021-22	60,000	131,600
2022-23	80,000	129,920
2023-24	85,000	127,680
2024-25	85,000	125,300
2025-26	75,000	136,358
2026-27	30,000	183,388
2027-28	30,000	182,113
2028-29	1,045,000	180,838
2029-30	25,000	136,425
2030-31	1,820,000	135,363
2031-32	<u>1,365,000</u>	<u>58,013</u>
 TOTAL	 <u>\$ 4,700,000</u>	 <u>\$ 2,092,145</u>

**REQUIRED
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Schedule of Funding Progress
For the Year Ended June 30, 2016**

State mandated healthcare benefit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2015	\$ -	\$ 2,201,510	\$ 2,201,510	0.0%	\$ 14,706,354	14.97%
7/1/2013	-	2,196,870	2,196,870	0.0%	14,933,598	14.71%
7/1/2011	-	1,469,985	1,469,985	0.0%	15,324,707	9.59%

Years of Service Increment

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2015	\$ -	\$ 390,062	\$ 390,062	0.0%	\$ 14,706,354	2.65%
7/1/2013	-	240,743	240,743	0.0%	14,933,598	1.61%
1/10/1900	-	178,207	178,207	0.0%	15,324,707	1.16%

**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, 2016**

	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.1213%	0.1252%
District's proportionate share of the net pension liability (asset)	\$ 52,542,000	\$ 49,548,102
District's covered employee payroll	\$ 15,752,617	\$ 15,666,583
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	29.98%	31.62%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Contractually required contribution	\$ 3,938,154	\$ 3,211,649	\$ 2,645,068	\$ 1,921,058	\$ 1,328,416	\$ 865,781	\$ 710,312	\$ 734,735	\$ 997,510	\$ 873,435
Contributions in relation to the contractually required contribution	<u>3,938,154</u>	<u>3,211,649</u>	<u>2,645,068</u>	<u>1,921,058</u>	<u>1,328,416</u>	<u>865,781</u>	<u>710,312</u>	<u>734,735</u>	<u>997,510</u>	<u>873,435</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered employee payroll	\$ 15,752,617	\$ 15,666,583	\$ 16,531,675	\$ 16,704,852	\$ 16,605,200	\$ 17,315,620	\$ 17,757,800	\$ 18,368,375	\$ 15,489,286	\$ 15,269,843
Contributions as a percentage of covered employee payroll	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%	6.44%	5.72%

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2016**

Public School Employee's Retirement System

Changes of benefit terms

None

Changes in assumptions

Methods and assumptions used in calculations of actuarially determined contributions

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

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

Proportionate Share of the Net Pension Liability

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

**OTHER
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Combining Balance Sheet
All Capital Project Funds
As of June 30, 2016**

	CAPITAL RESERVE FUND	2011B CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 925,614	\$ -	\$ 925,614
Investments	-	-	-
Other Receivables	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
	\$ 925,614	\$ -	\$ 925,614
TOTAL ASSETS			
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 925,614	\$ -	\$ 925,614
 <u>LIABILITIES</u>			
Accounts Payable	\$ 126,451	\$ -	\$ 126,451
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
	126,451	-	126,451
TOTAL LIABILITIES			
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	126,451	-	126,451
 FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	799,163	-	799,163
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
	799,163	-	799,163
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 925,614	\$ -	\$ 925,614

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2016

	CAPITAL RESERVE FUND	2011B CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES			
Local Sources	\$ 1,154	\$ 22	\$ 1,176
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	<u>1,154</u>	<u>22</u>	<u>1,176</u>
	-----	-----	-----
EXPENDITURES			
Instruction	-	-	-
Support Services	105,516	-	105,516
Operation of Non-Instructional Services	-	-	-
Capital Outlay	2,032,878	-	2,032,878
Debt Service	-	370,006	370,006
TOTAL EXPENDITURES	<u>2,138,394</u>	<u>370,006</u>	<u>2,508,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,137,240)</u>	<u>(369,984)</u>	<u>(2,507,224)</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	1,120,000	-	1,120,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>1,120,000</u>	<u>-</u>	<u>1,120,000</u>
NET CHANGE IN FUND BALANCES	(1,017,240)	(369,984)	(1,387,224)
FUND BALANCES - BEGINNING	<u>1,816,403</u>	<u>369,984</u>	<u>2,186,387</u>
FUND BALANCES - ENDING	<u>\$ 799,163</u>	<u>\$ -</u>	<u>\$ 799,163</u>

**Hamburg Area School District
Combining Balance Sheet
All Debt Service Funds
As of June 30, 2016**

	DEBT SERVICE STABILIZATION FUND	DEBT SERVICE GOB 2016A FUND	DEBT SERVICE GOB 2016C FUND	TOTAL DEBT SERVICE FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 425,967	\$ 11,693	\$ -	\$ 437,660
Investments	-	-	-	-
Other Receivables	-	-	-	-
Due from other funds	-	-	-	-
Receivables from other governments	-	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	\$ 425,967	\$ 11,693	\$ -	\$ 437,660
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 425,967	\$ 11,693	\$ -	\$ 437,660
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Compensated Absences	-	-	-	-
Payable to other governments	-	-	-	-
Prepayments	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-	-
<u>FUND BALANCES:</u>				
Nonspendable Fund Balance	-	-	-	-
Restricted Fund Balance	-	-	-	-
Committed Fund Balance	-	-	-	-
Assigned Fund Balance	425,967	11,693	-	437,660
TOTAL FUND BALANCES	425,967	11,693	-	437,660
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 425,967	\$ 11,693	\$ -	\$ 437,660

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Debt Service Funds
For the Year Ended June 30, 2016

	DEBT SERVICE STABILIZATION FUND	DEBT SERVICE GOB 2016A FUND	DEBT SERVICE GOB 2016C FUND	TOTAL DEBT SERVICE FUNDS
REVENUES				
Local Sources	\$ 1,405	\$ -	\$ -	\$ 1,405
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	<u>1,405</u>	<u>-</u>	<u>-</u>	<u>1,405</u>
EXPENDITURES				
Instruction	-	-	-	-
Support Services	-	113,766	125,000	238,766
Operation of Non-Instructional Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>113,766</u>	<u>125,000</u>	<u>238,766</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,405</u>	<u>(113,766)</u>	<u>(125,000)</u>	<u>(237,361)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term capital-related debt	-	-	-	-
Proceeds from Refunding Bond Issues	-	5,170,000	125,000	5,295,000
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Payment to bond refunding escrow agent	-	5,044,541	-	5,044,541
Sale/Compensation for Fixed Assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>-</u>	<u>125,459</u>	<u>125,000</u>	<u>250,459</u>
NET CHANGE IN FUND BALANCES	1,405	11,693	-	13,098
FUND BALANCES - BEGINNING	<u>424,562</u>	<u>-</u>	<u>-</u>	<u>424,562</u>
FUND BALANCES - ENDING	<u>\$ 425,967</u>	<u>\$ 11,693</u>	<u>\$ -</u>	<u>\$ 437,660</u>

**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2016**

	<u>HAMBURG BOROUGH</u>	<u>PERRY TOWNSHIP</u>	<u>SHOEMAKERSVILLE BOROUGH</u>
<u>CURRENT REAL ESTATE TAXES</u>			
Assessed Value	\$ 167,617,000	\$ 134,620,500	\$ 48,099,800
Millage Rate	<u>0.02646</u>	<u>0.02646</u>	<u>0.02646</u>
TOTAL	4,435,145	3,562,059	1,272,721
Less: Act 1 Reduction	<u>161,155</u>	<u>132,731</u>	<u>53,509</u>
TOTAL TAXABLE DUPLICATE	4,273,990	3,429,328	1,219,212
Plus - Additions	-	9,895	-
Prior Year Unpaid Additions		393	-
Penalties	<u>7,747</u>	<u>5,371</u>	<u>1,410</u>
TOTAL TAXES TO BE COLLECTED	4,281,737	3,444,987	1,220,622
Less - Discounts	70,704	57,834	20,768
Reductions	-	-	-
Exemptions	1,751	3,133	-
Refunds	-	-	14,490
Returned to County	119,435	94,209	33,928
Cabela's / Lowe's	-	-	-
Outstanding	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 4,089,847</u>	<u>\$ 3,289,811</u>	<u>\$ 1,151,436</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 19,182</u>	<u>\$ 4,173</u>	<u>\$ -</u>
<u>CURRENT PER CAPITA TAXES</u>			
No. of Persons Assessed	3,324	1,839	1,037
Tax Rate	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
Taxable Valuation	33,240	18,390	10,370
Plus - Additions	340	100	60
Penalties	<u>319</u>	<u>140</u>	<u>110</u>
TAXES TO BE COLLECTED	33,899	18,630	10,540
Less - Discounts	375	251	108
Exonerations	2,630	540	1,190
Refunds	-	-	-
Outstanding	6,140	2,280	1,770
Reductions	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 24,754</u>	<u>\$ 15,559</u>	<u>\$ 7,472</u>

STRAUSSTOWN BOROUGH	TILDEN TOWNSHIP	UPPER BERN TOWNSHIP	UPPER TULPEHOCKEN TOWNSHIP	WINDSOR TOWNSHIP	TOTAL
\$ 11,415,400	\$ 218,383,100	\$ 91,058,400	\$ 74,046,500	\$ 124,737,500	\$ 869,978,200
<u>0.02646</u>	<u>0.02646</u>	<u>0.02646</u>	<u>0.02646</u>	<u>0.02646</u>	<u>0.02646</u>
302,051	5,778,417	2,409,406	1,959,270	3,300,554	23,019,623
<u>13,873</u>	<u>166,893</u>	<u>92,890</u>	<u>77,001</u>	<u>131,521</u>	<u>829,573</u>
288,178	5,611,524	2,316,516	1,882,269	3,169,033	22,190,050
-	22,985	1,016	-	5,737	39,633
-	-	-	-	-	393
<u>294</u>	<u>13,489</u>	<u>11,011</u>	<u>3,177</u>	<u>5,652</u>	<u>48,151</u>
288,472	5,647,998	2,328,543	1,885,446	3,180,422	22,278,227
4,709	98,342	37,378	30,589	54,623	374,947
-	-	-	-	-	-
-	16,175	21,613	-	-	42,672
-	272	-	300	2,761	17,823
11,048	135,720	98,960	68,695	84,844	646,839
-	497,755	-	-	-	497,755
<u>-</u>	<u>6,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,499</u>
\$ 272,715	\$ 4,893,235	\$ 2,170,592	\$ 1,785,862	\$ 3,038,194	\$ 20,691,692
\$ -	\$ 10,634	\$ 3,493	\$ 2,240	\$ 9,834	\$ 49,556
221	2,632	1,318	1,144	1,879	13,394
<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
2,210	26,320	13,180	11,440	18,790	133,940
70	250	340	170	230	1,560
<u>24</u>	<u>218</u>	<u>119</u>	<u>85</u>	<u>134</u>	<u>1,149</u>
2,304	26,788	13,639	11,695	19,154	136,649
23	323	169	156	265	1,670
180	620	450	410	580	6,600
-	-	-	-	-	-
380	4,800	2,010	1,120	2,080	20,580
<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>
\$ 1,721	\$ 21,045	\$ 11,010	\$ 9,989	\$ 16,229	\$ 107,779

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016

<u>6000 - Revenue from Local Services</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111	Current Real Estate Taxes	\$ 20,592,745	\$ 20,691,692	\$ 98,947
6112	Interim Real Estate Taxes	100,000	49,556	(50,444)
6113	Public Utility	29,000	26,988	(2,012)
6114	Payment in Lieu of Taxes	10,000	10,018	18
6120	Current Per Capita Taxes - 511	55,000	53,890	(1,110)
6141	Current Per Capita Taxes - 679	55,000	53,889	(1,111)
6151	Earned Income Tax	2,000,000	2,047,323	47,323
6153	Real Estate Transfer Tax	190,000	293,217	103,217
6411	Delinquent Real Estate Taxes	800,000	870,847	70,847
6420	Delinquent Per Capita Taxes	-	10,128	10,128
6510	Interest	60,000	96,260	36,260
6710	Admissions	30,900	46,867	15,967
6711	Tournament Fees	10,775	11,925	1,150
6740	Fees	28,500	36,178	7,678
6832	I/U Services - Federal	326,400	330,317	3,917
6836	Federal ARRA Race to the Top	-	1,200	1,200
6910	Rentals	27,730	69,446	41,716
6920	Contributions	8,200	15,400	7,200
6942	Summer School	5,500	240	(5,260)
6961	Transportation Services Provided Other PA Schools	3,300	2,081	(1,219)
6990	Miscellaneous	1,125,100	11,427	(1,113,673)
6991	Refunds of Prior Yr. Expenditures	-	2,343	2,343
6992	Energy Efficiency Revenue	-	-	-
	TOTAL REVENUE FROM LOCAL SOURCES	\$ 25,458,150	\$ 24,731,232	\$ (726,918)
<u>7000 - Revenue from State Sources</u>				
7110	Basic Subsidy - ESBE	7,028,220	6,550,472	(477,748)
7160	Orphan Tuition	90,000	77,205	(12,795)
7271	Special Education	1,480,344	1,376,476	(103,868)
7311	Transportation (Regular and Additional)	860,000	822,663	(37,337)
7312	Transportation (Nonpublic and Charter School)	-	23,485	23,485
7320	Rentals	429,968	467,274	37,306
7330	Health Services	43,000	40,315	(2,685)
7340	State Property Tax Reduction Allocation	829,918	829,918	-
7505	Ready to Learn Grant	-	338,158	338,158
7810	State Share of Social Security and Medicare Taxes	616,338	695,576	79,238
7820	State Share of Retirement Contributions	2,081,853	2,327,158	245,305
	TOTAL REVENUE FROM STATE SOURCES	\$ 13,459,641	\$ 13,548,700	\$ 89,059
<u>8000 - Revenue from Federal Sources</u>				
8514	Title I	331,231	330,457	(774)
8515	Title II	69,438	69,236	(202)
8810	Medical Assistance Reimbursements (Access)	15,000	43,636	28,636
8820	Medical Assistance Reimbursement for Health-Related	-	4,775	4,775
	TOTAL REVENUE FROM FEDERAL SOURCES	415,669	448,104	32,435
<u>9000 - Other Financing Sources</u>				
9400	Sale of or Compensation For Loss of Fixed Assets	15,000	910	(14,090)
9990	Insurance Recoveries	-	623	623
	TOTAL OTHER FINANCING SOURCES	15,000	1,533	(13,467)
	TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 39,348,460	\$ 38,729,569	\$ (618,891)

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016

1000 - Instruction		Budget	Actual	Variance
1110	Instruction - Regular	14,824,819	14,791,760	33,059
1190	Instruction - Federally Funded Programs	424,985	422,465	2,520
1211	Life Skills Support - Public	613,444	612,395	1,049
1221	Deaf or Hearing Impaired Support	161,000	153,214	7,786
1224	Blind or Visually Impaired Support	81,500	53,021	28,479
1225	Speech & Language Support	348,270	347,270	1,000
1231	Emotional Support - Public	775,283	770,781	4,502
1233	Autistic Support	580,617	579,611	1,006
1241	Learning Support - Public	2,286,882	2,275,663	11,219
1243	Gifted Support	116,216	115,894	322
1260	Physical Support	18,000	17,763	237
1280	Early Intervention Support	19,000	18,092	908
1290	Other Support	15,500	14,682	818
1310	Agricultural Education	54,000	41,750	12,250
1380	Trade and Industrial Education	400	-	400
1390	Other Vocational Education	920,532	912,393	8,139
1420	Summer School	5,000	4,505	495
1430	Homebound Instruction	6,500	6,087	413
1441	Adjudicated/Court Placed Programs	10,000	3,342	6,658
1442	Alternative Education Program	40,000	32,295	7,705
1450	Instructional Programs Outside the Established Sch.	2,700	2,030	670
1500	Nonpublic School Programs	1,000	654	346
1690	Adult Education Programs	-	-	-
	Total Instruction	21,305,648	21,175,667	129,981
2000 - Support Services				
2111	Supervision of Pupil Personnel Services	5,100	-	5,100
2120	Guidance Services	793,588	783,581	10,007
2122	Counseling Services	90,866	87,487	3,379
2124	Information Services	2,500	780	1,720
2140	Psychological Services	215,274	213,125	2,149
2160	Social Work Services	137,797	136,944	853
2170	Student Accounting Services	61,000	59,681	1,319
2190	Other Pupil Personnel Services	96,026	95,135	891
2220	Technology Support Services	193,256	188,693	4,563
2250	School Library Services	427,313	425,259	2,054
2260	Instruction and Curriculum Development Services	470,751	467,343	3,408
2270	Instructional Staff Development Services	10,507	6,881	3,626
2280	Nonpublic Support Services	-	100	(100)
2310	Board Services	59,509	58,325	1,184
2320	Board Treasurer Services	1,000	236	764
2330	Tax Assessment and Collection Services	118,819	115,548	3,271
2350	Legal Services	51,635	40,997	10,638
2360	Office of the Superintendent Services	381,537	370,286	11,251
2380	Office of the Principal Services	1,407,029	1,399,411	7,618
2420	Medical Services	1,900	1,550	350
2430	Dental Services	600	270	330
2440	Nursing Services	428,504	427,537	967
2511	Supervision of Fiscal Services	164,412	161,235	3,177
2519	Other Fiscal Services	268,943	257,773	11,170
2590	Other Support Services - Business	30,000	27,408	2,592
	Sub - Total Support Services	5,417,866	5,325,585	92,281

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sub - Total Support Services (carried forward)	5,417,866	5,325,585	92,281
2610 Supervision of Operation and Maint. of Plant Svcs.	76,114	2,227	73,887
2611 Supervision of Operation and Maint. of Plant Svcs.- Head	210,717	209,843	874
2620 Operation of Building Services	2,761,592	2,717,473	44,119
2630 Care and Upkeep of Grounds Services	17,000	4,657	12,343
2640 Care and Upkeep of Equipment Services	15,500	8,903	6,597
2650 Vehicle Operation and Maint. Services	3,000	2,654	346
2710 Supervision of Student Transportation Services	3,100	380	2,720
2711 Supervision of Student Transportation Services - Head	92,134	91,506	628
2720 Vehicle Operation Services	1,690,200	1,601,076	89,124
2750 Non-Public Transportation	160,000	147,163	12,837
2811 Supervision of Planning, Research and Development	1,000	251	749
2818 System-Wide Technology Services	827,423	804,488	22,935
2821 Supervision of Information Services	146,193	145,524	669
2900 Other Support Services	29,801	28,897	904
Total Support Services	11,451,640	11,090,627	361,013
<u>3000 - Operation of Non-Instructional Services</u>			
3210 School Sponsored Student Activities	457,191	91,215	365,976
3250 School Sponsored Athletics	710,710	706,864	3,846
3300 Community Services	34,000	31,987	2,013
Total Non-Instructional Services	1,201,901	830,066	371,835
<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>			
4200 Existing Site Improvement Services	-	-	-
4600 Existing Building Improvement Services	-	-	-
Total Facilities Acquisition, Construction and Improve. Svcs.	-	-	-
<u>5000 - Other Expenditures and Financing Uses</u>			
5110 Debt Service	3,974,271	3,604,314	369,957
5130 Refund of Prior Yr. Receipts	15,000	14,353	647
5230 Capital Projects Fund Transfers Out	1,150,000	1,120,000	30,000
5900 Budgetary Reserve	250,000	-	250,000
Total Other Expenditures and Financing Uses	5,389,271	4,738,667	650,604
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 39,348,460	\$ 37,835,027	\$ 1,513,433

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 39,348,460	\$ 38,729,569	\$ (618,891)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>39,348,460</u>	<u>37,835,027</u>	<u>1,513,433</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	894,542	894,542
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	-	894,542	894,542
FUND BALANCE - JULY 1, 2015	<u>12,261,812</u>	<u>13,739,694</u>	<u>1,477,882</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 12,261,812</u>	<u>\$ 14,634,236</u>	<u>\$ 2,372,424</u>

**Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2016**

REVENUES

Lunches	\$ 643,491	
Special Functions	34,806	
Federal Subsidy	521,396	
Donated Commodities Received	98,351	
State Subsidy	38,388	
State Reimbursement - FICA & Retirement	85,266	
Other Food Service Revenue	-	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	-	
Interest	508	
TOTAL REVENUES	<u>508</u>	\$ 1,422,206

COST OF GOODS SOLD

Inventory - July 1, 2015	34,708	
Food and Milk	386,176	
Donated Commodities	98,351	
Supplies	39,833	
LESS - Inventory - June 30, 2016	(39,867)	
TOTAL COST OF GOODS SOLD	<u>(39,867)</u>	519,201

GROSS PROFIT

903,005

EXPENSES

Salaries	511,207	
Benefits	322,259	
Professional Fees	1,350	
Travel	659	
Repairs	19,959	
Rentals	-	
Food Handling Costs	3,734	
Depreciation	5,747	
Purchased Services	13,529	
Uncapitalized Equipment	1,052	
Dues and Fees	3,491	
Other	-	
TOTAL EXPENSES	<u>-</u>	882,987

CHANGES IN FUND NET POSITION

20,018

FUND NET POSITION - BEGINNING

(878,152)

FUND NET POSITION - ENDING

\$ (858,134)

**Hamburg Area School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2016**

ASSETS

Cash and Cash Equivalents	\$ 339,721
Due From Other Funds	86,050
Intergovernmental Receivables	71,047
Other Receivables	-
Inventory	
- Food	25,630
- Supplies	-
- Federal Commodities	14,237
Prepaid Expenses	-
Equipment (net of accum. Depreciation)	119,607

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Changes in Proportion	9,232
Deferred Outflows - Current Year Contributions	120,432
Deferred Outflows - Diff. between Investment Earnings	7,379

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES **\$ 793,335**

LIABILITIES

Accounts Payable	\$ 1,037
Due to Other Funds	9,517
Accrued Salaries and Benefits	16,253
Compensated Absences	32,463
Prepayments from Students	19,980
Net OPEB Obligation	81,502
Years of Service Benefit	6,026
Net Pension Liability	1,436,088

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Difference in Investment Earnings	-	
Deferred Inflows - Projected vs Actual Contributions	2,042	
Deferred Inflows - Change in Proportion - NPL	40,000	
Deferred Inflows - Diff. in Expected vs Actual Experience	6,561	1,651,469

FUND NET POSITION **(858,134)**

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND NET POSITION** **\$ 793,335**

**Hamburg Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015		\$ 1,816,403
REVENUES AND OTHER FINANCING SOURCES		
Interest	\$ 1,154	
Refund of Prior Year Expenditures	-	
Interfund Transfers In	<u>1,120,000</u>	<u>1,121,154</u>
TOTAL FUNDS AVAILABLE		2,937,557
EXPENDITURES		
INSTRUCTIONAL SERVICES:		
General Supplies	-	
Equipment	-	
SUPPORT SERVICES:		
Professional Services	104,412	
Misc. Purchased Services	-	
Other Admin. Services	848	
General Supplies	256	
Equipment	-	
CAPITAL OUTLAY:		
Professional Services	72,787	
Rentals	-	
Construction Services	1,947,435	
Land Purchases	-	
Supplies	-	
Equipment	-	
Dues and Fees	12,656	
OTHER FINANCING USES		
Interfund Transfers Out	<u>-</u>	<u>2,138,394</u>
FUND BALANCE - JUNE 30, 2016		<u>\$ 799,163</u>

**Hamburg Area School District
2011B Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015		\$	369,984
REVENUES AND OTHER FINANCING SOURCES			
Proceeds from Bond Issues	\$	-	
Miscellaneous		-	
Interest		22	22
TOTAL FUNDS AVAILABLE		22	370,006
EXPENDITURES			
INSTRUCTIONAL:			
Supplies		-	
Equipment		-	
SUPPORT SERVICES:			
Advertising		-	
Repairs and Maintenance		-	
Supplies		-	
Equipment		-	
NON-INSTRUCTIONAL SERVICES:			
Supplies		-	
CAPITAL OUTLAY:			
Professional Services		-	
Repairs and Maintenance		-	
Utility Services		-	
Insurance		-	
Travel		-	
Supplies		-	
Construction Services		-	
Equipment		-	
Dues and Fees		-	
OTHER FINANCING USES			
Debt Service - Interest		370,006	
Bond Discounts		-	370,006
		370,006	370,006
FUND BALANCE - JUNE 30, 2016		\$	-

**Hamburg Area School District
Debt Service Stabilization Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015		\$ 424,562
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ -	
Transfer from General Fund	-	
Interest	1,405	1,405
		425,967
TOTAL FUNDS AVAILABLE		425,967
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	-	
OTHER FINANCING USES:		
Transfer to General Fund	-	
Payment to Refunded Bonds Escrow Agent	-	-
FUND BALANCE - JUNE 30, 2016		\$ 425,967

**Debt Service Fund - GOB 2016A
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015		\$ -
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ 5,170,000	
Bond Premium	-	
Interest	-	5,170,000
		5,170,000
TOTAL FUNDS AVAILABLE		5,170,000
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	113,766	
Insurance	-	
Printing	-	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	-	
OTHER FINANCING USES:		
Bond Discount		
Payment to Refunded Bonds Escrow Agent	5,044,541	5,158,307
		5,158,307
FUND BALANCE - JUNE 30, 2016		\$ 11,693

**Hamburg Area School District
Debt Service Fund - GOB 2016C
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016**

FUND BALANCE - JULY 1, 2015	\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ 125,000	
Bond Premium	-	
Interest	-	125,000
	-	125,000
TOTAL FUNDS AVAILABLE		125,000
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	125,000	
Insurance	-	
Printing	-	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	-	
OTHER FINANCING USES:		
Bond Discount		
Payment to Refunded Bonds Escrow Agent	-	125,000
	-	125,000
 FUND BALANCE - JUNE 30, 2016	 \$	 -

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2011
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	2.750%	\$ 598,662	\$ 70,000
2017-18	3.000%	596,738	375,000
2018-19	3.375%	585,488	1,510,000
2019-20	3.625%	534,525	1,565,000
2020-21	3.750%	477,794	2,140,000
2021-22	4.000%	397,544	2,225,000
2022-23	4.125%	308,544	2,310,000
2023-24		213,256	-
2024-25		213,256	-
2025-26	4.625%	213,256	2,680,000
2026-27	4.875%	89,306	1,805,000
2027-28		1,312	-
2028-29	5.250%	1,313	5,000
2029-30	5.250%	1,050	5,000
2030-31	5.250%	788	5,000
2031-32	5.250%	525	5,000
2032-33	5.250%	263	5,000
TOTAL OUTSTANDING		<u>\$ 4,233,620</u>	<u>\$ 14,705,000</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series B of 2011
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	4.000%	\$ 290,619	\$ 5,000
2017-18	4.000%	290,419	5,000
2018-19	4.000%	290,219	5,000
2019-20	4.000%	290,018	5,000
2020-21	4.000%	289,819	5,000
2021-22	4.750%	289,618	5,000
2022-23	4.750%	289,382	5,000
2023-24	4.750%	289,144	5,000
2024-25	4.750%	288,906	5,000
2025-26	4.750%	288,668	5,000
2026-27		288,431	-
2027-28	5.000%	288,431	570,000
2028-29	5.000%	259,931	1,975,000
2029-30		161,182	-
2030-31	5.125%	161,181	1,795,000
2031-32	5.125%	69,188	1,350,000
TOTAL OUTSTANDING		<u>\$ 4,125,156</u>	<u>\$ 5,740,000</u>

**Schedule on General Obligation Bonds
Series of 2014
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	1.00 to 2.00	\$ 96,270	\$ 2,075,000
2017-18	1.40 to 3.00	57,520	1,780,000
2018-19	2.00	27,800	550,000
2019-20	3.00	16,800	560,000
TOTAL OUTSTANDING		<u>\$ 198,390</u>	<u>\$ 4,965,000</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2014
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	1.000	\$ 278,291	\$ 80,000
2017-18	1.000	277,491	170,000
2018-19	1.500	275,791	170,000
2019-20	2.000	273,241	175,000
2020-21	2.000	269,741	175,000
2021-22	2.125	266,241	185,000
2022-23	2.250	262,310	185,000
2023-24	2.400	258,148	2,590,000
2024-25	3.000	195,988	2,660,000
2025-26	3.250	116,188	60,000
2026-27	3.250	114,238	1,060,000
2027-28	3.250	79,787	2,455,000
TOTAL OUTSTANDING		<u>\$ 2,667,455</u>	<u>\$ 9,965,000</u>

**Schedule on General Obligation Bonds
Series of 2015
For the Year Ended June 30, 2016**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	0.85	\$ 322,342	\$ 5,000
2017-18	1.10	322,300	5,000
2018-19	1.40	322,245	5,000
2019-20	2.00	322,175	35,000
2020-21	2.00	321,475	110,000
2021-22	2.00	319,275	110,000
2022-23	2.25	317,075	120,000
2023-24	2.25	314,375	115,000
2024-25	2.25	311,787	120,000
2025-26	3.00	309,088	125,000
2026-27	3.00	305,338	125,000
2027-28	3.00	301,587	135,000
2028-29	3.25	297,538	135,000
2029-30	3.250	293,150	3,550,000
2030-31	3.000	177,775	80,000
2031-32	3.000	175,375	1,150,000
2032-33	3.500	140,875	4,025,000
TOTAL OUTSTANDING		<u>\$ 4,873,775</u>	<u>\$ 9,950,000</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	2.80	\$ 128,231	\$ 5,000
2017-18	2.80	144,620	5,000
2018-19	2.80	144,480	5,000
2019-20	2.80	144,340	65,000
2020-21	2.80	142,520	85,000
2021-22	2.80	140,140	85,000
2022-23	2.80	137,760	85,000
2023-24	2.80	135,380	90,000
2024-25	2.80	132,860	90,000
2025-26	4.25	144,589	80,000
2026-27	4.25	194,438	35,000
2027-28	4.25	192,950	35,000
2028-29	4.25	191,462	1,300,000
2029-30	4.250	136,212	25,000
2030-31	4.250	135,150	1,815,000
2031-32	4.250	58,013	1,365,000
TOTAL OUTSTANDING		<u>\$ 2,303,145</u>	<u>\$ 5,170,000</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2016-17	3.25	\$ 4,062	\$ 60,000
2017-18	3.25	2,113	30,000
2018-19	3.25	1,137	35,000
TOTAL OUTSTANDING		<u>\$ 7,312</u>	<u>\$ 125,000</u>

SINGLE AUDIT SECTION

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/15	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/16	FOOTNOTES
<u>U. S. DEPARTMENT OF EDUCATION</u>											
<u>PASSED THROUGH PA DEPARTMENT OF EDUCATION</u>											
ESEA - TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-15-0178A	7/1/14-9/30/15	\$ 337,036	\$ 118,956	\$ 118,956	\$ -	\$ -	\$ -	2
ESEA - TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-16-0178A	7/1/15-9/30/16	330,457	283,448	-	330,457	330,457	47,009	
TOTAL TITLE I PROGRAM						402,404	118,956	330,457	330,457	47,009	
<u>PASSED THROUGH PA DEPARTMENT OF EDUCATION</u>											
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-15-0178A	7/1/14-9/30/15	69,634	9,940	9,940	-	-	-	2
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-16-0178A	7/1/15-9/30/16	69,236	69,236	-	69,236	69,236	-	
TOTAL TITLE II PROGRAM						79,176	9,940	69,236	69,236	-	
<u>PASSED THROUGH THE BERKS COUNTY I.U.</u>											
IDEA	I	84.027	N/A	7/1/14-6/30/15	326,400	157,736	157,736	-	-	-	2
IDEA	I	84.027	N/A	7/1/15-6/30/16	329,396	283,498	-	329,396	329,396	45,898	1
IDEA - SECTION 619	I	84.173	N/A	7/1/14-6/30/15	2,011	2,011	2,011	-	-	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/15-6/30/16	921	-	-	921	921	921	1
TOTAL IDEA CLUSTER						443,245	159,747	330,317	330,317	46,819	
ARRA - RACE TO THE TOP - PHASE 3	I	84.413A	N/A	7/1/12-6/30/15	N/A	-	-	1,200	1,200	1,200	5
TOTAL U.S. DEPARTMENT OF EDUCATION						924,825	288,643	731,210	731,210	95,028	
<u>U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF PUBLIC WELFARE</u>											
ESEA - TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	N/A	N/A	2,573	-	4,775	4,775	2,202	2
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						2,573	-	4,775	4,775	2,202	
<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	7/1/14-6/30/15	N/A	57,440	57,440	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/15-6/30/16	N/A	401,465	-	459,130	459,130	57,665	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/14-6/30/15	N/A	6,976	6,976	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/15-6/30/16	N/A	22,340	-	26,061	26,061	3,721	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/15-6/30/16	N/A	31,300	-	36,206	36,206	4,906	
<u>PASSED THROUGH THE PA</u>											
<u>DEPARTMENT OF AGRICULTURE</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/15-6/30/16	N/A	98,351	(16,342)	100,456	100,456	(14,237)	2
TOTAL CHILD NUTRITION CLUSTER						617,872	48,074	621,853	621,853	52,055	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						617,872	48,074	621,853	621,853	52,055	
TOTAL FEDERAL AWARDS						\$ 1,545,270	\$ 336,717	\$ 1,357,838	\$ 1,357,838	\$ 149,285	

SOURCE: D-DIRECT; I-INDIRECT

**Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2016**

Note 1 - Significant Accounting Policies

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

Note 2 - Organization and Scope

The District recognized 1.90% of its total general fund revenue in federal awards and 43.7% of its total enterprise fund revenue.

Note 3 – Indirect Costs

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

Note 4 - Program Disclosure – Footnotes

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

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 806,363	\$ 921,090
Berks County I.U.	658,728	331,517
PA Department of Welfare	N/A	4,775
PA Department of Agriculture	N/A	100,456
Totals	\$ 1,465,091	\$ 1,357,838

3. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$98,351 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2015-16 fiscal year, the District used \$100,456 in commodities and established a year-end inventory of \$14,237 at June 30, 2016.
4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used versus the commodities received, which are recognized as revenue in the basic financial statements.
5. The programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

<u>FINANCIAL STATEMENT RECONCILIATION</u>		
General Fund Federal Source Revenues	\$	448,104
Federal Grants in Local Sources		331,517
Food Service Fund Federal Revenue		619,747
Total Federal Revenue, per financial statements		1,399,368
Less - Medical Access		(43,636)
Change in Donated Commodities		2,106
Federal Revenue on SEFA	\$	1,357,838



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT
UNDER GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Hamburg Area School District, as of and for the year ended June 30, 2016, 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 30, 2016.

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,



November 30, 2016



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT
UNDER 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, 2016*. 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, 2016.

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 30, 2016

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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	IDEA
84.173	IDEA

Percentage of programs tested to total awards 24.3%

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, 2016**

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.