

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2017**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2017

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HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have performed the Single Audit of the Hamburg Area School District for the fiscal year ended June 30, 2017, 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.

December 4, 2017



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, 2017, and have issued our report thereon dated December 4, 2017.

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

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on June 23, 2017.

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 December 4, 2017. 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 2016-17 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***Capital Reserve Fund***

During our testing of Accounts Payable, we discovered \$126,450.68 of prior year bills were not reversed. As a result, the expenditures during the year in this fund were overstated. We have made the appropriate adjustments.

In the future, we suggest management reverse the ending accounts payable balance. If management needs our assistance to provide what makes up the balance, just contact us for further information and we will forward to you what you need.

General Fund – Cash

During our testing of cash, we found discrepancies inside of the bank reconciliations for the M&T NOW account (#31600239) and PLGIT Payroll account (#1281048). The M&T account is pooled with the three tax accounts in the General Ledger under one account. We were unable to tie the pooled amounts with the reconciled balance due to a difference of \$63.73. While immaterial, management should attempt to discover the reason or make an adjustment to the computer balance to match the reconciled amount.

In addition, management listed miscellaneous discrepancies on the reconciliation that should have been addressed and cleared up at the end of the year, e.g., balance adjustment \$285.17; recurring difference of \$24. This was also true for the PLGIT payroll account, which was showing various small discrepancies regarding PSERS, \$960.53 which was determined to be a transfer from the Food Service that was not recorded, and Check #38267, which was showing up in the balances twice. This was a voided check from 15-16 reissued in 16-17. We determined that the old check was still showing up on the outstanding checklist, not being shown as voided, and should simply be cleared in the system as reconciled. While management is performing the bank reconciliations, they need to determine the problem with any discrepancies and solve them and clear them up in order to record cash accurately.

General Fund – Intergovernmental Grants

During the 15-16 fiscal year, the Berks County IU sent the District money for funds owed from the prior year 14-15 IDEA Part B grant. The client received a payment in the amount of \$162,714.91 in November 2015, pertaining to a receivable that was set up in the prior year totaling \$157,735.91. This created a difference of \$4,979.00, which was ultimately carried throughout the year and was never corrected on current year invoices. In order to balance out the 15-16 year for the IDEA Part B grant we had to set up a payable because these funds are technically owed back to the IU at year end.

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

Where the problem comes into play is the fact that management was aware of this discrepancy and they decided to let it go. After discussion with the business manager, we were informed that she was waiting to see if the IU would reconcile it out or fix it. In order to reconcile the District's books in 15-16, the business manager made an entry increasing the revenue and receivable to clear out the differences, but once we tried to reconcile the 15-16 grant amount this discrepancy was found.

This issue has been subsequently resolved by the business manager. In the future, we would like to suggest management resolve this problem with the IU on a more timely basis, since it involves federal funds.

Inventory

During our review of the inventory we were provided, we discovered the custodial inventory of supplies were done, but the general stock items were never inventoried at the end of the fiscal year. As such, we had to maintain the same amount of inventory that was on hand from the prior year.

In the future, we wish to remind management to direct the appropriate people to take a physical count of all consumable items as close to June 30th as possible. Then someone needs to price the inventory using the latest costs to purchase each item.

General Fund – Accounts Payable

During our review of Accounts Payable in the General Fund, management provided us with checklists of what should be in the Accounts Payable account; however, the balance in the general ledger did not match the checklist totals. We had to make adjustments to reconcile the account balance.

In the future, we recommend management reconcile the account balance prior to the audit arrival to ensure the general ledger is accurate.

Travel, Lodging, and Meal Reimbursements

Management processed a travel reimbursement, submitted by a Principal on August 22, 2016. The District made a payment to the Principal in the form of an ACH, #D0000182 for \$755.76. The reimbursement form submitted by the Principal appears to be incorrect and the business office did not correct it.

The first issue was the fact that for mileage, the Principal, put an even 300 miles for his trip to State College. After looking up the mileage from Hamburg SD to Penn State Conference Center Hotel in State College, it was found that the trip should have been 138 miles one way, or 276 miles round trip. There is no backup or travel log supporting Principal's mileage driven. Second, the Principal's reimbursement sheet asked for \$.50 per 300 miles he drove, giving him \$150 in mileage reimbursement. Typically, school districts follow the IRS reimbursement rate for mileage reimbursements, so we questioned the business manager and she explained that they do follow the IRS rules and the Principal should have been reimbursed at the 2016 mileage rate of \$.54 per mile. Additionally the backup that was provided did not match what was claimed on the travel reimbursement sheet.

The reimbursement form called for 300 miles reimbursement, \$299.00 in conference fees, \$278.00 in lodging and \$28.76 for meals. However the \$28.76 in meals does not match the invoice. Per the invoice from the hotel, meals should have been \$38.63. We are not able to determine why it doesn't match due to the fact that the Principal did not supply a receipt along with the invoice. All in all, after noticing the discrepancies, albeit, none are material, we asked the business manager why this invoice was processed and approved by her, and her answer was that she relies on her staff to make sure the information is correct. The client needs to be mindful that internal controls are important and just because this invoice

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

wasn't big in nature, if they keep the same process going, other invoices can be paid incorrectly, causing the district to spend money that was never meant to be spent, or owing people money that they will later be charged for.

RECOMMENDATIONS

Athletic Deposits

During our testing of subsequent receipts, we discovered deposit forms submitted from the Athletic Director were lacking adequate backup as to the names of the persons or vendors submitting payments that are being deposited. We suggest the deposit form include the names of the persons or vendors submitting payments.

Object Code Reclassifications

We wish to remind management the School Accounting Manual changed the object codes for non-capital equipment has been changed to object code 610. Object codes #751, #757, #761, and #767 are no longer valid. In addition, electricity costs should now be charged to obj. code #622. Obj. Code #422 is no longer correct.

OTHER INFORMATION

Activity Funds

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

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

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

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,



December 4, 2017

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

ONE COPY TO: PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY
OFFICE OF THE DIRECTOR
1310 ELMERTON AVENUE
HARRISBURG, PA 17110

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, 2017, 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, 2017, 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, 2016, the Hamburg Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures, Governmental Accounting Standards Board Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans, Governmental Accounting Standards Board Statement No. 80, Blending Requirements for Certain Component Units, and Governmental Accounting Standards Board Statement No. 82, An amendment of GASB Statements Nos. 67, 68, and 73.

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 79-81, 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

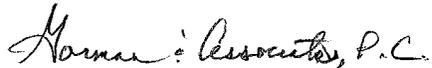
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamburg Area School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, by Title 2 U.S. 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 December 4, 2017, 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,



December 4, 2017

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2017

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, 2017.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by \$922,426, resulting in an increase in fund balance of \$1,142,876. The primary reasons for this surplus was that expenditures were less than originally budgeted due to strict control of expenditures. Revenues were also greater than originally budgeted due to the receipt of six years of Plan Con reimbursements.

The Board of Directors passed a 2016-17 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 (\$7,213,459) at June 30, 2017, a increase of \$267,272. The governmental net position increased by \$307,313, while business-type net position decreased by \$40,041.

Table A-1
Fiscal Year Ended June 30, 2017
Net Position

	2016			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 20,374,887	\$ 536,685	\$ 20,816,005 (1)	\$ 20,797,256	\$ 523,065	\$ 21,261,108
Non-Current Assets	74,703,376	119,607	8,037,134	73,935,153	120,937	74,056,090
Deferred Outflow of Resource	7,900,091	137,043	8,037,134	14,761,776	324,478	15,086,254
Total Assets & Deferred Outflow of Resources	\$ 102,978,354	\$ 793,335	\$ 103,672,122	\$ 109,494,185	\$ 968,480	\$ 110,403,452
Current and Other Liabilities	\$ 6,518,582	\$ 46,787	\$ 6,469,802 (1)	\$ 6,279,242	\$ 40,540	\$ 6,236,083
Long-term Liabilities	101,409,654	1,556,079	102,965,733	108,129,635	1,781,081	109,910,716
Deferred Inflow of Resources	1,627,715	48,603	1,721,318	1,400,592	45,034	1,445,626
Total Liabilities & Deferred Inflow of Resources	\$ 109,555,951	\$ 1,651,469	\$ 111,156,853	\$ 115,809,469	\$ 1,866,655	\$ 117,592,425
Net Position						
Net Investment in Capital Assets	\$ 26,053,132	\$ 119,607	\$ 26,172,739	\$ 28,653,230	\$ 120,936	\$ 28,774,166
Restricted	799,163	-	799,163	46,792	-	46,792
Unrestricted	(33,474,892)	(977,741)	(34,452,633)	(35,015,306)	(1,019,111)	(36,034,417)
Total Net Position	\$ (6,622,597)	\$ (858,134)	\$ (7,480,731)	\$ (6,315,284)	\$ (898,175)	\$ (7,213,459)

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

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

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-2
Fiscal Year Ended June 30, 2017
Changes in Net Position

	2016			2017		
	Governmental Activities	Business-type Activites	Total	Governmental Activities	Business-type Activites	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 97,291	\$ 678,297	\$ 775,588	\$ 87,202	\$ 662,982	\$ 750,184
Operating grants and contributions	6,480,657	743,401	7,224,058	6,879,012	788,297	7,667,309
Capital grants and contributions	467,274	-	467,274	980,345	-	980,345
<i>General Revenues</i>						
Property taxes	21,544,754	-	21,544,754	21,565,454	-	21,565,454
Other taxes	2,495,453	-	2,495,453	2,513,047	-	2,513,047
Grants, subsidies and contributions	7,380,390	-	7,380,390	7,574,835	-	7,574,835
Other	180,866	508	181,374	292,699	53	292,752
Total Revenues	38,646,685	1,422,206	40,068,891	39,892,594	1,451,332	41,343,926
Expenses						
Instruction	21,551,671	-	21,551,671	23,526,267	-	23,526,267
Instructional student support	2,956,951	-	2,956,951	2,773,899	-	2,773,899
Administrative and financial support	3,738,194	-	3,738,194	4,003,403	-	4,003,403
Operation and maintenance of plant	3,003,094	-	3,003,094	3,175,149	-	3,175,149
Pupil transportation	1,846,359	-	1,846,359	1,901,188	-	1,901,188
Student activities	789,808	-	789,808	801,230	-	801,230
Community services	31,987	-	31,987	30,993	-	30,993
Interest on long-term debt	2,123,396	-	2,123,396	1,795,772	-	1,795,772
Unallocated depreciation expense	1,360,053	-	1,360,053	1,577,380	-	1,577,380
Food services	-	1,402,188	1,402,188	-	1,491,373	1,491,373
Total Expenses	37,401,513	1,402,188	38,803,701	39,585,281	1,491,373	41,076,654
Increase (decrease) in net position	\$ 1,245,172	\$ 20,018	\$ 1,265,190	\$ 307,313	\$ (40,041)	\$ 267,272

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 60.8% of the total cost of governmental activities in the school district.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

Table A-3
Fiscal Year Ended June 30, 2017
Governmental Activities

Functions/Programs	2016		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 21,551,671	\$ 16,814,196	\$ 23,526,267	\$ 18,499,160
Instructional Student Support	2,956,951	2,595,995	2,773,899	2,456,549
Administrative	3,738,194	3,449,175	4,003,403	3,689,030
Operation and Maintenance	3,003,094	2,822,136	3,175,149	2,971,075
Pupil Transportation	1,846,359	985,594	1,901,188	941,833
Student Activities	789,808	641,033	801,230	657,275
Community Services	31,987	31,987	30,993	30,993
Interest on Long-term Debt	2,123,396	1,656,122	1,795,772	815,427
Unallocated Depreciation Expense	1,360,053	1,360,053	1,577,380	1,577,380
Total Governmental Activities	\$ 37,401,513	\$ 30,356,291	\$ 39,585,281	\$ 31,638,722
Less:				
Unrestricted Grants and Subsidies		7,380,390		7,574,835
Total Contribution from Local Taxes and other Revenues		\$ 22,975,901		\$ 24,063,887

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 \$40,041 loss. The cost of services increased primarily due to retirement expense. Food service operations have been evaluated in light of the current costs of operations and lunch prices have been adjusted for the 2017-18 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, 2017
Business-type Activities

Functions/Programs	2016		2017	
	Total Cost of		Total Cost of	
	Services	Net Revenue	Services	Net Revenue
Food Services	\$ 1,402,188	\$ 19,510	\$ 1,491,373	\$ (40,094)
Less:				
Investment Earnings		508		1,134
Gain/Loss Asset Sale		-		(1,081)
Total business-type Activities		\$ 20,018		\$ (40,041)

The District Funds:

At June 30, 2017, the District governmental funds reported a combined fund balance of \$16,224,407. This represents an increase of \$353,348 from the prior year. The reason for this increase is due the surplus of revenue over expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets net of accumulated depreciation decreased \$768,223 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

	6/30/2016	6/30/2017	Change
Land and Land Improvements (net of Accum Depreciation)	\$ 2,145,569	\$ 589,069	\$ (1,556,500)
Building and Building Improvements (net of Accum Depreciation)	48,468,822	72,601,109	24,132,287
Furniture and Equipment (net of Accum Depreciation)	697,163	744,975	47,812
Construction in Progress	23,931,822	-	(23,391,822)
TOTAL	\$ 74,703,376	\$ 73,935,153	\$ (768,223)

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

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

	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 119,607	\$ 120,937	\$ (1,330)
Total	<u>\$ 119,607</u>	<u>\$ 120,937</u>	<u>\$ (1,330)</u>

DEBT ADMINISTRATION:

As of June 30, 2017, the District had outstanding debt of \$49,735,000. Figure A-7 shows outstanding debt at June 30, 2017.

**Table A-7
Outstanding Debt**

	<u>2016</u>	<u>2017</u>
General Obligation Bonds		
-Series of 2011 A	\$ 14,705,000	\$ 7,235,000
-Series of 2011 B	5,740,000	-
-Series of 2014	4,965,000	2,890,000
-Series of 2014 A	9,965,000	9,885,000
-Series of 2015	9,950,000	9,945,000
-Series of 2016 A	5,170,000	5,165,000
-Series of 2016 B	-	4,700,000
-Series of 2016 C	125,000	65,000
-Series of 2017	-	9,850,000
Total	<u>\$ 50,620,000</u>	<u>\$ 49,735,000</u>

LOOKING TO THE FUTURE:

CAPITAL PROJECTS:

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 2017-2018

Rising costs for special education, charter schools, and contractual obligations have necessitated a millage increase for 2017-18. The increase of .25 mills from 26.71 to 26.96 mills means that property owners will pay \$26.96 for each \$1,000.00 of assessed valuation.

The 2017-18 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>2016-2017</u>	<u>2017-2018</u>
Local	64.2%	62.5%
State	34.6%	35.7%
Federal/Other	1.2%	1.8%

BUDGETED EXPENDITURES

	<u>2016-2017</u>	<u>2017-2018</u>
Instruction	57.6%	59.2%
Support Services	30.2%	29.0%
Non Instruction/Community	2.1%	2.1%
Fund Transfers/Debt	10.1%	9.7%

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, 2017

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 12,180,649	\$ 298,982	\$ 12,479,631
Investments	5,937,000	-	5,937,000
Receivables, net	1,113,887	-	1,113,887
Internal Balances	4,287	103,759	-
Due From Other Governments	1,477,369	83,987	1,561,356
Other Receivables	25,639	-	25,639
Inventories	58,425	36,337	94,762
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
Total Current Assets	<u>20,797,256</u>	<u>523,065</u>	<u>21,212,275</u>
Non-Current Assets:			
Land	589,069	-	589,069
Site Improvements (net of depreciation)	1,460,282	-	1,460,282
Building and Bldg. Improvements (net of depreciation)	71,140,827	-	71,140,827
Furniture and Equipment (net of depreciation)	744,975	120,937	865,912
Construction in Progress	-	-	-
Total Non-Current Assets	<u>73,935,153</u>	<u>120,937</u>	<u>74,056,090</u>
Total Assets	<u>94,732,409</u>	<u>644,002</u>	<u>95,268,365</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion	-	-	-
Deferred Outflows of Resources - Current Year Contributions	4,677,127	145,321	4,822,448
Deferred Outflows of Resources - Change in Assumptions	2,099,760	66,240	2,166,000
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
Deferred Outflows of Resources - Difference in Proj. vs Actual Invest, Earnings	3,232,083	112,917	3,345,000
Deferred Outflows of Resources - Difference in Expected vs Actual Experience	-	-	-
Deferred Outflows of Resources - Diff. between Proportionate Share vs Actual Paid - Separately Financed Liabilities	-	-	-
Deferred Amount on Debt Refundings, net	4,752,806	-	4,752,806
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 109,494,185</u>	<u>\$ 968,480</u>	<u>\$ 110,354,619</u>
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 103,759	\$ 4,287	\$ -
Due to other governments	93,738	-	93,738
Accounts Payable	428,222	377	428,599
Current Portion of Long-Term Obligations	2,164,331	-	2,164,331
Accrued Salaries and Benefits	3,127,496	17,330	3,144,826
Payroll Deductions and Withholdings	-	-	-
Payments Received in Advance	-	18,546	18,546
Other Current Liabilities	361,696	-	361,696
Total Current Liabilities	<u>6,279,242</u>	<u>40,540</u>	<u>6,211,736</u>
Non-Current Liabilities:			
Bonds Payable	47,917,994	-	47,917,994
Other Retirement Benefits	208,088	7,994	216,082
Net OPEB Obligation	1,116,567	83,370	1,199,937
Long-Term Portion of Compensated Absences	804,933	32,116	837,049
Net Pension Liability	58,042,708	1,657,601	59,700,309
Capital Lease Obligations	39,345	-	39,345
Total Liabilities	<u>114,408,877</u>	<u>1,821,621</u>	<u>116,122,452</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Change in Proportion - NPL	796,789	26,211	823,000
Deferred Inflows of Resources - Change in Assumptions	-	-	-
Deferred Inflows of Resources - Projected vs Actual Contributions	115,186	3,607	118,793
Deferred Inflows of Resources - Difference in Proj. vs Actual Invest, Earnings	-	-	-
Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	484,784	15,216	500,000
Deferred Inflows of Resources - Diff. between Proportionate Share vs Actual Paid - Separately Financed Liabilities	3,833	-	3,833
Unearned Revenue from Property Taxes	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>115,809,469</u>	<u>1,866,655</u>	<u>117,568,078</u>
NET POSITION			
Net Investment in Capital Assets	28,653,230	120,936	28,774,166
Restricted For:			
Capital Projects	19,927	-	19,927
Other Restrictions	26,865	-	26,865
Unrestricted (deficit)	<u>(35,015,306)</u>	<u>(1,019,111)</u>	<u>(36,034,417)</u>
TOTAL NET POSITION	<u>(6,315,284)</u>	<u>(898,175)</u>	<u>(7,213,459)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 109,494,185</u>	<u>\$ 968,480</u>	<u>\$ 110,354,619</u>

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, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 23,526,267	\$ -	\$ 5,027,107	\$ -	\$ (18,499,160)	\$ -	\$ (18,499,160)
Instructional Student Support	2,773,899	-	317,350	-	(2,456,549)	-	(2,456,549)
Admin. & Fin'l Support Services	4,003,403	-	314,373	-	(3,689,030)	-	(3,689,030)
Oper. & Maint. Of Plant Svcs.	3,175,149	-	204,074	-	(2,971,075)	-	(2,971,075)
Pupil Transportation	1,901,188	-	959,355	-	(941,833)	-	(941,833)
Student activities	801,230	87,202	56,753	-	(657,275)	-	(657,275)
Community Services	30,993	-	-	-	(30,993)	-	(30,993)
Interest on Long-Term Debt	1,795,772	-	-	980,345	(815,427)	-	(815,427)
Unallocated Depreciation Expense	1,577,380	-	-	-	(1,577,380)	-	(1,577,380)
TOTAL GOVERNMENT ACTIVITIES	39,585,281	87,202	6,879,012	980,345	(31,638,722)	-	(31,638,722)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,491,373	662,982	788,297	-	-	(40,094)	(40,094)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 41,076,654	\$ 750,184	\$ 7,667,309	\$ 980,345	\$ (31,638,722)	\$ (40,094)	\$ (31,678,816)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 21,565,454	\$ -	\$ 21,565,454
Taxes levied for specific purposes					2,513,047	-	2,513,047
Grants, subsidies, & contributions not restricted					7,574,835	-	7,574,835
Investment Earnings					121,904	1,134	123,038
Miscellaneous Income					171,745	-	171,745
Special Item - Gain or (Loss) on sale of capital assets					(950)	(1,081)	(2,031)
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					31,946,035	53	31,946,088
CHANGES IN NET POSITION					307,313	(40,041)	267,272
NET POSITION - BEGINNING					(6,622,597)	(858,134)	(7,480,731)
NET POSITION - ENDING					\$ (6,315,284)	\$ (898,175)	\$ (7,213,459)

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

**Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2017**

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 11,730,178	\$ 450,471	\$ 12,180,649
Investments	5,937,000	-	5,937,000
Taxes Receivable, net	1,113,887	-	1,113,887
Due from other funds	4,287	-	4,287
Due from Other Governments	1,477,369	-	1,477,369
Other Receivables	6,713	-	6,713
Inventories	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 20,269,434	\$ 450,471	\$ 20,719,905
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 20,269,434	\$ 450,471	\$ 20,719,905
<u>LIABILITIES</u>			
Due to Other Funds	\$ 105,127	\$ -	\$ 105,127
Due to Other Governments	93,738	-	93,738
Accounts Payable	231,149	3,176	234,325
Current Portion of Long-Term Debt	86,941	-	86,941
Accrued Salaries and Benefits	1,858,736	-	1,858,736
Payroll Deductions and Withholdings	1,268,760	-	1,268,760
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	3,644,451	3,176	3,647,627
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue from Property Taxes	847,871	-	847,871
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,492,322	3,176	4,495,498
<u>FUND BALANCES</u>			
Nonspendable	-	-	-
Restricted	26,865	19,927	46,792
Committed	2,358,369	-	2,358,369
Assigned	12,205,485	427,368	12,632,853
Unassigned	1,186,393	-	1,186,393
TOTAL FUND BALANCES	15,777,112	447,295	16,224,407
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 20,269,434	\$ 450,471	\$ 20,719,905

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, 2017**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	16,224,407
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 \$95,824,974 and the accumulated depreciation is \$21,889,821.		73,935,153
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.		18,926
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.		847,871
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.		58,425
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.		(192,529)
This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues.		4,752,806
This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability		8,608,378
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	\$ (49,977,994)	
Accrued interest on the bonds	(361,696)	
Compensated absences	(804,933)	
Net Pension Liability	(58,042,708)	
Net OPEB Obligation	(1,116,567)	
Years of Service Benefit	(208,088)	
Capital Leases	(56,735)	(110,568,721)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>(6,315,284)</u>

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, 2017

	<u>GENERAL</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Local Sources	\$ 24,755,223	\$ 3,671	\$ 24,758,894
State Sources	14,626,283	-	14,626,283
Federal Sources	<u>445,442</u>	-	<u>445,442</u>
TOTAL REVENUES	<u>39,826,948</u>	<u>3,671</u>	<u>39,830,619</u>
EXPENDITURES			
Instruction	22,786,941	-	22,786,941
Support Services	11,460,911	31,082	11,491,993
Operation of Non-Instructional Services	840,120	-	840,120
Capital Outlay	-	757,026	757,026
Debt Service	<u>3,816,550</u>	-	<u>3,816,550</u>
TOTAL EXPENDITURES	<u>38,904,522</u>	<u>788,108</u>	<u>39,692,630</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>922,426</u>	<u>(784,437)</u>	<u>137,989</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Refunding Bond Proceeds	-	14,550,000	14,550,000
Proceeds from Extended Term Financing	65,600	-	65,600
Interfund Transfers in	113,847	-	113,847
Sale/Compensation for Fixed Assets	3,764	-	3,764
Insurance Recoveries	37,239	-	37,239
Bond Premium	-	-	-
Bond Discount	-	-	-
Debt Service (Payment to Refunded Bond Escrow Agent)	-	(14,441,244)	(14,441,244)
Operating Transfers Out	<u>-</u>	<u>(113,847)</u>	<u>(113,847)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>220,450</u>	<u>(5,091)</u>	<u>215,359</u>
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,142,876	(789,528)	353,348
FUND BALANCES - BEGINNING	<u>14,634,236</u>	<u>1,236,823</u>	<u>15,871,059</u>
FUND BALANCES - ENDING	<u>\$ 15,777,112</u>	<u>\$ 447,295</u>	<u>\$ 16,224,407</u>

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

**Hamburg Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2017**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 353,348

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	\$ 1,655,770	
less - capital outlays	<u>888,498</u>	(767,272)

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. (65,600)

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. (950)

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 decreased by this amount this year. 14,626

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. 2,313,631

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. (187,577)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **1,660,206**

**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, 2017**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) \$ 1,660,206

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. (292,853)

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. 8,865

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. (108,756)

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. 1,953

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. (962,102)

CHANGE IN POSITION OF GOVERNMENTAL ACTIVITIES **\$ 307,313**

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, 2017**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 298,982	\$ -	\$ 298,982
Investments	-	-	-
Due from other funds	103,759	-	103,759
Due From Other Governments	83,987	-	83,987
Other Receivables	-	-	-
Inventories	36,337	-	36,337
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	523,065	-	523,065
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	120,937	-	120,937
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	120,937	-	120,937
TOTAL ASSETS	\$ 644,002	\$ -	\$ 644,002
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Changes in Proportion	-	-	-
Deferred Outflows - Current Year Contributions	145,321	-	145,321
Deferred Outflows - Change in Assumptions	66,240	-	66,240
Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	112,917	-	112,917
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 968,480	\$ -	\$ 968,480
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 4,287	\$ -	\$ 4,287
Accounts Payable	377	-	377
Current Portion of Long-Term Debt	-	-	-
Prepayments from Students	18,546	-	18,546
Accrued Salaries and Benefits	17,330	-	17,330
TOTAL CURRENT LIABILITIES	40,540	-	40,540
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	32,116	-	32,116
Years of Service Benefit	7,994	-	7,994
Net Pension Liability	1,657,601	-	1,657,601
Net OPEB Obligation	83,370	-	83,370
TOTAL NON-CURRENT LIABILITIES	1,781,081	-	1,781,081
TOTAL LIABILITIES	1,821,621	-	1,821,621
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - Diff. between Projected vs Actual Invest. Earnings	-	-	-
Deferred Inflows - Projected vs Actual Contributions	3,607	-	3,607
Deferred Inflows - Change in Proportion - NPL	26,211	-	26,211
Deferred Inflows - Diff. between Expected vs Actual Experience	15,216	-	15,216
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,866,655	-	1,866,655
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	120,937	-	120,937
Restricted for Legal Purposes	-	-	-
Unrestricted	(1,019,112)	-	(1,019,112)
TOTAL FUND NET POSITION	(898,175)	-	(898,175)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 968,480	\$ -	\$ 968,480

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, 2017

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 621,423	\$ -	\$ 621,423
Other Operating Revenues	41,559	-	41,559
TOTAL OPERATING REVENUES	662,982	-	662,982
OPERATING EXPENSES:			
Salaries	520,245	-	520,245
Employee Benefits	373,253	-	373,253
Purchased Professional and Technical Services	2,285	-	2,285
Purchased Property Service	27,384	-	27,384
Other Purchased Services	19,935	-	19,935
Supplies	532,545	-	532,545
Depreciation	6,480	-	6,480
Dues and Fees	522	-	522
Other Operating Expenses	8,724	-	8,724
TOTAL OPERATING EXPENSES	1,491,373	-	1,491,373
OPERATING INCOME (LOSS)	(828,391)	-	(828,391)
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	1,134	-	1,134
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	(1,081)	-	(1,081)
State Sources	136,002	-	136,002
Federal Sources	652,295	-	652,295
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	788,350	-	788,350
INCOME (LOSS) BEFORE CONTRIBUTIONS	(40,041)	-	(40,041)
Capital contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	(40,041)	-	(40,041)
FUND NET POSITION - BEGINNING	(858,134)	-	(858,134)
FUND NET POSITION - ENDING	\$ (898,175)	\$ -	\$ (898,175)

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, 2017**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 603,714	\$ -	\$ 603,714
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	41,559	-	41,559
Cash Payments to Employees for Services	(858,423)	-	(858,423)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(487,315)	-	(487,315)
Cash Payments to Other Operating Expenses	(9,246)	-	(9,246)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(709,711)	-	(709,711)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	135,301	-	135,301
Federal Sources	541,428	-	541,428
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	676,729	-	676,729
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	(8,891)	-	(8,891)
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	(8,891)	-	(8,891)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	1,134	-	1,134
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,134	-	1,134
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,739)	-	(40,739)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	339,721	-	339,721
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 298,982	\$ -	\$ 298,982

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2017**

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (828,391)	\$ -	\$ (828,391)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	6,480	-	6,480
Donated Commodities Used	97,778	-	97,778
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	-	-	-
(Increase) Decrease in Advances to Other Funds	(17,709)	-	(17,709)
(Increase) Decrease in Inventories	4,381	-	4,381
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Deferred Outflows - Change in Proportion	9,232	-	9,232
(Increase) Decrease in Deferred Outflows - Current Year Contributions	(24,889)	-	(24,889)
(Increase) Decrease in Deferred Outflows - Change in Assumptions	(66,240)	-	(66,240)
(Increase) Decrease in Deferred Outflows - Diff. in Projected vs Actual Contributions	-	-	-
(Increase) Decrease in Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	(105,538)	-	(105,538)
(Increase) Decrease in Deferred Outflows - Diff. between Expected vs Actual Experience	-	-	-
(Increase) Decrease in Deferred Outflows - Diff. between Proj. Share vs Actual - POS	-	-	-
Increase (Decrease) in Accounts Payable	(660)	-	(660)
Increase (Decrease) in Accrued Salaries and Benefits	730	-	730
Increase (Decrease) in Net OPEB Obligation	1,868	-	1,868
Increase (Decrease) in Years of Service Benefit	1,968	-	1,968
Increase (Decrease) in Net Pension Liability	221,513	-	221,513
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion - NPL	(13,790)	-	(13,790)
Increase (Decrease) in Deferred Inflows of Resources - Change in Assumptions	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Projected and Actual Contributions	1,565	-	1,565
Increase (Decrease) in Deferred Inflows of Resources - Difference in Investment Earnings	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Expected vs Actual Experience	8,655	-	8,655
Increase (Decrease) in Deferred Inflows of Resources - Difference in Prop. Share vs Actual - POS	-	-	-
Increase (Decrease) in Advances from Other Funds	(5,230)	-	(5,230)
Increase (Decrease) in Prepayments	(1,434)	-	(1,434)
TOTAL ADJUSTMENTS	118,680	-	118,680
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (709,711)	\$ -	\$ (709,711)

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, 2017**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 82,845
Investments	-	-	-
Due from Other Funds	-	-	1,368
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	-	-	84,213
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ 84,213
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	84,213
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	84,213
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	84,213
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, 2017**

	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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>	<u>BUDGET TO</u>	<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY</u> <u>BASIS)</u>	<u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>	<u>GAAP</u> <u>DIFFERENCE</u>	<u>AMOUNTS</u> <u>GAAP BASIS</u>
REVENUES						
Local Sources	\$ 25,215,576	\$ 25,210,576	\$ 24,755,223	\$ (455,353)	\$ -	\$ 24,755,223
State Sources	13,748,242	13,748,242	14,626,283	878,041	-	14,626,283
Federal Sources	474,318	474,318	445,442	(28,876)	-	445,442
TOTAL REVENUES	<u>39,438,136</u>	<u>39,433,136</u>	<u>39,826,948</u>	<u>393,812</u>	<u>-</u>	<u>39,826,948</u>
EXPENDITURES						
Regular Instruction	16,603,085	16,705,085	16,265,132	439,953	-	16,265,132
Special Programs	5,537,142	5,495,142	5,472,652	22,490	-	5,472,652
Vocational Programs	1,016,719	956,719	956,595	124	-	956,595
Other Instructional Programs	107,100	107,100	92,562	14,538	-	92,562
Nonpublic School Programs	-	-	-	-	-	-
Adult Education Programs	-	-	-	-	-	-
Pupil Personnel Services	1,453,032	1,366,032	1,325,134	40,898	-	1,325,134
Instructional Staff Services	1,120,377	1,069,377	893,478	175,899	-	893,478
Administrative Services	2,323,343	2,324,343	2,004,900	319,443	-	2,004,900
Pupil Health	454,358	455,858	454,066	1,792	-	454,066
Business Services	584,742	602,242	515,230	87,012	-	515,230
Operation & Maintenance of Plant Services	3,135,710	3,141,710	3,111,212	30,498	-	3,111,212
Student Transportation Services	1,961,762	1,961,762	1,892,520	69,242	-	1,892,520
Central Support Services	1,149,704	1,238,704	1,234,944	3,760	-	1,234,944
Other Support Services	29,447	29,447	29,427	20	-	29,427
Student Activities	800,190	815,190	809,127	6,063	-	809,127
Community Services	34,000	34,000	30,993	3,007	-	30,993
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	3,809,663	3,817,663	3,816,550	1,113	-	3,816,550
TOTAL EXPENDITURES	<u>40,120,374</u>	<u>40,120,374</u>	<u>38,904,522</u>	<u>1,215,852</u>	<u>-</u>	<u>38,904,522</u>
Excess (deficiency) of revenues over expenditures	(682,238)	(687,238)	922,426	1,609,664	-	922,426
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Proceeds from Extended Term Financing	-	-	65,600	65,600	-	65,600
Interfund Transfers in	-	-	113,847	113,847	-	113,847
Sale/Compensation for Fixed Assets	-	5,000	3,764	(1,236)	-	3,764
Insurance Recoveries	-	-	37,239	37,239	-	37,239
Fund Transfers out	-	-	-	-	-	-
Budgetary Reserve	(250,000)	(250,000)	-	250,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(250,000)</u>	<u>(245,000)</u>	<u>220,450</u>	<u>465,450</u>	<u>-</u>	<u>220,450</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(932,238)</u>	<u>(932,238)</u>	<u>1,142,876</u>	<u>2,075,114</u>	<u>-</u>	<u>1,142,876</u>
FUND BALANCE - JULY 1, 2016	<u>\$ 12,989,694</u>	<u>\$ 12,989,694</u>	<u>\$ 14,634,236</u>	<u>\$ 1,644,542</u>	<u>\$ -</u>	<u>\$ 14,634,236</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 12,057,456</u>	<u>\$ 12,057,456</u>	<u>\$ 15,777,112</u>	<u>\$ 3,719,656</u>	<u>\$ -</u>	<u>\$ 15,777,112</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, 2017**

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, 2017

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 2016-17 was \$929,719.

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, 2017

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, 2017

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

General Fund

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

Special Revenue Funds

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

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

Capital Project Funds

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

The District has the following Capital Project Fund:

Capital Reserve Fund

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017**

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, 2017**

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 2016-17 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 2016-17 fiscal year the District implemented the following new generally accepted accounting principles:

- GASB Statement No. 74 (*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*), which establishes new reporting requirements about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans.
- GASB Statement No. 77 (Tax Abatement Disclosures). The purpose of these disclosures is intended, among other things, to assist the users of these financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services, (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. Financial statement users need information about certain limitations on a government's ability to raise resources, including limitations imposed by tax abatement programs.
- GASB Statement No. 78 (Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans). This Statement amends 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) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer.
- GASB 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. As such, it amends Statement No. 14. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

- GASB Statement No. 82 (An amendment of GASB Statements Nos. 67, 68, and 73). This Statement addresses certain issues regarding (1) the presentation of payroll-related measures in required supplementary 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.

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, 2017**

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, 2017, 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, 2017, shows \$58,425 as an asset in the governmental activities column of the government-wide statement of net position and \$36,337 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, 2017, consist of:

Purchased Food & Supplies	\$ 21,249
Donated Commodities	15,088
TOTAL	\$ 36,337

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017**

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, 2017, 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, 2017**

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, 2017**

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

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

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

The details of this \$110,568,721, difference are:

Bonds payable	\$ 49,735,000
Less: Issuance discount (to be amortized as interest expense)	-
Add: Issuance premium (to be amortized as a credit to interest expense)	242,994
Capital Lease	56,735
Accrued interest payable	361,696
Net Pension Liability	58,042,708
Years of Service Benefit	208,088
Net OPEB Obligation	1,116,567
Compensated absences	804,933
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	\$ 110,568,721

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, 2017

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
<u>REVENUES AND OTHER SOURCES</u>					
LOCAL SOURCES:					
Property Taxes	\$ 21,550,828	\$ 14,626	\$ -	\$ -	\$ 21,565,454
Taxes levied for specific purposes	2,513,047	-	-	-	2,513,047
Interest and investment earnings	113,038	8,866	-	-	121,904
Miscellaneous	113,347	-	39,433	-	152,780
Contributions and Donations	18,965	-	-	-	18,965
Charges for Services	87,202	-	-	-	87,202
Grants, subsidies & contributions not restricted	7,574,835	-	-	-	7,574,835
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	7,054,220	-	-	-	7,054,220
FEDERAL SOURCES:					
Operating & Capital grants and contributions	805,137	-	-	-	805,137
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	14,550,000	-	-	(14,550,000)	-
Proceeds from Extended Term Financing	65,600	-	-	(65,600)	-
Insurance Recoveries	37,239	-	(37,239)	-	-
Bond Premium	-	-	-	-	-
Gain or (Loss) on disposal of assets	3,764	-	(4,714)	-	(950)
TOTAL REVENUES	54,487,222	23,492	(2,520)	(14,615,600)	39,892,594
<u>EXPENDITURES/EXPENSES</u>					
Instruction	22,786,941	785,961	(46,635)	-	23,526,267
Instructional Student Support	2,672,678	91,006	10,215	-	2,773,899
Admin. & Fin'l Support Services	3,815,584	188,422	(603)	-	4,003,403
Oper. & Maint. Of Plant Svcs.	3,111,212	60,018	3,919	-	3,175,149
Pupil Transportation	1,892,520	4,338	4,330	-	1,901,188
Student activities	809,127	17,983	(25,880)	-	801,230
Community Services	30,993	-	-	-	30,993
Capital Outlay	757,026	-	(757,026)	-	-
Debt Service	18,257,793	-	-	(16,462,021)	1,795,772
Bond Discount	-	-	-	-	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,577,380	-	1,577,380
TOTAL EXPENDITURES/EXPENSES	54,133,874	1,147,728	765,700	(16,462,021)	39,585,281
NET CHANGE FOR THE YEAR	\$ 353,348	\$ (1,124,236)	\$ (768,220)	\$ 1,846,421	\$ 307,313

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017, except the governmental activities has negative net position of \$6,315,284 and business-type activities (Food Service Fund) has a negative net position of \$898,175.

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, 2017.

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, 2017, \$4,674,200 of the District's bank balance of \$11,312,947 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	4,674,200
TOTAL	\$ 4,674,200

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 4,674,200
Plus: Insured Amount	6,506,428
Less: Outstanding Checks	(58,958)
Carrying Amount - Bank Balances	11,121,670
Plus: Petty Cash	368
Deposits in Investment Pools Considered Cash Equivalents	7,377,438
Less: Certificates of Deposit considered Investment by School Code	(5,937,000)
TOTAL CASH PER FINANCIAL STATEMENTS	\$ 12,562,476

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

Investments

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

- 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, 2017, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
Certificates of Deposit	Varies	\$ 5,937,000
PA Local Gov't Investment Trust		7,354,335
PA School District Liquid Asset Fund		24,285
US Treasury Notes		-
TOTAL		\$ 13,315,620

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2017, the District's investment in the PA School District Liquid Asset Fund, and the PA Local Government Investment Trust were rated AAA by Standard & Poor's.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 45.64% is in Certificates of Deposit. Of the General Fund's investments, 45.73% is in collateralized certificates of deposit. Of the investments entity wide, 45.59% 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	\$ 13,315,620
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(7,378,620)</u>
Total Investments Per Financial Statements	<u>\$ 5,937,000</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, 2017. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$869,790,600. In accordance with Act 1 of 2006, the District received \$831,050 in property tax reduction funds for the 2016-17 fiscal year. The tax rate for the year was \$2.671 per \$100 of assessed valuation or 26.71 mills.

The property tax calendar is:

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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	1,113,887	-	-	-	-	1,113,887
Accounts	6,713	-	-	-	-	6,713
Intergovernmental	1,477,369	-	83,987	-	-	1,561,356
GROSS RECEIVABLES	2,597,969	-	83,987	-	-	2,681,956
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 2,597,969	\$ -	\$ 83,987	\$ -	\$ -	\$ 2,681,956

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:

Schedule on Deferred Inflows of Resources - Unavailable and Unearned

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 847,871	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 847,871	\$ -

Capital Assets

Capital asset balances and activity for the year ending June 30, 2017, were:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

CAPITAL ASSET BALANCES AND CURRENT YEAR ACTIVITY

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 589,069	\$ -	\$ -	\$ 589,069
Construction in Progress	23,391,822	755,584	(24,147,406)	-
Total Capital Assets not being depreciated	<u>23,980,891</u>	<u>755,584</u>	<u>(24,147,406)</u>	<u>589,069</u>
Capital Assets being depreciated:				
Site Improvements	3,065,144	-	-	3,065,144
Buildings and Bldg. Improvements	65,184,069	24,147,405	-	89,331,474
Furniture and Equipment	2,715,873	132,914	(9,500)	2,839,287
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>70,965,086</u>	<u>24,280,319</u>	<u>(9,500)</u>	<u>95,235,905</u>
Less accumulated depreciation for:				
Site Improvements	(1,508,644)	(96,218)	-	(1,604,862)
Buildings and Bldg. Improvements	(16,715,247)	(1,475,400)	-	(18,190,647)
Furniture and Equipment	(2,018,710)	(84,152)	8,550	(2,094,312)
TOTAL ACCUMULATED DEPRECIATION	<u>(20,242,601)</u>	<u>(1,655,770)</u>	<u>8,550</u>	<u>(21,889,821)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>50,722,485</u>	<u>22,624,549</u>	<u>(950)</u>	<u>73,346,084</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	 <u>\$ 74,703,376</u>	 <u>\$ 23,380,133</u>	 <u>\$(24,148,356)</u>	 <u>\$ 73,935,153</u>
 BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 815,277	\$ 8,890	\$ (10,807)	\$ 813,360
Less accumulated depreciation	<u>(695,670)</u>	<u>(6,480)</u>	<u>9,727</u>	<u>(692,423)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 119,607</u>	<u>\$ 2,410</u>	<u>\$(1,080)</u>	<u>\$ 120,937</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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

Regular Instruction	\$ 16,961
Special Instruction	8,184
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	-
Instructional Staff Svcs.	9,262
Administrative Services	5,281
Health Services	953
Business Services	860
Operation & Maintenance of Plant Svcs.	20,969
Pupil Transportation	4,330
Central Services	-
Other Support Services	-
Student Activities	11,590
Community Services	-
Depreciation - unallocated	<u>1,577,380</u>
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,655,770</u>

The District's governmental activities disposed of \$9,500 in obsolete equipment and buildings during the year, with accumulated depreciation of \$8,550, leaving a loss of disposition of \$950. The business-type activities did not dispose of any equipment during the year.

The District's business-type activities disposed of \$10,807 in obsolete equipment during the year, with accumulated depreciation of \$9,727, leaving a loss on disposition of \$1,081.

Commitments

Encumbrances

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

Construction Commitments

The District did not have any Construction Commitments at June 30, 2017.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2017:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 4,287	\$ 105,127
Enterprise (Food Service) Fund	103,759	4,287
Agency (Activity) Fund	1,368	-
TOTAL	<u>\$ 109,414</u>	<u>\$ 109,414</u>

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2017:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 113,847	\$ -
2016A Bond Fund	-	11,693
2016B Bond Fund	-	5,421
2017 Bond Fund	-	96,733
Capital Reserve Fund	-	-
TOTAL	<u>\$ 113,847</u>	<u>\$ 113,847</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

Long-term liability balances and activity for the year ended June 30, 2017, 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	\$ 50,798,544	\$ 14,687,279	\$ 15,507,829	\$ 49,977,994	\$ 2,060,000
Other than capital projects	-	-	-	-	-
<i>Capital Leases</i>	<u>9,766</u>	<u>65,600</u>	<u>18,631</u>	<u>56,735</u>	<u>17,390</u>
<i>Total general obligation debt</i>	50,808,310	14,752,879	15,526,460	50,034,729	2,077,390
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	104,768	13,079	-	117,847	26,030
Sick pay	792,761	-	18,734	774,027	60,911
Years of Service Benefit	182,113	25,975	-	208,088	-
Net Pension Liability	50,964,133	7,078,575	-	58,042,708	-
Net OPEB Obligation	<u>1,038,310</u>	<u>78,257</u>	<u>-</u>	<u>1,116,567</u>	<u>-</u>
<i>Total other liabilities</i>	<u>53,082,085</u>	<u>7,195,886</u>	<u>18,734</u>	<u>60,259,237</u>	<u>86,941</u>
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	<u>\$ 103,890,395</u>	<u>\$ 21,948,765</u>	<u>\$ 15,545,194</u>	<u>\$ 110,293,966</u>	<u>\$ 2,164,331</u>
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Net OPEB Obligation	\$ 81,502	\$ 1,868	\$ -	\$ 83,370	\$ -
Net Pension Liability	1,436,088	221,513	-	1,657,601	-
Years of Service Benefit	6,026	1,968	-	7,994	-
Sick pay	<u>32,463</u>	<u>-</u>	<u>347</u>	<u>32,116</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	<u>\$ 1,556,079</u>	<u>\$ 225,349</u>	<u>\$ 347</u>	<u>\$ 1,781,081</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
<u>GOVERNMENTAL ACTIVITIES</u>		
General obligation debt	\$ 1,793,743	\$ 1,500,891
Capital Leases	336	336
Refund of Prior Year Receipts	<u>1,693</u>	<u>1,693</u>
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,795,772</u>	<u>\$ 1,502,920</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

General Obligation Bonds – Series A of 2011

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

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

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

SOURCES

Gross Proceeds of Bonds	\$ 9,850,000
Plus: Accrued Interest	-
Premium	-
Less: Original Issue Discount	-
Underwriter's Discount	-
TOTAL SOURCES	<u>\$ 9,850,000</u>

USES

Escrow Deposit	\$ 9,749,767
Issuance Costs	3,500
Sinking Fund Deposit	96,733
TOTAL USES	<u>\$ 9,850,000</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows	\$ 12,697,241
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$ 12,201,051
Less: Excess Funds Deposited in Sinking Fund	<u>(96,733)</u>
Net Cash Flows From New Debt	<u>12,104,318</u>
Net Difference in Cash Flows	<u>592,922</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows	\$ 10,301,953
Present Value of New Debt Service Cash Flows	\$ 9,846,500
Less: Excess Funds Deposited in Sinking Fund	<u>(96,733)</u>
Total	<u>9,749,767</u>
Economic Gain	<u>\$ 552,186</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

The remaining debt service obligations at June 30, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 375,000	\$ 264,994
2018-19	1,510,000	253,744
2019-20	1,565,000	202,782
2020-21	2,140,000	146,050
2021-22	<u>1,645,000</u>	<u>65,800</u>
Sub-Total	\$ 7,235,000	\$ 933,370
Unamortized Premium	<u>362</u>	
TOTAL OUTSTANDING	\$ <u>7,235,362</u>	

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%.

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%.

On February 4, 2016 the District locked into a forward interest rate that settled on December 15, 2016 that advanced refunded a portion of the GOB Series of B 2011, \$4,215,000 with interest rates ranging from 5.0% to 5.125%, with a new debt GOB Series B of 2016 in the amount of \$4,700,000 with interest at 2.8% to 4.25%.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

SOURCES:

Gross Proceeds of Bonds	\$ 4,700,000
Plus: Accrued Interest	-
Premium	-
Less: Original Issue Discount	-
Underwriter's Discount	-
TOTAL SOURCES	<u>\$ 4,700,000</u>

USES:

Escrow Deposit	\$ 4,691,477
Issuance Costs	3,102
Sinking Fund Deposit	<u>5,421</u>
TOTAL USES	<u>\$ 4,700,000</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 7,290,066
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$ 6,792,145	
Less: Excess Funds Deposited in Sinking Fund	<u>(5,421)</u>	
Net Cash Flows From New Debt		<u>6,786,724</u>
Net Difference in Cash Flows		<u>\$ 503,342</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 5,146,381
Present Value of New Debt Service Cash Flows	\$ 4,696,897	
Less: Excess Funds Deposited in Sinking Fund	<u>(5,421)</u>	
 Total		 <u>4,691,476</u>
 Economic Gain		 <u>\$ 454,905</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 1,780,000	\$ 57,520
2018-19	550,000	27,800
2019-20	560,000	16,800
Sub-Total	\$ 2,890,000	\$ 102,120
Unamortized Premium	29,921	
TOTAL OUTSTANDING	\$ 2,919,921	

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 170,000	\$ 277,491
2018-19	170,000	275,791
2019-20	175,000	273,241
2020-21	175,000	269,741
2021-22	185,000	266,241
2022-27	6,555,000	946,872
2027-32	2,455,000	79,787
Sub-Total	\$ 9,885,000	\$ 2,389,164
Unamortized Premium	74,505	
TOTAL OUTSTANDING	\$ 9,959,505	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 5,000	\$ 322,300
2018-19	5,000	322,245
2019-20	35,000	322,175
2020-21	110,000	321,475
2021-22	110,000	319,275
2022-27	605,000	1,557,663
2027-32	5,050,000	1,245,425
2032-33	<u>4,025,000</u>	<u>140,875</u>
Sub-Total	\$ 9,945,000	\$ 4,551,433
Unamortized Premium	<u>25,729</u>	
TOTAL OUTSTANDING	\$ <u>9,970,729</u>	

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 5,000	\$ 144,620
2018-19	5,000	144,480
2019-20	65,000	144,340
2020-21	85,000	142,520
2021-22	85,000	140,140
2022-27	380,000	745,027
2027-32	<u>4,540,000</u>	<u>713,787</u>
Sub-Total	\$ 5,165,000	\$ 2,174,914
Unamortized Premium	<u>-</u>	
TOTAL OUTSTANDING	\$ <u>5,165,000</u>	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

General Obligation Bonds- Series B 2016

On February 4, 2016, the District looked into a forward interest rate for the General Obligation Bonds – Series B of 2016 that settled on December 15, 2016 in the amount of \$4,700,000. The purpose of this issue is to pay off a portion of the General Obligation Bonds Series of 2011B. The bonds bears interest at the initial bank qualified tax free rate of 2.80% per annum for a period of ten years, subject to adjustment on January 15, 2026 with a maximum rate of 4.25% per annum, has a final maturity date of April 1, 2032, and is payable in principal installments, with a total interest indebtedness of 2,092,145. The outstanding debt service requirements at June 30, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ -	\$ 131,600
2018-19	-	131,600
2019-20	-	131,600
2020-21	-	131,600
2021-22	60,000	131,600
2022-27	355,000	702,646
2027-32	<u>4,285,000</u>	<u>692,750</u>
Sub-Total	\$ 4,700,000	\$ <u>2,053,396</u>
Unamortized Premium	<u>-</u>	
TOTAL OUTSTANDING	\$ <u>4,700,000</u>	

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 30,000	\$ 2,113
2018-19	<u>35,000</u>	<u>1,137</u>
Sub-Total	\$ 65,000	\$ <u>3,250</u>
Unamortized Premium	<u>-</u>	
TOTAL OUTSTANDING	\$ <u>65,000</u>	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

General Obligation Bonds – Series of 2017

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

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ -	\$ 265,950
2018-19	90,000	265,950
2019-20	140,000	263,520
2020-21	140,000	259,740
2021-22	775,000	255,960
2022-27	7,290,000	889,639
2027-32	1,415,000	95,625
Sub-Total	\$ 9,850,000	\$ 2,296,384
Unamortized Premium	-	
TOTAL OUTSTANDING	\$ 9,850,000	

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
2017-18	\$ 4,965	\$ 168
TOTAL OUTSTANDING	\$ 4,965	\$ 168

Capital Lease – Copiers/Printers

On November 10, 2016, the District entered into a capital lease agreement with Fulton Bank for 16 copiers/printers for \$65,000, with a \$1 buyout at the end of the lease term. The annual interest rate is 2.72%, with total indebtedness of \$3,573. The remaining obligations at June 30, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 12,426	\$ 1,408
2017-19	12,764	1,070
2017-20	13,111	723
2017-21	13,468	366
2017-22	1	-
TOTAL OUTSTANDING	\$ 51,770	\$ 1,408

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES OF 2015	G.O.B SERIES A OF 2016	G.O.B SERIES B OF 2016	G.O.B SERIES C OF 2016	G.O.B SERIES OF 2017	TOTAL PRINCIPAL PAYMENTS
2017-18	\$ 375,000	\$ 1,780,000	\$ 170,000	\$ 5,000	\$ 5,000	\$ -	\$ 30,000	\$ -	\$ 2,365,000
2018-19	1,510,000	550,000	170,000	5,000	5,000	-	35,000	90,000	2,365,000
2019-20	1,565,000	560,000	175,000	35,000	65,000	-	-	140,000	2,540,000
2020-21	2,140,000	-	175,000	110,000	85,000	-	-	140,000	2,650,000
2021-22	1,645,000	-	185,000	110,000	85,000	60,000	-	775,000	2,860,000
2022-27	-	-	6,555,000	605,000	380,000	355,000	-	7,290,000	15,185,000
2027-32	-	-	2,455,000	5,050,000	4,540,000	4,285,000	-	1,415,000	17,745,000
2032-33	-	-	-	4,025,000	-	-	-	-	4,025,000
TOTAL	7,235,000	2,890,000	9,885,000	9,945,000	5,165,000	4,700,000	65,000	9,850,000	49,735,000
LESS- Payable within one year	375,000	1,780,000	170,000	5,000	5,000	-	30,000	-	2,365,000
PRINCIPAL DUE AFTER ONE YEAR	\$ 6,860,000	\$ 1,110,000	\$ 9,715,000	\$ 9,940,000	\$ 5,160,000	\$ 4,700,000	\$ 35,000	\$ 9,850,000	\$ 47,370,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.B SERIES A OF 2011	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES OF 2015	G.O.B SERIES A OF 2016	G.O.B SERIES B OF 2016	G.O.B SERIES C OF 2016	G.O.B SERIES OF 2017	TOTAL DEBT SERVICE PAYMENTS
2017-18	\$ 639,994	\$ 1,837,520	\$ 447,491	\$ 327,300	\$ 149,620	\$ 131,600	\$ 32,113	\$ 265,950	\$ 3,831,588
2018-19	1,763,744	577,800	445,791	327,245	149,480	131,600	36,137	355,950	3,787,747
2019-20	1,767,782	576,800	448,241	357,175	209,340	131,600	-	403,520	3,894,458
2020-21	2,286,050	-	444,741	431,475	227,520	131,600	-	399,740	3,921,126
2021-22	1,710,800	-	451,241	429,275	225,140	191,600	-	1,030,960	4,039,016
2022-27	-	-	7,501,872	2,162,663	1,125,027	1,057,646	-	8,179,639	20,026,847
2027-32	-	-	2,534,787	6,295,425	5,253,787	4,977,750	-	1,510,625	20,572,374
2032-33	-	-	-	4,165,875	-	-	-	-	4,165,875
TOTAL	\$ 8,168,370	\$ 2,992,120	\$ 12,274,164	\$ 14,496,433	\$ 7,339,914	\$ 6,753,396	\$ 68,250	\$ 12,146,384	\$ 64,239,031

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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
2017-18	\$ 149,089
2018-19	148,956
TOTAL OUTSTANDING	\$ 298,045

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, after fifteen (15) years of service.

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

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

The District maintains a record of each employee's accumulated sick days and the District has valued the accumulated sick days that are earned by employees who are eligible to retire. In accordance with GASB Statement No. 16, a long-term liability of \$713,116 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 \$32,116 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 \$60,911, and \$32,116, 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, 2017, that will use currently available financial resources is \$26,030, 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, 2017, of \$91,817, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Pension Plan

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

General Information about the Pension Plan

Plan Description

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits 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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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

The school districts’ contractually required contribution rate for fiscal year ended June 30, 2017 was 29.2% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,822,448 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$59,700,309 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, with rolling forward the System’s total pension liability as of June 30, 2016. 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, 2016, the District’s proportion was 0.1211 percent, which was a decrease of 0.0002 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$5,815,062. At June 30, 2017, 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	\$ -	\$ 3,833
Changes in Assumptions	2,166,000	-
Net difference between projected and actual contributions made	-	118,792
Net difference between projected and actual earnings on pension plan investments	3,345,000	-
Difference between expected and actual experience	-	500,000
Changes in proportion of the Net Pension Liability	-	823,000
District contributions subsequent to the measurement date	<u>4,822,448</u>	<u>-</u>
Total	<u>\$ 10,333,448</u>	<u>\$ 1,445,626</u>

\$4,822,448 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, 2018. 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, 2017**

Year ended June 30:	<u>Amount</u>
2017	\$ 728,000
2018	693,062
2019	1,455,062
2020	1,208,202
2021	(18,952)
Thereafter	<u>-</u>
Total	<u>\$ 4,065,374</u>

Actuarial assumptions

The total pension liability as of June 30, 2016, was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 73,412,000	\$ 60,013,000	\$ 48,754,000

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, 2017**

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, 2017**

Funding Policy and Annual OPEB Cost

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

Contribution Rates:	Governmental Activities			Business-Type Activities			Total
	Medical	Year of Service Benefit	Sub-Total	Medical	Year of Service Benefit	Sub-Total	
Interest Rate	4.5%	0.0%		4.5%	0.0%		
Plan Members	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	46,724	-	46,724	3,668	-	3,668	50,392
Adjustment to annual required contributio	(63,743)	-	(63,743)	(5,004)	-	(5,004)	(68,747)
Annual OPEB cost	237,035	25,975	263,010	3,874	1,968	5,842	268,852
Contributions made	(158,778)	-	(158,778)	(2,006)	-	(2,006)	(160,784)
Decrease in net OPEB obligation	78,257	25,975	104,232	1,868	1,968	3,836	108,068
Net OPEB obligation - beginning of year	1,038,310	182,113	1,220,423	81,502	6,026	87,528	1,307,951
Net OPEB obligation - end of year	\$ 1,116,567	\$ 208,088	\$ 1,324,655	\$ 83,370	\$ 7,994	\$ 91,364	\$ 1,416,019

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, 2017, were as follows:

Year ended	Annual OPEB/Yrs. Svc. Cost	Percentage of OPEB/Yrs.Svc. Cost Contributed	Net OPEB/Yrs. Svc. Obligation
6/30/2017	\$ 268,852	59.8%	\$ 1,416,019
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

Funded Status and Funding Progress. The funded status of the benefits as of June 30, 2017, was as follows:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

	State-mandated Healthcare Benefit	Years of Service Increment Benefit
Actuarial accrued liability (a)	\$ 2,201,510	\$ 390,062
Actuarial value of plan assets (b)	<u>-</u>	<u>-</u>
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

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

Note 6 - Risk Management

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

Note 7 - Tax Abatements

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

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

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

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

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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

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

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

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

- 2016-2017 \$489

Note 8 - Fund Balance Allocations

Restricted Fund Balance

The Capital Reserve Fund's \$19,927 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 \$26,865 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 \$156,859 for HRA purposes.

Assigned Fund Balance

The General fund has assigned \$6,994,119, for a new roof and HVAC system at the middle school, \$2,500,000, for the high school HVAC improvements, \$1,000,000, for new athletic storage space at the high school, and \$1,711,366 to balance the 2017-18 General Fund budget.

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

Note 9 – Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$73,935,153, with related debt of \$45,281,923, which includes unamortized bonds discounts, premiums, and deferred refunding charges. In addition, the governmental activities restricted \$19,927, for future capital projects and \$26,865 on unspent contributions. The business-type activities column reflects \$120,936 invested in capital assets with no related debt.

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2017.

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 11 – New Accounting Pronouncements

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

- *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. 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. 83, Certain Asset Retirement Obligations* – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.
- *Statement No. 84, Fiduciary Activities* – This Statement is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

- Statement No. 85, *Omnibus 2017* – The objective of this Statement is to address practice issues that have been identified during implementation and application of certain previous GASB Statements. This Statement addresses a variety of topics related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.
- Statement No. 86, *Certain Debt Extinguishment Issues* – The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt – and placed in an irrevocable trust for the sole purpose of extinguishing debt.
- Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Schedule of Funding Progress
For the Year Ended June 30, 2017**

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%
7/1/2011	-	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, 2017**

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.1211%	0.1213%	0.1252%
District's proportionate share of the net pension liability (asset)	\$ 60,013,000	\$ 52,542,000	\$ 49,548,102
District's covered employee payroll	16,515,232	15,752,617	15,666,583
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	27.52%	29.98%	31.62%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Contractually required contribution	\$ 4,822,448	\$ 3,938,150	\$ 3,211,649	\$ 2,645,068	\$ 1,921,058	\$ 1,328,416	\$ 865,781	\$ 710,312	\$ 734,735	\$ 997,510
Contributions in relation to the contractually required contribution	<u>4,822,448</u>	<u>3,938,150</u>	<u>3,211,649</u>	<u>2,645,068</u>	<u>1,921,058</u>	<u>1,328,416</u>	<u>865,781</u>	<u>710,312</u>	<u>734,735</u>	<u>997,510</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 16,515,232	\$ 15,752,617	\$ 15,666,583	\$ 16,531,675	\$ 16,704,852	\$ 16,605,200	\$ 17,315,620	\$ 17,757,800	\$ 18,368,375	\$ 15,489,286
Contributions as a percentage of covered employee payroll	29.20%	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%	6.44%

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2017**

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.5%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

Methods and assumptions used in calculations of actuarially determined contributions

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

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

Proportionate Share of the Net Pension Liability

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

**OTHER
SUPPLEMENTAL INFORMATION**

**Hamburg Area School District
Combining Balance Sheet
All Non-Major Governmental Funds
As of June 30, 2017**

	<u>CAPITAL RESERVE FUND</u>	<u>TOTAL DEBT SERVICE FUNDS</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 23,103	\$ 427,368	\$ 450,471
Investments	-	-	-
Other Receivables	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Inventories	-	-	-
	<u>23,103</u>	<u>427,368</u>	<u>450,471</u>
TOTAL ASSETS	\$ 23,103	\$ 427,368	\$ 450,471
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 23,103	\$ 427,368	\$ 450,471
 <u>LIABILITIES</u>			
Accounts Payable	\$ 3,176	\$ -	\$ 3,176
Due to other funds	-	-	-
Compensated Absences	-	-	-
Payable to other governments	-	-	-
Prepayments	-	-	-
	<u>3,176</u>	<u>-</u>	<u>3,176</u>
TOTAL LIABILITIES	3,176	-	3,176
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	3,176	-	3,176
 FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	19,927	-	19,927
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	427,368	427,368
	<u>19,927</u>	<u>427,368</u>	<u>447,295</u>
TOTAL FUND BALANCES	19,927	427,368	447,295
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 23,103	\$ 427,368	\$ 450,471

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended June 30, 2017

	CAPITAL RESERVE FUND	TOTAL DEBT SERVICE FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 2,270	\$ 1,401	\$ 3,671
State Sources	-	-	-
Federal Sources	-	-	-
TOTAL REVENUES	2,270	1,401	3,671
EXPENDITURES			
Instruction	-	-	-
Support Services	24,480	6,602	31,082
Operation of Non-Instructional Services	-	-	-
Capital Outlay	757,026	-	757,026
Debt Service	-	-	-
TOTAL EXPENDITURES	781,506	6,602	788,108
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(779,236)	(5,201)	(784,437)
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term capital-related debt	-	-	-
Proceeds from Refunding Bond Issues	-	14,550,000	14,550,000
Bond Premium	-	-	-
Bond Discount	-	-	-
Payment to bond refunding escrow agent	-	14,441,244	14,441,244
Sale/Compensation for Fixed Assets	-	-	-
Transfers in	-	-	-
Transfers out	-	113,847	113,847
TOTAL OTHER FINANCING SOURCES AND USES	-	(5,091)	(5,091)
NET CHANGE IN FUND BALANCES	(779,236)	(10,292)	(789,528)
FUND BALANCES - BEGINNING	799,163	437,660	1,236,823
FUND BALANCES - ENDING	\$ 19,927	\$ 427,368	\$ 447,295

Hamburg Area School District
Combining Balance Sheet
All Debt Service Funds
As of June 30, 2017

	DEBT SERVICE STABILIZATION FUND	DEBT SERVICE GOB 2016A FUND	DEBT SERVICE GOB 2016B FUND	DEBT SERVICE GOB 2017 FUND	TOTAL DEBT SERVICE FUNDS
<u>ASSETS</u>					
Cash and cash equivalents	\$ 427,368	\$ -	\$ -	\$ -	\$ 427,368
Investments	-	-	-	-	-
Other Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
Receivables from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
TOTAL ASSETS	\$ 427,368	\$ -	\$ -	\$ -	\$ 427,368
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Charges on Refundings, net	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 427,368	\$ -	\$ -	\$ -	\$ 427,368
 <u>LIABILITIES</u>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Payable to other governments	-	-	-	-	-
Prepayments	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unearned Revenue	-	-	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
 FUND BALANCES:					
Nonspendable Fund Balance	-	-	-	-	-
Restricted Fund Balance	-	-	-	-	-
Committed Fund Balance	-	-	-	-	-
Assigned Fund Balance	427,368	-	-	-	427,368
TOTAL FUND BALANCES	427,368	-	-	-	427,368
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 427,368	\$ -	\$ -	\$ -	\$ 427,368

Hamburg Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Debt Service Funds
For the Year Ended June 30, 2017

	DEBT SERVICE STABILIZATION FUND	DEBT SERVICE GOB 2016A FUND	DEBT SERVICE GOB 2016B FUND	DEBT SERVICE GOB 2017 FUND	TOTAL DEBT SERVICE FUNDS
REVENUES					
Local Sources	\$ 1,401	\$ -	\$ -	\$ -	\$ 1,401
State Sources	-	-	-	-	-
Federal Sources	-	-	-	-	-
TOTAL REVENUES	<u>1,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,401</u>
EXPENDITURES					
Instruction	-	-	-	-	-
Support Services	-	-	3,102	3,500	6,602
Operation of Non-Instructional Services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>3,102</u>	<u>3,500</u>	<u>6,602</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,401</u>	<u>-</u>	<u>(3,102)</u>	<u>(3,500)</u>	<u>(5,201)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of long-term capital-related debt	-	-	-	-	-
Proceeds from Refunding Bond Issues	-	-	4,700,000	9,850,000	14,550,000
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	4,691,477	9,749,767	14,441,244
Sale/Compensation for Fixed Assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	11,693	5,421	96,733	113,847
TOTAL OTHER FINANCING SOURCES AND USES	<u>-</u>	<u>(11,693)</u>	<u>3,102</u>	<u>3,500</u>	<u>(5,091)</u>
NET CHANGE IN FUND BALANCES	1,401	(11,693)	-	-	(10,292)
FUND BALANCES - BEGINNING	<u>425,967</u>	<u>11,693</u>	<u>-</u>	<u>-</u>	<u>437,660</u>
FUND BALANCES - ENDING	<u>\$ 427,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,368</u>

**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2017**

	<u>HAMBURG BOROUGH</u>	<u>PERRY TOWNSHIP</u>	<u>SHOEMAKERSVILLE BOROUGH</u>
<u>CURRENT REAL ESTATE TAXES</u>			
Assessed Value	\$ 168,354,800	\$ 134,865,500	\$ 47,709,800
Millage Rate	<u>0.02671</u>	<u>0.02671</u>	<u>0.02671</u>
TOTAL	4,496,756	3,602,259	1,274,329
Less: Act 1 Reduction	<u>161,831</u>	<u>134,368</u>	<u>52,516</u>
TOTAL TAXABLE DUPLICATE	4,334,925	3,467,891	1,221,813
Plus - Additions	8,058	6,340	-
Prior Year Unpaid Additions		-	-
Penalties	<u>6,635</u>	<u>8,895</u>	<u>3,031</u>
TOTAL TAXES TO BE COLLECTED	4,349,618	3,483,126	1,224,844
Less - Discounts	72,914	59,706	21,176
Reductions	-	-	-
Exemptions	9,786	-	-
Refunds	672	1,395	-
Returned to County	108,935	90,188	27,166
Cabela's / Lowe's	-	-	-
Outstanding	<u>-</u>	<u>-</u>	<u>2,060</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 4,157,311</u>	<u>\$ 3,331,837</u>	<u>\$ 1,174,442</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 3,645</u>	<u>\$ 10,360</u>	<u>\$ 1,782</u>
<u>CURRENT PER CAPITA TAXES</u>			
No. of Persons Assessed	3,184	1,849	940
Tax Rate	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
Taxable Valuation	31,840	18,490	9,400
Plus - Additions	1,220	330	50
Penalties	<u>253</u>	<u>144</u>	<u>92</u>
TAXES TO BE COLLECTED	33,313	18,964	9,542
Less - Discounts	364	251	104
Exonerations	3,380	1,020	750
Refunds	-	-	-
Outstanding	6,070	2,260	1,510
Reductions	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 23,499</u>	<u>\$ 15,433</u>	<u>\$ 7,178</u>

STRAUSSTOWN BOROUGH	TILDEN TOWNSHIP	UPPER BERN TOWNSHIP	UPPER TULPEHOCKEN TOWNSHIP	WINDSOR TOWNSHIP	TOTAL
\$ 11,417,600	\$ 218,077,000	\$ 90,295,900	\$ 74,030,500	\$ 125,039,500	\$ 869,790,600
<u>0.02671</u>	<u>0.02671</u>	<u>0.02671</u>	<u>0.02671</u>	<u>0.02671</u>	<u>0.02671</u>
304,964	5,824,837	2,411,804	1,977,355	3,339,805	23,232,109
<u>14,041</u>	<u>167,273</u>	<u>93,283</u>	<u>76,473</u>	<u>131,291</u>	<u>831,076</u>
290,923	5,657,564	2,318,521	1,900,882	3,208,514	22,401,033
-	3,889	-	3,264	601	22,152
-	6,499	-	-	-	6,499
<u>1,281</u>	<u>9,418</u>	<u>5,165</u>	<u>3,868</u>	<u>9,683</u>	<u>47,976</u>
292,204	5,677,370	2,323,686	1,908,014	3,218,798	22,477,660
4,889	97,362	37,182	30,109	54,363	377,701
-	-	-	-	-	-
-	1,290	720	2,668	3,269	17,733
-	34,978	-	-	2,094	39,139
6,381	168,519	87,612	57,560	73,309	619,670
-	595,736	-	-	-	595,736
<u>-</u>	<u>1,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,663</u>
\$ 280,934	\$ 4,777,882	\$ 2,198,172	\$ 1,817,677	\$ 3,085,763	\$ 20,824,018
\$ -	\$ 5,441	\$ 5,041	\$ 6,864	\$ 9,228	\$ 42,361
218	2,641	1,342	1,136	1,878	13,188
<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
2,180	26,410	13,420	11,360	18,780	131,880
50	280	280	190	140	2,540
<u>23</u>	<u>250</u>	<u>108</u>	<u>68</u>	<u>121</u>	<u>1,059</u>
2,253	26,940	13,808	11,618	19,041	135,479
24	317	172	149	258	1,639
180	1,020	700	600	880	8,530
-	-	-	-	-	-
430	4,790	1,890	1,240	2,080	20,270
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 1,619	\$ 20,813	\$ 11,046	\$ 9,629	\$ 15,823	\$ 105,040

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

6000 - Revenue from Local Services	Budget	Actual	Variance
6111 Current Real Estate Taxes	\$ 20,892,360	\$ 20,824,018	\$ (68,342)
6112 Interim Real Estate Taxes	75,000	42,361	(32,639)
6113 Public Utility	26,988	26,617	(371)
6114 Payment in Lieu of Taxes	10,018	10,018	-
6120 Current Per Capita Taxes - 511	54,500	52,520	(1,980)
6141 Current Per Capita Taxes - 679	54,500	52,520	(1,980)
6151 Earned Income Tax	2,350,000	2,109,903	(240,097)
6153 Real Estate Transfer Tax	270,000	249,031	(20,969)
6411 Delinquent Real Estate Taxes	850,000	684,449	(165,551)
6420 Delinquent per Capita Taxes, Section 679	-	6,219	6,219
6441 Delinquent Act 511 Per Capita Taxes	-	6,219	6,219
6510 Interest	65,000	110,937	45,937
6700 Revenues From Student Activities	25,000	546	(24,454)
6710 Admissions	56,175	41,868	(14,307)
6711 Tournament Fees	-	13,500	13,500
6712 Playoff Fees	-	1,917	1,917
6740 Fees	-	29,371	29,371
6821 State Revenue Received From Other PA Public School	-	2,772	2,772
6832 I/U Services - Federal	329,395	359,695	30,300
6836 Federal ARRA Race to the Top	-	-	-
6910 Rentals	51,000	72,393	21,393
6920 Contributions	8,000	18,965	10,965
6942 Summer School	12,000	-	(12,000)
6961 Transportation Services Provided Other PA Schools	2,000	-	(2,000)
6990 Miscellaneous	78,640	9,299	(69,341)
6991 Refunds of Prior Yr. Expenditures	-	30,085	30,085
6992 Energy Efficiency Revenue	-	-	-
TOTAL REVENUE FROM LOCAL SOURCES	\$ 25,210,576	\$ 24,755,223	\$ (455,353)
7000 - Revenue from State Sources			
7110 Basic Subsidy - ESBE	6,548,095	6,743,785	195,690
7160 Orphan Tuition	90,000	105,253	15,253
7271 Special Education	1,376,450	1,520,358	143,908
7311 Transportation (Regular and Additional)	900,000	925,378	25,378
7312 Transportation (Nonpublic and Charter School)	-	20,790	20,790
7320 Rentals	423,277	980,345	557,068
7330 Health Services	40,315	38,527	(1,788)
7340 State Property Tax Reduction Allocation	831,050	831,050	-
7505 Ready to Learn Grant	338,158	338,158	-
7810 State Share of Social Security and Medicare Taxes	649,864	632,944	(16,920)
7820 State Share of Retirement Contributions	2,551,033	2,489,695	(61,338)
TOTAL REVENUE FROM STATE SOURCES	\$ 13,748,242	\$ 14,626,283	\$ 878,041
8000 - Revenue from Federal Sources			
8514 Title I	405,082	360,619	(44,463)
8515 Title II	69,236	67,800	(1,436)
8810 Medical Assistance Reimbursements (Access)	-	-	-
8690 Other Restricted Federal Grants-In-Aid	-	17,023	17,023
TOTAL REVENUE FROM FEDERAL SOURCES	474,318	445,442	(28,876)
9000 - Other Financing Sources			
9200 Proceeds From Extended Term Financing	-	65,600	65,600
9310 Debt Service Fund Transfers	-	113,847	113,847
9400 Sale of or Compensation For Loss of Fixed Assets	5,000	3,764	(1,236)
9990 Insurance Recoveries	-	37,239	37,239
TOTAL OTHER FINANCING SOURCES	5,000	220,450	215,450
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 39,438,136	\$ 40,047,398	\$ 609,262

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

1000 - Instruction		Budget	Actual	Variance
1110	Instruction - Regular	16,246,785	15,807,605	439,180
1190	Instruction - Federally Funded Programs	458,300	457,527	773
1211	Life Skills Support - Public	613,284	606,095	7,189
1221	Deaf or Hearing Impaired Support	166,600	166,365	235
1224	Blind or Visually Impaired Support	28,000	27,877	123
1225	Speech & Language Support	369,501	368,466	1,035
1231	Emotional Support - Public	704,216	704,197	19
1233	Autistic Support	837,926	837,032	894
1241	Learning Support - Public	2,613,252	2,607,294	5,958
1243	Gifted Support	120,863	120,112	751
1260	Physical Support	10,000	6,426	3,574
1280	Early Intervention Support	15,000	13,122	1,878
1290	Other Support	16,500	15,666	834
1310	Agricultural Education	27,000	26,876	124
1380	Trade and Industrial Education	-	-	-
1390	Other Vocational Education	929,719	929,719	-
1420	Summer School	4,000	3,752	248
1430	Homebound Instruction	5,100	3,213	1,887
1441	Adjudicated/Court Placed Programs	26,000	25,655	345
1442	Alternative Education Program	36,000	35,423	577
1450	Instructional Programs Outside the Established Sch.	36,000	24,519	11,481
1500	Nonpublic School Programs	-	-	-
1690	Adult Education Programs	-	-	-
	Total Instruction	23,264,046	22,786,941	477,105
2000 - Support Services				
2111	Supervision of Pupil Personnel Services	3,700	-	3,700
2120	Guidance Services	892,768	875,311	17,457
2122	Counseling Services	99,024	95,878	3,146
2124	Information Services	2,000	-	2,000
2140	Psychological Services	247,660	235,733	11,927
2160	Social Work Services	2,700	1,957	743
2170	Student Accounting Services	65,000	64,198	802
2190	Other Pupil Personnel Services	53,180	52,057	1,123
2220	Technology Support Services	167,217	166,626	591
2250	School Library Services	344,723	318,712	26,011
2260	Instruction and Curriculum Development Services	432,484	306,524	125,960
2270	Instructional Staff Development Services	20,953	1,430	19,523
2271	Instructional Staff Development Services (Certified)	100,000	96,594	3,406
2280	Nonpublic Support Services	4,000	3,592	408
2310	Board Services	137,408	59,209	78,199
2320	Board Treasurer Services	1,000	359	641
2330	Tax Assessment and Collection Services	134,101	97,886	36,215
2350	Legal Services	55,000	18,921	36,079
2360	Office of the Superintendent Services	475,803	397,494	78,309
2380	Office of the Principal Services	1,521,031	1,431,031	90,000
2420	Medical Services	2,000	1,550	450
2430	Dental Services	1,000	693	307
2440	Nursing Services	452,858	451,823	1,035
2511	Supervision of Fiscal Services	175,516	175,211	305
2519	Other Fiscal Services	414,726	328,690	86,036
2590	Other Support Services - Business	12,000	11,329	671
	Sub - Total Support Services	5,817,852	5,192,808	625,044

Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sub - Total Support Services (carried forward)	5,817,852	5,192,808	625,044
2610 Supervision of Operation and Maint. of Plant Svcs.	6,000	5,786	214
2611 Supervision of Operation and Maint. of Plant Svcs.- Head	224,205	205,229	18,976
2620 Operation of Building Services	2,875,505	2,874,481	1,024
2630 Care and Upkeep of Grounds Services	15,000	8,782	6,218
2640 Care and Upkeep of Equipment Services	18,000	15,176	2,824
2650 Vehicle Operation and Maint. Services	3,000	1,758	1,242
2710 Supervision of Student Transportation Services	1,100	76	1,024
2711 Supervision of Student Transportation Services - Head	99,815	97,546	2,269
2720 Vehicle Operation Services	1,677,847	1,613,252	64,595
2750 Non-Public Transportation	183,000	181,646	1,354
2811 Supervision of Planning, Research and Development	1,000	390	610
2818 System-Wide Technology Services	1,065,516	1,063,669	1,847
2821 Supervision of Information Services	157,188	156,585	603
2834 Staff Development Services - Non-Instructional	15,000	14,300	700
2900 Other Support Services	29,447	29,427	20
Total Support Services	12,189,475	11,460,911	728,564
<u>3000 - Operation of Non-Instructional Services</u>			
3210 School Sponsored Student Activities	68,298	63,207	5,091
3250 School Sponsored Athletics	746,892	745,920	972
3300 Community Services	34,000	30,993	3,007
Total Non-Instructional Services	849,190	840,120	9,070
<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	3,815,663	3,814,857	806
5130 Refund of Prior Yr. Receipts	2,000	1,693	307
5230 Capital Projects Fund Transfers Out	-	-	-
5900 Budgetary Reserve	250,000	-	250,000
Total Other Expenditures and Financing Uses	4,067,663	3,816,550	251,113
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 40,370,374	\$ 38,904,522	\$ 1,465,852

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 39,438,136	\$ 40,047,398	\$ 609,262
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>40,370,374</u>	<u>38,904,522</u>	<u>1,465,852</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(932,238)	1,142,876	2,075,114
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	(932,238)	1,142,876	2,075,114
FUND BALANCE - JULY 1, 2016	<u>12,989,694</u>	<u>14,634,236</u>	<u>1,644,542</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 12,057,456</u>	<u>\$ 15,777,112</u>	<u>\$ 3,719,656</u>

**Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2017**

REVENUES

Lunches	\$ 621,423	
Special Functions	41,559	
Federal Subsidy	553,667	
Donated Commodities Received	98,628	
State Subsidy	38,703	
State Reimbursement - FICA & Retirement	97,299	
Other Food Service Revenue	-	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	(1,081)	
Interest	1,134	
TOTAL REVENUES	<u>1,134</u>	\$ 1,451,332

COST OF GOODS SOLD

Inventory - July 1, 2016	39,867	
Food and Milk	389,869	
Donated Commodities	98,629	
Supplies	40,517	
LESS - Inventory - June 30, 2017	(36,337)	
TOTAL COST OF GOODS SOLD	<u>(36,337)</u>	532,545

GROSS PROFIT

918,787

EXPENSES

Salaries	520,245	
Benefits	373,253	
Professional Fees	2,285	
Travel	1,326	
Repairs	27,384	
Rentals	-	
Food Handling Costs	3,451	
Depreciation	6,480	
Purchased Services	15,158	
Uncapitalized Equipment	1,855	
Dues and Fees	522	
Other	6,869	
TOTAL EXPENSES	<u>6,869</u>	958,828

CHANGES IN FUND NET POSITION

(40,041)

FUND NET POSITION - BEGINNING

(858,134)

FUND NET POSITION - ENDING

\$ (898,175)

**Hamburg Area School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2017**

ASSETS

Cash and Cash Equivalents	\$	298,982
Due From Other Funds		103,759
Intergovernmental Receivables		83,987
Other Receivables		-
Inventory		
- Food		21,249
- Supplies		-
- Federal Commodities		15,088
Prepaid Expenses		-
Equipment (net of accum. Depreciation)		120,937

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Changes in Proportion		-
Deferred Outflows - Current Year Contributions		145,321
Deferred Outflows - Change in Assumptions		66,240
Deferred Outflows - Diff. between Investment Earnings		112,917

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES **\$ 968,480**

LIABILITIES

Accounts Payable	\$	377
Due to Other Funds		4,287
Accrued Salaries and Benefits		17,330
Compensated Absences		32,116
Prepayments from Students		18,546
Net OPEB Obligation		83,370
Years of Service Benefit		7,994
Net Pension Liability		1,657,601

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Difference in Investment Earnings		-
Deferred Inflows - Projected vs Actual Contributions		3,607
Deferred Inflows - Change in Proportion - NPL		26,211
Deferred Inflows - Diff. in Expected vs Actual Experience		15,216
		1,866,655

FUND NET POSITION **(898,175)**

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND NET POSITION** **\$ 968,480**

**Hamburg Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2017**

FUND BALANCE - JULY 1, 2016		\$	799,163
REVENUES AND OTHER FINANCING SOURCES			
Interest	\$	700	
Refund of Prior Year Expenditures		1,570	
Interfund Transfers In		-	2,270
TOTAL FUNDS AVAILABLE		-	801,433
EXPENDITURES			
INSTRUCTIONAL SERVICES:			
General Supplies		-	
Equipment		-	
SUPPORT SERVICES:			
Professional Services		-	
Misc. Purchased Services		-	
Other Admin. Services		-	
General Supplies		24,480	
Equipment		-	
CAPITAL OUTLAY:			
Professional Services		55,612	
Rentals		-	
Construction Services		701,414	
Land Purchases		-	
Supplies		-	
Equipment		-	
Dues and Fees		-	
OTHER FINANCING USES			
Interfund Transfers Out		-	781,506
FUND BALANCE - JUNE 30, 2017		\$	19,927

**Hamburg Area School District
Debt Service Stabilization Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2017**

FUND BALANCE - JULY 1, 2016		\$ 425,967
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ -	
Transfer from General Fund	-	
Interest	1,401	1,401
	1,401	1,401
TOTAL FUNDS AVAILABLE		427,368
 <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, 2017		\$ 427,368

**Debt Service Fund - GOB 2016A
Statement of Revenues and Expenditures
For the Year Ended June 30, 2017**

FUND BALANCE - JULY 1, 2016		\$ 11,693
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ -	
Bond Premium	-	
Interest	-	-
	-	-
TOTAL FUNDS AVAILABLE		11,693
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	-	
Insurance	-	
Printing	-	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	-	
OTHER FINANCING USES:		
Bond Discount		
Transfer to General Fund	11,693	
Payment to Refunded Bonds Escrow Agent	-	11,693
	11,693	11,693
FUND BALANCE - JUNE 30, 2017		\$ -

**Hamburg Area School District
Debt Service Fund - GOB 2016B
Statement of Revenues and Expenditures
For the Year Ended June 30, 2017**

FUND BALANCE - JULY 1, 2016	\$	-
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ 4,700,000	
Bond Premium	-	
Interest	-	4,700,000
	-	4,700,000
TOTAL FUNDS AVAILABLE		4,700,000
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	3,102	
Insurance	-	
Printing	-	
OTHER FINANCING USES:		
Bond Discount	-	
Transfer to General Fund	5,421	
Payment to Refunded Bonds Escrow Agent	4,691,477	4,700,000
	4,691,477	4,700,000
 FUND BALANCE - JUNE 30, 2017	 \$	 -

**Debt Service Fund - GOB 2017
Statement of Revenues and Expenditures
For the Year Ended June 30, 2017**

FUND BALANCE - JULY 1, 2016	\$	-
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ 9,850,000	
Interest	-	9,850,000
	-	9,850,000
TOTAL FUNDS AVAILABLE		9,850,000
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	3,500	
Insurance	-	
Printing	-	
OTHER FINANCING USES:		
Bond Discount	-	
Transfer to General Fund	96,733	
Payment to Refunded Bonds Escrow Agent	9,749,767	9,850,000
	9,749,767	9,850,000
 FUND BALANCE - JUNE 30, 2017	 \$	 -

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2011
For the Year Ended June 30, 2017**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	2.750%	\$ 264,994	\$ 375,000
2018-19	3.000%	253,744	1,510,000
2019-20	3.375%	202,782	1,565,000
2020-21	3.625%	146,050	2,140,000
2021-22	3.750%	65,800	1,645,000
TOTAL OUTSTANDING		\$ 933,370	\$ 7,235,000

**Schedule on General Obligation Bonds
Series of 2014
For the Year Ended June 30, 2017**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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		\$ 102,120	\$ 2,890,000

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2014
For the Year Ended June 30, 2017**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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>\$ 2,389,164</u>	<u>\$ 9,885,000</u>

**Schedule on General Obligation Bonds
Series of 2015
For the Year Ended June 30, 2017**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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>\$ 4,551,433</u>	<u>\$ 9,945,000</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2016
For the Year Ended June 30, 2017**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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>\$ 2,174,914</u>	<u>\$ 5,165,000</u>

**Schedule on General Obligation Bonds
Series B of 2016
For the Year Ended June 30, 2017**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	2.80	\$ 131,600	\$ -
2018-19	2.80	131,600	-
2019-20	2.80	131,600	-
2020-21	2.80	131,600	-
2021-22	2.80	131,600	60,000
2022-23	2.80	129,920	80,000
2023-24	2.80	127,680	85,000
2024-25	2.80	125,300	85,000
2025-26	4.25	136,358	75,000
2026-27	4.25	183,388	30,000
2027-28	4.25	182,112	30,000
2028-29	4.25	180,838	1,045,000
2029-30	4.25	136,425	25,000
2030-31	4.25	135,362	1,820,000
2031-32	4.25	58,013	1,365,000
TOTAL OUTSTANDING		<u>\$ 2,053,396</u>	<u>\$ 4,700,000</u>

**Hamburg Area School District
Schedule on General Obligation Bonds
Series C of 2016
For the Year Ended June 30, 2017**

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	3.25	\$ 2,113	\$ 30,000
2018-19	3.25	1,137	35,000
TOTAL OUTSTANDING		<u>\$ 3,250</u>	<u>\$ 65,000</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	2.70	\$ 265,950	\$ -
2018-19	2.70	265,950	90,000
2019-20	2.70	263,520	140,000
2020-21	2.70	259,740	140,000
2021-22	2.70	255,960	775,000
2022-23	2.70	235,035	2,450,000
2023-24	2.70	168,885	115,000
2024-25	2.70	165,780	120,000
2025-26	2.70	182,239	2,780,000
2026-27	4.25	137,700	1,825,000
2027-28	4.25	60,137	580,000
2028-29	4.25	35,488	835,000
TOTAL OUTSTANDING		<u>\$ 2,296,384</u>	<u>\$ 9,850,000</u>

SINGLE AUDIT SECTION

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/16	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/17	FOOTNOTES
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>											
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)</u>											
<u>PASSED THROUGH THE PA EMERGENCY MANAGEMENT AGENCY (PEMA)</u>											
PUBLIC ASSISTANCE GRANTS	I	97.036	AJA-008	7/1/16-6/30/17	\$ 17,023	\$ 17,023	\$ -	\$ 17,023	\$ 17,023	\$ -	3 2
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY						17,023	-	17,023	17,023	-	
<u>U. S. DEPARTMENT OF EDUCATION</u>											
<u>PASSED THROUGH PA DEPARTMENT OF EDUCATION</u>											
ESEA - TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-16-0178A	7/1/15-9/30/16	\$ 330,457	47,009	47,009	-	-	-	3
ESEA - TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-17-0178A	7/1/16-9/30/17	\$ 457,338	299,796	-	360,619	360,619	60,823	
TOTAL TITLE I PROGRAM						346,805	47,009	360,619	360,619	60,823	
<u>PASSED THROUGH PA DEPARTMENT OF EDUCATION</u>											
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-16-0178A	7/1/15-9/30/16	\$ 69,236	-	-	-	-	-	3
ESEA - TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-17-0178A	7/1/16-9/30/17	\$ 67,800	68,272	-	67,800	67,800	(472)	7
TOTAL TITLE II PROGRAM						68,272	-	67,800	67,800	(472)	
<u>PASSED THROUGH THE BERKS COUNTY I.U.</u>											
IDEA	I	84.027	N/A	7/1/15-6/30/16	\$ 329,396	50,877	50,877	-	-	-	3 1,8
IDEA	I	84.027	N/A	7/1/16-9/30/17	\$ 355,851	196,884	-	355,851	355,851	158,967	1
IDEA - SECTION 619	I	84.173	N/A	7/1/15-6/30/16	\$ 921	921	921	-	-	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/16-9/30/17	\$ 1,637	1,637	(2,207)	3,844	3,844	-	1,8
TOTAL IDEA CLUSTER						250,319	49,591	359,695	359,695	158,967	
ARRA - RACE TO THE TOP - PHASE 3	I	84.413A	N/A	7/1/12-6/30/15	\$ 24,713	1,200	1,200	-	-	-	1,6
TOTAL U.S. DEPARTMENT OF EDUCATION						666,596	97,800	788,114	788,114	219,318	
<u>U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA. DEPARTMENT OF PUBLIC WELFARE</u>											
ESEA - TITLE 19 MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/16-9/30/17	N/A	2,202	2,202	-	-	-	3
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						2,202	2,202	-	-	-	
<u>U. S. DEPT. OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PA. DEPT OF EDUCATION</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/15-6/30/16	N/A	57,664	57,664	-	-	-	3
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/16-6/30/17	N/A	415,653	-	484,486	484,486	68,833	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/15-6/30/16	N/A	3,721	3,721	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/16-6/30/17	N/A	12,977	-	15,105	15,105	2,128	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/16-6/30/17	N/A	46,507	4,906	54,075	54,075	12,474	
<u>PASSED THROUGH THE PA DEPARTMENT OF AGRICULTURE</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/16-6/30/17	N/A	98,628	(14,237)	97,778	97,778	(15,087)	3 4,5
TOTAL CHILD NUTRITION CLUSTER						635,150	52,054	651,444	651,444	68,348	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						635,150	52,054	651,444	651,444	68,348	
TOTAL FEDERAL AWARDS						\$ 1,320,971	\$ 152,056	\$ 1,456,581	\$ 1,456,581	\$ 287,666	

SOURCE: D-DIRECT; I-INDIRECT

**Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2017**

Note 1 - Significant Accounting Policies

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

Note 2 - Organization and Scope

The District recognized 2.0% of its total general fund revenue in federal awards and 44.9% 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 awards passed through the PA Emergency Management Agency, under the U.S. Department of Homeland Security heading, is awards received as pass through from the Federal Emergency Management Agency. During the fiscal year 2016-17, the District received \$17,023 of monetary assistance for the Jonas Snow Storm dating back to January 23, 2016. The Schedule of Expenditures of Federal Awards reflects \$17,023 of revenue and \$17,023 of expenditures, however the actual expenditures incurred and paid were in the 2015-16 fiscal year
3. 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 Emergency Management Agency	\$ 17,023	\$ 17,023
PA Department of Education	924,831	982,085
Berks County I.U.	712,518	359,695
PA Department of Welfare	N/A	-
PA Department of Agriculture	N/A	97,778
Totals	\$ 1,654,372	\$ 1,456,581

4. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$98,628 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2016-17 fiscal year, the District used \$97,778 in commodities and established a year-end inventory of \$15,087 at June 30, 2017.
5. 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.
6. The programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

**Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2017**

7. The Pennsylvania Department of Education (PDE) over-paid the District \$472 for the Title II program. This amount was owed back to PDE as of June 30, 2017.

8. The opening balance in the Accrued (Deferred) column, as of July 1, 2016 is not equal to the prior year's ending Accrued/(Deferred) column as of June 30, 2016 by \$2,772. This was due to the fact that the District had a prior year payable owed to Berks County IU for \$4,979. In the fiscal year 2016-17, it was found the District received additional funding from Berks County IU for 2012-13 IDEA Section 619 and 2012-13 State Early Learning Intervention grants. The IDEA Section 619 grant shows a funding adjustment in the Accrued/(Deferred) column, as of July 1, 2016, for \$2,207, whereas the \$2,772 is not reported on the Schedule of Expenditures of Federal Awards as it pertains to local state source revenue.

FINANCIAL STATEMENT RECONCILIATION		
General Fund Federal Source Revenues	\$	445,442
Federal Grants in Local Sources		359,695
Food Service Fund Federal Revenue		652,295
Total Federal Revenue, per financial statements		1,457,432
Less - Medical Access		-
Change in Donated Commodities		(851)
Federal Revenue on SEFA	\$	1,456,581



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, 2017, 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 December 4, 2017.

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,



December 4, 2017



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, 2017*. 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, 2017.

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,



December 4, 2017

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

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
84.010	Title I Program

Percentage of programs tested to total awards 24.8%

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

Auditee qualified as low-risk auditee? yes no

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

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.