

**REPORT ON
HAMBURG AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

HAMBURG AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2020

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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, 2020, 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,

November 12, 2020



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, 2020, and have issued our report thereon dated November 12, 2020.

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 July 7, 2020.

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

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

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

We have requested certain representations from management that are included in the management representation letter provided to us on November 12, 2020. 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 2019-20 basic financial statements.

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

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

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

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

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

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

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

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

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

CONTROL DEFICIENCIES

Bank Reconciliations

In the course of auditing cash, we discovered the reconciled book balances shown on the bank reconciliations done within District's accounting software did not match the book balances on the general ledger as of June 30th for several accounts. We notified Management and initially they were unable to determine where the discrepancies were located. After spending additional time and discussions with Management, we determined that during the conversion to the new version of the accounting software. Outstanding bank reconciliation items were supposed to be voided in the old software, the District would perform the conversion, and then those items would be created again in the new software. In the general ledger, these transactions would offset and there would be no effect, however this was necessary to get the outstanding items to show up in the new reconciliations. However, this is not what occurred in all instances. Instead, the conversion was done and the transactions were both voided and recreated in the new software. This caused the voids to show up on the reconciliations as well, essentially offsetting the outstanding items and creating the discrepancies between the balances shown in the reconciliations and the general ledger. No adjustments needed to be made since the issue is with how the entries were showing up within the bank reconciliations and we have recommended that management communicate with the software provider on how to remove those items off the reconciliations.

A bank reconciliation is a very important tool used to verify that all transactions were recorded in the accounting software and these reconciliations should be done and verified to the general ledger in a timely manner so management can be confident that information they are reporting is accurate and complete. We believe these issues arose due to the circumstances surrounding COVID-19 and the difficulties in converting to a new software compounded the issue. After our discussions with management we believe that this should not be an issue in the future.

OTHER INFORMATION

Activity Funds

GASB Statement No. 84 on Fiduciary Activities was to become effective for the 2019-20 fiscal year, however was extended 12 months with GASB Statement 95. Since this date is for next fiscal year, we want to make sure you correct any recordkeeping that will be needed. When this Statement goes into effect, the Student Clubs will be considered Custodial Funds and there will be two financial statements: Statement of Net Position and Statement of Changes in Net Position. To make this easier think of a balance sheet and income statement.

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

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

Leases

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

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

The effective date of this new standard was also extended with GASB Statement No. 95 pushing the date of implementation to the 2021-22 fiscal year.

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

Respectively submitted,



November 12, 2020

REPORT DISTRIBUTION LIST

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

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

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

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the Hamburg Area School District, as of and for the year ended June 30, 2020, 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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10-18, and Schedules of the District's Proportionate Share of Net Pension Liability, Schedules of District's Contributions – Pension, and the Schedules associated with Multi-Employer and Single Employer OPEB Plans, on pages 86-95, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

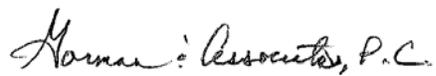
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamburg Area School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, by Title 2 U.S.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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of the Hamburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamburg Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



November 12, 2020

HAMBURG AREA SCHOOL DISTRICT
Hamburg, Pennsylvania

Management's Discussion & Analysis (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2020

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, 2020.

Financial Highlights

During the year, the District's general fund revenues exceeded expenditures by \$1,365,438. However, due to a \$641,386 transfer to the capital reserve fund, the general fund's fund balance increased by the amount of \$727,459. The primary reasons for the excess of revenues over expenditures were an increase in real estate tax revenue due to the distribution centers being built and reduced expenditures due to the Covid-19 pandemic.

The Board of Directors passed the 2019-20 budget without a real estate tax increase.

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

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

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

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Reporting

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

- * Statement of Net Position – Identifies the assets owned by the district and the debt owed by the district. In addition, all required deferred outflows of resources and deferred inflows of resources are presented. Over time this statement measures the financial health of the District by revealing whether net position is 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 (\$9,241,512) at June 30, 2020, an increase of \$900,510. The governmental net position increased by \$933,037, while the business-type net position decreased by \$32,527.

Table A-1
Fiscal Year Ended June 30, 2020
Net Position

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 23,547,619	\$ 498,658	\$ 23,932,839 (1)	\$ 23,725,830	\$ 518,136	\$ 24,142,367
Non-Current Assets	70,792,295	177,822	70,970,117	70,650,937	158,305	70,809,242
Deferred Outflow of Resource	10,170,740	221,134	10,391,874	11,493,254	252,198	11,745,452
Total Assets & Deferred Outflow of Resources	\$ 104,510,654	\$ 897,614	\$ 105,294,830	\$ 105,870,021	\$ 928,639	\$ 106,697,061
Current and Other Liabilities	\$ 7,732,435	\$ 66,602	\$ 7,685,599 (1)	\$ 7,499,616	\$ 40,044	\$ 7,438,061
Long-term Liabilities	102,892,699	1,772,130	104,664,829	107,145,102	1,815,126	108,960,228
Deferred Inflow of Resources	2,134,772	51,142	2,185,914	407,592	33,202	440,794
Total Liabilities & Deferred Inflow of Resources	\$ 112,759,906	\$ 1,889,874	\$ 114,536,342	\$ 115,052,310	\$ 1,888,372	\$ 116,839,083
Net Position						
Net Investment in Capital Assets	\$ 31,147,123	\$ 177,822	\$ 31,324,945	\$ 29,287,658	\$ 158,305	\$ 29,445,963
Restricted	2,415,306	-	2,415,306	3,797,771	-	3,797,771
Unrestricted	(41,811,681)	(1,170,082)	(42,981,763)	(42,267,718)	(1,118,038)	(43,385,756)
Total Net Position	\$ (8,249,252)	\$ (992,260)	\$ (9,241,512)	\$ (9,182,289)	\$ (959,733)	\$ (10,142,022)

(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.

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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.

Table A-2
Fiscal Year Ended June 30, 2020
Changes in Net Position

	2020			2019		
	Governmental Activities	Business-type Activites	Total	Governmental Activities	Business-type Activites	Total
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 73,837	\$ 436,585	\$ 510,422	\$ 78,591	\$ 628,383	\$ 706,974
Operating grants and contributions	7,630,138	984,848	8,614,986	7,533,602	803,680	8,337,282
Capital grants and contributions	394,877	-	394,877	385,676	-	385,676
<i>General Revenues</i>						
Property taxes	23,620,317	-	23,620,317	22,413,038	-	22,413,038
Other taxes	3,095,892	-	3,095,892	2,905,672	-	2,905,672
Grants, subsidies and contributions	7,844,603	-	7,844,603	7,710,275	-	7,710,275
Other	597,116	3,964	601,080	756,873	6,404	763,277
Total Revenues	43,256,780	1,425,397	44,682,177	41,783,727	1,438,467	43,222,194
Expenses						
Instruction	24,829,102	-	24,829,102	24,349,374	-	24,349,374
Instructional student support	3,297,288	-	3,297,288	3,230,858	-	3,230,858
Administrative and financial support	4,663,675	-	4,663,675	3,954,569	-	3,954,569
Operation and maintenance of plant	3,776,194	-	3,776,194	3,496,056	-	3,496,056
Pupil transportation	1,758,314	-	1,758,314	1,979,113	-	1,979,113
Student activities	761,064	-	761,064	835,560	-	835,560
Community services	29,327	-	29,327	40,132	-	40,132
Interest on long-term debt	1,416,429	-	1,416,429	1,821,582	-	1,821,582
Unallocated depreciation expense	1,792,350	-	1,792,350	1,791,357	-	1,791,357
Food services	-	1,457,924	1,457,924	-	1,402,728	1,402,728
Total Expenses	42,323,743	1,457,924	43,781,667	41,498,601	1,402,728	42,901,329
Increase (decrease) in net position	\$ 933,037	\$ (32,527)	\$ 900,510	\$ 285,126	\$ 35,739	\$ 320,865

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

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 56.9% of the total cost of governmental activities in the school district.

Table A-3
Fiscal Year Ended June 30, 2020
Governmental Activities

<u>Functions/Programs</u>	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 24,829,102	\$ 19,298,211	\$ 24,349,374	\$ 18,865,783
Instructional Student Support	3,297,288	2,898,716	3,230,858	2,830,207
Administrative	4,663,675	4,332,871	3,954,569	3,602,344
Operation and Maintenance	3,776,194	3,475,509	3,496,056	3,258,909
Pupil Transportation	1,758,314	761,458	1,979,113	992,366
Student Activities	761,064	616,020	835,560	692,905
Community Services	29,327	27,907	40,132	30,955
Interest on Long-term Debt	1,416,429	1,021,849	1,821,582	1,435,906
Unallocated Depreciation Expense	1,792,350	1,792,350	1,791,357	1,791,357
Total Governmental Activities	\$ 42,323,743	\$ 34,224,891	\$ 41,498,601	\$ 33,500,732
Less:				
Unrestricted Grants and Subsidies		7,844,603		7,710,275
Total Contribution from Local Taxes and other Revenues		\$ 26,380,288		\$ 25,790,457

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 \$32,527 deficit. Food service operations are continually evaluated in light of the current costs of operations.

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

Table A-4
Fiscal Year ended June 30, 2020
Business-type Activities

<u>Functions/Programs</u>	2020		2019	
	Total Cost of Services	Net Revenue	Total Cost of Services	Net Revenue
Food Services	\$ 1,457,924	\$ (36,491)	\$ 1,402,728	\$ 29,335
Less:				
Investment Earnings		3,964		6,404
Gain/Loss Asset Sale		-		-
Total business-type Activities		\$ (32,527)		\$ 35,739

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

The District Funds:

At June 30, 2020, the District governmental funds reported a combined fund balance of \$17,559,095. This represents a decrease of \$651,930 from the prior year. The reason for the decrease is due to capital improvement projects that were completed during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets net of accumulated depreciation increased \$141,358, or .2%. Tables A-5 and A-6 summarize the capital assets of both the governmental and business activities of the School District.

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

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>Change</u>
Land and Land Improvements (net of Accum Depreciation)	\$ 1,913,794	\$ 1,889,087	\$ (24,707)
Building and Building Improvements (net of Accum Depreciation)	67,755,374	66,444,891	(1,310,483)
Furniture and Equipment (net of Accum Depreciation)	900,241	912,209	11,968
Construction in Progress	<u>81,528</u>	<u>1,546,108</u>	<u>1,464,580</u>
TOTAL	<u>\$ 70,650,937</u>	<u>\$ 70,792,295</u>	<u>\$ 141,358</u>

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

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>Change</u>
Furniture and Equipment (less Accum Depreciation)	\$ 158,305	\$ 177,822	\$ 19,517
Total	<u>\$ 158,305</u>	<u>\$ 177,822</u>	<u>\$ 19,517</u>

HAMBURG AREA SCHOOL DISTRICT
Management's Discussion and Analysis

DEBT ADMINISTRATION:

As of June 30, 2020, the District had outstanding debt of \$39,315,000. Figure A-7 shows outstanding debt at June 30, 2020.

Table A-7
Outstanding Debt

	<u>2020</u>	<u>2019</u>
General Obligation Bonds		
-Series of 2011 A	\$ -	\$ 5,350,000
-Series of 2014	-	560,000
-Series of 2014 A	-	9,545,000
-Series of 2015	-	9,935,000
-Series of 2016 A	-	5,155,000
-Series of 2016 B	-	4,700,000
-Series of 2016 C	-	-
-Series of 2017	-	9,760,000
-Series of 2019	20,550,000	
-Series of 2020	9,870,000	
-Series of 2020A	8,895,000	
	-	-
Total	<u>\$ 39,315,000</u>	<u>\$ 45,005,000</u>

LOOKING TO THE FUTURE:

CAPITAL PROJECTS:

The District is in the final planning stage of a renovation project at the Middle School. The primary components of this proposed renovation are a new roof, HVAC upgrade, and electrical upgrades.

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

BUDGET 2019-2020

The Board of School Directors approved a 0 millage increase for 2020-2021. The millage remains at 26.96 mills, which means that property owners will pay \$26.96 for each \$1,000 of assessed valuation.

The 2020-21 budget maintained the existing programs offered in the District but in addition to the continually increasing costs for retirement, special education, and charter school tuition, the Covid-19 pandemic has placed additional stress on a deficit budget.

The comparison of revenue and expenditure categories is as follows:

Table A-8

BUDGETED REVENUES

	<u>2019-2020</u>	<u>2020-2021</u>
Local	62.7%	61.2%
State	35.5%	36.3%
Federal/Other	1.8%	2.5%

BUDGETED EXPENDITURES

	<u>2019-2020</u>	<u>2020-2021</u>
Instruction	57.9%	57.5%
Support Services	31.3%	32.2%
Non Instruction/Community	2.0%	2.0%
Fund Transfers/Debt	8.8%	8.3%

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, 2020**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 19,788,447	\$ 142,445	\$ 19,930,892
Investments	-	-	-
Receivables, net	1,865,974	-	1,865,974
Internal Balances	9,579	103,859	- (1)
Due From Other Governments	1,832,877	202,623	2,035,500
Other Receivables	7,631	54	7,685
Inventories	43,111	49,677	92,788
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
Total Current Assets	<u>23,547,619</u>	<u>498,658</u>	<u>23,932,839</u>
Non-Current Assets:			
Land	589,069	-	589,069
Site Improvements (net of depreciation)	1,300,018	-	1,300,018
Building and Bldg. Improvements (net of depreciation)	66,444,891	-	66,444,891
Furniture and Equipment (net of depreciation)	912,209	177,822	1,090,031
Construction in Progress	1,546,108	-	1,546,108
Total Non-Current Assets	<u>70,792,295</u>	<u>177,822</u>	<u>70,970,117</u>
Total Assets	94,339,914	676,480	94,902,956
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Related to Pension	6,216,599	201,491	6,418,090
Deferred Outflows of Resources - Related to OPEB	301,384	19,643	321,027
Deferred Amount on Debt Refundings, net	3,652,757	-	3,652,757
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 104,510,654	\$ 897,614	\$ 105,294,830
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 103,859	\$ 9,579	\$ - (1)
Due to other governments	134,142	-	134,142
Accounts Payable	721,609	293	721,902
Current Portion of Long-Term Obligations	2,237,483	-	2,237,483
Accrued Salaries and Benefits	4,138,517	27,694	4,166,211
Payroll Deductions and Withholdings	-	-	-
Payments Received in Advance	-	29,036	29,036
Other Current Liabilities	396,825	-	396,825
Total Current Liabilities	<u>7,732,435</u>	<u>66,602</u>	<u>7,685,599</u>
Non-Current Liabilities:			
Bonds Payable	41,114,460	-	41,114,460
Net OPEB Liability - Single Employer Plan	2,518,232	73,440	2,591,672
Net OPEB Liability - Multiple Employer Plan	2,537,408	78,793	2,616,201
Long-Term Portion of Compensated Absences	933,475	31,455	964,930
Net Defined Contribution Pension Liability	257,668	11,035	268,703
Net Defined Benefit Pension Liability	55,531,455	1,577,407	57,108,862
Capital Lease Obligations	1	-	1
Total Liabilities	<u>110,625,134</u>	<u>1,838,732</u>	<u>112,350,428</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Related to Pension	1,783,651	51,142	1,834,793
Deferred Inflows of Resources - Related to OPEB	351,121	-	351,121
Unearned Revenue from Grants	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>112,759,906</u>	<u>1,889,874</u>	<u>114,536,342</u>
NET POSITION			
Net Investment in Capital Assets	31,147,123	177,822	31,324,945
Restricted For:			
Capital Projects	2,415,306	-	2,415,306
Other Restrictions	-	-	-
Unrestricted (deficit)	<u>(41,811,681)</u>	<u>(1,170,082)</u>	<u>(42,981,763)</u>
TOTAL NET POSITION	<u>(8,249,252)</u>	<u>(992,260)</u>	<u>(9,241,512)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 104,510,654	\$ 897,614	\$ 105,294,830

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, 2020**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 24,829,102	\$ -	\$ 5,530,891	\$ -	\$ (19,298,211)	\$ -	\$ (19,298,211)
Instructional Student Support	3,297,288	-	398,413	159	(2,898,716)	-	(2,898,716)
Admin. & Fin'l Support Services	4,663,675	-	330,804	-	(4,332,871)	-	(4,332,871)
Oper. & Maint. Of Plant Svcs.	3,776,194	-	300,685	-	(3,475,509)	-	(3,475,509)
Pupil Transportation	1,758,314	-	996,856	-	(761,458)	-	(761,458)
Student activities	761,064	73,837	71,069	138	(616,020)	-	(616,020)
Community Services	29,327	-	1,420	-	(27,907)	-	(27,907)
Interest on Long-Term Debt	1,416,429	-	-	394,580	(1,021,849)	-	(1,021,849)
Unallocated Depreciation Expense	1,792,350	-	-	-	(1,792,350)	-	(1,792,350)
TOTAL GOVERNMENT ACTIVITIES	42,323,743	73,837	7,630,138	394,877	(34,224,891)	-	(34,224,891)
BUSINESS-TYPE ACTIVITIES:							
Food Services	1,457,924	436,585	984,848	-	-	(36,491)	(36,491)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 43,781,667	\$ 510,422	\$ 8,614,986	\$ 394,877	\$ (34,224,891)	\$ (36,491)	\$ (34,261,382)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 23,620,317	\$ -	\$ 23,620,317
Taxes levied for specific purposes					3,095,892	-	3,095,892
Grants, subsidies, & contributions not restricted					7,844,603	-	7,844,603
Investment Earnings					471,433	3,964	475,397
Miscellaneous Income					125,683	-	125,683
Special Item - Gain or (Loss) on sale of capital assets					-	-	-
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					35,157,928	3,964	35,161,892
CHANGES IN NET POSITION					933,037	(32,527)	900,510
NET POSITION - BEGINNING					(9,182,289)	(959,733)	(10,142,022)
NET POSITION - ENDING					\$ (8,249,252)	\$ (992,260)	\$ (9,241,512)

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

**Hamburg Area School District
Balance Sheet
Governmental Funds
As of June 30, 2020**

	<u>GENERAL</u>	<u>CAPITAL RESERVE FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 16,623,723	\$ 2,727,894	\$ 436,830	\$ 19,788,447
Investments	-	-	-	-
Taxes Receivable, net	1,865,974	-	-	1,865,974
Due from other funds	9,579	-	-	9,579
Due from Other Governments	1,832,877	-	-	1,832,877
Other Receivables	7,631	-	-	7,631
Inventories	-	-	-	-
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 20,339,784	\$ 2,727,894	\$ 436,830	\$ 23,504,508
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 20,339,784	\$ 2,727,894	\$ 436,830	\$ 23,504,508
<u>LIABILITIES</u>				
Due to Other Funds	\$ 103,859	\$ -	\$ -	\$ 103,859
Due to Other Governments	134,142	-	-	134,142
Accounts Payable	278,936	312,588	-	591,524
Current Portion of Long-Term Debt	54,015	-	-	54,015
Accrued Salaries and Benefits	2,771,759	-	-	2,771,759
Payroll Deductions and Withholdings	1,366,758	-	-	1,366,758
Other Current Liabilities	-	-	-	-
TOTAL LIABILITIES	4,709,469	312,588	-	5,022,057
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned Revenue from Property Taxes	923,356	-	-	923,356
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	5,632,825	312,588	-	5,945,413
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	2,350	2,415,306	-	2,417,656
Committed	2,686,897	-	-	2,686,897
Assigned	9,524,529	-	436,830	9,961,359
Unassigned	2,493,183	-	-	2,493,183
TOTAL FUND BALANCES	14,706,959	2,415,306	436,830	17,559,095
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 20,339,784	\$ 2,727,894	\$ 436,830	\$ 23,504,508

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, 2020**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	17,559,095
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 \$98,381,717 and the accumulated depreciation is \$27,589,422.		70,792,295
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.		-
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.		923,356
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.		43,111
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.		(130,086)
This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues.		3,652,757
This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability		4,383,212
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	\$ (43,284,460)	
Accrued interest on the bonds	(396,825)	
Compensated absences	(933,475)	
Net Defined Benefit Pension Liability	(55,531,455)	
Net Defined Contribution Pension Liability	(257,668)	
Net OPEB Liability - Single Employer	(2,518,232)	
Net OPEB Liability - Multiple Employer	(2,537,408)	
Capital Leases	(13,469)	(105,472,992)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>(8,249,252)</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, 2020

	<u>GENERAL</u>	<u>CAPITAL RESERVE FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 27,663,528	\$ 47,892	\$ 3,076	\$ 27,714,496
State Sources	14,903,931	-	-	14,903,931
Federal Sources	621,686	-	-	621,686
TOTAL REVENUES	<u>43,189,145</u>	<u>47,892</u>	<u>3,076</u>	<u>43,240,113</u>
EXPENDITURES				
Instruction	24,664,890	-	-	24,664,890
Support Services	12,624,384	155,885	678,549	13,458,818
Operation of Non-Instructional Services	775,605	20,515	-	796,120
Capital Outlay	5,400	1,895,343	-	1,900,743
Debt Service	3,753,428	-	15,200	3,768,628
TOTAL EXPENDITURES	<u>41,823,707</u>	<u>2,071,743</u>	<u>693,749</u>	<u>44,589,199</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,365,438</u>	<u>(2,023,851)</u>	<u>(690,673)</u>	<u>(1,349,086)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	41,265,000	41,265,000
Refunding Bond Proceeds	-	-	(44,919,333)	(44,919,333)
Proceeds from Extended Term Financing	-	-	-	-
Interfund Transfers in	-	641,386	-	641,386
Sale/Compensation for Fixed Assets	3,407	-	-	3,407
Insurance Recoveries	-	-	-	-
Bond Premium	-	-	4,348,082	4,348,082
Bond Discount	-	-	-	-
Debt Service (Payment to Refunded Bond Escrow Agent)	-	-	-	-
Operating Transfers Out	(641,386)	-	-	(641,386)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(637,979)</u>	<u>641,386</u>	<u>693,749</u>	<u>697,156</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	727,459	(1,382,465)	3,076	(651,930)
FUND BALANCES - BEGINNING	<u>13,979,500</u>	<u>3,797,771</u>	<u>433,754</u>	<u>18,211,025</u>
FUND BALANCES - ENDING	<u>\$ 14,706,959</u>	<u>\$ 2,415,306</u>	<u>\$ 436,830</u>	<u>\$ 17,559,095</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, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (651,930)

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	\$ 1,913,655	
less - capital outlays	<u>2,055,012</u>	141,357

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

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

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year. 108,019

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. 2,523,111

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. (139,563)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **1,980,994**

**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, 2020**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING (Cont'd) \$ 1,980,994

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. (170,913)

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. (94,759)

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. (693,748)

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. (6,608)

The difference between current year pension/OPEB expense reported on the governmental activities column of the government-wide financial statements and the pension/OPEB contributions made this past year reported as expenditures in the governmental funds. (81,929)

CHANGE IN POSITION OF GOVERNMENTAL ACTIVITIES \$ 933,037

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, 2020

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 142,445	\$ -	\$ 142,445
Investments	-	-	-
Due from other funds	103,859	-	103,859
Due From Other Governments	202,623	-	202,623
Other Receivables	54	-	54
Inventories	49,677	-	49,677
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	<u>498,658</u>	<u>-</u>	<u>498,658</u>
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	177,822	-	177,822
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	<u>177,822</u>	<u>-</u>	<u>177,822</u>
TOTAL ASSETS	<u>\$ 676,480</u>	<u>\$ -</u>	<u>\$ 676,480</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Related to Pension	201,491	-	201,491
Deferred Outflows - Related to OPEB	19,643	-	19,643
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 897,614</u>	<u>\$ -</u>	<u>\$ 897,614</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 9,579	\$ -	\$ 9,579
Accounts Payable	293	-	293
Current Portion of Long-Term Debt	-	-	-
Prepayments from Students	29,036	-	29,036
Accrued Salaries and Benefits	27,694	-	27,694
TOTAL CURRENT LIABILITIES	<u>66,602</u>	<u>-</u>	<u>66,602</u>
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	31,455	-	31,455
Net Defined Contribution Pension Liability	11,035	-	11,035
Net Defined Benefit Pension Liability	1,577,407	-	1,577,407
Net OPEB Liability - Single Employer Plan	73,440	-	73,440
Net OPEB Liability - Multiple Employer Plan	78,793	-	78,793
TOTAL NON-CURRENT LIABILITIES	<u>1,772,130</u>	<u>-</u>	<u>1,772,130</u>
TOTAL LIABILITIES	<u>1,838,732</u>	<u>-</u>	<u>1,838,732</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - Related to Pension	51,142	-	51,142
Deferred Inflows - Related to OPEB	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>1,889,874</u>	<u>-</u>	<u>1,889,874</u>
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	177,822	-	177,822
Restricted for Legal Purposes	-	-	-
Unrestricted	<u>(1,170,082)</u>	<u>-</u>	<u>(1,170,082)</u>
TOTAL FUND NET POSITION	<u>(992,260)</u>	<u>-</u>	<u>(992,260)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	<u>\$ 897,614</u>	<u>\$ -</u>	<u>\$ 897,614</u>

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, 2020

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 414,749	\$ -	\$ 414,749
Other Operating Revenues	21,836	-	21,836
TOTAL OPERATING REVENUES	<u>436,585</u>	<u>-</u>	<u>436,585</u>
OPERATING EXPENSES:			
Salaries	519,922	-	519,922
Employee Benefits	336,585	-	336,585
Purchased Professional and Technical Services	2,285	-	2,285
Purchased Property Service	36,257	-	36,257
Other Purchased Services	12,933	-	12,933
Supplies	535,193	-	535,193
Depreciation	13,404	-	13,404
Dues and Fees	1,345	-	1,345
Other Operating Expenses	-	-	-
TOTAL OPERATING EXPENSES	<u>1,457,924</u>	<u>-</u>	<u>1,457,924</u>
OPERATING INCOME (LOSS)	<u>(1,021,339)</u>	<u>-</u>	<u>(1,021,339)</u>
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	3,964	-	3,964
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	146,989	-	146,989
Federal Sources	837,859	-	837,859
Interest Expenses	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>988,812</u>	<u>-</u>	<u>988,812</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(32,527)</u>	<u>-</u>	<u>(32,527)</u>
Capital contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	<u>(32,527)</u>	<u>-</u>	<u>(32,527)</u>
FUND NET POSITION - BEGINNING	<u>(959,733)</u>	<u>-</u>	<u>(959,733)</u>
FUND NET POSITION - ENDING	<u>\$ (992,260)</u>	<u>\$ -</u>	<u>\$ (992,260)</u>

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

**Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2020**

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 412,435	\$ -	\$ 412,435
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	21,836	-	21,836
Cash Payments to Employees for Services	(849,620)	-	(849,620)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(457,201)	-	(457,201)
Cash Payments to Other Operating Expenses	(1,345)	-	(1,345)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(873,895)</u>	<u>-</u>	<u>(873,895)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	144,154	-	144,154
Federal Sources	609,303	-	609,303
Notes and Loans Received	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>753,457</u>	<u>-</u>	<u>753,457</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facilities Acquisition/Const./Improvement Svcs.	(32,921)	-	(32,921)
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	<u>(32,921)</u>	<u>-</u>	<u>(32,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	3,964	-	3,964
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>3,964</u>	<u>-</u>	<u>3,964</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(149,395)	-	(149,395)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>291,840</u>	<u>-</u>	<u>291,840</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 142,445</u>	<u>\$ -</u>	<u>\$ 142,445</u>

Hamburg Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2020

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (1,021,339)	\$ -	\$ (1,021,339)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	13,404	-	13,404
Donated Commodities Used	118,179	-	118,179
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(54)	-	(54)
(Increase) Decrease in Advances to Other Funds	(2,260)	-	(2,260)
(Increase) Decrease in Inventories	(14,391)	-	(14,391)
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Deferred Outflows - Change in Proportion	17,708	-	17,708
(Increase) Decrease in Deferred Outflows - Current Year Contributions	(5,501)	-	(5,501)
(Increase) Decrease in Deferred Outflows - Change in Assumptions	18,500	-	18,500
(Increase) Decrease in Deferred Outflows - Diff. in Projected vs Actual Contributions	(10)	-	(10)
(Increase) Decrease in Deferred Outflows - Diff. between Projected vs Actual Invest. Earnings	13,573	-	13,573
(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	51	-	51
Increase (Decrease) in Accrued Salaries and Benefits	4,291	-	4,291
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	22,180	-	22,180
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	367	-	367
Increase (Decrease) in Net Pension Defined Contribution Liability	3,732	-	3,732
Increase (Decrease) in Net Pension Defined Benefit Liability	(72,687)	-	(72,687)
Increase (Decrease) in Deferred Inflows of Resources - Change in Proportion - NPL	2,934	-	2,934
Increase (Decrease) in Deferred Inflows of Resources - Change in Assumptions	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Projected and Actual Contributions	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Investment Earnings	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Difference in Expected vs Actual Experience	1,800	-	1,800
Increase (Decrease) in Deferred Inflows of Resources - Difference in Prop. Share vs Actual - POS	-	-	-
Increase (Decrease) in Advances from Other Funds	9,579	-	9,579
Increase (Decrease) in Prepayments	16,049	-	16,049
TOTAL ADJUSTMENTS	147,444	-	147,444
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (873,895)	\$ -	\$ (873,895)

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, 2020**

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 107,391
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	-	-	107,391
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ 107,391
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 100
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	107,291
Accrued Salaries and Benefits	-	-	-
Payroll Deductions and Withholdings	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	107,391
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	107,391
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, 2020**

	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, 2020

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE</u>	<u>BUDGET TO GAAP DIFFERENCE</u>	<u>ACTUAL AMOUNTS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>		<u>GAAP BASIS</u>
REVENUES						
Local Sources	\$ 26,401,099	\$ 26,401,099	\$ 27,663,528	\$ 1,262,429	\$ -	\$ 27,663,528
State Sources	14,934,282	14,934,282	14,903,931	(30,351)	-	14,903,931
Federal Sources	740,541	740,541	621,686	(118,855)	-	621,686
TOTAL REVENUES	<u>42,075,922</u>	<u>42,075,922</u>	<u>43,189,145</u>	<u>1,113,223</u>	<u>-</u>	<u>43,189,145</u>
EXPENDITURES						
Regular Instruction	17,210,734	17,168,884	16,817,542	351,342	-	16,817,542
Special Programs	7,223,964	7,288,964	6,931,108	357,856	-	6,931,108
Vocational Programs	857,198	857,198	846,215	10,983	-	846,215
Other Instructional Programs	36,400	60,400	59,855	545	-	59,855
Nonpublic School Programs	1,500	1,500	-	1,500	-	-
Adult Education Programs	-	-	-	-	-	-
Higher Education Programs	-	10,200	10,170	30	-	10,170
Pupil Personnel Services	1,766,145	1,840,745	1,628,412	212,333	-	1,628,412
Instructional Staff Services	1,233,721	1,295,721	1,156,972	138,749	-	1,156,972
Administrative Services	2,288,304	2,111,910	1,986,936	124,974	-	1,986,936
Pupil Health	497,433	497,833	491,187	6,646	-	491,187
Business Services	631,503	631,503	564,218	67,285	-	564,218
Operation & Maintenance of Plant Services	3,773,212	3,802,356	3,684,434	117,922	-	3,684,434
Student Transportation Services	2,043,403	2,043,403	1,755,418	287,985	-	1,755,418
Central Support Services	1,302,029	1,349,529	1,326,999	22,530	-	1,326,999
Other Support Services	29,986	29,986	29,808	178	-	29,808
Student Activities	823,575	823,575	746,278	77,297	-	746,278
Community Services	35,000	35,000	29,327	5,673	-	29,327
Facilities, Acquisition and Construction	100,000	5,400	5,400	-	-	5,400
Debt Service	3,858,228	3,858,228	3,753,428	104,800	-	3,753,428
TOTAL EXPENDITURES	<u>43,712,335</u>	<u>43,712,335</u>	<u>41,823,707</u>	<u>1,888,628</u>	<u>-</u>	<u>41,823,707</u>
Excess (deficiency) of revenues over expenditures	(1,636,413)	(1,636,413)	1,365,438	3,001,851	-	1,365,438
OTHER FINANCING SOURCES (USES)						
Sale of Bonds	-	-	-	-	-	-
Proceeds from Extended Term Financing	-	-	-	-	-	-
Interfund Transfers in	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	500	500	3,407	2,907	-	3,407
Insurance Recoveries	-	-	-	-	-	-
Fund Transfers out	-	-	(641,386)	(641,386)	-	(641,386)
Budgetary Reserve	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>500</u>	<u>500</u>	<u>(637,979)</u>	<u>(638,479)</u>	<u>-</u>	<u>(637,979)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,635,913)	(1,635,913)	727,459	2,363,372	-	727,459
FUND BALANCE - JULY 1, 2019	\$ 13,275,761	\$ 13,275,761	\$ 13,979,500	\$ 703,739	\$ -	\$ 13,979,500
FUND BALANCE - JUNE 30, 2020	<u>\$ 11,639,848</u>	<u>\$ 11,639,848</u>	<u>\$ 14,706,959</u>	<u>\$ 3,067,111</u>	<u>\$ -</u>	<u>\$ 14,706,959</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, 2020**

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, 2020**

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 2019-20 was \$831,798.

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, 2020

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, 2020

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.

Debt Service Funds Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. This type of fund is also used to accumulate the resources to make future debt service payments.

The District has the following Debt Service Funds:

Debt Service Stabilization Fund, GON Series 2019 Bond Fund, GOB Series 2020 Bond Fund & GOB Series 2020A Bond Fund

Proprietary Funds Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise funds. The Proprietary Funds of the School have operating and nonoperating revenues and/or expenses. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as nonoperating revenues and/or expenses, including subsidies received from the state and federal

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

government for school lunches, donated commodities, and amounts received for fica and retirement subsidies. Operating revenues reported are consistent with the fees or charges incurred based on the intent of the individual proprietary fund.

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

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

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 2019-20 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 2019-20 fiscal year the School District implemented the following new generally accepted accounting principles:

No new accounting principles were implemented in the 19-20 fiscal year.

H. Pensions

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

I. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Single Employer OPEB Plan

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

J. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Investments

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

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

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

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020, 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, 2020, shows \$43,111 as an asset in the governmental activities column of the government-wide statement of net position and \$49,677 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, 2020, consist of:

Purchased Food & Supplies	\$	31,097
Donated Commodities		<u>18,580</u>
TOTAL	\$	<u>49,677</u>

Prepaid Expenses

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020

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, 2020, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis.

Net Position

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

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

Fund Balance Categories

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

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

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, 2020**

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 \$105,472,992, difference are:

Bonds payable	\$ 39,315,000
Less: Issuance discount (to be amortized as interest expense)	-
Add: Issuance premium (to be amortized as a credit to interest expense)	3,969,460
Capital Lease	13,469
Accrued interest payable	396,825
Net Defined Benefit Pension Liability	55,531,455
Net Defined Contribution Pension Liability	257,668
Net OPEB Liability - Single Employer	2,518,232
Net OPEB Liability - Multiple Employer	2,537,408
Compensated absences	933,475
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	\$ 105,472,992

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, 2020**

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

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT ITEMS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 23,512,299	\$ 108,018	\$ -	\$ -	\$ 23,620,317
Taxes levied for specific purposes	3,095,892	-	-	-	3,095,892
Interest and investment earnings	566,192	(94,759)	-	-	471,433
Miscellaneous	95,394	-	3,407	-	98,801
Contributions and Donations	26,882	-	-	-	26,882
Charges for Services	73,837	-	-	-	73,837
Grants, subsidies & contributions not restricted	830,861	-	-	-	830,861
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating & Capital grants and contributions	14,073,070	-	-	-	14,073,070
FEDERAL SOURCES:					
Operating & Capital grants and contributions	965,687	-	-	-	965,687
SPECIAL AND EXTRAORDINARY ITEMS:					
Proceeds from Bond Issues	41,265,000	-	-	(41,265,000)	-
Proceeds from Extended Term Financing	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-
Bond Premium	4,348,081	-	-	(4,348,081)	-
Gain or (Loss) on disposal of assets	3,407	-	(3,407)	-	-
TOTAL REVENUES	88,856,602	13,259	-	(45,613,081)	43,256,780
EXPENDITURES/EXPENSES					
Instruction	24,664,890	163,219	993	-	24,829,102
Instructional Student Support	3,276,571	15,678	5,039	-	3,297,288
Admin. & Fin'l Support Services	4,586,511	43,385	33,779	-	4,663,675
Oper. & Maint. Of Plant Svcs.	3,840,318	3,390	(67,514)	-	3,776,194
Pupil Transportation	1,755,418	731	2,165	-	1,758,314
Student activities	766,793	1,697	(7,426)	-	761,064
Community Services	29,327	-	-	-	29,327
Capital Outlay	1,900,743	-	(1,900,743)	-	-
Debt Service	48,687,960	-	-	(47,271,531)	1,416,429
Bond Discount	-	-	-	-	-
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	1,792,350	-	1,792,350
TOTAL EXPENDITURES/EXPENSES	89,508,531	228,100	(141,357)	(47,271,531)	42,323,743
NET CHANGE FOR THE YEAR	\$ (651,929)	\$ (214,841)	\$ 141,357	\$ 1,658,450	\$ 933,037

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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, 2020, except the governmental activities has negative net position of \$8,249,252 and business-type activities (Food Service Fund) has a negative net position of \$992,260.

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, 2020.

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, 2020, \$484,182 of the District's bank balance of \$984,536 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,562
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	480,620
TOTAL	\$ 484,182

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 480,620
Plus: Insured Amount	503,915
Less: Outstanding Checks	(227,043)
Carrying Amount - Bank Balances	757,492
Plus: Petty Cash	100
Deposits in Investment Pools Considered Cash Equivalents	19,280,691
Less: Certificates of Deposit considered Investment by School Code	-
TOTAL CASH PER FINANCIAL STATEMENTS	\$ 20,038,283

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

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, 2020**

- 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, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit		\$ -
PA Local Gov't Investment Trust - Term		-
PA Local Gov't Investment Trust		16,552,797
PA School District Liquid Asset Fund		2,727,894
US Treasury Notes		-
TOTAL		<u>\$ 19,280,691</u>

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, 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, 2020**

Concentration of Credit Risk

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

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total Investments Above	\$ 19,280,691
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(19,280,691)</u>
Total Investments Per Financial Statements	<u>\$ -</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, 2020. 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 \$900,575,200. In accordance with Act 1 of 2006, the District received \$830,898 in property tax reduction funds for the 2019-20 fiscal year. The tax rate for the year was \$2.696 per \$100 of assessed valuation or 26.96 mills.

The property tax calendar is:

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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:

Schedule on Receivables for major, nonmajor, and fiduciary funds

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,865,974	-	-	-	-	1,865,974
Accounts	7,631	-	54	-	-	7,685
Intergovernmental	1,832,877	-	202,623	-	-	2,035,500
GROSS RECEIVABLES	3,706,482	-	202,677	-	-	3,909,159
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 3,706,482	\$ -	\$ 202,677	\$ -	\$ -	\$ 3,909,159

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	\$ 923,356	\$ -
Tuition	-	-
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 923,356	\$ -

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Capital Assets

Capital asset balances and activity for the year ending June 30, 2020, were:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 589,069	\$ -	\$ -	\$ 589,069
Construction in Progress	81,528	1,568,011	(103,431)	1,546,108
Total Capital Assets not being depreciated	<u>670,597</u>	<u>1,568,011</u>	<u>(103,431)</u>	<u>2,135,177</u>
Capital Assets being depreciated:				
Site Improvements	3,126,140	75,966	-	3,202,106
Buildings and Bldg. Improvements	89,331,474	390,705	-	89,722,179
Furniture and Equipment	3,198,493	123,762	-	3,322,255
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>95,656,107</u>	<u>590,433</u>	<u>-</u>	<u>96,246,540</u>
Less accumulated depreciation for:				
Site Improvements	(1,801,415)	(100,673)	-	(1,902,088)
Buildings and Bldg. Improvements	(21,576,100)	(1,701,188)	-	(23,277,288)
Furniture and Equipment	(2,298,252)	(111,794)	-	(2,410,046)
TOTAL ACCUMULATED DEPRECIATION	<u>(25,675,767)</u>	<u>(1,913,655)</u>	<u>-</u>	<u>(27,589,422)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>69,980,340</u>	<u>(1,323,222)</u>	<u>-</u>	<u>68,657,118</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	 <u>\$ 70,650,937</u>	 <u>\$ 244,789</u>	 <u>\$ (103,431)</u>	 <u>\$ 70,792,295</u>
 BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 867,370	\$ 32,921	\$ -	\$ 900,291
Less accumulated depreciation	(709,065)	(13,404)	-	(722,469)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 158,305</u>	<u>\$ 19,517</u>	<u>\$ -</u>	<u>\$ 177,822</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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

Regular Instruction	\$ 26,727
Special Instruction	8,184
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	-
Instructional Staff Svcs.	4,086
Administrative Services	673
Health Services	954
Business Services	452
Operation & Maintenance of Plant Svcs.	32,322
Pupil Transportation	2,165
Central Services	32,653
Other Support Services	-
Student Activities	13,089
Community Services	-
Depreciation - unallocated	1,792,350
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 1,913,655

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

Commitments

Encumbrances

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

Construction Commitments

The District had the following Construction Commitments at June 30, 2020:

	CONTRACT AMOUNT	EXPENDED TO 6/30/20	OUTSTANDING COMMITMENTS
<u>HS Field Turf Replacement</u>			
Field Turf	\$ 611,698	\$ -	\$ 611,698
District Wide HVAC Upgrade	-	-	-
NRG Building Services	1,426,725	1,325,453	101,272
GRAND TOTAL	\$ 2,038,423	\$ 1,325,453	\$ 712,970

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2020:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 9,579	\$ 103,859
Enterprise (Food Service) Fund	103,859	9,579
Agency (Activity) Fund	-	-
TOTAL	\$ 113,438	\$ 113,438

Interfund Transfers

The District also made the following interfund transfers during the fiscal year ended June 30, 2020:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 641,386
Capital Reserve Fund	641,386	-
TOTAL	\$ 641,386	\$ 641,386

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2020, were:

CHANGES IN LONG-TERM LIABILITIES					
	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 45,184,973	\$ 45,613,081	\$ 47,513,594	\$ 43,284,460	\$ 2,170,000
Other than capital projects	-	-	-	-	-
Capital Leases	26,580	-	13,111	13,469	13,468
Total general obligation debt	45,211,553	45,613,081	47,526,705	43,297,929	2,183,468
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	124,045	18,887	-	142,932	18,130
Sick pay	804,850	39,708	-	844,558	35,885
Net Defined Contribution Pension Liability	249,542	8,126	-	257,668	-
Net Defined Benefit Pension Liability	57,901,420	-	2,369,965	55,531,455	-
Net OPEB Liability - Single Employer	2,940,815	-	422,583	2,518,232	-
Net OPEB Liability - Multiple Employer	2,525,234	12,174	-	2,537,408	-
Total other liabilities	64,545,906	78,895	2,792,548	61,832,253	54,015
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 109,757,459	\$ 45,691,976	\$ 50,319,253	\$ 105,130,182	\$ 2,237,483
BUSINESS-TYPE ACTIVITIES					
<i>Other liabilities:</i>					
<i>Vested employee benefits</i>					
Net Defined Contribution Pension Liability	\$ 7,303	\$ 3,732	\$ -	\$ 11,035	\$ -
Net Defined Benefit Pension Liability	1,650,094	-	72,687	1,577,407	-
Net OPEB Liability - Single Employer	51,260	22,180	-	73,440	-
Net OPEB Liability - Multiple Employer	78,426	367	-	78,793	-
Sick pay	28,043	3,412	-	31,455	-
TOTAL BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 1,815,126	\$ 29,691	\$ 72,687	\$ 1,772,130	\$ -

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.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Total Interest paid and accrued during the year:

	EXPENSE	PAID
GOVERNMENTAL ACTIVITIES		
General obligation debt	\$ 1,413,493	\$ 1,242,580
Capital Leases	723	723
Refund of Prior Year Receipts	2,213	2,213
TOTAL INTEREST FOR GOVERNMENTAL ACTIVITIES	\$ 1,416,429	\$ 1,245,516

General Obligation Bonds – Series A of 2011

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

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

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

**This issue the GOB Series A of 2016, GOB Series B of 2016 and GOB Series of 2017 were refinanced this fiscal year. The economic gain is reflected in the note for GOB Series 2017.*

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

On January 9, 2020 the District issued the GOB Series A of 2020 with principal amount of \$9,095,000. The proceeds of the issue were used to refund the GOB Series A of 2014 with principal amount outstanding of \$9,545,000 with fixed interest rates of 2.00% to 3.25%. Interest rates for the new debt is fixed at 1.30% to 3.00%.

SOURCES

Gross Proceeds of Bonds	\$	9,095,000
Plus: Accrued Interest		-
Premium		729,549
Less: Original Issue Discount		-
Underwriter's Discount		(79,581)
TOTAL SOURCES		<u>\$ 9,744,968</u>

USES

Escrow Deposit	\$	9,647,927
Issuance Costs		92,082
Sinking Fund Deposit		4,959
TOTAL USES		<u>\$ 9,744,968</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 11,244,261
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$	10,851,188
Plus Amount Contributed by District		-
Less: Excess Funds Deposited in Sinking Fund		(4,959)
Net Cash Flows From New Debt		<u>10,846,229</u>
Net Difference in Cash Flows		<u>398,032</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 10,011,010
Present Value of New Debt Service Cash Flows	\$	9,652,886
Plus Amount Contributed by District		-
Less: Excess Funds Deposited in Sinking Fund		(4,959)
Total		<u>9,647,927</u>
Economic Gain(Loss)		<u>\$ 363,083</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

On January 3, 2020 the District issued the GOB Series of 2020 with principal amount of \$9,960,000. The proceeds of the issue were used to refund the GOB Series of 2015 with principal amount outstanding of \$9,935,000 with fixed interest rates of 2.00% to 3.50%. Interest rates for the new debt is fixed at 1.35% to 2.45%.

SOURCES

Gross Proceeds of Bonds	\$ 9,960,000
Plus: Accrued Interest	-
Premium	282,672
Less: Original Issue Discount	-
Underwriter's Discount	(87,150)
TOTAL SOURCES	<u>\$ 10,155,522</u>

USES

Escrow Deposit	\$ 10,058,177
Issuance Costs	92,478
Sinking Fund Deposit	4,867
TOTAL USES	<u>\$ 10,155,522</u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 13,680,800
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$ 13,203,197	
Plus Amount Contributed by District	-	
Less: Excess Funds Deposited in Sinking Fund	(4,867)	
Net Cash Flows From New Debt		<u>13,198,330</u>
Net Difference in Cash Flows		<u>482,470</u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 10,462,900
Present Value of New Debt Service Cash Flows	\$ 10,063,043	
Plus Amount Contributed by District	-	
Less: Excess Funds Deposited in Sinking Fund	(4,867)	
Total		<u>10,058,176</u>
Economic Gain(Loss)		<u>\$ 404,724</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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.

**This issue the GOB Series A of 2011, GOB Series B of 2016 and GOB Series of 2017 were refinanced this fiscal year. The economic gain is reflected in the note for GOB Series 2017.*

General Obligation Bonds - Series B of 2016

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

**This issue the GOB Series A of 2011, GOB Series B of 2016 and GOB Series of 2017 were refinanced this fiscal year. The economic gain is reflected in the note for GOB Series 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.

On January 9, 2020 the District issued the GON series of 2019 with principal amount of \$22,210,000. The proceeds of the issue were used to fully refund the GOB Series of 2011, GOB Series A of 2016, GOB Series B of 2016 and GOB Series of 2017 with principal amounts outstanding of \$5,350,000, \$5,155,000, \$4,700,000 and \$9,760,000, respectively. Interest rates of the refinanced bond issues were fixed rates ranging from 2.70% to 4.25%. Interest rates for the new debt is fixed at 4.00% to 5.00%.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

SOURCES

Gross Proceeds of Bonds	\$ 22,210,000
Plus: Accrued Interest	-
Premium	3,335,861
Less: Original Issue Discount	-
Underwriter's Discount	(194,338)
TOTAL SOURCES	<u><u>\$ 25,351,523</u></u>

USES

Escrow Deposit	\$ 25,213,229
Issuance Costs	132,920
Sinking Fund Deposit	5,374
TOTAL USES	<u><u>\$ 25,351,523</u></u>

DIFFERENCE IN CASH FLOW REQUIREMENTS

Old Debt Service Cash Flows		\$ 30,820,126
Cash Flows From New Debt:		
New Debt Service Cash Flow	\$ 29,867,911	
Plus Amount Contributed by District	-	
Less: Excess Funds Deposited in Sinking Fund	<u>(5,374)</u>	
Net Cash Flows From New Debt		<u>29,862,537</u>
Net Difference in Cash Flows		<u><u>957,589</u></u>

ECONOMIC GAIN/LOSS

Present Value of Old Debt Service Cash Flows		\$ 26,007,894
Present Value of New Debt Service Cash Flows	\$ 25,218,603	
Plus Amount Contributed by District	-	
Less: Excess Funds Deposited in Sinking Fund	<u>(5,374)</u>	
Total		<u>25,213,229</u>
Economic Gain(Loss)		<u><u>\$ 794,665</u></u>

General Obligation Notes – Series of 2019

On July 9th, 2019 the District issued \$22,210,000 of General Obligation Notes- Series of 2019. Proceeds of the Bonds were used to (1) currently refund the General Obligations Bonds Series A of 2011, (2) currently refund the General Obligation Bonds Series A of 2016 (3) currently refund the General Obligation Bonds Series B of 2016 (4) currently refund the GOB Series of 2017 and (5) pay the costs of issuing the Notes.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Notes matures from April 1, 2020 to April 1, 2032. The outstanding debt service requirements, using fixed interest rates ranging from 4.0 to 5.0% with total interest indebtedness of \$7,657,911.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

The outstanding debt service requirements at June 30, 2020 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 1,955,000	\$ 1,001,000
2021-22	2,170,000	903,250
2022-23	2,235,000	794,750
2023-24	5,000	683,000
2024-25	5,000	682,750
2025-30	7,995,000	2,415,500
2030-32	<u>6,185,000</u>	<u>388,750</u>
Sub-Total	\$ 20,550,000	\$ 6,869,000
Unamortized Premium	<u>2,992,204</u>	
TOTAL OUTSTANDING	\$ 23,542,204	

General Obligation Bonds – Series of 2020

On January 3rd 2020, the District issued \$9,960,000 of General Obligation Bonds- Series of 2020. Proceeds of the Bonds were used to currently refund all of the School District's Outstanding General Obligation Bonds Series of 2015 and the costs of issuing the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds matures from April 1, 2020 to April 1, 2033. The outstanding debt service requirements, using fixed interest rates ranging from 1.35 to 3.00% with total interest indebtedness of \$13,203,197.

The outstanding debt service requirements at June 30, 2020 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 115,000	\$ 283,501
2021-22	115,000	281,949
2022-23	125,000	280,281
2023-24	115,000	278,406
2024-25	120,000	276,106
2025-30	4,065,000	1,342,256
2030-33	<u>5,215,000</u>	<u>431,100</u>
Sub-Total	\$ 9,870,000	\$ 3,173,599
Unamortized Premium	<u>276,606</u>	
TOTAL OUTSTANDING	\$ 10,146,606	

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

General Obligation Bonds – Series A of 2020

On January 3rd 2020, the District issued \$9,095,000 of General Obligation Bonds- Series A of 2020. Proceeds of the Bonds were used to currently refund all of the School District's Outstanding General Obligation Bonds Series A of 2014 and the costs of issuing the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds matures from April 1, 2020 to April 1, 2028. The outstanding debt service requirements, using fixed interest rates ranging from 1.35 to 4.00% with total interest indebtedness of \$1,756,188.

The outstanding debt service requirements at June 30, 2020 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 100,000	\$ 302,800
2021-22	105,000	301,300
2022-23	105,000	299,725
2023-24	2,505,000	298,150
2024-25	2,605,000	204,450
2025-28	3,475,000	280,200
Sub-Total	\$ 8,895,000	\$ 1,686,625
Unamortized Premium	700,651	
TOTAL OUTSTANDING	\$ 9,595,651	

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 \$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, 2020, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2020-21	\$ 13,468	\$ 366
2021-22	1	-
TOTAL OUTSTANDING	\$ 13,469	\$ 366

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.N SERIES OF 2019	G.O.B SERIES OF 2020	G.O.B SERIES A OF 2020	TOTAL PRINCIPAL PAYMENTS
2020-21	\$ 1,955,000	\$ 115,000	\$ 100,000	\$ 2,170,000
2021-22	2,170,000	115,000	105,000	2,390,000
2022-23	2,235,000	125,000	105,000	2,465,000
2023-24	5,000	115,000	2,505,000	2,625,000
2024-25	5,000	120,000	2,605,000	2,730,000
2025-30	7,995,000	4,065,000	3,475,000	15,535,000
2030-33	6,185,000	5,215,000	-	11,400,000
TOTAL	20,550,000	9,870,000	8,895,000	39,315,000
LESS- Payable within one year	1,955,000	115,000	100,000	2,170,000
PRINCIPAL DUE AFTER ONE YEAR	\$ 18,595,000	\$ 9,755,000	\$ 8,795,000	\$ 37,145,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.N SERIES OF 2019	G.O.B SERIES OF 2020	G.O.B SERIES A OF 2020	TOTAL DEBT SERVICE PAYMENTS
2020-21	\$ 2,956,000	\$ 398,501	\$ 402,800	\$ 3,757,301
2021-22	3,073,250	396,949	406,300	3,876,499
2022-23	3,029,750	405,281	404,725	3,839,756
2023-24	688,000	393,406	2,803,150	3,884,556
2024-25	687,750	396,106	2,809,450	3,893,306
2025-30	10,410,500	5,407,256	3,755,200	19,572,956
2030-33	6,573,750	5,646,100	-	12,219,850
TOTAL	\$ 27,419,000	\$ 13,043,599	\$ 10,581,625	\$ 51,044,224

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Compensated Absences

Sick-Pay

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

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

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

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

The District maintains a record of each employee's accumulated sick days and the District has valued the accumulated sick days that are earned by employees who are eligible to retire. In accordance with GASB Statement No. 16, a long-term liability of \$808,673 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 \$31,455 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 \$35,885, and \$0, 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, 2020, that will use currently available financial resources is \$18,130, 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, 2020, of \$124,829, 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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided

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

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

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

Contributions

Member Contributions

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2020 was 33.45% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$5,782,084 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$57,108,862 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2018 to June 30, 2019. 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, 2020, the District's proportion was 0.1225 percent, which was a decrease of 0.0019 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$5,876,482. At June 30, 2020, 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	\$ 4,049	\$ -
Changes in Assumptions	548,000	-
Net difference between projected and actual contributions made	16,213	-
Net difference between projected and actual earnings on pension plan investments	-	164,000
Difference between expected and actual experience	-	1,583,000
Changes in proportion of the Net Pension Liability	-	70,000
District contributions subsequent to the measurement date	<u>5,782,084</u>	<u>-</u>
Total	<u><u>\$ 6,350,346</u></u>	<u><u>\$ 1,817,000</u></u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

\$5,782,084 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Amount</u>
2020	\$ 343,000
2021	(923,670)
2022	(790,719)
2023	126,644
Thereafter	<u>(3,993)</u>
Total	<u>\$ (1,248,738)</u>

Actuarial assumptions

The total pension liability as of June 30, 2019, was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed Income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

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.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 71,384,000	\$ 57,309,000	\$ 45,390,000

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Pension plan fiduciary net position

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

Defined Contributions Pension Plan

Retirement Severance Benefits

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

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

In accordance with Government Accounting Standards Board Statement No. 73, this benefit is considered a pension plan.

The following is a summary of plan provisions:

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

Employer Contributions

The school district pays this benefit on a pay-as-you-go basis. It does not accumulate funds into any trust for future benefits. Contributions to the pension plan from the District were \$27,628 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$268,703 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July, 2019, with rolling forward the System's total pension liability as of June 30, 2020.

For the year ended June 30, 2020, the District recognized pension expense of \$26,070. The following table reflects the changes to the pension obligation during the year:

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Changes to Defined Contribution Pension Plan

Changes to Defined Contribution Pension Plan:

	Retirement Severance Benefit
Interest Rate	3.36%
Plan Members	291
Covered Payroll	\$ 15,821,666
Defined Contribution Pension Liability at June 30, 2019	\$ 256,845
Service Cost	16,103
Interest	7,813
Change in Benefit Terms	-
Change in Experience	12,343
Change in Assumptions	(4,519)
Benefit Payments	(19,882)
Defined Contribution Pension Liability at June 30, 2020	<u>\$ 268,703</u>

Actuarial assumptions

The total pension liability as of June 30, 2020 was determined by the actuarial valuation on July 1, 2019, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return – 3.36%.

The actuarial assumptions used in the July 1, 2019 valuation were based on the experience study conducted by the actuary, including the assumed retirement rates based on PSERS plan experience and vary by age, service, and gender.

Schedule on Defined Contribution Pension Deferred Outflows/Inflows

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	\$ 10,864
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	33,188	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	27,628	-
Total	<u>\$ 60,816</u>	<u>\$ 10,864</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Funded Status and Funding Process.

The funded status of the benefits as of June 30, 2020, was as follows:

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 268,703
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 268,703</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 15,821,666
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	1.70%

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

The following presents the District's proportionate share of the net defined contribution pension liability calculated using the discount rate off 3.36%, as well as what the District's proportionate share of the net defined contribution pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.36%) or 1-percentage point higher (4.36%) than the current rate, using the net defined contribution liability reported by the actuary before adjusting for differences on projected vs actual contributions made.

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
District's proportionate share of the net OPEB Pension liability	\$ 280,602	\$ 268,703	\$ 256,889

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

OTHER POST-EMPLOYMENT BENEFITS

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

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan description

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$145,200 for the year ended June 30, 2020.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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

At June 30, 2020, the District reported a liability of \$2,616,201 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1225 percent, which was a decrease of 0.0019 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$132,704. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities	\$ 445	\$ -
Changes in Assumptions	9,000	-
Net difference between projected and actual contributions made	3,018	-
Net difference between projected and actual investment earnings	4,000	-
Difference between expected and actual experience	15,000	-
Changes in proportion of the Net OPEB Liability	8,000	-
District contributions subsequent to the measurement date	145,200	-
Total	<u>\$ 184,663</u>	<u>\$ -</u>

\$145,200 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2020	\$ 5,000
2021	5,704
2022	4,704
2023	4,704
2024	14,705
Thereafter	<u>4,646</u>
Total	<u>\$ 39,463</u>

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)
-

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
System net OPEB liability	\$ 2,605,000	\$ 2,605,000	\$ 2,606,000

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	\$ 2,968,000	\$ 2,605,000	\$ 2,305,000

OPEB Plan Fiduciary Net Position

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Single Employer Healthcare OPEB Plan

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

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

Notes: PSERS Retirement

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Employees covered by benefit terms:

At June 30, 2020, the following employees were covered by the benefit terms:

Active Participants	291
Vested Former Participants	0
Retired Participants	<u>17</u>
Total	308

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$2,591,672, was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and other inputs

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

Actuarial Methods and Assumptions

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

	Single Employer OPEB Healthcare Benefit
Actuarial valuation date	7/1/2019
Actuarial cost method	Entry Age Normal
Discount Rate	3.36%
Salary Increases	3.50% to 6.25%
Healthcare cost trend rates	6.0% in 2018, and 5.5% in 2019 to 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
Asset Valuation Method	pay as you go basis

The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2019.

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Mortality rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Incorporated into our retirement table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study on July 10, 2020.

Changes in the Total OPEB Liability

	<u>2019-20</u>
Total OPEB Liability	
Service Cost	\$ 216,815
Interest	93,559
Changes in Benefit Terms	(150,203)
Difference between expected and actual experience	(297,544)
Changes in assumptions	(135,069)
Benefit payments	(127,961)
Net change in total OPEB Liability	(400,403)
Total OPEB Liability - beginning	2,992,075
Total OPEB Liability - ending	<u>\$ 2,591,672</u>
Covered employee payroll	<u>\$ 15,821,666</u>

Total OPEB Liability as a percentage of covered employee payroll 16.38%

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

For the year ended June 30, 2020, the School recognized OPEB expense of \$130,271. At June 30, 2020, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ -	\$ 34,030
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	306,818
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	126,090	-
Total	<u>\$ 126,090</u>	<u>\$ 340,848</u>

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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

Year ended June 30:	<u>Amount</u>
2021	\$ (29,900)
2022	(29,900)
2023	(29,900)
2024	(29,900)
2025	(29,900)
Thereafter	<u>(191,348)</u>
Total	<u>\$ (340,848)</u>

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

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.36%) or 1-percentage point higher (4.36%) than the current discount rate:

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
District's proportionate share of the net OPEB liability	\$ 2,787,828	\$ 2,591,672	\$ 2,406,602

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

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

	1% Decrease 4.50%	Current Trend Rate 5.50%	1% Increase 6.50%
System net OPEB liability	\$ 2,301,633	\$ 2,591,672	\$ 2,934,409

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

Combined Deferred Outflows on Pensions and OPEB

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

GOVERNMENTAL ACTIVITIES					
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	<i>Pension - GASB 68</i>	<i>Pension - GASB 73</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR
	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE
Change in Proportion	\$ (66,807)	\$ -	\$ -	\$ 7,741	\$ (59,066)
Current Year Contributions	5,614,262	24,362	122,134	140,986	5,901,744
Change in Assumption	530,490	(10,555)	(37,567)	8,734	491,102
Diff in Projected Vs Actual Contributions	15,689	-	-	2,924	18,613
Difference in Investment Earnings	(170,927)	-	-	3,879	(167,048)
Diff. between Expected vs Actual Experience	(1,535,361)	27,746	(313,554)	14,541	(1,806,628)
Diff. between Prop. Share vs Actual POS	4,049	-	-	445	4,494
Net Pension Liability	\$ 55,531,455				\$ 55,531,455
Net Defined Contribution Pension Liability		\$ 257,668			\$ 257,668
Net OPEB Liability			\$ 2,518,232	\$ 2,537,408	\$ 5,055,640

BUSINESS-TYPE ACTIVITIES					
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	<i>Pension - GASB 68</i>	<i>Pension - GASB 73</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR
	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE
Change in Proportion	\$ (3,193)	\$ -	\$ -	\$ 259	\$ (2,934)
Current Year Contributions	167,822	3,266	3,956	4,214	179,258
Change in Assumption	17,510	(309)	3,537	266	21,004
Diff in Projected Vs Actual Contributions	524	-	-	94	618
Difference in Investment Earnings	6,927	-	-	121	7,048
Diff. between Expected vs Actual Experience	(47,639)	5,442	6,736	459	(35,002)
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 1,577,407				\$ 1,577,407
Net Defined Contribution Pension Liability		\$ 11,035			\$ 11,035
Net OPEB Liability			\$ 73,440	\$ 78,793	\$ 152,233

STATEMENT OF NET POSITION	
<i>Governmental & Business-Type Activities</i>	<i>Total</i>
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	DR OR (CR) CURRENT YR
	BALANCE
Change in Proportion	\$ (62,000)
Current Year Contributions	6,081,002
Change in Assumption	512,106
Diff in Projected Vs Actual Contributions	19,231
Difference in Investment Earnings	(160,000)
Diff. between Expected vs Actual Experience	(1,841,630)
Diff. between Prop. Share vs Actual POS	4,494
Net Pension Liability	\$ 57,108,862
Net Defined Contribution Pension Liability	\$ 268,703
Net OPEB Liability	\$ 5,207,873

RECONCILIATION TO FINANCIAL STATEMENTS		
	Governmental Activities	Business-Type Activities
<i>Pension - Pension and Defined Contribution Plans</i>		
Net Pension Liability	\$ 55,531,455	\$ 1,577,407
Net Defined Contribution Pension Liability	257,668	11,035
Deferred Outflow Related to Pension	(6,216,598)	(201,491)
Deferred Inflows Related to Pension	1,783,650	51,141
Total liab. Net deferred inflows/outflows	\$ 51,356,175	\$ 1,438,092
<i>OPEB - Single & Multiple Employer Plans</i>		
Net OPEB Liability	\$ 5,055,640	\$ 152,233
Deferred Outflows Related to OPEB	(301,384)	(19,642)
Deferred Inflows Related to OPEB	351,121	-
Total liab. Net deferred inflows/outflows	\$ 5,105,377	\$ 132,591

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

Note 6 - Risk Management

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

Note 7 - Tax Abatements

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

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

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

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

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

**Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020**

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

• 2006-2007	\$374,631
• 2007-2008	428,680
• 2008-2009	362,043
• 2009-2010	406,442
• 2010-2011	480,241
• 2011-2012	577,250
• 2012-2013	612,045
• 2013-2014	472,965
• 2014-2015	554,289
• 2015-2016	497,755
• 2016-2017	595,736
• 2017-2018	536,285
• 2018-2019	558,611
• 2019-2020	564,418

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

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

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

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

• 2016-2017	\$ 489
• 2017-2018	20,729
• 2018-2019	32,309
• 2019-2020	29,140

3. Under the authority of the Local Economic Revitalization Tax Assistance (LERTA) Act, on December 19, 2016 the Hamburg Area School District Board of School Directors approved a resolution to adopt the findings of the Township of Upper Bern Ordinance No. 139-2016 that designated the deteriorated areas eligible for tax exemption under LERTA.

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

During 2019-2020 the Owner of the subject property submitted the LERTA application to the County of Berks, Upper Bern Township, and the Hamburg Area School District. The exemption from real estate taxes will begin effective July 1, 2020.

Note 8 - Fund Balance Allocations

Restricted Fund Balance

The Capital Reserve Fund's \$2,415,306 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 \$2,350 restricted for unspent outside contributions received during the fiscal year.

Committed Fund Balance

The governing body (Board of School Directors) has committed \$2,583,356, of the General Fund's year end fund balance for eventual payment to be made for Other Post-Employment Benefits, which equals the entire actuarial accrued liability. In addition, the Board has committed \$103,541 for HRA purposes.

Assigned Fund Balance

The General fund has assigned \$6,623,181, for future building projects and \$2,901,348 to balance the 2019-20 General Fund budget. In addition, \$436,830 has been assigned for the purpose of the Debt Service Stabilization Fund.

Note 9 – Net Investment in Capital Assets

The components of this restriction in the governmental activities column is total capital assets of \$70,792,295, with related debt of \$39,645,172, which includes unamortized bonds discounts, premiums, and deferred refunding charges. The business-type activities column reflects \$177,822 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, 2020.

Litigation

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

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

Note 11 – New Accounting Pronouncements

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

- Statement No. 84, *Fiduciary Activities*. - This Statement is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Effective date: Periods beginning after December 15, 2019. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2018.
- Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Effective date: Periods beginning after June 15, 2021. Implementation of this standard was postponed 18 months with Statement No 95. The original effective date was December 15, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of the statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before construction ends. This standard requires expensing interest costs when incurred rather than capitalizing the costs. Effective date: Periods beginning after December 15, 2020. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2019.
- Statement No. 90, *Accounting and Financial Reporting for Majority Equity Interests* – The primary objective is to improve consistency and comparability when a government has a majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Effective date: Periods beginning after December 15, 2018. Periods beginning after December 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2019.
- Statement No. 91, *Conduit Debt Obligations* – The primary objective is to provide a single method of reporting conduit debt obligations by issuers associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Effective date: Periods beginning after December 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was December 15, 2020.
- Statement No. 92, *Omnibus 2020* – The primary objective is to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including (1) effective date of Statement No 87, *Leases* for interim financial reports (2) Reporting of intra-entity transfers between primary government employer and a component unit

Hamburg Area School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2020

defined benefit pension plan or defined benefit OPEB plan (3) Applicability of certain requirements of Statement No 84 (4) Measurement of liabilities related to AROs (5) Reporting risk pools for amounts that are recoverable from reinsurers or excess insurers (6) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (7) Terminology used to refer to derivative instruments. Effective date: Periods beginning after June 15, 2021. The original effective date was June 15, 2020.

- Statement No. 93, *Replacement of Interbank Offered Rates* – The primary objective of this Statement is to address the issue the London Interbank Offered Rate (LIBOR) is being replaced with an interbank offered rate (IBOR). Effective date: Periods beginning after June 15, 2021. Implementation of this standard was postponed 12 months with Statement No 95. The original effective date was June 15, 2021.

- Statement No. 94, *PPP's* – The primary objective of this Statement is to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). A PPP is defined in which (1) the operator collects and is compensated by fees from third parties: (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services: and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Effective date: Periods beginning after June 15, 2022.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.1225%	0.1244%	0.1240%	0.1211%	0.1213%	0.1252%
District's proportionate share of the net pension liability (asset)	\$ 57,309,000	\$ 59,718,000	\$ 61,242,000	\$ 60,013,000	\$ 52,542,000	\$ 49,548,102
District's covered employee payroll	17,285,752	16,903,947	16,186,878	16,515,232	15,752,617	15,666,583
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	331.54%	353.28%	378.34%	363.38%	333.54%	316.27%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
Contractually required contribution	\$ 5,782,084	\$ 5,510,687	\$ 5,137,715	\$ 4,822,448	\$ 3,938,150	\$ 3,211,649	\$ 2,645,068	\$ 1,921,058	\$ 1,328,416	\$ 865,781
Contributions in relation to the contractually required contribution	<u>5,782,084</u>	<u>5,510,687</u>	<u>5,137,715</u>	<u>4,822,448</u>	<u>3,938,150</u>	<u>3,211,649</u>	<u>2,645,068</u>	<u>1,921,058</u>	<u>1,328,416</u>	<u>865,781</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
District's covered employee payroll	\$ 17,285,752	\$ 16,903,947	\$ 16,186,878	\$ 16,515,232	\$ 15,752,617	\$ 15,666,583	\$ 16,531,675	\$ 16,704,852	\$ 16,605,200	\$ 17,315,620
Contributions as a percentage of covered employee payroll	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total Defined Contribution Pension Liability - beginning	\$ 256,845	\$ 251,901	\$ 274,441
Service Cost	16,103	14,783	17,825
Interest	7,813	8,015	6,622
Changes in Benefit Terms	-	-	(47,658)
Difference between expected and actual experience	12,343	-	28,435
Changes in assumptions	(4,519)	1,766	(10,679)
Benefit payments	(19,882)	(19,620)	(17,085)
Net change in total Pension Liability	<u>11,858</u>	<u>4,944</u>	<u>(22,540)</u>
Total Defined Contribution Pension Liability - ending	<u>\$ 268,703</u>	<u>\$ 256,845</u>	<u>\$ 251,901</u>
Interest Rate	3.36%	2.98%	3.13%
Plan Members	291	298	298
Covered Payroll	\$ 15,821,666	\$ 15,990,231	\$ 15,990,231

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2019-20</u>		<u>2018-19</u>		<u>2017-18</u>
District's proportionate share of the net defined contribution pension liability (asset)	\$ 268,703	\$	256,845	\$	251,901
District's covered employee payroll	\$ 15,821,666	\$	15,990,231	\$	15,990,231
District's proportionate share of the net defined contribution pension liability (asset) as a percentage of its covered employee payroll	1.70%		1.61%		1.58%

**HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.1225%	0.1244%	0.1240%	0.1211%
District's proportionate share of the net OPEB liability (asset)	\$ 2,605,000	\$ 2,594,000	\$ 2,526,000	\$ 2,608,000
District's covered-employee payroll	17,285,752	16,903,947	16,186,878	16,515,232
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	15.07%	15.35%	15.61%	15.79%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.73%	5.47%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
Contractually required contribution	\$ 145,200	\$ 140,303	\$ 134,351	\$ 137,076	\$ 132,322	\$ 141,000	\$ 153,746	\$ 143,660	\$ 107,932	\$ 110,821
Contributions in relation to the contractually required contribution	<u>145,200</u>	<u>140,303</u>	<u>134,351</u>	<u>137,076</u>	<u>132,322</u>	<u>141,000</u>	<u>153,746</u>	<u>143,660</u>	<u>107,932</u>	<u>110,821</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 17,285,752	\$ 16,903,947	\$ 16,186,878	\$ 16,515,232	\$ 15,752,617	\$ 15,666,583	\$ 16,531,675	\$ 16,704,852	\$ 16,605,200	\$ 17,315,620
Contributions as a percentage of covered employee payroll	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%	0.86%	0.65%	0.64%

HAMBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SINGLE EMPLOYER HEALTH INSURANCE PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability			
Service Cost	\$ 216,815	\$ 201,735	\$ 178,873
Interest	93,559	92,506	67,324
Changes in Benefit Terms	(150,203)	-	57,876
Difference between expected and actual experience	(297,544)	-	(45,427)
Changes in assumptions	(135,069)	4,258	114,981
Benefit payments	(127,961)	(131,247)	(160,784)
Net change in total OPEB Liability	(400,403)	167,252	212,843
Total OPEB Liability - beginning	<u>2,992,075</u>	<u>2,824,823</u>	<u>2,611,980</u>
Total OPEB Liability - ending	<u>\$ 2,591,672</u>	<u>\$ 2,992,075</u>	<u>\$ 2,824,823</u>
Covered employee payroll	<u>\$ 15,821,666</u>	<u>\$ 15,990,231</u>	<u>\$ 15,990,231</u>
Total OPEB Liability as a percentage of covered employee payroll	16.38%	18.71%	17.67%

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2020**

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

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

Methods and assumptions used in calculations of actuarially determined contributions

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

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

Proportionate Share of the Net Pension Liability

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

Other Post-Employment Benefits – Teachers Health Insurance Assistance

Changes of benefit terms

None

Changes in assumptions

- The discount rate used to measure the Total OPEB liability decreased from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019.

Methods and assumptions used in calculations of actuarially determined contributions

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

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2020**

- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 5.0%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of July 1, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-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.

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Proportionate Share of the Net OPEB Liability

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

Other Post-Employment Benefits – Single Employer Healthcare Plan

Changes of benefit terms

No changes this year.

Changes in assumptions

The discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Methods and assumptions used in calculations of actuarially determined contributions

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 3.50% to 5.25%

**Hamburg Area School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2020**

- Healthcare cost trend rate – 6.0% in 2018, and 5.5% in 2019 to 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Asset Valuation Method – Equal to the Market Value of Assets
- Discount Rate – The rate of 3.36% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2019.

**OTHER
SUPPLEMENTAL INFORMATION**

Hamburg Area School District
Combining Balance Sheet
All Non-Major Governmental Funds
As of June 30, 2020

	<u>DEBT SERVICE STABILIZATION FUND</u>	<u>GON SERIES 2019 BOND FUND</u>	<u>GOB SERIES 2020 BOND FUND</u>	<u>GOB SERIES 2020A BOND FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 436,830	\$ -	\$ -	\$ -	\$ 436,830
Investments	-	-	-	-	-
Other Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
Receivables from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
TOTAL ASSETS	\$ 436,830	\$ -	\$ -	\$ -	\$ 436,830
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Charges on Refundings, net	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 436,830	\$ -	\$ -	\$ -	\$ 436,830
<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	436,830	-	-	-	436,830
TOTAL FUND BALANCES	436,830	-	-	-	436,830
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 436,830	\$ -	\$ -	\$ -	\$ 436,830

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, 2020

	DEBT SERVICE STABILIZATION FUND	GON SERIES 2019 BOND FUND	GOB SERIES 2020 BOND FUND	GOB SERIES 2020A BOND FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES					
Local Sources	\$ 3,076	\$ -	\$ -	\$ -	\$ 3,076
State Sources	-	-	-	-	-
Federal Sources	-	-	-	-	-
TOTAL REVENUES	<u>3,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,076</u>
	-----	-----	-----	-----	-----
EXPENDITURES					
Instruction	-	-	-	-	-
Support Services	-	327,258	179,628	171,663	678,549
Operation of Non-Instructional Services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	5,374	4,867	4,959	15,200
TOTAL EXPENDITURES	<u>-</u>	<u>332,632</u>	<u>184,495</u>	<u>176,622</u>	<u>693,749</u>
	-----	-----	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,076</u>	<u>(332,632)</u>	<u>(184,495)</u>	<u>(176,622)</u>	<u>(690,673)</u>
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OTHER FINANCING SOURCES (USES)					
Proceeds of long-term capital-related debt	-	22,210,000	9,960,000	9,095,000	41,265,000
Proceeds from Refunding Bond Issues	-	(25,213,229)	(10,058,177)	(9,647,927)	(44,919,333)
Bond Premium	-	3,335,861	282,672	729,549	4,348,082
Bond Discount	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-
Sale/Compensation for Fixed Assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	<u>-</u>	<u>332,632</u>	<u>184,495</u>	<u>176,622</u>	<u>693,749</u>
	-----	-----	-----	-----	-----
NET CHANGE IN FUND BALANCES	3,076	-	-	-	3,076
FUND BALANCES - BEGINNING	<u>433,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,754</u>
	-----	-----	-----	-----	-----
FUND BALANCES - ENDING	<u>\$ 436,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,830</u>
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**Hamburg Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2020**

	HAMBURG BOROUGH	PERRY TOWNSHIP	SHOEMAKERSVILLE BOROUGH	TILDEN TOWNSHIP	UPPER BERN TOWNSHIP	UPPER TULPEHOCKEN TOWNSHIP	WINDSOR TOWNSHIP	TOTAL
<u>CURRENT REAL ESTATE TAXES</u>								
Assessed Value	\$ 172,694,700	\$ 151,899,300	\$ 47,242,100	\$ 219,210,100	\$ 94,928,700	\$ 86,713,200	\$ 127,887,100	\$ 900,575,200
Millage Rate	<u>0.02696</u>	<u>0.02696</u>	<u>0.02696</u>	<u>0.02696</u>	<u>0.02696</u>	<u>0.02696</u>	<u>0.02696</u>	<u>0.02696</u>
TOTAL	4,655,856	4,095,206	1,273,648	5,909,906	2,559,278	2,337,789	3,447,835	24,279,518
Less: Act 1 Reduction	<u>158,895</u>	<u>132,898</u>	<u>50,795</u>	<u>167,367</u>	<u>94,344</u>	<u>91,965</u>	<u>134,634</u>	<u>830,898</u>
TOTAL TAXABLE DUPLICATE	4,496,961	3,962,308	1,222,853	5,742,539	2,464,934	2,245,824	3,313,201	23,448,620
Plus - Additions	12,958	1,127	-	-	38,057	60,136	1,927	114,205
Prior Year Unpaid Additions	-	-	-	-	6,096	-	3,782	9,878
Penalties	<u>14,650</u>	<u>9,892</u>	<u>1,722</u>	<u>7,554</u>	<u>-</u>	<u>14,359</u>	<u>7,622</u>	<u>55,799</u>
TOTAL TAXES TO BE COLLECTED	4,524,569	3,973,327	1,224,575	5,750,093	2,509,087	2,320,319	3,326,532	23,628,502
Less - Discounts	75,290	69,649	20,662	97,707	41,397	36,545	57,814	399,064
Reductions	-	-	-	-	-	-	-	-
Exemptions	-	1,469	1,666	-	30,697	-	-	33,832
Refunds	11,245	814	-	92	-	9,352	445	21,948
Returned to County	200,664	59,998	28,545	255,484	88,945	62,751	71,232	767,619
Cabela's / Grand Street	29,140	-	-	656,608	-	-	-	685,748
Outstanding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,652</u>	<u>-</u>	<u>-</u>	<u>32,652</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 4,208,230</u>	<u>\$ 3,841,397</u>	<u>\$ 1,173,702</u>	<u>\$ 4,740,202</u>	<u>\$ 2,315,396</u>	<u>\$ 2,211,671</u>	<u>\$ 3,197,041</u>	<u>\$ 21,687,639</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 2,074</u>	<u>\$ 948,809</u>	<u>\$ 1,090</u>	<u>\$ 9,436</u>	<u>\$ 2,028</u>	<u>\$ 4,029</u>	<u>\$ 14,101</u>	<u>\$ 981,567</u>
<u>CURRENT PER CAPITA TAXES</u>								
No. of Persons Assessed	2,987	1,760	868	2,427	1,263	1,372	1,805	12,482
Tax Rate	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
Taxable Valuation	29,870	17,600	8,680	24,270	12,630	13,720	18,050	124,820
Plus - Additions	460	210	250	250	170	170	240	1,750
Penalties	<u>168</u>	<u>69</u>	<u>54</u>	<u>179</u>	<u>38</u>	<u>115</u>	<u>61</u>	<u>684</u>
TAXES TO BE COLLECTED	30,498	17,879	8,984	24,699	12,838	14,005	18,351	127,254
Less - Discounts	327	247	97	303	169	179	251	1,573
Exonerations	2,520	850	620	1,350	730	710	760	7,540
Refunds	-	-	-	-	-	-	-	-
Outstanding	7,040	2,560	1,830	3,950	1,870	1,540	2,630	21,420
Reductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CURRENT PER CAPITA TAXES COLLECTED	<u>\$ 20,611</u>	<u>\$ 14,222</u>	<u>\$ 6,437</u>	<u>\$ 19,096</u>	<u>\$ 10,069</u>	<u>\$ 11,576</u>	<u>\$ 14,710</u>	<u>\$ 96,721</u>

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020**

<u>6000 - Revenue from Local Services</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111	Current Real Estate Taxes	\$ 21,781,233	\$ 21,687,640	\$ (93,593)
6112	Interim Real Estate Taxes	75,000	981,567	906,567
6113	Public Utility	24,647	22,990	(1,657)
6114	Payment in Lieu of Taxes	10,018	11,770	1,752
6120	Current Per Capita Taxes - 511	51,000	48,361	(2,639)
6141	Current Per Capita Taxes - 679	51,000	48,361	(2,639)
6151	Earned Income Tax	2,300,000	2,143,073	(156,927)
6153	Real Estate Transfer Tax	275,000	803,883	528,883
6411	Delinquent Real Estate Taxes	750,000	843,092	93,092
6420	Delinquent per Capita Taxes, Section 679	-	8,727	8,727
6441	Delinquent Act 511 Per Capita Taxes	-	8,727	8,727
6510	Interest	550,000	515,223	(34,777)
6700	Revenues From Student Activities	-	-	-
6710	Admissions	83,200	49,932	(33,268)
6711	Tournament Fees	-	15,150	15,150
6712	Playoff Fees	-	-	-
6740	Fees	-	8,755	8,755
6821	State Revenue Received From Other PA Public School	-	-	-
6831	Federal Revenue Received From Other Pennsylvania Schools	-	-	-
6832	I/U Services - Federal	320,734	344,001	23,267
6836	Federal ARRA Race to the Top	-	-	-
6910	Rentals	85,000	69,015	(15,985)
6920	Contributions	15,000	26,882	11,882
6940	Tuition Fom Patrons	500	-	(500)
6961	Transportation Services Provided Other PA Schools	-	-	-
6990	Miscellaneous	28,767	3,487	(25,280)
6991	Refunds of Prior Yr. Expenditures	-	22,892	22,892
6992	Energy Efficiency Revenue	-	-	-
TOTAL REVENUE FROM LOCAL SOURCES		\$ 26,401,099	\$ 27,663,528	\$ 1,262,429
<u>7000 - Revenue from State Sources</u>				
7111	Basic Subsidy - Formula	7,357,285	7,013,742	(343,543)
7112	Basic Subsidy - Social Security	-	660,111	660,111
7160	Orphan Tuition	88,625	118,759	30,134
7271	Special Education	1,521,777	1,517,653	(4,124)
7299	Program revenues not listed previously in the 7200	-	-	-
7311	Transportation (Regular and Additional)	950,000	957,881	7,881
7312	Transportation (Nonpublic and Charter School)	-	22,715	22,715
7320	Rentals	399,556	394,580	(4,976)
7330	Health Services	39,000	39,358	358
7340	State Property Tax Reduction Allocation	830,861	830,861	-
7361	School Safety and Security Grants	-	54,411	54,411
7505	Ready to Learn Grant	-	338,158	338,158
7810	State Share of Social Security and Medicare Taxes	683,498	-	(683,498)
7820	State Share of Retirement Contributions	3,063,680	2,955,702	(107,978)
TOTAL REVENUE FROM STATE SOURCES		\$ 14,934,282	\$ 14,903,931	\$ (30,351)
<u>8000 - Revenue from Federal Sources</u>				
8514	Title I	523,893	482,045	(41,848)
8515	Title II	75,723	65,664	(10,059)
8517	Title IV	40,925	39,172	(1,753)
8749	Other CARES Act Funding	-	30,830	30,830
8810	Medical Assistance Reimbursements (Access)	100,000	3,975	(96,025)
8690	Other Restricted Federal Grants-In-Aid	-	-	-
TOTAL REVENUE FROM FEDERAL SOURCES		\$ 740,541	\$ 621,686	\$ (118,855)

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
9000 - Other Financing Sources			
9200	-	-	-
9310	-	-	-
9400	500	3,407	2,907
9990	-	-	-
	<u>\$ 500</u>	<u>\$ 3,407</u>	<u>\$ 2,907</u>
TOTAL OTHER FINANCING SOURCES			
	<u>\$ 500</u>	<u>\$ 3,407</u>	<u>\$ 2,907</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES			
	<u>\$ 42,076,422</u>	<u>\$ 43,192,552</u>	<u>\$ 1,116,130</u>
1000 - Instruction			
1110	16,339,149	16,238,827	100,322
1190	829,735	578,715	251,020
1211	712,693	711,766	927
1212	-	-	-
1221	186,308	162,200	24,108
1224	103,000	96,091	6,909
1225	398,817	398,609	208
1231	1,147,270	1,105,160	42,110
1233	1,413,513	1,252,352	161,161
1241	3,043,350	2,929,803	113,547
1243	128,825	128,618	207
1260	38,500	36,810	1,690
1270	63,988	58,196	5,792
1280	16,200	15,079	1,121
1290	36,500	36,424	76
1310	16,000	14,417	1,583
1380	9,400	-	9,400
1390	831,798	831,798	-
1420	2,500	2,461	39
1430	4,700	4,598	102
1441	-	-	-
1442	53,200	52,796	404
1450	-	-	-
1500	1,500	-	1,500
1690	-	-	-
1700	10,200	10,170	30
	<u>25,387,146</u>	<u>24,664,890</u>	<u>722,256</u>
2000 - Support Services			
2111	253,652	237,225	16,427
2120	960,276	959,277	999
2122	102,699	102,276	423
2124	-	-	-
2140	256,297	200,516	55,781
2160	199,339	104,083	95,256
2170	-	-	-
2190	68,482	25,035	43,447
2220	115,347	110,996	4,351
2240	-	-	-
2250	702,524	643,532	58,992
2260	292,000	291,461	539
2270	-	-	-
2271	182,850	110,983	71,867
2280	3,000	-	3,000
2310	105,851	105,747	104
2320	250	236	14
2330	122,357	116,571	5,786
	<u>3,364,924</u>	<u>3,007,938</u>	<u>356,986</u>
Sub - Total Support Services			

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sub - Total Support Services (carried forward)	3,364,924	3,007,938	356,986
2350 Legal Services	20,000	15,295	4,705
2360 Office of the Superintendent Services	422,226	405,372	16,854
2380 Office of the Principal Services	1,441,226	1,343,715	97,511
2420 Medical Services	2,000	1,000	1,000
2430 Dental Services	700	322	378
2440 Nursing Services	495,133	489,865	5,268
2511 Supervision of Fiscal Services	228,114	186,534	41,580
2519 Other Fiscal Services	394,389	369,700	24,689
2530 Warehousing and Distributing Services	-	-	-
2590 Other Support Services - Business	9,000	7,984	1,016
2610 Supervision of Operation and Maint. of Plant Svcs.	-	-	-
2611 Supervision of Operation and Maint. of Plant Svcs.- Head	295,074	283,232	11,842
2620 Operation of Building Services	3,256,782	3,155,842	100,940
2630 Care and Upkeep of Grounds Services	12,200	10,200	2,000
2640 Care and Upkeep of Equipment Services	19,300	19,127	173
2650 Vehicle Operation and Maint. Services	4,000	1,459	2,541
2660 Security Services	215,000	214,574	426
2710 Supervision of Student Transportation Services	-	-	-
2711 Supervision of Student Transportation Services - Head	111,903	111,570	333
2720 Vehicle Operation Services	1,736,500	1,499,370	237,130
2750 Non-Public Transportation	195,000	144,478	50,522
2811 Supervision of Planning, Research and Development	6,500	-	6,500
2818 System-Wide Technology Services	1,099,999	1,089,829	10,170
2821 Supervision of Information Services	172,730	172,385	345
2834 Staff Development Services - Non-Instructional	57,500	57,350	150
2836 Staff Development Services - Non-Instructional	12,800	7,435	5,365
2900 Other Support Services	-	-	-
2910 Support services not listed elsewhere in the 2000	29,986	29,808	178
Total Support Services	13,602,986	12,624,384	978,602
<u>3000 - Operation of Non-Instructional Services</u>			
3210 School Sponsored Student Activities	67,072	48,903	18,169
3250 School Sponsored Athletics	756,503	697,375	59,128
3300 Community Services	35,000	29,327	5,673
Total Non-Instructional Services	858,575	775,605	82,970
<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>			
4200 Existing Site Improvement Services	5,400	5,400	-
4600 Existing Building Improvement Services	-	-	-
Total Facilities Acquisition, Construction and Improve. Svcs.	5,400	5,400	-
<u>5000 - Other Expenditures and Financing Uses</u>			
5110 Debt Service	3,858,228	3,751,215	107,013
5130 Refund of Prior Yr. Receipts	-	2,213	(2,213)
5230 Capital Projects Fund Transfers Out	-	641,386	(641,386)
5900 Budgetary Reserve	-	-	-
Total Other Expenditures and Financing Uses	3,858,228	4,394,814	(536,586)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 43,712,335	\$ 42,465,093	\$ 1,247,242

**Hamburg Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 42,076,422	\$ 43,192,552	\$ 1,116,130
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>43,712,335</u>	<u>42,465,093</u>	<u>1,247,242</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,635,913)	727,459	2,363,372
Special Items	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	(1,635,913)	727,459	2,363,372
FUND BALANCE - JULY 1, 2019	<u>13,275,761</u>	<u>13,979,500</u>	<u>703,739</u>
FUND BALANCE - JUNE 30, 2020	<u>\$ 11,639,848</u>	<u>\$ 14,706,959</u>	<u>\$ 3,067,111</u>

**Hamburg Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2020**

REVENUES

Lunches	\$ 414,749	
Special Functions	21,836	
Federal Subsidy	726,391	
Donated Commodities Received	111,468	
State Subsidy	38,892	
State Reimbursement - FICA & Retirement	108,097	
Other Food Service Revenue	-	
Capital Contributions	-	
Loss on Disposition of Fixed Assets	-	
Interest	3,964	
TOTAL REVENUES	3,964	\$ 1,425,397

COST OF GOODS SOLD

Inventory - July 1, 2019	41,997	
Food and Milk	385,017	
Donated Commodities	111,468	
Supplies	46,388	
LESS - Inventory - June 30, 2020	(49,677)	
TOTAL COST OF GOODS SOLD	(49,677)	535,193

GROSS PROFIT

890,204

EXPENSES

Salaries	519,922	
Benefits	336,585	
Professional Fees	2,285	
Travel	601	
Repairs	36,257	
Rentals	-	
Food Handling Costs	3,973	
Depreciation	13,404	
Purchased Services	8,359	
Uncapitalized Equipment	-	
Dues and Fees	1,345	
Other	-	
TOTAL EXPENSES	-	922,731

CHANGES IN FUND NET POSITION

(32,527)

FUND NET POSITION - BEGINNING

(959,733)

FUND NET POSITION - ENDING

\$ (992,260)

**Hamburg Area School District
Food Service Fund
Statement of Fund Net Position
As of June 30, 2020**

ASSETS

Cash and Cash Equivalents	\$	142,445
Due From Other Funds		103,859
Intergovernmental Receivables		202,623
Other Receivables		54
Inventory		
- Food		31,097
- Supplies		-
- Federal Commodities		18,580
Prepaid Expenses		-
Equipment (net of accum. Depreciation)		177,822

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Changes in Proportion		-
Deferred Outflows - Current Year Contributions		179,258
Deferred Outflows - Change in Assumptions		21,004
Deferred Outflows - Diff. in Projected vs Actual Contributions		618
Deferred Outflows - Diff. between Investment Earnings		7,048

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES **\$** 884,408

LIABILITIES

Accounts Payable	\$	293
Due to Other Funds		9,579
Accrued Salaries and Benefits		27,694
Compensated Absences		31,455
Prepayments from Students		29,036
Net OPEB Liability - Single Employer		73,440
Net OPEB Liability - Multiple Employer Plan		78,793
Net Defined Contribution Pension Liability		11,035
Net Pension Liability		1,577,407

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Difference in Investment Earnings		-
Deferred Inflows - Projected vs Actual Contributions		-
Deferred Inflows - Change in Proportion - NPL		2,934
Deferred Inflows - Diff. in Expected vs Actual Experience		35,002
		<u>1,876,668</u>

FUND NET POSITION (992,260)

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND NET POSITION** **\$** 884,408

**Hamburg Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019		\$ 3,797,771
REVENUES AND OTHER FINANCING SOURCES		
Interest	\$ 47,892	
Refund of Prior Year Expenditures	-	
Interfund Transfers In	641,386	689,278
TOTAL FUNDS AVAILABLE		4,487,049
EXPENDITURES		
INSTRUCTIONAL SERVICES:		
General Supplies	-	
Equipment	-	
SUPPORT SERVICES:		
Professional Services	-	
Misc. Purchased Services	-	
Repairs & Maintenance	145,610	
General Supplies	-	
Equipment	10,275	
OPERATION OF NON-INSTRUCTION SERVICES		
Equipment	20,515	
CAPITAL OUTLAY:		
Professional Services	220,655	
Rentals	-	
Construction Services	1,640,988	
Land Purchases	-	
Supplies	-	
Repairs & Maintenance	33,700	
Equipment	-	
Dues and Fees	-	
OTHER FINANCING USES		
Interfund Transfers Out	-	2,071,743
FUND BALANCE - JUNE 30, 2020		\$ 2,415,306

**Hamburg Area School District
Debt Service Stabilization Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019		\$ 433,754
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ -	
Transfer from General Fund	-	
Interest	3,076	3,076
		3,076
TOTAL FUNDS AVAILABLE		436,830
<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, 2020		<u>\$ 436,830</u>

**Hamburg Area School District
GON Series 2019 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019		\$ -
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Proceeds from Refunding of Bonds	\$ 22,210,000	
Bond/Note Premiums	3,335,861	
Transfer from General Fund	-	
Interest	-	25,545,861
		25,545,861
TOTAL FUNDS AVAILABLE		25,545,861
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
SUPPORT SERVICES:		
Professional Services	327,258	
Insurance	-	
Printing	-	
DEBT SERVICE:		
Bond Principal	-	
Bond Interest	5,374	
OTHER FINANCING USES:		
Transfer to General Fund	-	
Payment to Refunded Bonds Escrow Agent	25,213,229	25,545,861
		25,545,861
FUND BALANCE - JUNE 30, 2020		<u>\$ -</u>

**Hamburg Area School District
 GOB Series 2020 Bond Fund
 Statement of Revenues and Expenditures
 For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019		\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Proceeds from Refunding of Bonds	\$ 9,960,000		
Bond/Note Premiums	282,672		
Transfer from General Fund	-		
Interest	-		10,242,672
			10,242,672
TOTAL FUNDS AVAILABLE			10,242,672
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
SUPPORT SERVICES:			
Professional Services	179,628		
Insurance	-		
Printing	-		
DEBT SERVICE:			
Bond Principal	-		
Bond Interest	4,867		
OTHER FINANCING USES:			
Transfer to General Fund	-		
Payment to Refunded Bonds Escrow Agent	10,058,177		10,242,672
			10,242,672
FUND BALANCE - JUNE 30, 2020		\$	-

**Hamburg Area School District
 GOB Series A of 2020 Bond Fund
 Statement of Revenues and Expenditures
 For the Year Ended June 30, 2020**

FUND BALANCE - JULY 1, 2019		\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Proceeds from Refunding of Bonds	\$ 9,095,000		
Bond/Note Premiums	729,549		
Transfer from General Fund	-		
Interest	-		9,824,549
			9,824,549
TOTAL FUNDS AVAILABLE			9,824,549
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
SUPPORT SERVICES:			
Professional Services	171,663		
Insurance	-		
Printing	-		
DEBT SERVICE:			
Bond Principal	-		
Bond Interest	4,959		
OTHER FINANCING USES:			
Transfer to General Fund	-		
Payment to Refunded Bonds Escrow Agent	9,647,927		9,824,549
			9,824,549
FUND BALANCE - JUNE 30, 2020		\$	-

Hamburg Area School District
Schedule on General Obligation Notes
Series of 2019
For the Year Ended June 30, 2020

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	5.00	\$ 1,001,000	\$ 1,955,000
2021-22	5.00	903,250	2,170,000
2022-23	5.00	794,750	2,235,000
2023-24	5.00	683,000	5,000
2024-25	5.00	682,750	5,000
2025-26	5.00	682,500	2,630,000
2026-27	5.00	551,000	1,765,000
2027-28	5.00	462,750	530,000
2028-29	5.00	436,250	3,065,000
2029-30	5.00	283,000	5,000
2030-31	5.00	282,750	3,535,000
2031-32	4.00	106,000	2,650,000
TOTAL OUTSTANDING		\$ 6,869,000	\$ 20,550,000

Schedule on General Obligation Bonds
Series of 2020
For the Year Ended June 30, 2020

<u>FISCAL YEAR</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2020-21	1.35	\$ 283,501	115,000
2021-22	1.35	281,949	115,000
2022-23	1.45	280,281	125,000
2023-24	1.50	278,406	115,000
2024-25	2.00	276,106	120,000
2025-26	2.00	273,706	125,000
2026-27	2.00	271,206	125,000
2027-28	2.13	268,706	135,000
2028-29	2.25	265,838	135,000
2029-30	3.00	262,800	3,545,000
2030-31	3.00	156,450	70,000
2031-32	3.00	154,350	1,135,000
2032-33	3.00	120,300	4,010,000
TOTAL OUTSTANDING		\$ 3,173,599	\$ 9,870,000

Hamburg Area School District
Schedule on General Obligation Bonds
Series A of 2020
For the Year Ended June 30, 2020

FISCAL YEAR	INTEREST RATE	INTEREST	PRINCIPAL
2020-21	1.50	\$ 302,800	\$ 100,000
2021-22	1.50	301,300	105,000
2022-23	1.50	299,725	105,000
2023-24	2.00-4.00	298,150	2,505,000
2024-25	2.00-4.00	204,450	2,605,000
2025-26	3.00	104,250	30,000
2026-27	3.00	103,350	1,025,000
2027-28	3.00	72,600	2,420,000
TOTAL OUTSTANDING		\$ 1,686,625	\$ 8,895,000

SINGLE AUDIT SECTION

**Hamburg Area School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2020**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/19	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/20	FOOTNOTES
U.S. DEPARTMENT OF TREASURY											
PASSED THROUGH THE PA COMMISSION ON CRIME & DELINQUENCY											
COVID-19 CORONAVIRUS RELIEF FUND	I	21.019	2020-CS-01-33576	3/1/20-10/30/20	\$ 205,405	-	-	30,830	30,830	30,830	2
TOTAL U.S. DEPARTMENT OF TREASURY						-	-	30,830	30,830	30,830	
U. S. DEPARTMENT OF EDUCATION											
PASSED THROUGH PA DEPARTMENT OF EDUCATION											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-19-0178A	7/1/18-9/30/19	\$ 523,376	244,081	111,460	132,621	132,621	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-20-0178A	7/1/19-9/30/20	\$ 442,852	190,109	-	349,424	349,424	159,315	
TOTAL TITLE I PROGRAM						434,190	111,460	482,045	482,045	159,315	
PASSED THROUGH PA DEPARTMENT OF EDUCATION											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-19-0178A	7/1/18-9/30/19	\$ 75,476	-	-	-	-	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	020-20-0178A	7/1/19-9/30/20	\$ 65,664	23,659	-	65,664	65,664	42,005	
TOTAL TITLE II PROGRAM						23,659	-	65,664	65,664	42,005	
PASSED THROUGH PA DEPARTMENT OF EDUCATION											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	144-19-0178	7/1/18-9/30/19	\$ 40,925	16,370	15,094	-	-	(1,276)	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	144-20-0178	7/1/19-9/30/20	\$ 39,172	39,172	-	39,172	39,172	-	6
TOTAL TITLE IV PROGRAM						55,542	15,094	39,172	39,172	(1,276)	
PASSED THROUGH THE BERKS COUNTY I.U.											
IDEA	I	84.027	N/A	7/1/18-9/30/19	\$ 320,734	203,758	203,758	-	-	-	2
IDEA	I	84.027	N/A	7/1/19-9/30/20	\$ 336,001	226,113	-	336,001	336,001	109,888	1
IDEA - SECTION 619	I	84.173	N/A	7/1/18-9/30/19	\$ 3,703	-	-	-	-	-	1
IDEA - SECTION 619	I	84.173	N/A	7/1/19-9/30/20	\$ 8,000	8,000	-	8,000	8,000	-	1
TOTAL IDEA CLUSTER						437,871	203,758	344,001	344,001	109,888	
TOTAL U.S. DEPARTMENT OF EDUCATION						951,262	330,312	930,882	930,882	309,932	
U. S. DEPT. OF AGRICULTURE											
PASSED THROUGH THE PA. DEPT OF EDUCATION											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/18-6/30/19	N/A	68,444	68,444	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/19-6/30/20	N/A	436,893	-	556,208	556,208	119,315	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/18-6/30/19	N/A	1,580	1,580	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/19-6/30/20	N/A	-	-	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/18-6/30/19	N/A	7,631	7,631	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/19-6/30/20	N/A	94,754	-	170,183	170,183	75,429	
PASSED THROUGH THE PA DEPARTMENT OF AGRICULTURE											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/19-6/30/20	N/A	111,468	(25,290)	118,179	118,179	(18,579)	2
TOTAL CHILD NUTRITION CLUSTER						720,770	52,365	844,570	844,570	176,165	3,4
TOTAL U.S. DEPARTMENT OF AGRICULTURE						720,770	52,365	844,570	844,570	176,165	
TOTAL FEDERAL AWARDS						\$ 1,672,032	\$ 382,677	\$ 1,806,282	\$ 1,806,282	\$ 516,927	

SOURCE: D-DIRECT; I-INDIRECT

**Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2020**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Hamburg Area School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hamburg Area School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hamburg Area School District.

Note 2 - Significant Accounting Policies

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

Note 3 - Organization and Scope

The District recognized 2.2% of its total general fund revenue in federal awards and 59.3% of its total enterprise fund revenue.

Note 4 - Indirect Costs

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

Note 5 - Program Disclosure – Footnotes

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

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Commission on Crime & Delinquency	\$ 205,405	\$ 30,830
PA Department of Education	1,187,465	1,313,272
Berks County I.U.	668,438	344,001
PA Department of Agriculture	N/A	118,179
Totals	\$ 2,061,308	\$ 1,806,282

3. The District received non-monetary assistance from the U.S. Department of Agriculture, of \$111,468 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2019-20 fiscal year, the District used \$118,179 in commodities and established a year-end inventory of \$18,579 at June 30, 2020.

**Hamburg Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the year Ended June 30, 2020**

4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used versus the commodities received, which are recognized as revenue in the basic financial statements.
5. The Medical Access grant passed through the PA Department of Education is reflected as federal source revenue on the basic financial statements; however pursuant to instructions from the commonwealth of PA, it is not reported as revenue on the Schedule of Expenditures of Federal Awards.
6. Of the \$1,276 reported in the Accrued or (Deferred) column at June 30, 2020, \$1,276 resulted in an overpayment by the Pennsylvania Department of Education (PDE) for the Title IV program. This amount was owed back to PDE as of June 30, 2020.

FINANCIAL STATEMENT RECONCILIATION	
General Fund Federal Source Revenues	\$ 621,686
Federal Grants in Local Sources	344,001
Food Service Fund Federal Revenue	837,859
Total Federal Revenue, per financial statements	1,803,546
Less - Medical Access	(3,975)
Less - Transportation Access	-
Change in Donated Commodities	6,711
Federal Revenue on SEFA	\$ 1,806,282



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2020, and the related notes to the financial statements, which collectively comprise Hamburg Area School District's basic financial statements, and have issued our report thereon dated November 12, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



November 12, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE 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, 2020. 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, 2020.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



November 12, 2020

**Hamburg Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

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 26.7%

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, 2020**

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.