

BOROUGH OF GETTYSBURG

FINANCIAL
REPORT

DECEMBER 31, 2006

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Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Borough Council
Borough of Gettysburg
Gettysburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Gettysburg, Pennsylvania as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements of the Borough's primary government as listed in the table of contents. These financial statements are the responsibility of the Borough's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not included the Pension Trust Fund of the Municipal Authority (blended component unit) in the financial statements. Accounting principles generally accepted in the United States of America require the Municipal Authority Pension Trust Fund to be presented as aggregate remaining fund information. The amount by which this departure would affect the aggregate remaining fund information has not been determined.

In our opinion, except for the effects of the omission of the Municipal Authority's Pension Trust Fund, as discussed above, the aggregate remaining fund information referred to above presents fairly, in all material respects, the financial position of the aggregate remaining fund information of the Borough of Gettysburg as of December 31, 2006, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, 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, and each major fund of the Borough of Gettysburg, Pennsylvania as of December 31, 2006 and the respective changes in its financial position, and where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 to 9, the historical pension information on page 45, and the general fund budgetary comparison schedule on pages 46 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and express no opinion on it.



Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

To the Borough Council
Borough of Gettysburg

The Borough of Gettysburg has not presented the historical pension information for the Pension Trust Fund of the Municipal Authority (blended component unit). Accounting principles generally accepted in the United States has determined this is necessary to supplement, although not required to be part of, the basic financial statements.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
August 3, 2007

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006
UNAUDITED

As management of the Borough of Gettysburg, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Borough of Gettysburg for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets of the Borough of Gettysburg exceeded liabilities at December 31, 2006 by \$ 41,649,105. Of this amount \$ 7,518,657 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$ 7,435,932. Of this amount \$ 1,132,213 was associated with governmental activities and \$ 6,303,719 with business-type activities.
- At December 31, 2006, the governmental funds reported combined fund balances of \$ 1,345,291, of which \$ 485,316 was unreserved and is available for spending at the Borough of Gettysburg's discretion, \$ 6,011 reserved for inventory \$ 134,659 reserved for prepaid expenses, and \$ 719,305 for capital projects.
- Governmental fund balances increased \$ 916,195 during the year.

Overview of the Financial Statements

This discussion and analysis is to serve as an introduction to the Borough of Gettysburg's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Borough of Gettysburg's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 10 and 11 of this report.

- The Statement of Net Assets presents information on all of the Borough of Gettysburg's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Borough of Gettysburg is improving or deteriorating.
- The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.
- Government-wide financial statements distinguish functions of the Borough of Gettysburg that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The Borough of Gettysburg's governmental activities include Public Safety, Health and Welfare, Community Development, Highways, General Government, Culture and Recreation, Parking Facilities and Interest on Long-term Debt. The business-type activity of the Borough of Gettysburg is the water and sewer operations.

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Overview of the Financial Statements (Continued)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough of Gettysburg, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the Borough of Gettysburg can be divided into three categories: governmental funds, fiduciary funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the Borough of Gettysburg's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.
- The Borough of Gettysburg maintains six individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects Funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.
- The Borough of Gettysburg adopts an annual appropriated budget for all of the governmental funds except for the debt service fund. A budgetary comparison statement for the General and Small Community Funds has been provided to demonstrate compliance with this budget.
- The basic governmental fund financial statements can be found on pages 12 – 15 of the report.

Proprietary funds. The Borough of Gettysburg maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The Borough uses enterprise funds to account for its water and sewer operations.

Propriety funds provide the same type of information as the government-wide statements, only in more detail. The propriety fund financial statements provide separate information for the Water and Sewer funds since both are considered to be major funds of the Borough.

The basic propriety financial statements can be found on pages 16 - 18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Borough of Gettysburg's programs. The basic fiduciary fund financial statements can be found on pages 19 - 20 of this report.

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Overview of the Financial Statements (Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 44 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning funding progress for the Borough's employee pension obligations. Required supplementary information can be found on page 45 - 46 of this report.

Government-Wide Financial Analysis

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position.

In the case of the Borough of Gettysburg, assets exceeded liabilities by \$ 41,649,105 at the close of the most recent fiscal year. By far the largest portion of the Borough's net assets reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress,) less any related debt used to acquire those assets that are still outstanding.

The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BOROUGH OF GETTYSBURG'S NET ASSETS

	Governmental Activities		Business-type Activities	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 1,786,521	\$ 1,477,723	\$ 6,571,763	\$ 4,499,618
Capital assets and other assets	<u>9,578,846</u>	<u>8,977,086</u>	<u>35,933,883</u>	<u>32,432,153</u>
TOTAL ASSETS	11,365,367	10,454,809	42,505,646	36,931,771
Other liabilities	765,837	1,453,590	1,159,876	1,038,368
Long-term liabilities	<u>2,572,928</u>	<u>2,106,830</u>	<u>7,723,267</u>	<u>8,574,619</u>
TOTAL LIABILITIES	3,338,765	3,560,420	8,883,143	9,612,987
Net assets:				
Invested in capital assets, net of related debt	6,822,586	6,675,539	26,179,432	21,548,507
Restricted	6,177	5,983	1,122,253	1,477,299
Unrestricted	<u>1,197,839</u>	<u>212,867</u>	<u>6,320,818</u>	<u>4,292,978</u>
TOTAL NET ASSETS	<u>\$ 8,026,602</u>	<u>\$ 6,894,389</u>	<u>\$ 33,622,503</u>	<u>\$ 27,318,784</u>

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Changes in Net Assets

The following is a summary of the Borough of Gettysburg's changes in net assets:

	Governmental Activities		Business-Type Activities	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 1,310,507	\$ 1,148,319	\$ 5,115,066	\$ 3,733,766
Operating Grants and Contributions	395,629	395,685	0	0
Capital Grants and Contributions	898,736	1,276,628	5,406,884	96,500
General Revenues:				
Taxes:				
Property	1,661,234	1,373,631	0	0
Income	359,391	419,012	0	0
Real Estate Transfer	135,090	120,141	0	0
Emergency municipal services tax	327,752	240,584	0	0
Admission	149,483	93,827	0	0
Occupational and Per Capita	27,657	29,600	0	0
Hotel	30,000	30,000	0	0
Other	2,154	2,180	1,475	137,664
Interest and Investment Earnings	35,849	15,345	250,957	138,744
Miscellaneous	94,024	36,464	0	0
Transfer in (out)	100,162	57,922	(100,162)	(57,922)
Accrued EIT Refund	(118,752)	0	0	0
Gain (Loss) on Sale of Equipment	<u>293,073</u>	<u>0</u>	<u>(12,207)</u>	<u>0</u>
	5,701,789	5,239,338	10,662,013	4,048,752
Expenses:				
General Government	730,996	674,507	0	0
Public Safety	1,729,658	1,511,792	0	0
Health and Welfare	23,656	17,558	0	0
Highways and Parking Facilities	1,417,312	1,478,463	0	0
Culture and Recreation	352,817	342,965	0	0
Community Development	209,891	217,206	0	0
Interest on Long Term Debt	105,246	80,428	0	0
Water and Sewer	<u>0</u>	<u>0</u>	<u>4,358,294</u>	<u>4,167,793</u>
Total Expenses	4,569,576	4,322,919	4,358,294	4,167,793
Increase (Decrease) in Net Assets	1,132,213	(916,419)	6,303,719	(119,041)
Net Assets – Beginning	<u>6,894,389</u>	<u>5,977,970</u>	<u>27,318,784</u>	<u>27,437,825</u>
Net Assets – Ending	<u>\$ 8,026,602</u>	<u>\$ 6,894,389</u>	<u>\$ 33,622,503</u>	<u>\$ 27,318,784</u>

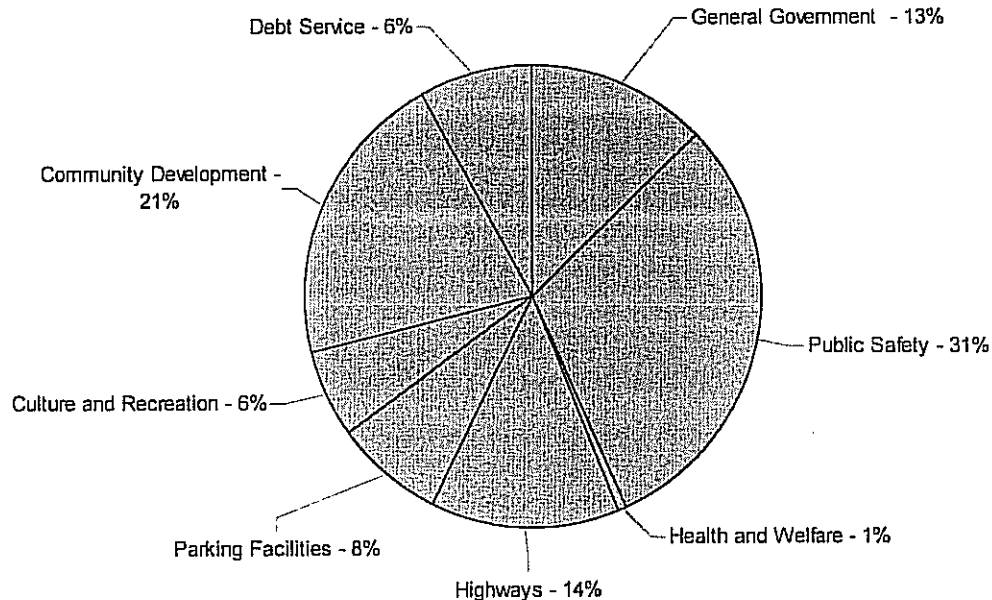
BOROUGH OF GETTYSBURG
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Financial Analysis of the Government's Funds

Governmental Funds - As noted earlier, the Borough of Gettysburg uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the Borough of Gettysburg's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The Borough of Gettysburg's governmental funds reported combined ending fund balances of \$ 1,345,291. Approximately 90% of this total amount (\$ 1,204,621) constitutes unreserved fund balance which is available for spending at the government's discretion, including \$ 719,305 of funds for capital projects. The remainder of the fund balance (\$ 140,670) is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expenses and fuel inventory.

The general fund is the primary operating fund of the Borough. During the year, revenues exceeded expenditures and other financing sources and uses (transfers in from other funds and proceeds from the sale of 34 East Middle Street) in the general fund by \$ 393,084.

The chart below illustrates the breakdown of governmental funds costs:



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Proprietary Funds – The Borough's proprietary fund statements provide the same type of information found in the government-wide financial statements, but with more detail.

Budgetary Highlights

The original budget was amended in October 2006 after a review of the actual 2006 revenues and expenditures and adjusting the original budget estimates to more closely relate to the actual. The net effect of the amendments increased revenues over expenditures by \$ 2,912.

During the year, general fund revenues exceeded budgeted revenues by about \$ 400,000 and general fund expenditures exceeded budgeted expenditures by about \$ 200,000. The excess revenues were mostly generated from taxes and licenses and permit categories and expenditure categories that represent the \$ 200,000 over budgeted expenditures primarily were generated in the general government and police departments.

Capital Asset Administration

The Borough of Gettysburg's investment in capital assets includes land, buildings and improvements, equipment, streets, storm sewer systems, lighting systems, and other infrastructure. This investment in capital assets as of December 31, 2006 was \$ 9,412,827 for governmental activities and \$ 34,764,530 for business-type activities (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 4,622,155 and deletions of \$ 3,646,077 in capital assets of governmental activities and business-type activity additions of \$ 6,391,035 and \$ 920,375 of deletions. The majority of activity for governmental activities resulted from the addition of \$ 312,590 in land improvements of bricking of borough sidewalks and the skate-park. The Authority has accepted \$ 5,406,884 of water and sewer lines and related infrastructure built at the Adams County Commerce Center during 2006. In addition the sanitary sewer maintenance project that was begun in 2005 was completed during the year adding \$ 833,298 (before depreciation) to the fixed assets.
- Depreciation expense of \$ 447,957 for governmental activities and \$ 1,636,776 for business-type activities was charged.

Comparative Capital Assets at December 31:

	Governmental Activities		Business-type Activities	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land and Improvements	\$ 335,671	\$ 23,081	\$ 103,782	\$ 103,782
Building and Improvements	9,141,912	5,983,180	23,399,945	22,626,970
Machinery and Equipment	1,505,923	1,486,048	0	0
Furniture and Fixtures	84,900	84,900	0	0
Collections	14,150	14,150	0	0
Construction in Progress	73,123	2,588,242	364,744	862,451
Infrastructure	<u>4,533,772</u>	<u>4,533,772</u>	<u>33,504,594</u>	<u>28,309,202</u>
Total Capital Assets	<u>\$ 15,689,451</u>	<u>\$ 14,713,373</u>	<u>\$ 57,373,065</u>	<u>\$ 51,902,405</u>

Additional information on capital assets can be found in Note 5 in the Notes to Financial Statements.

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Debt Administration

The Borough of Gettysburg had total outstanding bonded debt of \$ 10,300,425 and general obligation notes of \$ 922,014. All of these amounts are backed by the full faith and credit of the Borough of Gettysburg. The following is a comparative statement of outstanding debt:

	Governmental Activities		Business-type Activities	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bond	\$ 1,668,227	\$ 1,918,048	\$ 8,632,198	\$ 9,456,347
General Obligation Note	922,014	218,271	0	0
Loan Payable	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>0</u>
	\$ 2,590,241	\$ 2,186,319	\$ 8,632,198	\$ 9,456,347
Compensated Absences	<u>333,589</u>	<u>344,111</u>	<u>0</u>	<u>0</u>
Total Debt	<u>\$ 2,923,830</u>	<u>\$ 2,530,430</u>	<u>\$ 8,632,198</u>	<u>\$ 9,456,347</u>

During the year \$ 1,073,970 of bonded debt and \$ 98,271 of General Obligation Notes were retired. A general obligation note in the amount of \$ 802,014 was issued for capital projects. A net decrease of \$ 10,522 of accrued compensated absences was added.

The Borough of Gettysburg maintains a rating of "AAA" assigned by Standard and Poor's with the understanding that the debt is guaranteed by a financial guaranty insurance policy. As a borough, there are legal limitations on the amount of debt that can be outstanding. Additional information on the Borough of Gettysburg's long term debt can be found in Note 8 in the Notes to Financial Statements.

Economic Factors and Next Year's Budget

Assessed valuation has averaged .7% annual growth over the last four years and 1% over the last 10 years. The general fund budget for 2007 reflects a 4.7% percent increase in revenues and A 3.2% increase in expenses over the 2006 budget.

The Gettysburg Municipal Authority does not expect the budget for 2007 to be substantially different from 2006. Various capital projects for both the water and sewer funds appear in the 2007 budget as part of the overall operating budget.

Request for Information

This financial report is designed to provide a general overview of the Borough of Gettysburg's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Borough Manager, 59 East High Street, Gettysburg, PA 17325.

BOROUGH OF GETTYSBURG

STATEMENT OF NET ASSETS December 31, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 792,694	\$ 2,370,872	\$ 3,163,566
Investments	0	3,000,000	3,000,000
Taxes receivable, net	297,638	0	297,638
Accounts receivable - billed	516,387	743,981	1,260,368
Accounts receivable - unbilled	0	364,544	364,544
Internal balances	39,132	0	0 *
Inventories	6,011	52,756	58,767
Prepaid expenses	134,659	39,610	174,269
Total current assets	<u>1,786,521</u>	<u>6,571,763</u>	<u>8,319,152</u>
Noncurrent assets			
Restricted investments	6,177	1,117,502	1,123,679
Mortgages receivable, net of allowance for uncollectible accounts	96,000	0	96,000
Accrued interest receivable - restricted	22,423	4,751	27,174
Bond issue costs	41,419	47,100	88,519
Capital assets not being depreciated:			
Land	0	103,782	103,782
Construction in progress	73,123	364,744	437,867
Capital assets net of accumulated depreciation:			
Land improvements	314,923	0	314,923
Buildings and improvements	7,717,464	11,201,093	18,918,557
Machinery, equipment and furniture	299,184	23,094,911	23,394,095
Infrastructure	1,008,133	0	1,008,133
Total noncurrent assets	<u>9,578,846</u>	<u>35,933,883</u>	<u>45,512,729</u>
Total assets	<u>\$ 11,365,367</u>	<u>\$ 42,505,646</u>	<u>\$ 53,831,881</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 301,040	\$ 85,438	\$ 386,478
Internal balances	0	39,132	0 *
Accrued wages and withholdings	65,655	23,899	89,554
Accrued interest	36,470	20,012	56,482
Unearned revenues	11,770	7,346	19,116
Consumer deposits	0	75,118	75,118
Long-term liabilities: Due within one year			
Bonds and notes payable	300,944	908,931	1,209,875
Compensated absences	49,958	0	49,958
Total current liabilities	<u>765,837</u>	<u>1,159,876</u>	<u>1,886,581</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	2,289,297	7,723,267	10,012,564
Compensated absences	283,631	0	283,631
Total noncurrent liabilities	<u>2,572,928</u>	<u>7,723,267</u>	<u>10,296,195</u>
Total liabilities	<u>3,338,765</u>	<u>8,883,143</u>	<u>12,182,776</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,822,586	26,179,432	33,002,018
Restricted	6,177	1,122,253	1,128,430
Unrestricted	1,197,839	6,320,818	7,518,657
Total net assets	<u>8,026,602</u>	<u>33,622,503</u>	<u>41,649,105</u>
Total liabilities net assets	<u>\$ 11,365,367</u>	<u>\$ 42,505,646</u>	<u>\$ 53,831,881</u>

* -net of eliminations

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2006

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government						
Governmental activities						
General government	\$ 730,996	\$ 85,424	\$ 51,529	(\$ 576,754)	\$ 0	(\$ 576,754)
Public safety	1,729,658	284,123	135,206	(1,309,348)	0	(1,309,348)
Health and human services	23,656	0	0	(23,656)	0	(23,656)
Public works - highways	884,537	0	20,173	(737,305)	0	(737,305)
Public works - parking	532,775	859,383	12,492	339,100	0	339,100
Culture and recreation	352,817	67,177	0	(227,371)	0	(227,371)
Community development	209,891	14,400	176,229	675,876	0	675,876
Interest and amortization	105,246	0	0	(105,246)	0	(105,246)
Total governmental activities	4,569,576	1,310,507	395,629	(1,964,704)	0	(1,964,704)
Business-type activities						
Water	1,968,553	2,435,568	0	0	2,456,243	2,456,243
Sewer	2,389,741	2,679,498	0	0	3,707,413	3,707,413
Total business-type activities	4,358,294	5,115,066	0	0	6,163,656	6,163,656
Total primary government	\$ 8,927,870	\$ 6,425,573	\$ 395,629	(\$ 1,964,704)	\$ 6,163,656	\$ 4,198,952
General revenues and transfers:						
Taxes:						
Property taxes	\$ 1,661,234	\$ 0	\$ 0	\$ 1,661,234	\$ 0	\$ 1,661,234
Earned income tax	359,391	0	0	359,391	0	359,391
Real estate transfer tax	135,090	0	0	135,090	0	135,090
Emergency municipal services tax	327,752	0	0	327,752	0	327,752
Admission tax	149,483	0	0	149,483	0	149,483
Occupational and per capita taxes	27,657	0	0	27,657	0	27,657
Hotel taxes	30,000	0	0	30,000	0	30,000
Other taxes	2,154	0	0	2,154	0	2,154
Unrestricted investment earnings	35,849	0	0	35,849	250,957	286,806
Miscellaneous income	94,024	0	0	94,024	1,475	95,499
Gain (loss) on sale of assets	293,073	0	0	293,073	12,207	305,280
Extraordinary item - refund of earned income taxes	(118,952)	0	0	(118,952)	0	(118,952)
Transfers	100,162	0	0	100,162	0	100,162
Total general revenues and transfers	3,096,917	0	0	3,096,917	140,063	3,236,980
Change in net assets				1,132,213	6,303,719	7,435,932
Net assets - beginning (as restated)				6,894,389	27,318,784	34,213,173
Net assets - ending				\$ 8,026,602	\$ 33,622,503	\$ 41,649,105

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2006

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 323,956	\$ 349,023	\$ 119,715	\$ 792,694
Investments	0	0	6,177	6,177
Accounts and grants receivable	147,508	363,347	5,532	516,387
Taxes receivable, net	296,118	0	0	296,118
Due from other funds	49,094	20,576	122,000	191,670
Mortgages receivable, net of allowance	0	0	96,000	96,000
Accrued interest receivable, net of allowance	0	0	22,423	22,423
Inventories	6,011	0	0	6,011
Prepaid expenses	134,659	0	0	134,659
Total assets	<u>\$ 957,346</u>	<u>\$ 732,946</u>	<u>\$ 371,847</u>	<u>\$ 2,062,139</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 275,148	\$ 259	\$ 25,633	\$ 301,040
Due to other funds	122,178	6,498	23,862	152,538
Deferred revenue	163,423	6,884	27,308	197,615
Accrued wages, benefits and withholdings	65,655	0	0	65,655
Total liabilities	<u>626,404</u>	<u>13,641</u>	<u>76,803</u>	<u>716,848</u>
Fund balances				
Reserved for:				
Inventories	6,011	0	0	6,011
Prepaid expenses	134,659	0	0	134,659
Unreserved - undesignated:				
Debt service	0	0	2,654	2,654
Capital reserve	0	0	102,116	102,116
Highway aid	0	0	79,396	79,396
Special revenue	0	0	110,878	110,878
General fund	173,143	0	0	173,143
Capital projects	0	719,305	0	719,305
Unreserved - designated for self insurance	17,129	0	0	17,129
Total fund balances	<u>330,942</u>	<u>719,305</u>	<u>295,044</u>	<u>1,345,291</u>
Total liabilities and fund balances	<u>\$ 957,346</u>	<u>\$ 732,946</u>	<u>\$ 371,847</u>	<u>\$ 2,062,139</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2006**

Total fund balance - governmental funds \$ 1,345,291

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund balance sheet, but are reported in the governmental activities of the Statement of Net Assets. 9,412,827

Bond issue costs are not available to pay current period expenditures and therefore are not reported in the fund balance sheet, but are reported in the government activities of the Statement of Net Assets. 41,419

Taxes receivable and accrued interest receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the fund balance sheet. However, these are recorded as revenue and receivable when earned for the government-wide statements. 187,365

Some liabilities are not due and payable in the current period and are not included in the fund balance sheet, but are included in the governmental activities of the Statement of Net Assets.

Bonds and notes payable, net	(2,590,241)	
Accrued interest	(36,470)	
Compensated absences	(333,589)	
		(2,960,300)

Total net assets - governmental activities \$ 8,026,602

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2006

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,604,116	\$ 0	\$ 0	\$ 2,604,116
Licenses and permits	182,171	0	0	182,171
Fines and forfeits	293,191	0	0	293,191
Investment earnings	28,438	4,137	2,096	34,671
Rents	26,288	0	0	26,288
Intergovernmental	303,253	644,546	290,537	1,238,336
Charges for services	782,543	0	0	782,543
Donations	49,651	3,152	0	52,803
Refund of prior year expenditure	0	41,440	0	41,440
Miscellaneous	114,278	560	0	114,838
Total revenues	<u>4,383,929</u>	<u>693,835</u>	<u>292,633</u>	<u>5,370,397</u>
EXPENDITURES				
General government	703,337	0	3,444	706,781
Public safety	1,700,524	0	0	1,700,524
Health and human services	23,656	0	0	23,656
Highways	624,039	74,154	53,108	751,301
Parking	425,136	0	0	425,136
Culture and recreation	346,701	0	0	346,701
Community development	83,423	945,585	126,468	1,155,476
Debt service	424,138	18,713	0	442,851
Total expenditures	<u>4,330,954</u>	<u>1,038,452</u>	<u>183,020</u>	<u>5,552,426</u>
Excess (deficiency) of revenues over expenditures	<u>52,975</u>	<u>(344,617)</u>	<u>109,613</u>	<u>(182,029)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of assets	315,000	0	0	315,000
Issuance of long-term financing	0	802,014	0	802,014
Transfers in	144,061	0	0	144,061
Transfers out	0	0	(43,899)	(43,899)
Total other financing sources and uses	<u>459,061</u>	<u>802,014</u>	<u>(43,899)</u>	<u>1,217,176</u>
EXTRAORDINARY ITEM				
Refund of prior year revenues	<u>(118,952)</u>	<u>0</u>	<u>0</u>	<u>(118,952)</u>
Net change in fund balances	393,084	457,397	65,714	916,195
Fund balances (deficit) - beginning - as restated	<u>(62,142)</u>	<u>261,908</u>	<u>229,330</u>	<u>429,096</u>
Fund balances - ending	<u>\$ 330,942</u>	<u>\$ 719,305</u>	<u>\$ 295,044</u>	<u>\$ 1,345,291</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006**

Net change in fund balances - total governmental funds	\$	916,195
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays in the period.

Depreciation expense	(447,957)	
Capital outlays		<u>1,100,833</u>	
			652,876

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(21,927)

Because some taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the governmental funds. The difference in tax revenue is:

57,669

Governmental funds report bond and capital lease proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond and capital lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the difference between proceeds and repayments.

(448,743)

Governmental funds report bond issue costs, bond loss and discounts as expenditures. However, in the statement of activities, these costs are amortized over the life of the related bond. This is the amount of amortization expense for the current year.

(12,289)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest expense	(22,090)	
Compensated absences		13,876	
Vision benefits		<u>3,354</u>	
			(11,568)

Change in net assets - governmental activities	\$	<u><u>1,132,213</u></u>
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The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2006

	Water Fund	Sewer Fund	Total Proprietary Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,323,517	\$ 1,047,355	\$ 2,370,872
Investments	1,400,000	1,600,000	3,000,000
Accounts receivable (net of allowance for doubtful accounts of \$2,289 water and \$2,541 sewer)	344,870	333,110	677,980
Interest receivable	30,800	35,201	66,001
Due from other funds	112,826	0	0 *
Unbilled revenue	177,190	187,354	364,544
Inventories	48,549	4,207	52,756
Prepaid expenses	19,805	19,805	39,610
Total current assets	<u>3,457,557</u>	<u>3,227,032</u>	<u>6,571,763</u>
Noncurrent assets			
Restricted investments	530,245	587,257	1,117,502
Interest receivable - restricted investments	2,055	2,696	4,751
Bond issue costs (net of accumulated amortization of \$19,136 water and \$36,546 sewer)	16,187	30,913	47,100
Capital assets:			
Land	64,660	39,122	103,782
Buildings and infrastructure	7,550,134	13,659,362	21,209,496
Wells	1,414,738	0	1,414,738
Lift stations	0	775,711	775,711
Equipment and lines	12,854,448	20,650,146	33,504,594
Less accumulated depreciation	(7,878,945)	(14,729,590)	(22,608,535)
Construction in progress	172,613	192,131	364,744
Total capital assets	<u>14,177,648</u>	<u>20,586,882</u>	<u>34,764,530</u>
Total non current assets	<u>14,726,135</u>	<u>21,207,748</u>	<u>35,933,883</u>
Total assets	<u>\$ 18,183,692</u>	<u>\$ 24,434,780</u>	<u>\$ 42,505,646</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 54,385	\$ 31,053	\$ 85,438
Accrued interest	6,842	13,170	20,012
Accrued payroll and related liabilities	10,055	13,844	23,899
Unearned revenue	7,346	0	7,346
Consumer deposits	41,655	33,463	75,118
Due to other funds	0	151,958	39,132 *
Current portion of bonds payable	430,454	478,477	908,931
Total current liabilities	<u>550,737</u>	<u>721,965</u>	<u>1,159,876</u>
Noncurrent liabilities			
Bonds payable	4,985,424	2,737,843	7,723,267
Total non-current liabilities	<u>4,985,424</u>	<u>2,737,843</u>	<u>7,723,267</u>
Total liabilities	<u>5,536,161</u>	<u>3,459,808</u>	<u>8,883,143</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,777,957	17,401,475	26,179,432
Restricted	532,300	589,953	1,122,253
Unrestricted	3,337,274	2,983,544	6,320,818
Total net assets	<u>12,647,531</u>	<u>20,974,972</u>	<u>33,622,503</u>
Total liabilities and net assets	<u>\$ 18,183,692</u>	<u>\$ 24,434,780</u>	<u>\$ 42,505,646</u>

* net of eliminations

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2006

	Water Fund	Sewer Fund	Total Proprietary Funds
OPERATING REVENUES			
Service fees	\$ 1,764,416	\$ 1,699,216	\$ 3,463,632
Connection and reserve capacity fees	43,414	6,940	50,354
Miscellaneous income	1,226	249	1,475
Penalties	15,343	15,317	30,660
Hunterstown fees	0	163,079	163,079
Total operating revenues	<u>1,824,399</u>	<u>1,884,801</u>	<u>3,709,200</u>
OPERATING EXPENSES			
Collection system	0	118,738	118,738
Purification system	423,657	0	423,657
Pumping station	0	51,505	51,505
Distribution system	166,901	0	166,901
Disposal system	0	505,200	505,200
General operating	420,862	368,832	789,694
Professional fees	135,141	105,081	240,222
Depreciation and amortization	650,675	1,016,970	1,667,645
Hunterstown expenses	0	132,335	132,335
Total operating expenses	<u>1,797,236</u>	<u>2,298,661</u>	<u>4,095,897</u>
Operating income (loss)	<u>27,163</u>	<u>(413,860)</u>	<u>(386,697)</u>
NONOPERATING REVENUES (EXPENSES)			
Tapping fees	585,138	794,946	1,380,084
Interest income	131,277	119,680	250,957
Rental income	27,257	0	27,257
Realized and unrealized gains (losses) on investments	(5,255)	(6,952)	(12,207)
Interest expense	(216,343)	(137,088)	(353,431)
Trustee fees	(4,974)	(4,154)	(9,128)
Total nonoperating revenues (expenses)	<u>517,100</u>	<u>766,432</u>	<u>1,283,532</u>
Income (loss) before contributions and transfers	544,263	352,572	896,835
Capital contributions and grants	1,989,228	3,417,656	5,406,884
Transfers in	(1,738)	0	(1,738)
Transfers out	<u>0</u>	<u>1,738</u>	<u>1,738</u>
Change in net assets	2,531,753	3,771,966	6,303,719
Total net assets - beginning	<u>10,115,778</u>	<u>17,203,006</u>	<u>27,318,784</u>
Total net assets - ending	<u>\$ 12,647,531</u>	<u>\$ 20,974,972</u>	<u>\$ 33,622,503</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	Water Fund	Sewer Fund	Total Proprietary Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,733,128	\$ 1,850,706	\$ 3,583,834
Payments to suppliers	(666,003)	(743,431)	(1,409,434)
Payments to and on behalf of employees	(451,843)	(502,070)	(953,913)
Net cash provided (used) by operating activities	<u>615,282</u>	<u>605,205</u>	<u>1,220,487</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(174,021)	(252,457)	(426,478)
Grants received during the year	0	330,000	330,000
Proceeds from tap fees	510,102	728,823	1,238,925
Principal paid on capital debt	(395,000)	(465,000)	(860,000)
Interest and fiscal charges paid on capital debt	(209,856)	(126,644)	(336,500)
Net cash provided (used) by capital and related financing activities	<u>(268,775)</u>	<u>214,722</u>	<u>(54,053)</u>
Cash flows from non-capital financing activities:			
Sewer fund payment on behalf of water fund	282,903	(282,903)	0
Transfer between funds	(1,738)	1,738	0
Rental income and agent fees	22,283	(4,153)	18,130
Net cash provided (used) by non-capital financing activities	<u>303,448</u>	<u>(285,318)</u>	<u>18,130</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	630,843	630,267	1,261,110
Purchase of investments	(1,723,484)	(2,198,921)	(3,922,405)
Intergovernmental loan	152,460	169,755	322,215
Interest and dividends received	102,765	86,326	189,091
Net cash provided (used) by investing activities	<u>(837,416)</u>	<u>(1,312,573)</u>	<u>(2,149,989)</u>
Net increase in cash and cash equivalents	<u>(187,461)</u>	<u>(777,964)</u>	<u>(965,425)</u>
Cash and cash equivalents - beginning of the year	<u>1,510,978</u>	<u>1,825,319</u>	<u>3,336,297</u>
Cash and cash equivalents - end of the year	<u>\$ 1,323,517</u>	<u>\$ 1,047,355</u>	<u>\$ 2,370,872</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ 27,163	(\$ 413,860)	(\$ 386,697)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	650,675	1,016,970	1,667,645
Capitalized wages	(6,943)	0	(6,943)
Changes in assets and liabilities			
Accounts and other receivable	(86,136)	(67,558)	(153,694)
Inventories	2,247	(126)	2,121
Prepaid expenses	(526)	(526)	(1,052)
Accounts and other payable	29,440	31,454	60,894
Accrued payroll and other expenses	4,497	5,388	9,885
Deferred revenue and deposits	(5,135)	33,463	28,328
Net cash provided (used) by operating activities	<u>\$ 615,282</u>	<u>\$ 605,205</u>	<u>\$ 1,220,487</u>
Non-cash investing, capital and non-capital financing activities			
During the year, the Authority received donated assets as follows:	<u>\$ 1,989,228</u>	<u>\$ 3,087,656</u>	<u>\$ 5,076,884</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2006

	Pension Trust Funds	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$ 399,572	\$ 0
Investments	4,918,831	8,576
Accrued income	6,200	0
Total assets	<u>\$ 5,324,603</u>	<u>\$ 8,576</u>
NET ASSETS		
Held in trust for:		
Employees' pension benefits	\$ 5,324,603	\$ 0
Other purposes	<u>0</u>	<u>8,576</u>
Total net assets	<u>\$ 5,324,603</u>	<u>\$ 8,576</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF GETTYSBURG

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS For the Year Ended December 31, 2006

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions		
Employer	\$ 51,814	\$ 0
Employer - state	172,958	0
Total contributions	<u>224,772</u>	<u>0</u>
Investment earnings		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	329,296	0
Interest, dividends and other	<u>118,967</u>	<u>278</u>
Total investment income	448,263	278
Less investment expenses:		
Fiduciary fees	(26,691)	0
Total other additions	(26,691)	0
Total additions	<u>646,344</u>	<u>278</u>
Deductions		
Benefit payments	154,639	0
Administrative expense	26,397	0
Other services	<u>1,404</u>	<u>278</u>
Total deductions	<u>182,440</u>	<u>278</u>
Change in net assets held in trust for:		
Employees' pension benefits	463,904	0
Other purposes	0	0
Net assets - beginning	<u>4,860,699</u>	<u>8,576</u>
Net assets - ending	<u>\$ 5,324,603</u>	<u>\$ 8,576</u>

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The Borough of Gettysburg, Pennsylvania, operates under a strong council-weak mayor-manager form of government and provides the following services as authorized by the Borough Code: Public Safety – Police and Fire, Highways and Streets, Sanitation, Public Service, Health and Social Services, Culture – Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the Borough of Gettysburg, Pennsylvania, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Borough also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, to its government-wide and proprietary fund financial statements provided they do not conflict with or contradict GASB pronouncements. The government's more significant accounting policies are described below.

Reporting Entity

The GASB defines the criteria used to determine the composition of the reporting entity. It requires that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for the governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation in some manner for the debt of the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity.

Note 1. Summary of Significant Accounting Policies (Continued)

The following component unit meets the criteria for blending and is included within the reporting entity:

- The Gettysburg Municipal Authority (the "Authority") is governed by a board appointed by Borough Council. This board is substantially the same as the governing board of the Borough. The Authority owns the water and sewer plant which services almost entirely the Borough of Gettysburg.

In addition, on December 20, 2004, a management agreement between the Authority and the Borough was signed. The agreement provides for the Borough to manage and operate the Utility System and shall renew annually unless either party requests in writing to terminate the agreement on or before October 1 of each year. As a result of the blended presentation of this component unit, the Authority's water and sewer activities are shown as activities of the Borough for financial reporting purposes. Separate financial statements of the Authority are available at the Authority's Administrative office located at 59 East High Street, Gettysburg, Pennsylvania 17325.

Fund Accounting

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings/(deficit), revenue, and expenditures/expenses. The various funds of the primary government (including the blended component unit) are segregated into the categories of governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds are those through which most governmental functions of the Borough are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The Borough reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Borough. This fund is used to account for all financial transactions except those required to be accounted for in another fund. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

Currently the Borough is involved in the following capital projects:

1. The restoration of Baltimore/Railroad Street parking meters.
2. The construction of a fitness trail.
3. REEDI Project

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

The Borough reports the following non-major governmental funds:

Debt Service Fund – This fund is to be used to account for the payment of fiduciary fees on the general obligation bonds.

Capital Reserve Fund – This fund is used to set monies aside for future capital improvements.

Special Revenue Funds - These funds are used to account for proceeds of specific revenue sources used to finance specific activities as required by law or administrative regulation. The Borough has the following Special Revenue Funds:

- Small Communities Program Fund – The Small Communities Program Fund accounts for various federal and state grants used to provide funding for community development projects.
- Highway Aid Fund is used to account for state liquid fuels tax revenue used primarily for building, improving, and maintaining local roads and bridges.
- Company K Fund is used to account for financial resources to be used for the perpetual care and maintenance of the Company K Memorial Monument.

Proprietary Funds

The Borough has two enterprise funds consisting of the Water and Sewer Funds. These are the funds of the Gettysburg Municipal Authority, which is shown as a blended component unit. These funds are used to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges to the users of such services. The focus of proprietary funds is on the determination of net earnings and capital maintenance. An allowance for bad debts is deemed necessary by management for receivables of the proprietary funds, based on past experience, and a review of current receivables. The Water and Sewer Funds are major funds.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. The Borough has no investment trust funds or agency funds. Fiduciary Funds are not included in the government-wide financial statements.

The Borough maintains pension trust funds for the police and non-uniformed personnel. The Borough also maintains a private purpose trust fund - the Eichelberger-Stahle Trust Fund, which accounts for a charity fund in which yearly proceeds are to be distributed to the deserving poor of the Borough. The Gettysburg Municipal Authority maintains a defined benefit pension plan for the employees working for the water and sewer department. However, this pension trust fund is not included in these financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The Borough's public safety, health and welfare, highways, parking facilities, culture and recreation, community development, and general administrative services are classified as governmental activities. The statements distinguish between these activities of the Borough that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financials but differs from the manner in which governmental fund financials are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Borough, and for each function or program of the Borough's governmental activities. 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 for the goods or services offered by the program and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses and program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements – Fund financial statements report detailed information about the Borough. The focus of the governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The major fund concept does not apply to fiduciary funds and they are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenue, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Accrual

Government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

Modified Accrual

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as deferred revenue by the recipient.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

Investments

Investments and investment pools are reported at fair value, which is determined as follows:

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems and investments in external investment pools not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Unrealized appreciation or depreciation due to changes in fair values of such investments is recognized annually.

Note 1. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

For purposes of the statement of cash flows presented for proprietary funds, the Borough considers all highly-liquid debt investments, including restricted assets, with maturities of three months or less when purchased, to be cash equivalents.

Accounts Receivable and Concentration of Credit Risk

The Borough provides water and sewer service to customers within the Gettysburg area. Receivables are recorded at face amount. A minimal allowance for doubtful accounts has been recorded.

Concentrations

The Borough receives real estate, per capita, and occupation taxes from residents within the Borough limits. The Borough uses a tax collector to collect all current real estate, per capita and occupation taxes. The Borough may lien any property associated with the real estate assessment.

The Borough is located in Adams County within South Central Pennsylvania.

Unbilled Revenue

During the year, customer water meters are read quarterly and water/sewer bills rendered throughout quarterly periods. Because not every meter is read on the same date, revenue for services rendered but not yet billed is accrued at year-end to match revenues with related expenses.

Inventories

Inventory of fuel is maintained in the General Fund. It is carried at cost using the first-in, first-out method and are subsequently charged to expenditure when consumed.

All other governmental fund types expense inventorable items when purchased, which are insignificant at year end.

Inventory in the proprietary funds is valued at the lower of cost, using the first-in, first-out method, or market. The cost of inventory is recorded as an expense when consumed rather than when purchased.

Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Capital assets with a value of \$ 1,000 or more are capitalized by the Borough. Infrastructure acquired after January 1, 2003 (in accordance with GASB provisions) is capitalized and depreciated over its estimated useful life. When an asset is disposed of, cost and related accumulated depreciation is removed, and any gain or loss arising from its disposal is credited or charged to operations.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Capital Assets (Continued)

All reported capital assets 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:

Land improvements	20	Infrastructure	20
Buildings	40	Mains, collecting stations	25-50
Maintenance buildings	20	Wells, springs, pump stations, services	25
Equipment	10-15	Meters	15
Vehicles	5-10	Pumping and treatment	10-25
Furnishings and fixtures	5	General property and equipment	10-15

Collections include historical treasures that are not depreciated. The collection is being held for public exhibition, protected, kept unencumbered, cared for, and preserved, and therefore, is not depreciated.

Net Assets

In the government-wide financial statements and proprietary fund financial statements, net assets are classified in the following categories:

Investment in Capital Assets, Net of Related Debt: This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets: This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Restricted Governmental Activities Net Assets: Net assets are restricted for the upkeep of the Company K monument.

Restricted Business-Type Activities Net Assets: Net assets are restricted by a trust indenture with bond holders that stipulates that certain funds should be set aside for debt service and capital improvements.

Unrestricted Assets: This category represents the net assets of the Borough, which are not restricted for any project or other purpose. However, these funds may be internally designated for specific projects or purposes in the fund financial statements.

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. As of December 31, 2006, reservations of fund balance are described below:

Reserved for Inventory/Prepaid Expenses. These designations reflect non-current resources so that they will not be considered as current available funds.

Note 1. Summary of Significant Accounting Policies (Continued)

Unreserved – Designated for Self Insurance. This designation reflects current resources that have been set aside to be used for self insurance in the future.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Activity

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are shown separately as transfers in proprietary funds.

Budgets and Budgetary Accounting

Annual budgets are adopted for the General Fund, Capital Projects Fund, Highway Aid Fund, Capital Reserve Fund, Small Communities Fund, and the Water and Sewer Funds. The budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end. There were no budget revisions during the year ended December 31, 2006.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net assets. The same treatment also applies to proprietary fund financial statements. Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount and loss on refinancing. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1. Summary of Significant Accounting Policies (Continued)

Classification of Revenues

For proprietary funds, the Borough has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- *Operating Revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as utility billings and penalties and late charges.
- *Nonoperating Revenues* – Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the Borough receives value without directly giving equal value in return), such as contributions and grants and other revenues that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as investment earnings. In addition, tap fees are considering non-operating because they are based on future capacity needs of the utility system.

Pension Plans

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The Borough has a duty of due care that would be required of an ordinary prudent investor.

See Note 10 for details of the Borough's police and non-uniform defined benefit pension plans, and Note 11 for the Authority's defined benefit pension plan.

Compensated Absences/Vision Benefits

Liability for compensated absences is accounted for in accordance with the provisions of the GASB, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Under terms of the Borough's employment agreements, employees are granted vacation, personal, and sick leave in varying amounts. Vacation and personal time must be used during the calendar year for all employees and cannot be carried over. Upon retirement from the Borough, non-uniformed employees and police are reimbursed for accumulated sick leave in accordance with personnel policies. Under terms of the Borough's employment agreements, employees are granted vision benefits in varying amounts. Upon retirement from the Borough, all employees are reimbursed for accumulated vision benefits in accordance with personnel policies.

Under the terms of the Authority's employment agreements, full-time employees are granted vacation leave after completing twelve months of employment. The amount of vacation days awarded is based on the number of continuous service years. Vacation is awarded to employees on their anniversary dates, rather than the year-end of the Authority. With few exceptions, employees may not accumulate any unused vacation leave.

Note 1. Summary of Significant Accounting Policies (Continued)

The vesting method is used to account for sick leave and vision liabilities. In accordance with GASB standards, no liability is recorded in the governmental fund financial statements and an expenditure is recorded as payments are made. In the government-wide and proprietary fund statements, the liability and expenses are recorded as earned.

Note 2. Cash and Investments***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a written policy for custodial credit risk. As of December 31, 2006, \$ 5,789,897 of the Borough's bank balance of \$ 6,202,386 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution		0
Uninsured and collateral held by the pledging bank's trust department but not in the College's name		<u>5,789,897</u>
	\$	<u>5,789,897</u>

Included in the Governmental Activities investments on the statement of net assets is a certificate of deposit at Adams County National Bank of \$ 6,177, with a maturity of less than one year. Included in the Fiduciary investments on the statement of fiduciary net assets is a certificate of deposit at Adams County National Bank of \$ 8,576, with a maturity of less than one year. Included in the Business-Type Activities investments on the statement of net assets are certificates of deposits totaling \$ 3,000,000, with a maturity of less than one year. Both are considered a deposit for purposes of this disclosure.

Investments

As of December 31, 2006, the Borough had the following business-type investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Credit Quality Rating (Standard and Poor's)</u>
Blackrock Provident T-Fund (mutual fund)	N/A	\$ 449,647	AAAm
U. S. Treasury Note	2 years	631,721	N/A
GNMA I Pool	3 years	<u>36,134</u>	N/A
		<u>\$ 1,117,502</u>	

Interest Rate Risk

In accordance with the Trust Indenture, the Borough manages its exposure to decline in fair values by limiting the maturity of individual investments to less than five years.

Note 2. Cash and Investments (Continued)***Municipal Pension Plans***

Investments held by the trustees of the Borough's pension plans are as follows:

	Total Fair Value
Money Market Funds	\$ 399,572
Mutual Funds	<u>4,918,831</u>
	<u>\$ 5,318,403</u>

These funds have no defined maturity dates, and can be liquidated on a daily basis.

Credit Risk

The Borough does not have a policy which limits investment in fixed income securities to a particular credit quality rating. Approximately 41% of total mutual fund investments are fixed income investments and of this amount, only a small portion of these funds are invested in bonds that are given a credit quality rating. However, where the ratings apply, most have received a rating of AAA or better.

Note 3. Taxes Receivable and Deferred Revenues

Property taxes are levied on March 1 for the tax year. Taxes are payable at a 2% discount if paid before May 1 and at a 10% penalty if paid after the due date of June 30. Outstanding real estate taxes are turned over to Adams County, which handles collections and placement of liens, if necessary. Taxes are recorded as revenue by the Borough when received from the tax collector, and accruals are recorded at year-end for taxes expected to be received within 60 days of December 31 in accordance with the modified accrual basis of accounting. The Borough has established an allowance for uncollectible taxes based on the evaluation of historical collections. The total assessed valuation as of December 31, 2006 is \$ 116,378,723.

Taxes receivable in the fund financial statements consists of the following as of December 31, 2006:

Real Estate and Real Estate transfer	\$ 66,506
Per Capita	10,424
Earned Income	187,651
Occupational	8,249
Emergency Municipal Services Tax	25,255
Admission	7,865
Allowance for uncollectible accounts	(<u>9,832</u>)
Total taxes receivable	<u>\$ 296,118</u>

Note 4. Interfund Receivables and Payables and Transfers

Due from/to other funds consist of the following as of December 31, 2006:

<u>Due To</u>	<u>Due From</u>						<u>Total</u>
	<u>General Fund</u>	<u>Small Communities Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Highway Aid Fund</u>	<u>Water and Sewer Fund</u>	
General Fund	\$ 0	\$ 20	\$ 6,498	\$ 0	\$ 3,444	\$ 39,132	\$ 49,094
Capital Projects Fund	178	0	0	20,398	0	0	20,576
Capital Reserve Fund	122,000	0	0	0	0	0	122,000
Total	\$ 122,178	\$ 20	\$ 6,498	\$ 20,398	\$ 3,444	\$ 39,132	\$ 191,670

At December 31, 2006, the General Fund owed the Capital Reserve Fund \$ 122,000, including \$ 100,000 to pay back money borrowed to cover operating expenses. The Highway Aid Fund owed the General Fund \$ 3,444 for expense for fixing a creek wall in town. The Capital Projects Fund owed the General Fund \$ 6,498 for fitness trail expenses. The Small Communities Fund owed the General Fund \$ 20 for expense reimbursement. The Water and Sewer Fund owed the General Fund \$ 39,132 for salary, fuel and health insurance reimbursement.

Interfund operating transfers were as follows in 2006:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Small Communities Fund	\$ 44,061
General Fund	Water Fund	50,000
General Fund	Sewer Fund	50,000
Water Fund	Sewer Fund	1,738
Debt Service	Sewer Fund	162

In 2006, the Small Communities Fund transferred \$ 44,061 to the General Fund for approved expense reimbursements (mortgage principle and interest) from CDBG grant funds. The Water and Sewer Funds transferred \$ 50,000 and \$ 50,000, respectively, to the General Fund for administrative costs. The Sewer Fund transferred \$ 1,738 to the Water Fund for expenses paid by the water fund on behalf of the sewer fund. The Sewer Fund transferred \$ 162 to the debt service fund for expenses.

Note 5. Capital Assets

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Cost:				
Land improvements	\$ 23,081	\$ 312,590	\$ 0	\$ 335,671
Infrastructure	4,533,772	0	0	4,533,772
Buildings and improvements	5,983,180	3,208,732	(50,000)	9,141,912
Machinery and equipment	1,486,048	24,977	(5,102)	1,505,923
Furniture and fixtures	84,900	0	0	84,900
Collections	14,150	0	0	14,150
Construction in progress	<u>2,588,242</u>	<u>1,075,856</u>	<u>(3,590,975)</u>	<u>73,123</u>
Total cost	<u>14,713,373</u>	<u>4,622,155</u>	<u>(3,646,077)</u>	<u>15,689,451</u>
Less accumulated depreciation:				
Land improvements	(10,248)	(10,500)	0	(20,748)
Infrastructure	(3,337,812)	(187,827)	0	(3,525,639)
Buildings and improvements	(1,309,091)	(165,357)	50,000	(1,424,448)
Machinery and equipment	(1,146,786)	(78,666)	2,828	(1,222,624)
Furniture and fixtures	(77,558)	(5,607)	0	(83,165)
Total accumulated depreciation	<u>(5,881,495)</u>	<u>(447,957)</u>	<u>52,828</u>	<u>(6,276,624)</u>
Capital assets, net	<u>\$ 8,831,878</u>	<u>\$ 4,174,198</u>	<u>(\$ 3,593,249)</u>	<u>\$ 9,412,827</u>
Business-Type Activities:				
Cost:				
Land	\$ 103,782	\$ 0	\$ 0	\$ 103,782
Building and plant	20,436,521	772,975	0	21,209,496
Wells	1,414,738	0	0	1,414,738
Lift stations	775,711	0	0	775,711
Utility and general equipment	28,309,202	5,235,417	(40,025)	33,504,594
Construction in progress	<u>862,451</u>	<u>382,643</u>	<u>(880,350)</u>	<u>364,744</u>
Total cost	<u>51,902,405</u>	<u>6,391,035</u>	<u>(920,375)</u>	<u>57,373,065</u>
Less accumulated depreciation:				
Building and plant	(9,200,843)	(807,560)	0	(10,008,403)
Wells	(690,356)	(56,589)	0	(746,945)
Lift stations	(255,058)	(30,498)	0	(285,556)
Utility and general equipment	(10,865,527)	(742,129)	40,025	(11,567,631)
Total accumulated depreciation	<u>(21,011,784)</u>	<u>(1,636,776)</u>	<u>40,025</u>	<u>(22,608,535)</u>
Capital assets, net	<u>\$ 30,890,621</u>	<u>\$ 4,754,259</u>	<u>(\$ 880,350)</u>	<u>\$ 34,764,530</u>

Note 5. Capital Assets (Continued)

Accumulated costs attributable to projects included in "Construction-in-Progress" at December 31, 2006 are as follows:

	Governmental Activities	Business-Type Activities
Baltimore/Railroad Street Meters	\$ 31,300	\$ 0
Fitness Trail	5,817	0
REDDI Project	36,006	0
York Water Pipeline	0	29,545
Locust Street Project	0	22,843
Water Meters	0	121,277
Act 537 Plan	0	191,079
	<u>\$ 73,123</u>	<u>\$ 364,744</u>

Depreciation expense for the year ended December 31, 2006 was charged as follows:

	Governmental Activities	Business-Type Activities
General Government	\$ 61,181	\$ 0
Public Safety	19,458	0
Highways	231,824	0
Parking	105,374	0
Culture and Recreation	30,120	0
Sewer	0	635,895
Water	0	1,000,881
	<u>\$ 447,957</u>	<u>\$ 1,636,776</u>

Note 6. Mortgages Receivable

The following is a summary of changes in mortgages receivable for the year ended December 31, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Accrued Interest	Current Portion	Long-term Portion
Mortgages receivable							
(A) Fahnestock	\$ 96,000	\$ 0	\$ 0	\$ 96,000	\$ 22,422	\$ 0	\$ 96,000
(B) Scattered Sites 3rd Mortgage	59,718	0	0	59,718	4,429	0	59,718
(C) Scattered Sites 4th Mortgage	150,000	0	0	150,000	10,500	0	150,000
(D) Scattered Sites 5th Mortgage	40,000	0	0	40,000	2,800	0	40,000
Subtotal - bonds and notes	345,718	0	0	345,718	40,151	0	345,718
Allowance for uncollectible accounts	(249,718)	0	0	(249,718)	(17,729)	0	(249,718)
Net mortgages receivable	\$ 96,000	\$ 0	\$ 0	\$ 96,000	\$ 22,422	\$ 0	\$ 96,000

(A) Fahnestock - On December 31, 1985, the Fahnestock Associates L.P. signed a promissory note to pay the Borough principal of \$ 96,000 with an interest rate of 1% per annum accruing and payable on December 31, 2010.

(B) Scattered Sites 3rd Mortgage - On January 6, 1993 Gettysburg Scattered Sites Associates entered into a mortgage with the Borough. The principal amount of \$ 44,235 was raised to \$ 59,718 on July 28, 1999 and accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens.

(C) Scattered Sites 4th Mortgage - On January 6, 1993 Gettysburg Scattered Sites Associates entered into a mortgage with the Borough. The principal amount of \$ 150,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2006 totaled \$ 21,000 with interest through December 31, 1999 totaling \$ 10,500 being forgiven.

(D) Scattered Sites 5th Mortgage - On January 6, 1993 Gettysburg Scattered Sites Associates entered into a mortgage with the Borough. The principal amount of \$ 40,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2006 totaled \$ 2,800 after the accrued interest was rolled into principal during 1999.

For the 3rd, 4th, and 5th Scattered Sites Mortgages, an allowance for uncollectible accounts has been established for the entire amount of the mortgage and interest receivable because it is probable that the Borough will not receive these funds.

The following shows the future receivable payments for the Fahnestock mortgage:

Year	Fahnestock	
	Principal	Interest
2010	\$ 96,000	\$ 27,254

Note 7. Short-term Debt

On January 15, 2006, the Borough acquired a Tax Revenue Anticipation Note from Adams County National Bank in the amount of \$ 350,000 at a rate of 6.00% due on June 1, 2006. The Borough District paid the note by December 31, 2006.

Beginning Balance	Additions	Deletions	Ending Balance
\$ 0	\$ 350,000	(\$ 350,000)	\$ 0

Note 8. Long-term Liabilities

The changes in long-term liabilities during the year ended December 31, 2006 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities:						
Bonds and notes payable						
(A) 2000 GO Note	\$ 61,873	\$ 0	(\$ 61,458)	\$ 415	\$ 415	\$ 0
(B) 2004 GO Bond	1,940,000	0	(255,000)	1,685,000	265,000	1,420,000
(C) 2004 GO Note	156,398	0	(36,813)	119,585	38,408	81,177
(D) 2006 GO Note	0	802,014	0	802,014	0	802,014
Bond Discount	(21,952)	0	5,179	(16,773)	(2,879)	(13,894)
Subtotal - bonds and notes	2,136,319	802,014	(348,092)	2,590,241	300,944	2,289,297
(E) Breckenridge Loan payable	50,000	0	(50,000)	0	0	0
Compensated absences/vision benefit	344,111	53,561	(64,083)	333,589	49,958	283,631
Total long-term liabilities	\$ 2,530,430	\$ 855,575	(\$ 462,175)	\$ 2,923,830	\$ 350,902	\$ 2,572,928
Business-Type Activities:						
Bonds and notes payable						
(F) 2002 Water revenue bonds	\$ 975,000	\$ 0	(\$ 230,000)	\$ 745,000	\$ 240,000	\$ 505,000
Unamortized bond discount	(15,476)	0	5,841	(9,635)	(4,650)	(4,985)
	959,524	0	(224,159)	735,365	235,350	500,015
(G) 2002 Sewer revenue bonds	1,885,000	0	(450,000)	1,435,000	465,000	970,000
Unamortized bond discount	(30,127)	0	11,427	(18,700)	(9,066)	(9,634)
	1,854,873	0	(438,573)	1,416,300	455,934	960,366
(H) 2004 A GO Bonds - Sewer	1,850,000	0	(15,000)	1,835,000	15,000	1,820,000
Other bond related costs	(42,272)	0	7,292	(34,980)	7,543	(42,523)
	1,807,728	0	(7,708)	1,800,020	22,543	1,777,477
(I) 2004 B GO Bonds - Water	4,950,000	0	(165,000)	4,785,000	165,000	4,620,000
Other bond related costs	(115,778)	0	11,291	(104,487)	30,104	(134,591)
	4,834,222	0	(153,709)	4,680,513	195,104	4,485,409
Total long-term liabilities	\$ 9,456,347	\$ 0	(\$ 824,149)	\$ 8,632,198	\$ 908,931	\$ 7,723,267

Note 8. Long-term Liabilities (Continued)

Bond, Notes, and Loans Payable

- (A) General Obligation Note - 2000 - On December 15, 2000, the Borough issued a General Obligation Note in the principal amount of \$ 250,000 to fund the construction of a community building. Semiannual installments of \$ 16,173 are due April 1 and October 1 through October 1, 2011; the interest rate is fixed at 5.25%.
- (B) General Obligation Bond - Series of 2004 - On March 15, 2004, the Borough issued General Obligation Bonds in the principal amount of \$ 2,485,000 to currently refund the General Obligation Bonds - Series of 1999. Annual installments varying from \$ 245,000 to \$ 300,000 are due through October 1, 2012; fixed interest rates vary from 1.00% to 3.20%.
- (C) General Obligation Note - 2004 - On September 15, 2004, the Borough issued a General Obligation Note in the principal amount of \$ 192,000 to fund the purchase of parking meters and a street sweeper. Semiannual installments of \$ 21,413 are due April 1 and October 1 through October 1, 2009; interest rates are variable - 70% of prime, but not greater than 4%.
- (D) General Obligation Note - 2006 - On February 1, 2006, the Borough issued a General Obligation Note in the principal amount of \$ 1,000,000 to fund the restoration of the train station. As of December 31, 2006, the Borough had drawn \$ 802,014 on this Note. Semiannual interest payments are due February 1 and August 1 through February 1, 2008 when the principal is due in full; the interest rate is fixed at 7.25%.
- (E) Breckenridge Loan - On August 29, 2003, the Borough received a Mortgage Note from Adams County in the principal amount of \$ 50,000 to provide funds for the purchase of property at 117 Breckenridge Street, Gettysburg, Pennsylvania. The purpose of the purchase was to refurbish the house and sell it to a qualified buyer. The mortgage was paid in full when the house was sold during 2006.
- (F) Guaranteed Water Revenue Bonds - Series 2002 - In 2002, the Authority issued water revenue bonds in the principal amount of \$ 1,780,000. Annual installments varying from \$ 145,000 to \$ 260,000 are due through October 2009, interest ranging from 1.75% to 3.90%.
- (G) Guaranteed Sewer Revenue Bonds - Series 2002 - In 2002, the Authority issued sewer revenue bonds in the principal amount of \$ 3,445,000. Annual installments varying from \$ 295,000 to \$ 490,000 are due through October 2009, interest ranging from 1.75% to 3.90%.
- (H) General Obligation Bond - Series of 2004A - On May 15, 2004, the Borough issued General Obligation Bonds in the principal amount of \$ 1,880,000 to currently refund the Guaranteed Sewer Revenue Bonds - Series of 1998 of The Gettysburg Municipal Authority. Annual installments varying from \$ 10,000 to \$ 565,000 are due through October 1, 2013; fixed interest rates vary from 2.40% to 3.60%.
- (I) General Obligation Bond - Series of 2004B - On May 15, 2004, the Borough issued General Obligation Bonds in the principal amount of \$ 5,250,000 to advance refund the Guaranteed Water Revenue Bonds - Series of 1999 of The Gettysburg Municipal Authority. Annual installments varying from \$ 145,000 to \$ 575,000 are due through October 1, 2018; fixed interest rates vary from 2.40% to 4.10%.

Note 8. Long-term Liabilities (Continued)

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments required at December 31, 2006:

Governmental Activities:

	2000 GO Note		2004 GO Bond		2004 GO Note		2006 GO Note		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 415	\$ 0	\$ 265,000	\$ 42,878	\$ 38,408	\$ 4,417	\$ 0	\$ 58,146	\$ 303,823	\$ 105,441
2008	0	0	275,000	38,240	39,960	2,866	802,014	4,846	1,116,974	45,952
2009	0	0	270,000	32,466	41,217	1,251	0	0	311,217	33,717
2010	0	0	285,000	25,986	0	0	0	0	285,000	25,986
2011	0	0	295,000	18,290	0	0	0	0	295,000	18,290
2012	0	0	295,000	9,440	0	0	0	0	295,000	9,440
	<u>\$ 415</u>	<u>\$ 0</u>	<u>\$ 1,685,000</u>	<u>\$ 167,300</u>	<u>\$ 119,585</u>	<u>\$ 8,534</u>	<u>\$ 802,014</u>	<u>\$ 62,992</u>	<u>\$ 2,607,014</u>	<u>\$ 238,826</u>

Business-type Activities:

	2002 Water Bond		2002 Sewer Bond		2004A GO Bond		2004B GO Bond		Business-type Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 240,000	\$ 27,366	\$ 465,000	\$ 52,680	\$ 15,000	\$ 59,788	\$ 165,000	\$ 170,528	\$ 885,000	\$ 310,362
2008	245,000	19,206	480,000	36,870	15,000	59,338	175,000	165,578	915,000	280,992
2009	260,000	10,140	490,000	19,110	20,000	58,978	180,000	161,378	950,000	249,606
2010	0	0	0	0	535,000	58,278	450,000	155,078	985,000	213,356
2011	0	0	0	0	550,000	42,228	465,000	141,578	1,015,000	183,806
2012-2016	0	0	0	0	700,000	29,212	2,565,000	455,290	3,265,000	484,502
2017-2118	0	0	0	0	0	0	785,000	24,415	785,000	24,415
	<u>\$ 745,000</u>	<u>\$ 56,712</u>	<u>\$ 1,435,000</u>	<u>\$ 108,660</u>	<u>\$ 1,835,000</u>	<u>\$ 307,822</u>	<u>\$ 4,785,000</u>	<u>\$ 1,273,845</u>	<u>\$ 8,800,000</u>	<u>\$ 1,747,039</u>

Note 9. Operating Leases

There are three operating leases associated with the Borough. The Borough is the lessee for land with PNC bank and is the lessor of two leases for property the Authority owns at the communication towers.

Lease Expense

The Borough entered into a long-term land lease with PNC Bank, N.A. Beginning on November 1, 1990, the Borough began paying a monthly rental payment of \$ 1,200 for ten years. For years eleven through twenty-five, the Borough pays \$ 1,700 per month. Subsequently, the lease is renewable for an additional fifteen years at \$ 2,250 per month through October 31, 2030.

The scheduled lease commitments are as follows:

2007	\$ 20,400
2008	20,400
2009	20,400
2010	20,400
2011	20,400
2012-2015	81,600
	<u>\$ 183,600</u>

The Authority leases space to AT&T Wireless for a communications tower. The lease began in 2002 for a five year term, automatically renewing for five additional five year terms unless AT&T notifies the Authority of their intent not to renew at least six months prior to the expiration date of the current term. Rental income totaled \$ 22,960 for this lease in 2006. Beginning in year two, and each year thereafter, the annual rental payment increases by three percent over the previous year's rent.

Note 9. Operating Leases (Continued)

The Authority also leases space to Verizon Wireless for a communication tower. The lease began in 2006 for a five year term, automatically renewing for five additional five year terms unless Verizon Wireless notifies the Authority in writing of their intent not to renew at least ninety days prior to the expiration date of the existing lease. Rental income totaled \$ 2,797 in 2006. The lease amount will be the same for each 5 year term, but will increase when the contract is renewed.

Minimum rental income for this lease for the next five years is as follows:

2007	\$ 44,049
2008	44,758
2009	45,489
2010	46,242
2011	47,221
	<u>\$ 227,759</u>

Note 10. Employee Retirement Systems

The Borough of Gettysburg contributes to two single-employer defined benefit pension plans: Police Pension Plan and Non-Uniformed Pension Plan.

A. Summary of Significant Accounting Policies

Basis of Accounting – The Borough of Gettysburg’s financial statements, in connection with its pension plans, are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

B. Annual Pension Cost and Net Pension Obligation

The Borough’s annual pension cost and net pension obligation to the police pension plan and the non-uniformed pension plan were as follows as of and for the year ended December 31, 2006:

	<u>Police</u>	<u>Non-Uniformed</u>
Annual required contribution	\$ 89,675	\$ 135,097
Interest on net pension obligation	0	0
Adjustment to annual required contribution	0	0
Annual pension cost	89,675	135,097
Contributions made	89,675	135,097
Increase in net pension obligation	0	0
Net pension obligation beginning of year	0	0
Net pension obligation end of year	<u>\$ 0</u>	<u>\$ 0</u>

Note 10. Employee Retirement Systems (Continued)

Trend Information						
Police Pension Plan				Non-Uniformed Pension Plan		
Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	\$ 10,068	100%	\$ 0	\$ 53,651	100%	\$ 0
1999	15,105	100%	0	56,345	100%	0
2000	0	100%	0	61,756	100%	0
2001	0	100%	0	77,277	100%	0
2002	0	100%	0	91,121	100%	0
2003	0	100%	0	92,579	100%	0
2004	15,918	100%	0	123,411	100%	0
2005	53,058	100%	0	141,064	100%	0
2006	89,675	100%	0	135,097	100%	0

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	Police Pension Plan	Non-Uniformed Pension Plan
Valuation Date:	01/01/05	01/01/05
Actuarial Cost Method:	Entry age normal	Entry age normal
Amortization Method	N/A - No Unfunded Actuarial Accrued Liability	Level Dollar
Remaining Amortization Period	N/A	Equivalent Single Amortization Period
Asset Valuation Method	Market Value	Market Value
Actuarial Assupmtions:		
Investment rate of return *	7.5%	7.5%
Projected salary increases *	5.0%	5.0%
* Included Inflation at Cost-of- Living Adjustments	3.0%	None

C. Plan Descriptions and Funding Policies

Membership of the plans consisted of the following at January 1, 2005, the date of the latest actuarial valuation:

	Police	Non-Uniformed
Retirees and beneficiaries receiving benefits	6	7
Terminated plan members entitled to but not yet receiving benefits	2	5
Active plan members	<u>13</u>	<u>28</u>
Totals	<u>21</u>	<u>40</u>

Note 10. Employee Retirement Systems (Continued)

Police Pension Plan

Plan Description – The Plan is a single-employer defined benefit pension plan that covers all full-time members of the police force. The plan provides retirement benefits as well as death benefits. If a participant is eligible for retirement, a death benefit is payable. Employees are entitled to an annual cost-of-living increase not to exceed 4% per year. The plan is established and administered by the Borough through trust agents (local banks).

Funding Policy – Plan members are not required to contribute to the plan. The State is required to contribute at an actuarially determined rate. The Borough is responsible for contributing funds after accounting for the state contribution in order to meet the minimum municipal obligation for each year. The contribution requirements of the plan members and the State are established and may be amended by the Borough and State legislature, respectively. Administrative costs of the Police Pension Plan are financed through investment earnings.

Non-Uniformed Pension Plan

Plan Description – The Plan is a single-employer defined benefit pension plan that covers all full-time non-uniformed employees as of the first day of a participant's employment. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan is established and administered by the Borough through trust agents (local banks).

Funding Policy – Plan members are not required to contribute to the plan. The State is required to contribute at an actuarially determined rate. The Borough is responsible for contributing funds after accounting for the state contribution in order to meet the minimum municipal obligation for each year. The contribution requirements of the plan members and the State are established and may be amended by the Borough and State legislature, respectively. Administrative costs of the Non-Uniformed Pension Plan are financed through investment earnings.

Financial Statements

The following are financial statements as of December 31, 2006 for the individual pension plans maintained by the Borough:

	Police	Non Uniformed	Total
STATEMENT OF FIDUCIARY NET ASSETS			
PENSION TRUST FUNDS			
ASSETS			
Cash and cash equivalents	\$ 225,078	\$ 174,494	\$ 399,572
Investments	3,686,845	1,231,986	4,918,831
Accrued income	4,329	1,871	6,200
Total assets	<u>\$ 3,916,252</u>	<u>\$ 1,408,351</u>	<u>\$ 5,324,603</u>
NET ASSETS			
Held in trust for:			
Employees' pension benefits	<u>\$ 3,916,252</u>	<u>\$ 1,408,351</u>	<u>\$ 5,324,603</u>
Total net assets	<u>\$ 3,916,252</u>	<u>\$ 1,408,351</u>	<u>\$ 5,324,603</u>

Note 10. Employee Retirement Systems (Continued)STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

	Police	Non Uniformed	Total
ADDITIONS			
Contributions			
Employer	\$ 0	\$ 51,814	\$ 51,814
Employer - state funded	89,675	83,283	172,958
Total contributions	<u>89,675</u>	<u>135,097</u>	<u>224,772</u>
Investment income			
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	239,423	89,873	329,296
Interest, dividends, and other	<u>89,615</u>	<u>29,352</u>	<u>118,967</u>
Total investment income	329,038	119,225	448,263
Less investment expenses:			
Fiduciary fees	(19,984)	(6,707)	(26,691)
Total net investment income	<u>309,054</u>	<u>112,518</u>	<u>421,572</u>
Total additions	<u>398,729</u>	<u>247,615</u>	<u>646,344</u>
DEDUCTIONS			
Benefit payments	126,284	28,355	154,639
Administrative expense	<u>13,286</u>	<u>14,515</u>	<u>27,801</u>
Total deductions	<u>139,570</u>	<u>42,870</u>	<u>182,440</u>
Change in net assets	259,159	204,745	463,904
NET ASSETS			
Beginning	3,657,093	1,203,606	4,860,699
Ending	<u>\$ 3,916,252</u>	<u>\$ 1,408,351</u>	<u>\$ 5,324,603</u>

Note 11. Authority Pension Plan

All full-time employees of the Authority who have completed three years of service at any March 1st are eligible to participate in the plan. Participants are eligible for retirement benefits at age 62. Accrued benefits are 100% vested after ten full years of service. The pension will be 38% of the participant's final compensation with the amount being reduced by 1/26th for each year of service at age 62 less than 26 years.

The single-employer defined pension benefit trust fund, administered by PNC Advisors, is not included in these financial statements. The Authority's policy is to fund normal service cost currently. Prior service costs are being amortized and funded through 2018. For December 31, 2006 the normal service cost, based on 6.538% of payroll, and the amortized prior service cost amounted to a required minimum contribution of \$ 83,220. A total of \$ 83,220 was contributed to the plan for 2006.

Note 11. Authority Pension Plan (Continued)

The entry age normal cost is the actuarial method being used. An assumed annual rate of return of 6.5% and annual salary increases of 3.5% are used to determine the actuarial value of the accrued liability and assets available in the plan.

A summary of the plan's accumulated benefits and assets as of June 1, 2006 (the most recent actuarial valuation) are as follows:

Actuarial accrued liability	\$ 1,024,863
Actuarial value of assets fair market value	(726,297)
Unfunded actuarial accrued liability	<u>\$ 298,566</u>

The following table provides an analysis of funding progress for the last three years:

Plan Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
2004	\$ 67,374	\$ 67,374	100%
2005	87,009	87,009	100%
2006	83,220	83,220	100%

Note 12. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough purchases commercial insurance coverage through the Capital Region Insurance Trust for these types of losses, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In addition, the Borough provides unemployment compensation coverage through a risk pool sponsored by the Pennsylvania Association of Boroughs (PSAB).

The Borough is a member of the Capital Region Insurance Trust (CRIT). This trust consists of a group of municipalities that have pooled their interests together in order to establish a self funded insurance plan in order to better control insurance rates. The Borough pays a premium to CRIT that consists of a portion for actual claim expenses, administrative costs, reinsurance costs and a reserve account. At year end, the actual claims of the borough are reviewed and the reserve account is used to fund any excess claims for the township over the premiums paid during the year. If any funds remain in the reserve account, 30% of the total reserve balance could possibly be used to fund claim overages of other municipalities. After these reconciliations are performed for all municipalities, if there are any remaining claim overages for the trust, the reinsurance policy that is purchased through the Pennsylvania Municipal Health Insurance Cooperative is used to pay the claims. Therefore, the payment by the borough is limited to the premiums paid during the year. Any potential refund of the reserve account is calculated and received by the Borough several months after year end. Total payments by the Borough to CRIT during the year were \$ 342,221.

Note 13. Commitments and Contingent Liabilities

In 1998 the Borough entered into a trust indenture to issue \$ 55,030,000 of Gettysburg College Revenue Bonds Series 1998A and 1998B. The Borough and the College then entered into a loan and security agreement whereby the College agrees to pay the principal and interest on the bonds. As security for the loans, a lien and security interest in the College's unrestricted revenues has been provided to the Borough. As of December 31, 2006, the remaining balance on these bonds is \$ 46,315,000. The liability and offsetting asset have not been reflected in the financial statements.

On February 16, 2005, the Borough entered into an option agreement to purchase tracts of land in the Borough. This option agreement shall continue for a period of two years and six months and will expire on August 16, 2007. The purchase price of the land is \$ 1,800,000 with an option fee of \$ 100,000 paid at the time of execution and delivery of the agreement. As of December 31, 2006, this option has not been exercised. If this option is not exercised, the fee is non-refundable.

Note 14. Subsequent Events

On January 5, 2007 the Borough issued a tax revenue anticipation note (TRAN) in the amount of \$ 350,000 in order to fund current operations. This note is due on December 31, 2007.

Note 15. Restatement of Net Assets and Fund Balance

During the year ended December 31, 2006, the following changes were made to correct errors in the December 31, 2005 net assets and fund balances:

	Governmental Activities	General Fund	Capital Projects Fund
Net Assets and Fund Balance as of December 31, 2005 originally reported	\$ 6,836,468	(\$ 53,991)	\$ 222,385
(A) Add: Recognition of revenue for 2005	66,072	0	66,072
(B) Less: Correct revenue from 2005	(8,151)	(8,151)	0
(C) Less: Recognition of expense for 2005	<u>0</u>	<u>0</u>	<u>(26,549)</u>
Net Assets and Fund Balance as of December 31, 2005 - restated	<u>\$ 6,894,389</u>	<u>(\$ 62,142)</u>	<u>\$ 261,908</u>
2005 change in net assets/fund balance - originally reported	\$ 858,498	(\$ 127,982)	(\$ 728,804)
Restatements as detailed above	<u>57,921</u>	<u>(8,151)</u>	<u>39,523</u>
2005 change in net assets/fund balance - restated	<u>\$ 916,419</u>	<u>(\$ 136,133)</u>	<u>(\$ 689,281)</u>

(A) Items that were expensed in 2005 for capital projects but no corresponding reimbursement from TEA Grant was recorded.

(B) The receivable for fines receivable from 2005 that should have been recorded but were not booked until 2006.

(C) Expenses for 2005 capital project additions that were not recorded until 2006.

BOROUGH OF GETTYSBURG

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
Year Ended December 31, 2006**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Actuarial Liability AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Borough of Gettysburg Police Pension Plan						
01/01/98	-	-	-	-	-	-
01/01/99 \$	2,942,516	\$ 2,058,580	\$ (883,936)	142.9%	\$ 509,583	-173.5%
01/01/00	-	-	-	-	-	-
01/01/01	3,609,145	2,317,121	\$ (1,292,024)	155.7%	538,564	-239.9%
01/01/02	-	-	-	-	-	-
01/01/03	3,467,472	2,825,713	\$ (641,759)	122.7%	586,942	-109.3%
01/01/04	-	-	-	-	-	-
01/01/05	3,593,049	3,182,611	\$ (410,438)	112.9%	647,172	-63.4%
01/01/06	-	-	-	-	-	-
Borough of Gettysburg Non-Uniformed Pension Plan						
01/01/98	-	-	-	-	-	-
01/01/99 \$	590,359	\$ 731,473	\$ 141,114	80.7%	\$ 650,045	21.7%
01/01/00	-	-	-	-	-	-
01/01/01	736,507	905,708	169,201	81.3%	697,720	24.3%
01/01/02	-	-	-	-	-	-
01/01/03	727,685	1,102,272	374,587	66.0%	763,902	49.0%
01/01/04	-	-	-	-	-	-
01/01/05	1,073,123	1,339,689	266,566	80.1%	1,083,910	24.6%
01/01/06	-	-	-	-	-	-

BOROUGH OF GETTYSBURG

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND For the year ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 2,527,145	\$ 2,474,345	\$ 2,604,116	\$ 129,771
Licenses and permits	61,400	61,400	182,171	120,771
Fines and forfeits	292,000	292,000	293,191	1,191
Interest, rents and royalties	5,000	5,000	28,438	23,438
Rents	13,500	9,045	26,288	17,243
Intergovernmental	258,000	225,000	303,253	78,253
Charges for services	904,925	904,925	782,543	(122,382)
Donations from private sources	0	0	49,651	49,651
Miscellaneous	10,500	10,500	114,278	103,778
Total revenues	<u>4,072,470</u>	<u>3,982,215</u>	<u>4,383,929</u>	<u>401,714</u>
EXPENDITURES				
Current:				
General government	504,224	544,131	703,337	(159,206)
Public safety	1,610,137	1,606,841	1,700,524	(93,683)
Health and welfare	17,250	24,050	23,656	394
Highways	804,947	686,329	624,039	62,290
Parking	438,357	438,357	425,136	13,221
Culture and recreation	395,260	395,260	346,701	48,559
Community development	53,160	50,400	83,423	(33,023)
Debt service	388,200	388,200	424,138	(35,938)
Total expenditures	<u>4,211,535</u>	<u>4,133,568</u>	<u>4,330,954</u>	<u>(197,386)</u>
Excess (deficiency) of revenues over expenditures	(139,065)	(151,353)	52,975	204,328
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of property	302,000	302,000	315,000	13,000
REDDI grant	100,000	100,000	0	(100,000)
GMA advance	(322,215)	(322,215)	0	322,215
Transfers in	100,000	100,000	144,061	44,061
Transfers out	(17,000)	(17,000)	0	17,000
Total other financing sources and uses	<u>162,785</u>	<u>162,785</u>	<u>459,061</u>	<u>296,276</u>
EXTRAORDINARY ITEM				
Refund of earned income taxes	0	0	(118,952)	(118,952)
Net change in fund balances	<u>\$ 23,720</u>	<u>\$ 11,432</u>	<u>\$ 393,084</u>	<u>\$ 381,652</u>