

**BOROUGH OF GETTYSBURG**

FINANCIAL  
REPORT

---

DECEMBER 31, 2007

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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, 2007, which collectively comprise the basic financial statements of the Borough 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, 2007, 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, 2007 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 47, and the general fund budgetary comparison schedule on page 48 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  
June 26, 2008



**BOROUGH OF GETTYSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2007**  
**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, 2007. 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, 2007 by \$ 46,830,900. Of this amount \$ 8,291,198 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$ 5,181,795. Of this amount \$ 418,555 was associated with governmental activities and \$ 4,763,240 with business-type activities.
- At December 31, 2007, the governmental funds reported combined fund balances of \$ 1,454,237 of which \$ 966,969 was unreserved and is available for spending at the Borough of Gettysburg's discretion, \$ 9,715 was reserved for inventory, \$ 31,553 was reserved for prepaid expenses and \$ 446,000 for long-term loan receivables.
- Governmental fund balances increased \$ 108,946 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 Human Services, Community Development, Public Works, General Government, Culture and Recreation and Debt Service. The business-type activities of the Borough of Gettysburg are 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 available resources, as well as on balances of available 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.
- 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.

Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The proprietary 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 proprietary 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 - 46 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 47 - 48 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 \$ 46,833,884 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**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current assets	\$ 1,518,264	\$ 1,786,521	\$ 15,382,669	\$ 6,571,763
Capital assets and other assets	<u>9,617,704</u>	<u>9,578,846</u>	<u>38,265,377</u>	<u>35,933,883</u>
<b>TOTAL ASSETS</b>	<b>11,135,968</b>	<b>11,365,367</b>	<b>53,648,046</b>	<b>42,505,646</b>
Other liabilities	1,250,209	765,837	1,178,294	1,159,876
Long-term liabilities	<u>1,440,602</u>	<u>2,572,928</u>	<u>14,084,009</u>	<u>7,723,267</u>
<b>TOTAL LIABILITIES</b>	<b>2,690,811</b>	<b>3,338,765</b>	<b>15,262,303</b>	<b>8,883,143</b>
Net assets:				
Invested in capital assets, net of related debt	7,090,759	6,822,586	30,978,882	26,179,432
Restricted	6,424	6,177	463,637	1,122,253
Unrestricted	<u>1,347,974</u>	<u>1,197,839</u>	<u>6,943,224</u>	<u>6,320,818</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 8,445,157</u></b>	<b><u>\$ 8,026,602</u></b>	<b><u>\$ 38,385,743</u></b>	<b><u>\$ 33,622,503</u></b>



**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:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenues:				
Program Revenues:				
Charges for Services	\$ 1,283,006	\$ 1,310,507	\$ 4,967,426	\$ 5,115,066
Operating Grants and Contributions	312,622	395,629	0	0
Capital Grants and Contributions	892,624	898,736	4,242,465	5,406,884
General Revenues:				
Taxes:				
Property	1,683,406	1,661,234	0	0
Income	389,371	359,391	0	0
Real Estate Transfer	113,181	135,090	0	0
Emergency municipal services tax	335,154	327,752	0	0
Admission	120,075	149,483	0	0
Occupational and Per Capita	24,811	27,657	0	0
Hotel	30,000	30,000	0	0
Other	2,067	2,154	11,774	1,475
Interest and Investment Earnings	34,437	35,849	307,629	250,957
Miscellaneous	91,252	94,024	0	0
Transfer in (out)	65,934	100,162	( 65,934)	( 100,162)
Accrued EIT Refund	0	( 118,952)	0	0
Gain (Loss) on Sale of Equipment	<u>0</u>	<u>293,073</u>	<u>( 677)</u>	<u>( 12,207)</u>
	5,377,940	5,701,789	9,462,683	10,662,013
Expenses:				
General Government	1,070,835	730,996	0	0
Public Safety	1,730,358	1,729,658	0	0
Health and Welfare	21,687	23,656	0	0
Highways and Parking Facilities	1,142,232	1,417,312	0	0
Culture and Recreation	355,460	352,817	0	0
Community Development	534,823	209,891	0	0
Interest on Long Term Debt	103,990	105,246	0	0
Water and Sewer	<u>0</u>	<u>0</u>	<u>4,699,443</u>	<u>4,358,294</u>
Total Expenses	4,959,385	4,569,576	4,699,443	4,358,294
Increase (Decrease) in Net Assets	418,555	1,132,213	4,763,240	6,303,719
Net Assets – Beginning	<u>8,026,602</u>	<u>6,894,389</u>	<u>33,622,503</u>	<u>27,318,784</u>
Net Assets – Ending	<u>\$ 8,445,157</u>	<u>\$ 8,026,602</u>	<u>\$ 38,385,743</u>	<u>\$ 33,622,503</u>



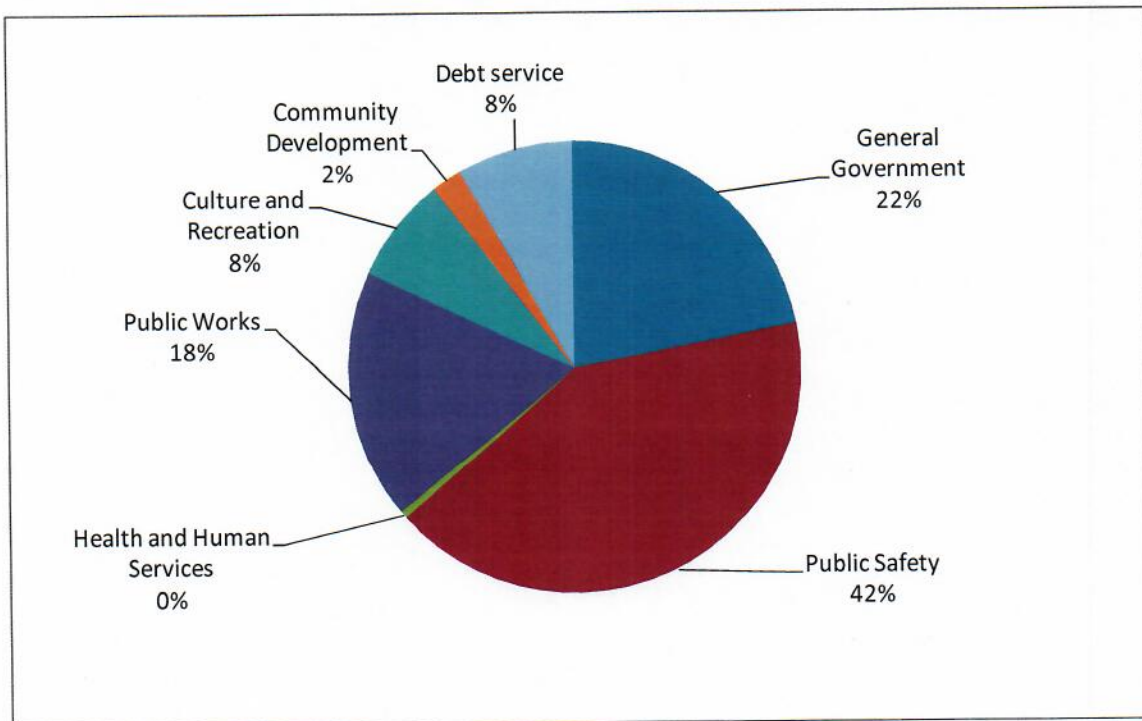
**BOROUGH OF GETTYSBURG**  
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**Financial Analysis of the Government's Funds**

**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 \$ 1,454,237. Approximately 73% of this total amount (\$ 1,062,969) constitutes unreserved fund balance which is available for spending at the government's discretion. The remainder of the fund balance (\$ 391,268) is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expenses, fuel inventory, and long term receivables.

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) in the general fund by \$ 226,441.

The chart below illustrates the breakdown of governmental funds costs:



**BOROUGH OF GETTYSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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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 for the Borough of Gettysburg was not changed during the year for either the governmental funds or the proprietary funds.

During the year, general fund revenues exceeded budgeted revenues by about \$ 286,000 and general fund expenditures exceeded budgeted expenditures by about \$ 12,000. The excess revenues were generated primarily from taxes and licenses and permits categories. Positive budget variances for expenditures were generated by the departments of Highway and Culture and Recreation, with the departments of General Government and Community Development showing the greatest negative budget variances.

**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, 2007 was \$ 9,107,366 for governmental activities and \$ 37,791,441 for business-type activities (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 320,388 and deletions of \$ 93,344 in capital assets of governmental activities and business-type activity additions of \$ 4,767,042 and no deletions. Government activities added assets that include the completion of the Biser Fitness Trail, the addition of various pieces of equipment, a dump truck and a police car and continued work on projects not complete at the end of the year, such as the train station exhibits and the West Middle Street Bricking. The Authority has accepted \$ 4,084,175 of capital contributions in the form of the Hunterstown Wastewater Treatment Plant and related infrastructure built in Straban Township during 2002. In addition the Locust Street sanitary sewer and water main replacement project that was started in 2006 was completed during the year, adding \$ 80,417 (before depreciation) to fixed assets.
- Depreciation expense of \$ 532,505 for governmental activities and \$ 1,740,131 for business-type activities was charged.

Comparative Capital Assets at December 31:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land and Improvements	\$ 397,715	\$ 335,671	\$ 103,782	\$ 103,782
Building and Improvements	9,141,912	9,141,912	23,410,169	23,399,945
Machinery and Equipment	1,612,499	1,505,923	0	0
Furniture and Fixtures	84,900	84,900	0	0
Collections	14,150	14,150	0	0
Construction in Progress	131,547	73,123	781,847	364,744
Infrastructure	<u>4,533,772</u>	<u>4,533,772</u>	<u>37,844,309</u>	<u>33,504,594</u>
Total Capital Assets	<u>\$ 15,916,495</u>	<u>\$ 15,689,451</u>	<u>\$ 62,140,107</u>	<u>\$ 57,373,065</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**  
**DECEMBER 31, 2006**  
**UNAUDITED**

**Debt Administration**

The Borough of Gettysburg had total outstanding bonded debt of \$ 16,244,351 and general obligation notes of \$ 610,501. 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:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
General Obligation Bond	\$ 1,406,106	\$ 1,668,227	\$ 14,838,245	\$ 8,632,198
General Obligation Note	610,501	922,014	0	0
Loan Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	\$ 2,016,607	\$ 2,590,241	\$ 14,838,245	\$ 8,632,198
Compensated Absences	<u>303,333</u>	<u>333,589</u>	<u>0</u>	<u>0</u>
Total Debt	<u>\$ 2,319,940</u>	<u>\$ 2,923,830</u>	<u>\$ 14,838,245</u>	<u>\$ 8,632,198</u>

During the year \$ 2,074,709 of bonded debt and \$ 311,513 of General Obligation Notes were retired. A general obligation sewer bond in the amount of \$ 8,285,000 was issued for the upgrading of the current wastewater treatment plant and to extend the sewer line west on Route 30. A net decrease of \$ 30,256 of accrued compensated absences was incurred.

The Borough of Gettysburg maintains a rating of "Aaa" assigned by Moody's Investor Service 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 2008 reflects a .5% percent increase in revenues and a .5% increase in expenses over the 2007 budget.

The Gettysburg Municipal Authority does not expect the budget for 2008 to be substantially different from 2007. With growth continuing in the surrounding townships, revenue sources are up slightly and the Authority does not expect any unusual expenditures. Various capital projects for both the water and sewer funds appear in the 2008 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, 2007**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 776,661	\$ 4,918,422	\$ 5,695,083
Investments	0	9,479,947	9,479,947
Taxes receivable, net	343,659	0	343,659
Accounts receivable - billed	330,140	533,718	863,858
Accounts receivable - unbilled	0	380,171	380,171
Internal balances	26,536	0	0 *
Inventories	9,715	55,832	65,547
Prepaid expenses	31,553	14,579	46,132
Total current assets	<u>1,518,264</u>	<u>15,382,669</u>	<u>16,874,397</u>
<b>Noncurrent assets</b>			
Restricted investments	6,424	461,619	468,043
Loan receivable	350,000	0	350,000
Mortgages receivable, net of allowance for uncollectible accounts	96,000	0	96,000
Accrued interest receivable - restricted	23,605	2,018	25,623
Bond issue costs	34,309	10,299	44,608
Capital assets not being depreciated:			
Land	0	103,782	103,782
Construction in progress	131,547	781,847	913,394
Capital assets net of accumulated depreciation:			
Land improvements	354,917	0	354,917
Buildings and improvements	7,483,512	10,388,372	17,871,884
Machinery, equipment and furniture	317,084	26,517,440	26,834,524
Infrastructure	820,306	0	820,306
Total noncurrent assets	<u>9,617,704</u>	<u>38,265,377</u>	<u>47,883,081</u>
Total assets	<u>\$ 11,135,968</u>	<u>\$ 53,648,046</u>	<u>\$ 64,757,478</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 292,877	\$ 281,454	\$ 574,331
Internal balances	0	26,536	0 *
Accrued wages and withholdings	42,682	19,417	62,099
Accrued interest	19,168	4,775	23,943
Unearned revenues	16,144	0	16,144
Consumer deposits	0	91,876	91,876
Long-term liabilities: Due within one year			
Bonds and notes payable	841,316	754,236	1,595,552
Compensated absences	38,022	0	38,022
Total current liabilities	<u>1,250,209</u>	<u>1,178,294</u>	<u>2,401,967</u>
<b>Noncurrent liabilities</b>			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	1,175,291	14,084,009	15,259,300
Compensated absences	265,311	0	265,311
Total noncurrent liabilities	<u>1,440,602</u>	<u>14,084,009</u>	<u>15,524,611</u>
Total liabilities	<u>2,690,811</u>	<u>15,262,303</u>	<u>17,926,578</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,090,759	30,978,882	38,069,641
Restricted	6,424	463,637	470,061
Unrestricted	1,347,974	6,943,224	8,291,198
Total net assets	<u>8,445,157</u>	<u>38,385,743</u>	<u>46,830,900</u>
Total liabilities net assets	<u>\$ 11,135,968</u>	<u>\$ 53,648,046</u>	<u>\$ 64,757,478</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, 2007

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 1,070,835	\$ 89,889	\$ 34,837	\$ 33,980	( \$ 912,129)	\$ 0	( \$ 912,129)
Public safety	1,730,358	269,248	152,794	34,096	( 1,274,220)	0	( 1,274,220)
Health and human services	21,687	0	0	0	( 21,687)	0	( 21,687)
Public works	1,142,232	839,767	33,669	126,925	( 141,871)	0	( 141,871)
Culture and recreation	355,460	48,104	8,417	31,371	( 267,568)	0	( 267,568)
Community development	534,823	35,998	82,905	666,252	250,332	0	250,332
Interest and amortization	103,990	0	0	0	( 103,990)	0	( 103,990)
Total governmental activities	<u>4,959,385</u>	<u>1,283,006</u>	<u>312,622</u>	<u>892,624</u>	<u>( 2,471,133)</u>	<u>0</u>	<u>( 2,471,133)</u>
Business-type activities							
Water	1,992,943	2,880,873	0	59,359	0	947,289	947,289
Sewer	2,706,500	2,086,553	0	4,183,106	0	3,563,159	3,563,159
Total business-type activities	<u>4,699,443</u>	<u>4,967,426</u>	<u>0</u>	<u>4,242,465</u>	<u>0</u>	<u>4,510,448</u>	<u>4,510,448</u>
Total primary government	<u>\$ 9,658,828</u>	<u>\$ 6,250,432</u>	<u>\$ 312,622</u>	<u>\$ 5,135,089</u>	<u>( \$ 2,471,133)</u>	<u>\$ 4,510,448</u>	<u>\$ 2,039,315</u>
<b>General revenues and transfers:</b>							
Taxes:							
Property taxes					\$ 1,683,406	\$ 0	\$ 1,683,406
Earned income tax					389,371	0	389,371
Real estate transfer tax					113,181	0	113,181
Emergency municipal services tax					335,154	0	335,154
Admission tax					120,075	0	120,075
Occupational and per capita taxes					24,811	0	24,811
Hotel taxes					30,000	0	30,000
Other taxes					2,067	0	2,067
Unrestricted investment earnings					34,437	307,629	342,066
Miscellaneous income					91,252	11,774	103,026
Gain (loss) on sale of assets					0	( 677)	( 677)
Transfers					65,934	( 65,934)	0
Total general revenues and transfers					<u>2,889,688</u>	<u>252,792</u>	<u>3,142,480</u>
Change in net assets					418,555	4,763,240	5,181,795
Net assets - beginning					<u>8,026,602</u>	<u>33,622,503</u>	<u>41,649,105</u>
Net assets - ending					<u>\$ 8,445,157</u>	<u>\$ 38,385,743</u>	<u>\$ 46,830,900</u>

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

# BOROUGH OF GETTYSBURG

## BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 489,388	\$ 119,604	\$ 167,669	\$ 776,661
Investments	0	0	6,424	6,424
Accounts and grants receivable	196,504	122,779	10,857	330,140
Taxes receivable, net	343,659	0	0	343,659
Due from other funds	31,766	25,297	122,000	179,063
Loans receivable	50,000	300,000	0	350,000
Mortgages receivable, net of allowance	0	0	96,000	96,000
Accrued interest receivable, net of allowance	0	0	23,605	23,605
Inventories	9,715	0	0	9,715
Prepaid expenses	31,553	0	0	31,553
Total assets	<u>\$ 1,152,585</u>	<u>\$ 567,680</u>	<u>\$ 426,555</u>	<u>\$ 2,146,820</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 260,873	\$ 16,506	\$ 15,498	\$ 292,877
Due to other funds	126,899	5,230	20,398	152,527
Deferred revenue	164,748	11,258	28,491	204,497
Accrued wages, benefits and withholdings	42,682	0	0	42,682
Total liabilities	<u>595,202</u>	<u>32,994</u>	<u>64,387</u>	<u>692,583</u>
<b>Fund balances</b>				
Reserved for:				
Inventories	9,715	0	0	9,715
Prepaid expenses	31,553	0	0	31,553
Long term loan receivables	50,000	300,000	96,000	446,000
Unreserved - undesignated:				
Capital reserve	0	0	102,116	102,116
Highway aid	0	0	149,057	149,057
Special revenue	0	0	14,995	14,995
General fund	448,860	0	0	448,860
Capital projects	0	234,686	0	234,686
Unreserved - designated for self insurance	17,255	0	0	17,255
Total fund balances	<u>557,383</u>	<u>534,686</u>	<u>362,168</u>	<u>1,454,237</u>
Total liabilities and fund balances	<u>\$ 1,152,585</u>	<u>\$ 567,680</u>	<u>\$ 426,555</u>	<u>\$ 2,146,820</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, 2007**

<b>Total fund balance - governmental funds</b>		\$	1,454,237
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.			9,107,366
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.			34,309
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.			188,353
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	(	2,016,607)	
Accrued interest	(	19,168)	
Compensated absences	(	303,333)	
	(		2,339,108)
<b>Total net assets - governmental activities</b>		\$	<u>8,445,157</u>

*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, 2007**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,666,193	\$ 0	\$ 0	\$ 2,666,193
Licenses and permits	163,299	0	0	163,299
Fines and forfeits	298,237	0	0	298,237
Investment earnings	23,768	5,888	3,598	33,254
Rents	28,362	0	0	28,362
Intergovernmental	347,051	645,935	203,709	1,196,695
Charges for services	733,207	0	0	733,207
Donations	64,326	17,640	0	81,966
Miscellaneous	108,427	0	1,378	109,805
Total revenues	<u>4,432,870</u>	<u>669,463</u>	<u>208,685</u>	<u>5,311,018</u>
<b>EXPENDITURES</b>				
General government	935,418	0	0	935,418
Public safety	1,782,120	0	0	1,782,120
Health and human services	21,687	0	0	21,687
Public works	767,278	6,572	61,826	835,676
Culture and recreation	322,635	0	0	322,635
Community development	93,212	512,361	77,081	682,654
Debt service	356,083	331,733	0	687,816
Total expenditures	<u>4,278,433</u>	<u>850,666</u>	<u>138,907</u>	<u>5,268,006</u>
Excess (deficiency) of revenues over expenditures	<u>154,437</u>	<u>( 181,203)</u>	<u>69,778</u>	<u>43,012</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	72,004	0	0	72,004
Transfers out	0	( 3,416)	( 2,654)	( 6,070)
Total other financing sources and uses	<u>72,004</u>	<u>( 3,416)</u>	<u>( 2,654)</u>	<u>65,934</u>
Net change in fund balances	<u>226,441</u>	<u>( 184,619)</u>	<u>67,124</u>	<u>108,946</u>
Fund balances - beginning	<u>330,942</u>	<u>719,305</u>	<u>295,044</u>	<u>1,345,291</u>
Fund balances - ending	<u>\$ 557,383</u>	<u>\$ 534,686</u>	<u>\$ 362,168</u>	<u>\$ 1,454,237</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, 2007**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>108,946</b>
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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	( 532,505)	
Capital outlays, net of retirements	<u>227,044</u>	
	(	305,461)

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:

988

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.

576,513

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.

( 9,989)

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	17,302	
Compensated absences	34,847	
Vision benefits	( 4,591)	
		47,558

<b>Change in net assets - governmental activities</b>	<b>\$</b>	<b>418,555</b>
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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, 2007

	Water Fund	Sewer Fund	Total Proprietary Funds
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,620,089	\$ 2,298,333	\$ 4,918,422
Investments	1,464,560	8,015,387	9,479,947
Accounts receivable (net of allowance for doubtful accounts of \$2,289 water and \$2,541 sewer)	250,535	261,800	512,335
Interest receivable	21,383	0	21,383
Due from other funds	16,221	0	1,036 *
Unbilled revenue	185,407	194,764	380,171
Inventories	53,484	2,348	55,832
Prepaid expenses	6,864	7,715	14,579
Total current assets	<u>4,618,543</u>	<u>10,780,347</u>	<u>15,383,705</u>
<b>Noncurrent assets</b>			
Restricted investments	461,619	0	461,619
Interest receivable - restricted investments	2,018	0	2,018
Bond issue costs (net of accumulated amortization of \$19,136 water and \$36,546 sewer)	10,299	0	10,299
Capital assets:			
Land	64,660	39,122	103,782
Buildings and infrastructure	7,550,134	13,659,362	21,209,496
Wells	1,424,962	0	1,424,962
Lift stations	0	775,711	775,711
Equipment and lines	12,982,404	24,861,905	37,844,309
Less accumulated depreciation	( 8,526,010)	( 15,822,656)	( 24,348,666)
Construction in progress	311,680	470,167	781,847
Total capital assets	<u>13,807,830</u>	<u>23,983,611</u>	<u>37,791,441</u>
Total non current assets	<u>14,281,766</u>	<u>23,983,611</u>	<u>38,265,377</u>
Total assets	<u>\$ 18,900,309</u>	<u>\$ 34,763,958</u>	<u>\$ 53,649,082</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 98,680	\$ 182,774	\$ 281,454
Accrued interest	4,775	0	4,775
Accrued payroll and related liabilities	7,971	11,446	19,417
Consumer deposits	53,002	38,874	91,876
Due to other funds	0	42,757	27,572 *
Current portion of bonds payable	445,377	308,859	754,236
Total current liabilities	<u>609,805</u>	<u>584,710</u>	<u>1,179,330</u>
<b>Noncurrent liabilities</b>			
Bonds payable	4,581,215	9,502,794	14,084,009
Total non-current liabilities	<u>4,581,215</u>	<u>9,502,794</u>	<u>14,084,009</u>
Total liabilities	<u>5,191,020</u>	<u>10,087,504</u>	<u>15,263,339</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,791,537	22,187,345	30,978,882
Restricted	463,637	0	463,637
Unrestricted	4,454,115	2,489,109	6,943,224
Total net assets	<u>13,709,289</u>	<u>24,676,454</u>	<u>38,385,743</u>
Total liabilities and net assets	<u>\$ 18,900,309</u>	<u>\$ 34,763,958</u>	<u>\$ 53,649,082</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, 2007

	Water Fund	Sewer Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>			
Service fees	\$ 1,838,111	\$ 1,694,064	\$ 3,532,175
Connection and reserve capacity fees	25,104	10,659	35,763
Miscellaneous income	0	9,120	9,120
Penalties	22,433	18,909	41,342
Hunterstown fees	0	181,655	181,655
Total operating revenues	<u>1,885,648</u>	<u>1,914,407</u>	<u>3,800,055</u>
<b>OPERATING EXPENSES</b>			
Collection system	0	132,005	132,005
Purification system	513,862	0	513,862
Pumping station	0	54,165	54,165
Distribution system	234,302	0	234,302
Disposal system	0	691,492	691,492
General operating	285,073	279,841	564,914
Professional fees	43,052	45,075	88,127
Depreciation and amortization	661,845	1,061,336	1,723,181
Hunterstown depreciation	0	68,070	68,070
Hunterstown expenses	0	161,106	161,106
Total operating expenses	<u>1,738,134</u>	<u>2,493,090</u>	<u>4,231,224</u>
Operating income (loss)	<u>147,514</u>	<u>( 578,683)</u>	<u>( 431,169)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Tapping fees	954,030	181,266	1,135,296
Interest income	151,124	156,505	307,629
Rental income	43,849	0	43,849
Arbitrage paymnet	( 22,413)	( 25,239)	( 47,652)
Refund of prior year tap fees	( 26,010)	( 40,651)	( 66,661)
Realized and unrealized gains (losses) on investments	( 328)	( 349)	( 677)
Interest expense	( 202,648)	( 143,809)	( 346,457)
Trustee fees	( 3,738)	( 3,711)	( 7,449)
Total nonoperating revenues (expenses)	<u>893,866</u>	<u>124,012</u>	<u>1,017,878</u>
Income (loss) before contributions and transfers	1,041,380	( 454,671)	586,709
Capital contributions and grants	59,359	98,931	158,290
Hunterstown capital contributions	0	4,084,175	4,084,175
Transfers in	0	7,341	7,341
Transfers out	( 38,981)	( 34,294)	( 73,275)
Change in net assets	1,061,758	3,701,482	4,763,240
Total net assets - beginning	<u>12,647,531</u>	<u>20,974,972</u>	<u>33,622,503</u>
Total net assets - ending	<u>\$ 13,709,289</u>	<u>\$ 24,676,454</u>	<u>\$ 38,385,743</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, 2007**

	Water Fund	Sewer Fund	Total Proprietary Funds
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 1,944,919	\$ 1,978,013	\$ 3,922,932
Payments to suppliers	( 517,098)	( 642,421)	( 1,159,519)
Payments to and on behalf of employees	( 525,498)	( 575,098)	( 1,100,596)
Net cash provided (used) by operating activities	<u>902,323</u>	<u>760,494</u>	<u>1,662,817</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	( 201,364)	( 301,142)	( 502,506)
Proceeds from tap fees	957,832	146,320	1,104,152
Proceeds from issuance of debt	0	3,371	3,371
Principal paid on capital debt	( 405,000)	( 1,450,000)	( 1,855,000)
Interest and fiscal charges paid on capital debt	( 197,893)	( 135,831)	( 333,724)
Net cash provided (used) by capital and related financing activities	<u>153,575</u>	<u>( 1,737,282)</u>	<u>( 1,583,707)</u>
<b>Cash flows from non-capital financing activities:</b>			
Sewer fund payment on behalf of water fund	97,641	( 97,641)	0
Transfer between funds	( 38,981)	( 26,953)	( 65,934)
Rental income and agent fees	40,111	( 3,711)	36,400
Net cash provided (used) by non-capital financing activities	<u>98,771</u>	<u>( 128,305)</u>	<u>( 29,534)</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments	392,032	2,750,036	3,142,068
Purchase of investments	( 388,498)	( 555,806)	( 944,304)
Interest and dividends received	138,369	161,841	300,210
Net cash provided (used) by investing activities	<u>141,903</u>	<u>2,356,071</u>	<u>2,497,974</u>
Net increase in cash and cash equivalents	<u>1,296,572</u>	<u>1,250,978</u>	<u>2,547,550</u>
Cash and cash equivalents - beginning of the year	<u>1,323,517</u>	<u>1,047,355</u>	<u>2,370,872</u>
Cash and cash equivalents - end of the year	<u>\$ 2,620,089</u>	<u>\$ 2,298,333</u>	<u>\$ 4,918,422</u>
<b>Reconciliation of income from operations to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 147,514	( \$ 578,683)	( \$ 431,169)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	661,845	1,129,406	1,791,251
Capitalized wages	( 16,524)	0	( 16,524)
Changes in assets and liabilities			
Accounts and other receivable	55,270	58,195	113,465
Inventories	( 4,935)	1,859	( 3,076)
Prepaid expenses	12,941	12,090	25,031
Accounts and other payable	44,295	140,161	184,456
Accrued payroll and other expenses	( 2,084)	( 7,945)	( 10,029)
Deferred revenue and deposits	4,001	5,411	9,412
Net cash provided (used) by operating activities	<u>\$ 902,323</u>	<u>\$ 760,494</u>	<u>\$ 1,662,817</u>
<b>Other noncash activity:</b>			
Non-cash investing, capital and non-capital financing activities			
During the year, the Authority received donated assets as follows:	<u>\$ 59,359</u>	<u>\$ 4,183,106</u>	<u>\$ 4,242,465</u>

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



**BOROUGH OF GETTYSBURG**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**December 31, 2007**

	<u>Pension Trust</u> <u>Funds</u>	<u>Private Purpose</u> <u>Trust Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 495,887	\$ 0
Investments	5,098,470	8,576
Accrued income	1,379	0
Total assets	<u>\$ 5,595,736</u>	<u>\$ 8,576</u>
<b>NET ASSETS</b>		
Held in trust for:		
Employees' pension benefits	\$ 5,595,736	\$ 0
Other purposes	<u>0</u>	<u>8,576</u>
Total net assets	<u>\$ 5,595,736</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, 2007

	Pension Trust Funds	Private Purpose Trust Funds
<b>Additions</b>		
Contributions		
Employer	\$ 59,116	\$ 0
Employer - state funded	182,764	0
Total contributions	<u>241,880</u>	<u>0</u>
<b>Investment earnings</b>		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	72,121	0
Interest, dividends and other	134,018	343
Total investment income	<u>206,139</u>	<u>343</u>
Less investment expenses:		
Fiduciary fees	( 29,071)	0
Net investment income	<u>177,068</u>	<u>343</u>
Total additions	<u>418,948</u>	<u>343</u>
<b>Deductions</b>		
Benefit payments	177,183	0
Administrative expense	36,740	0
Other services	0	343
Total deductions	<u>213,923</u>	<u>343</u>
Change in net assets held in trust for:		
Employees' pension benefits	205,025	0
Other purposes	0	0
Net assets - beginning (as restated)	5,390,711	8,576
Net assets - ending	<u>\$ 5,595,736</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. The Authority owns the water and sewer plant which services entirely the Borough of Gettysburg and neighboring Townships, Cumberland and Straban.

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/net assets/(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).

The Borough reports the following non-major governmental funds:

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.



## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **Fund Accounting (Continued)**

- 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. A minimal 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 as required by generally accepted accounting principles.

### **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.



## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **Basis of Presentation (Continued)**

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.

### **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.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **Basis of Accounting (Continued)**



### 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 standards, 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.

### **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.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **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.

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.



## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **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, 2007, reservations of fund balance are described below:

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

*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.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **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, 2007.

### **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.

### **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.



## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **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.

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, 2007, \$ 14,789,664 of the Borough's bank balance of \$ 15,293,394 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 Borough's name		<u>14,789,664</u>
	\$	<u>14,789,664</u>

Included in the Governmental Activities investments on the statement of net assets is a certificate of deposit at Adams County National Bank of \$ 6,424, 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 \$ 1,464,560, with a maturity of less than one year, and money market funds totaling \$ 8,015,387. All are considered deposits for purpose of this disclosure.

***Investments***

As of December 31, 2007, the Borough had the following business-type investments:

<u>Investment Type</u>	<u>Time to Maturity</u>	<u>Fair Value</u>	<u>Credit Quality Rating (Standard and Poor's)</u>
Blackrock Provident T-Fund (mutual fund)	N/A	\$ 179,265	AAA
U. S. Treasury Note	May 2008	275,198	N/A
GNMA I Pool	May 2009	<u>7,156</u>	N/A
		<u>\$ 461,619</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:

	<b>Total Fair Value</b>
Money Market Funds	\$ 495,887
Mutual Funds	<u>5,098,470</u>
	<u>\$ 5,594,357</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 38% 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, 2007 is \$ 118,633,195.

Taxes receivable in the fund financial statements consists of the following as of December 31, 2007:

Real Estate and Real Estate transfer	\$ 73,949
Per Capita	9,538
Earned Income	217,793
Occupational	12,074
Emergency Municipal Services Tax	26,376
Admission	15,165
Allowance for uncollectible accounts	( <u>11,236</u> )
Total taxes receivable	343,659
 Taxes collected within sixty days, recorded as revenues in governmentatl funds	 ( <u>178,911</u> )
 Taxes estimated to be collected after sixty days, recorded as deferred revenue in governmental funds	 <u>\$ 164,748</u>

**Note 4. Interfund Receivables and Payables and Transfers**

Due from/to other funds consist of the following as of December 31, 2007:

<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	\$ 0	\$ 5,230	\$ 0	\$ 0	\$ 26,536	\$ 31,766
Capital Projects Fund	4,899	0	0	20,398	0	0	25,297
Capital Reserve Fund	122,000	0	0	0	0	0	122,000
Total	\$ 126,899	\$ 0	\$ 5,230	\$ 20,398	\$ 0	\$ 26,536	\$ 179,063

At December 31, 2007, the General Fund owed the Capital Reserve Fund \$ 122,000, including \$ 100,000 to pay back money borrowed to cover operating expenses, and the Capital Project Fund \$ 4,899 for paving and wood chips. The Capital Projects Fund owed the General Fund \$ 5,230 for REDDI project expenses. The Water and Sewer Fund owed the General Fund \$ 26,536 for salary, fuel and health insurance reimbursement.

Interfund operating transfers were as follows in 2007:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 3,416
General Fund	Water Fund	34,294
General Fund	Sewer Fund	34,294
Sewer Fund	Water Fund	4,687
Sewer Fund	Debt Service	2,654

In 2007, the Capital Projects Fund transferred \$ 3,416 to the General Fund for REDDI project expenses. The Water and Sewer Funds transferred \$ 34,294 and \$ 34,294, respectively, to the General Fund for administrative costs. The Water Fund transferred \$ 4,687 to the Sewer Fund for expenses paid by the water fund on behalf of the sewer fund. The Debt Service Fund transferred \$ 2,654 to the Sewer Fund for debt payments.



## Note 5. Capital Assets

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Cost:				
Land improvements	\$ 335,671	\$ 62,044	\$ 0	\$ 397,715
Infrastructure	4,533,772	0	0	4,533,772
Buildings and improvements	9,141,912	0	0	9,141,912
Machinery and equipment	1,505,923	106,576	0	1,612,499
Furniture and fixtures	84,900	0	0	84,900
Collections	14,150	0	0	14,150
Construction in progress	73,123	151,768	( 93,344)	131,547
Total cost	<u>15,689,451</u>	<u>320,388</u>	<u>( 93,344)</u>	<u>15,916,495</u>
Less accumulated depreciation:				
Land improvements	( 20,748)	( 22,050)	0	( 42,798)
Infrastructure	( 3,525,639)	( 187,827)	0	( 3,713,466)
Buildings and improvements	( 1,424,448)	( 233,952)	0	( 1,658,400)
Machinery and equipment	( 1,222,624)	( 87,224)	0	( 1,309,848)
Furniture and fixtures	( 83,165)	( 1,452)	0	( 84,617)
Total accumulated depreciation	<u>( 6,276,624)</u>	<u>( 532,505)</u>	<u>0</u>	<u>( 6,809,129)</u>
<b>Capital assets, net</b>	<u>\$ 9,412,827</u>	<u>( \$ 212,117)</u>	<u>( \$ 93,344)</u>	<u>\$ 9,107,366</u>
<b>Business-Type Activities:</b>				
Cost:				
Land	\$ 103,782	\$ 0	\$ 0	\$ 103,782
Building and plant	21,209,496	0	0	21,209,496
Wells	1,414,738	10,224	0	1,424,962
Lift stations	775,711	0	0	775,711
Utility and general equipment	33,504,594	4,339,715	0	37,844,309
Construction in progress	364,744	417,103	0	781,847
Total cost	<u>57,373,065</u>	<u>4,767,042</u>	<u>0</u>	<u>62,140,107</u>
Less accumulated depreciation:				
Building and plant	( 10,008,403)	( 812,721)	0	( 10,821,124)
Wells	( 746,945)	( 57,100)	0	( 804,045)
Lift stations	( 285,555)	( 30,498)	0	( 316,053)
Utility and general equipment	( 11,567,632)	( 839,812)	0	( 12,407,444)
Total accumulated depreciation	<u>( 22,608,535)</u>	<u>( 1,740,131)</u>	<u>0</u>	<u>( 24,348,666)</u>
<b>Capital assets, net</b>	<u>\$ 34,764,530</u>	<u>\$ 3,026,911</u>	<u>\$ 0</u>	<u>\$ 37,791,441</u>

**Note 5. Capital Assets (Continued)**

Accumulated costs attributable to projects included in "Construction-in-Progress" at December 31, 2007 are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Train Station Exhibits	\$ 86,639	\$ 0
West Middle Street Bricks	6,572	0
REDDI Project	38,336	0
York Water Pipeline	0	50,446
Well #9 Rehabilitation	0	34,468
Water Treatment System	0	2,680
Water Meters	0	224,086
Route 30 Extension	0	21,341
Wastewater Plant Upgrade	0	213,111
Act 537 Plan	0	235,715
	<u>\$ 131,547</u>	<u>\$ 781,847</u>

Depreciation expense for the year ended December 31, 2007 was charged as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
General Government	\$ 137,346	\$ 0
Public Safety	22,971	0
Highways	231,437	0
Parking	107,926	0
Culture and Recreation	32,825	0
Water	0	647,065
Sewer	0	1,093,066
	<u>\$ 532,505</u>	<u>\$ 1,740,131</u>



## Note 6. Mortgages and Notes Receivable

The following is a summary of changes in mortgages receivable for the year ended December 31, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Accrued Interest	Current Portion	Long-term Portion
Mortgages receivable	\$ 96,000	\$ 0	\$ 0	\$ 96,000	\$ 23,605	\$ 0	\$ 96,000
(A) Fahnestock	59,718	0	0	59,718	5,026	0	59,718
(B) Scattered Sites 3rd Mortgage	150,000	0	0	150,000	12,000	0	150,000
(C) Scattered Sites 4th Mortgage	40,000	0	0	40,000	3,200	0	40,000
(D) Scattered Sites 5th Mortgage	345,718	0	0	345,718	43,831	0	345,718
Subtotal - bonds and notes	345,718	0	0	345,718	43,831	0	345,718
Allowance for uncollectible accounts	( 249,718)	0	0	( 249,718)	( 20,226)	0	( 249,718)
Net mortgages receivable	\$ 96,000	\$ 0	\$ 0	\$ 96,000	\$ 23,605	\$ 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, 2007 totaled \$ 22,500 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, 2007 totaled \$ 3,200 after the accrued interest was rolled into principal during 1999.

For the 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> 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 6. Mortgages and Notes Receivable (Continued)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
Notes Receivable						
(A) Kennies Market	\$ 0	\$ 300,000	\$ 0	\$ 300,000	\$ 0	\$ 300,000
(B) Gettysburg Economic Development Co	0	100,000	50,000	50,000	0	50,000
<b>Total Notes Receivable</b>	<b>\$ 0</b>	<b>\$ 400,000</b>	<b>\$ 50,000</b>	<b>\$ 350,000</b>	<b>\$ 0</b>	<b>\$ 350,000</b>

(A) On August 8, 2007, Kennie's Market, Inc. signed a promissory note to pay the Borough principal of \$ 300,000 with an interest rate of 2.5% per annum. Monthly principal payments of \$ 5,324 will be made beginning February 1, 2008 and for the five years thereafter.

(B) In August 2007, Gettysburg Economic Development Corporation signed an option agreement to pay the Borough \$ 100,000 for the purchase of the Cullison property with no interest. On October 15, 2007, \$ 50,000 was paid leaving a receivable at December 31, 2007 of \$ 50,000.

# **Note 7. Short-term Debt**

On January 5, 2007, the Borough acquired a Tax Revenue Anticipation Note from Adams County National Bank in the amount of \$ 350,000 at a rate of 7.00% due on December 31, 2007. The Borough paid the note by December 31, 2007.

<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
\$ 0	\$ 350,000	( \$ 350,000)	\$ 0



## Note 8. Long-term Liabilities

The changes in long-term liabilities during the year ended December 31, 2007 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
<b>Governmental Activities:</b>						
Bonds and notes payable						
(A) 2000 GO Note	\$ 415	\$ 0	( \$ 415)	\$ 0	\$ 0	\$ 0
(B) 2004 GO Bond	1,685,000	0	( 265,000)	1,420,000	275,000	1,145,000
(C) 2004 GO Note	119,585	0	( 38,319)	81,266	39,960	41,306
(D) 2006 GO Note	802,014	0	( 272,779)	529,235	529,235	0
Bond Discount	( 16,773)	0	2,879	( 13,894)	( 2,879)	( 11,015)
Subtotal - bonds and notes	2,590,241	0	( 573,634)	2,016,607	841,316	1,175,291
Compensated absences/vision benefit	333,589	43,464	( 73,720)	303,333	38,022	265,311
<b>Total long-term liabilities</b>	<b>\$ 2,923,830</b>	<b>\$ 43,464</b>	<b>( \$ 647,354)</b>	<b>\$ 2,319,940</b>	<b>\$ 879,338</b>	<b>\$ 1,440,602</b>
<b>Business-Type Activities:</b>						
Bonds and notes payable						
(E) 2002 Water revenue bonds	\$ 745,000	\$ 0	( \$ 240,000)	\$ 505,000	\$ 245,000	\$ 260,000
Unamortized bond discount	( 9,635)	0	4,650	( 4,985)	( 3,263)	( 1,722)
	735,365	0	( 235,350)	500,015	241,737	258,278
(F) 2002 Sewer revenue bonds	1,435,000	0	( 1,435,000)	0	0	0
Unamortized bond discount	( 18,700)	0	18,700	0	0	0
	1,416,300	0	( 1,416,300)	0	0	0
(G) 2004 A GO Bonds - Sewer	1,835,000	0	( 15,000)	1,820,000	15,000	1,805,000
(H) 2007 GO Bonds - Sewer	0	8,285,000	0	8,285,000	290,000	7,995,000
Other bond related costs	( 34,980)	( 266,365)	7,998	( 293,347)	3,859	( 297,206)
	1,800,020	8,018,635	( 7,002)	9,811,653	308,859	9,502,794
(I) 2004 B GO Bonds - Water	4,785,000	0	( 165,000)	4,620,000	175,000	4,445,000
Other bond related costs	( 104,487)	0	11,064	( 93,423)	28,640	( 122,063)
	4,680,513	0	( 153,936)	4,526,577	203,640	4,322,937
<b>Total long-term liabilities</b>	<b>\$ 8,632,198</b>	<b>\$ 8,018,635</b>	<b>( \$ 1,812,588)</b>	<b>\$ 14,838,245</b>	<b>\$ 754,236</b>	<b>\$ 14,084,009</b>

### 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%. See below for subsequent refinancing.

## **Note 8. Long-term Liabilities (Continued)**

### **Bond, Notes, and Loans Payable (Continued)**

- (E) 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%.
- (F) 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%.
- (G) 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%.
- (H) General Obligation Bond – Series of 2007 – In 2007, the Borough issued General Obligation Bonds in the principal amount of \$8,285,000 to be used for future Authority projects. Annual installments varying from \$ 185,000 to \$ 840,000 are due through August 15, 2023; interest varying from 4.00% to 4.25%.
- (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%.

### *Subsequent Event*

On January 31, 2008, the Borough issued the General Obligation Bond – Series of 2008 to refinance the remaining portion of the 2006 GO Note. This was issued in the amount of \$ 435,000 and semi-annual principal and interest payments. Interest only payments will be made on August 1, 2008 and February 1, 2009 with the principal and interest payments being made thereafter until maturity on August 1, 2019. The interest rate is 7.25%.



## 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, 2007. This includes the 2008 GO Bond which refinanced the 2006 GO Note subsequent to year end:

	2004 GO Bond		2004 GO Note		2008 GO Bond		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 275,000	\$ 38,240	\$ 39,960	\$ 2,866	\$ 0	\$ 15,858	\$ 314,960	\$ 56,964
2009	270,000	32,466	41,306	1,251	14,176	31,538	325,482	65,255
2010	285,000	25,986	0	0	29,914	29,977	314,914	55,963
2011	295,000	18,290	0	0	32,122	27,769	327,122	46,059
2012	295,000	9,440	0	0	34,493	25,398	329,493	34,838
2013-2017	0	0	0	0	214,628	84,827	214,628	84,827
2018-2019	0	0	0	0	109,667	10,115	109,667	10,115
	<u>\$ 1,420,000</u>	<u>\$ 124,422</u>	<u>\$ 81,266</u>	<u>\$ 4,117</u>	<u>\$ 435,000</u>	<u>\$ 225,482</u>	<u>\$ 1,936,266</u>	<u>\$ 354,021</u>

### Business-type Activities:

	2002 Water Bond		2004A GO Bond		2004B GO Bond		2007 GO Bond		Business-type Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 245,000	\$ 19,206	\$ 15,000	\$ 59,338	\$ 175,000	\$ 165,578	\$ 290,000	\$ 223,708	\$ 725,000	\$ 467,830
2009	260,000	10,140	20,000	58,978	180,000	161,378	185,000	323,962	645,000	554,458
2010	0	0	535,000	58,278	450,000	155,078	0	316,562	985,000	529,918
2011	0	0	550,000	42,228	465,000	141,578	0	316,362	1,015,000	500,168
2012	0	0	565,000	24,352	480,000	126,466	0	316,162	1,045,000	466,980
2013-2017	0	0	135,000	4,860	2,660,000	344,629	3,080,000	1,355,414	5,875,000	1,704,903
2018-2022	0	0	0	0	210,000	8,610	3,890,000	666,800	4,100,000	675,410
2023	0	0	0	0	0	0	840,000	35,700	840,000	35,700
	<u>\$ 505,000</u>	<u>\$ 29,346</u>	<u>\$ 1,820,000</u>	<u>\$ 248,034</u>	<u>\$ 4,620,000</u>	<u>\$ 1,103,317</u>	<u>\$ 8,285,000</u>	<u>\$ 3,554,670</u>	<u>\$ 15,230,000</u>	<u>\$ 4,935,367</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:

2008	\$ 20,400
2009	20,400
2010	20,400
2011	20,400
2012	20,400
2013-2015	61,200
	<u>\$ 163,200</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 \$ 23,649 in 2007 and \$ 22,960 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 \$ 18,700 in 2007 and \$ 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:

2008	\$ 44,758
2009	45,489
2010	46,242
2011	47,221
2012	50,264
	<u>\$ 233,974</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, 2007:

	<b>Police</b>	<b>Non-Uniformed</b>
Annual required contribution	\$ 106,244	\$ 135,636
Interest on net pension obligation	0	0
Adjustment to annual required contribution	<u>0</u>	<u>0</u>
Annual pension cost	106,244	135,636
Contributions made	<u>106,244</u>	<u>135,636</u>
Increase in net pension obligation	0	0
Net pension obligation beginning of year	<u>0</u>	<u>0</u>
Net pension obligation end of year	<u>\$ 0</u>	<u>\$ 0</u>



# **Note 10. Employee Retirement Systems (Continued)**

<b>Trend Information</b>						
<b>Police Pension Plan</b>				<b>Non-Uniformed Pension Plan</b>		
<b>Year Ended December 31,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
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
2007	106,244	100%	0	135,636	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.

	<b>Police Pension Plan</b>	<b>Non-Uniformed Pension Plan</b>
Valuation Date:	01/01/07	01/01/07
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 Assumptions:		
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, 2007, the date of the latest actuarial valuation:

	<b>Police</b>	<b>Non-Uniformed</b>
Retirees and beneficiaries receiving benefits	6	8
Terminated plan members entitled to but not yet receiving benefits	2	6
Active plan members	<u>14</u>	<u>26</u>
Totals	<u>22</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, 2007 for the individual pension plans maintained by the Borough:

#### STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

	Police	Non Uniformed	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 310,972	\$ 184,915	\$ 495,887
Investments	3,740,831	1,357,639	5,098,470
Accrued income	0	1,379	1,379
Total assets	<u>\$ 4,051,803</u>	<u>\$ 1,543,933</u>	<u>\$ 5,595,736</u>
<b>NET ASSETS</b>			
Held in trust for:			
Employees' pension benefits	<u>\$ 4,051,803</u>	<u>\$ 1,543,933</u>	<u>\$ 5,595,736</u>
Total net assets	<u>\$ 4,051,803</u>	<u>\$ 1,543,933</u>	<u>\$ 5,595,736</u>



**Note 10. Employee Retirement Systems (Continued)**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUNDS**

	<b>Police</b>	<b>Non Uniformed</b>	<b>Total</b>
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer	\$ 0	\$ 59,116	\$ 59,116
Employer - state funded	106,244	76,520	182,764
Total contributions	<u>106,244</u>	<u>135,636</u>	<u>241,880</u>
Investment income			
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	52,161	19,960	72,121
Interest, dividends, and other	<u>98,034</u>	<u>35,984</u>	<u>134,018</u>
Total investment income	150,195	55,944	206,139
Less investment expenses:			
Fiduciary fees	( 21,409)	( 7,662)	( 29,071)
Total net investment income	<u>128,786</u>	<u>48,282</u>	<u>177,068</u>
Total additions	<u>235,030</u>	<u>183,918</u>	<u>418,948</u>
<b>DEDUCTIONS</b>			
Benefit payments	146,955	30,228	177,183
Administrative expense	<u>18,632</u>	<u>18,108</u>	<u>36,740</u>
Total deductions	<u>165,587</u>	<u>48,336</u>	<u>213,923</u>
Change in net assets	69,443	135,582	205,025
<b>NET ASSETS</b>			
Beginning (as restated)	3,982,360	1,408,351	5,390,711
Ending	<u>\$ 4,051,803</u>	<u>\$ 1,543,933</u>	<u>\$ 5,595,736</u>

**Note 10. Employee Retirement Systems (Continued)****Restatement**

During the year ended December 31, 2007, the following changes were made to correct errors in the December 31, 2006 pension net assets:

	<u>Police</u>	<u>Non Uniformed</u>	<u>Total</u>
Net Assets as of December 31, 2006 originally reported	\$ 3,916,252	\$ 1,408,351	\$ 5,324,603
Add: (A) Recognition of revenue for 2006	<u>66,108</u>	<u>0</u>	<u>66,108</u>
Net Assets and Fund Balance as of December 31, 2006 - restated	<u>\$ 3,982,360</u>	<u>\$ 1,408,351</u>	<u>\$ 5,390,711</u>
2006 change in net assets/fund balance - originally reported	\$ 259,159	\$ 204,745	\$ 463,904
Restatements as detailed above	<u>66,108</u>	<u>0</u>	<u>66,108</u>
2006 change in net assets/fund balance - restated	<u>\$ 325,267</u>	<u>\$ 204,745</u>	<u>\$ 530,012</u>

(A) A transfer of funds was recorded in 2006 when it actually did not occur until 2007. This entry recognizes this revenue in the year it was earned.

**Note 11. Authority Pension Plan**

All full-time employees of the Authority who have completed three years of service at any March 1<sup>st</sup> 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 1/26<sup>th</sup> 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 as required by generally accepted accounting principles. The Authority's policy is to fund normal service cost currently. Prior service costs are being amortized and funded through 2018. For December 31, 2007 the normal service cost, based on 6.538% of payroll, and the amortized prior service cost amounted to a required minimum contribution of \$ 71,759. A total of \$ 71,759 was contributed to the plan for 2007, which was made by the Authority, there were no employee contributions.

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 December 31, 2007 (the most recent actuarial valuation) are as follows:

Actuarial accrued liability	\$ 1,145,462
Actuarial value of assets fair market value	( 907,548)
Unfunded actuarial accrued liability	<u>\$ 237,914</u>



**Note 11. Authority Pension Plan (Continued)**

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

<b>Plan Year Ended</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contribution</b>
2005	\$ 87,009	\$ 87,009	100%
2006	83,220	83,220	100%
2007	71,759	71,759	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 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 expense of 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 \$ 383,233.

**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. The remaining balance on these bonds is \$ 44,055,000 as of December 31, 2007 and \$ 46,315,000 as of December 31, 2006. The liability and offsetting asset are properly excluded from the financial statements.

During the current year, the Authority entered agreements for future services. On May 21, 2007, the Authority approved Buchart Horn Engineering for professional services related to their Act 537 Plan for \$ 884,000. On December 17, 2007, the Authority approved D&M Contracting for the Route 30 project for \$ 821,656.

**Note 14. Arbitrage Rebate**

Included in the business-type activities accounts payable at December 31, 2007, is a liability for an arbitrage rebate due to the Internal Revenue Service and is based on the investment return on financing proceeds that was in excess of the yield on the applicable bonds. The expense amounted to \$ 22,413 in the water fund and \$ 25,239 in the sewer fund.



**BOROUGH OF GETTYSBURG**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
Year Ended December 31, 2007**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded Actuarial Liability AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
<b>Borough of Gettysburg Police Pension Plan</b>						
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	-	-	-	-	-	-
01/01/07	3,818,358	3,656,719	(161,639)	104.4%	647,172	-25.0%
<b>Borough of Gettysburg Non-Uniformed Pension Plan</b>						
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	-	-	-	-	-	-
01/01/07	1,406,480	1,642,462	235,982	85.6%	1,038,137	22.7%

**BOROUGH OF GETTYSBURG**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the year ended December 31, 2007**

	<b>Original/Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 2,576,900	\$ 2,666,193	\$ 89,293
Licenses and permits	61,250	163,299	102,049
Fines and forfeits	271,800	298,237	26,437
Interest earnings	6,000	23,768	17,768
Rents	0	28,362	28,362
Intergovernmental	286,700	347,051	60,351
Charges for services	919,272	733,207	( 186,065)
Donations	0	64,326	64,326
Miscellaneous	24,598	108,427	83,829
Total revenues	<u>4,146,520</u>	<u>4,432,870</u>	<u>286,350</u>
<b>EXPENDITURES</b>			
General government	894,900	935,418	( 40,518)
Public safety	1,780,563	1,782,120	( 1,557)
Health and welfare	19,460	21,687	( 2,227)
Highways	818,158	759,057	59,101
Parking	0	8,221	( 8,221)
Culture and recreation	333,999	322,635	11,364
Community development	54,980	93,212	( 38,232)
Debt service	364,703	356,083	8,620
Total expenditures	<u>4,266,763</u>	<u>4,278,433</u>	<u>( 11,670)</u>
Excess (deficiency) of revenues over expenditures	<u>( 120,243)</u>	<u>154,437</u>	<u>274,680</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
TRAN Proceeds	350,000	0	( 350,000)
TRAN Payments	( 350,000)	0	350,000
Transfers in	128,800	72,004	( 56,796)
Total other financing sources and uses	<u>128,800</u>	<u>72,004</u>	<u>( 56,796)</u>
Net change in fund balances	<u>\$ 8,557</u>	<u>\$ 226,441</u>	<u>\$ 217,884</u>