

BOROUGH OF GETTYSBURG

**FINANCIAL
REPORT**

DECEMBER 31, 2008

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1 - 2
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of net assets	10
Statement of activities	11
FUND FINANCIAL STATEMENTS	
Governmental Funds	
Balance sheet	12
Reconciliation of the governmental funds - balance sheet to the statement of net assets	13
Statement of revenues, expenditures and changes in fund balance	14
Reconciliation of the governmental funds - statement of revenues, expenditures, and changes in fund balance to the statement of activities	15
Proprietary Funds	
Statement of net assets	16
Statement of revenues, expenses, and changes in fund net assets	17
Statement of cash flows	18
Fiduciary Funds	
Statement of fiduciary net assets	19
Statement of changes in fiduciary net assets	20
NOTES TO FINANCIAL STATEMENTS	21 - 46
GASB REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of funding progress	47
Budgetary comparison schedule - general fund	48
OTHER SUPPLEMENTARY INFORMATION	
Combining balance sheet – other governmental funds	50
Combining statement of revenues, expenditures and changes in fund balances – other governmental funds	51



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, 2008, 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, 2008, 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, 2008 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.



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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Gettysburg's basic financial statements. The combining nonmajor fund financial statements on pages 50 and 51 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
May 26, 2009

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
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, 2008. 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, 2008 by \$ 48,169,438. Of this amount \$ 9,329,963 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$ 1,350,591. Of this amount \$ 131,507 was associated with governmental activities and \$ 1,219,084 with business-type activities.
- At December 31, 2008, the governmental funds reported combined fund balances of \$ 1,529,071 of which \$ 1,093,409 was unreserved and is available for spending at the Borough of Gettysburg's discretion, \$ 7,180 was reserved for inventory, \$ 39,523 was reserved for prepaid expenses and \$ 388,959 for long-term receivables.
- Governmental fund balances increased \$ 37,580 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 activity of the Borough of Gettysburg is the water and sewer operations.

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
UNAUDITED

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.

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

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

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

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
UNAUDITED

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 and budgetary comparison schedule. Required supplementary information can be found on page 47 and 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 \$ 48,169,438 at the close of the most recent fiscal year. By far the largest portion of the Borough's net assets reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress,) less any related debt used to acquire those assets that are still outstanding.

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

BOROUGH OF GETTYSBURG'S NET ASSETS

	Governmental Activities		Business-type Activities	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 1,629,405	\$ 1,555,518	\$ 14,607,605	\$ 15,382,669
Capital assets and other assets	<u>9,315,416</u>	<u>9,617,704</u>	<u>39,582,652</u>	<u>38,265,377</u>
TOTAL ASSETS	10,944,821	11,173,222	54,190,257	53,648,046
Other liabilities	787,458	1,250,209	1,106,845	1,178,294
Long-term liabilities	<u>1,592,752</u>	<u>1,489,909</u>	<u>13,478,585</u>	<u>14,084,009</u>
TOTAL LIABILITIES	2,380,210	2,740,118	14,585,430	15,262,303
Net assets:				
Invested in capital assets, net of related debt	7,271,051	7,090,759	31,094,420	30,978,882
Restricted	6,662	6,424	467,342	463,637
Unrestricted	<u>1,286,898</u>	<u>1,335,921</u>	<u>8,043,065</u>	<u>6,943,224</u>
TOTAL NET ASSETS	<u>\$ 8,564,611</u>	<u>\$ 8,433,104</u>	<u>\$ 39,604,827</u>	<u>\$ 38,385,743</u>

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
UNAUDITED

Changes in Net Assets

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

	Governmental Activities		Business-Type Activities	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 1,380,801	\$ 1,283,006	\$ 5,143,074	\$ 4,967,426
Operating Grants and Contributions	502,321	349,876	0	0
Capital Grants and Contributions	295,533	892,624	801,027	4,242,465
General Revenues:				
Taxes:				
Property	1,701,418	1,683,406	0	0
Earned income tax	304,071	389,371	0	0
Real Estate Transfer	95,170	113,181	0	0
Local services tax	179,809	335,154	0	0
Admission	134,004	120,075	0	0
Occupational and Per Capita	27,208	24,811	0	0
Hotel	30,000	30,000	0	0
Other	1,223	2,067	1,145	11,774
Interest and Investment Earnings	20,569	34,437	288,142	307,629
Miscellaneous	1,594	91,252	0	0
Transfer in (out)	54,952	65,934 (54,952) (65,934)
Gain (Loss) on Sale of Equipment	0	0	2,315 (677)
	<u>4,728,673</u>	<u>5,415,194</u>	<u>6,180,751</u>	<u>9,462,683</u>
Expenses:				
General Government	1,172,685	1,070,835	0	0
Public Safety	1,618,971	1,779,665	0	0
Health and Welfare	23,285	21,687	0	0
Highways and Parking Facilities	1,014,571	1,142,232	0	0
Culture and Recreation	344,663	355,460	0	0
Community Development	342,095	534,823	0	0
Interest on Long Term Debt	80,896	103,990	0	0
Water and Sewer	0	0	4,961,667	4,699,443
Total Expenses	<u>4,597,166</u>	<u>5,008,692</u>	<u>4,961,667</u>	<u>4,699,443</u>
Increase (Decrease) in Net Assets	131,507	406,502	1,219,084	4,763,240
Net Assets – Beginning	<u>8,433,104</u>	<u>8,026,602</u>	<u>38,385,743</u>	<u>33,622,503</u>
Net Assets – Ending	<u>\$ 8,564,611</u>	<u>\$ 8,433,104</u>	<u>\$ 39,604,827</u>	<u>\$ 38,385,743</u>

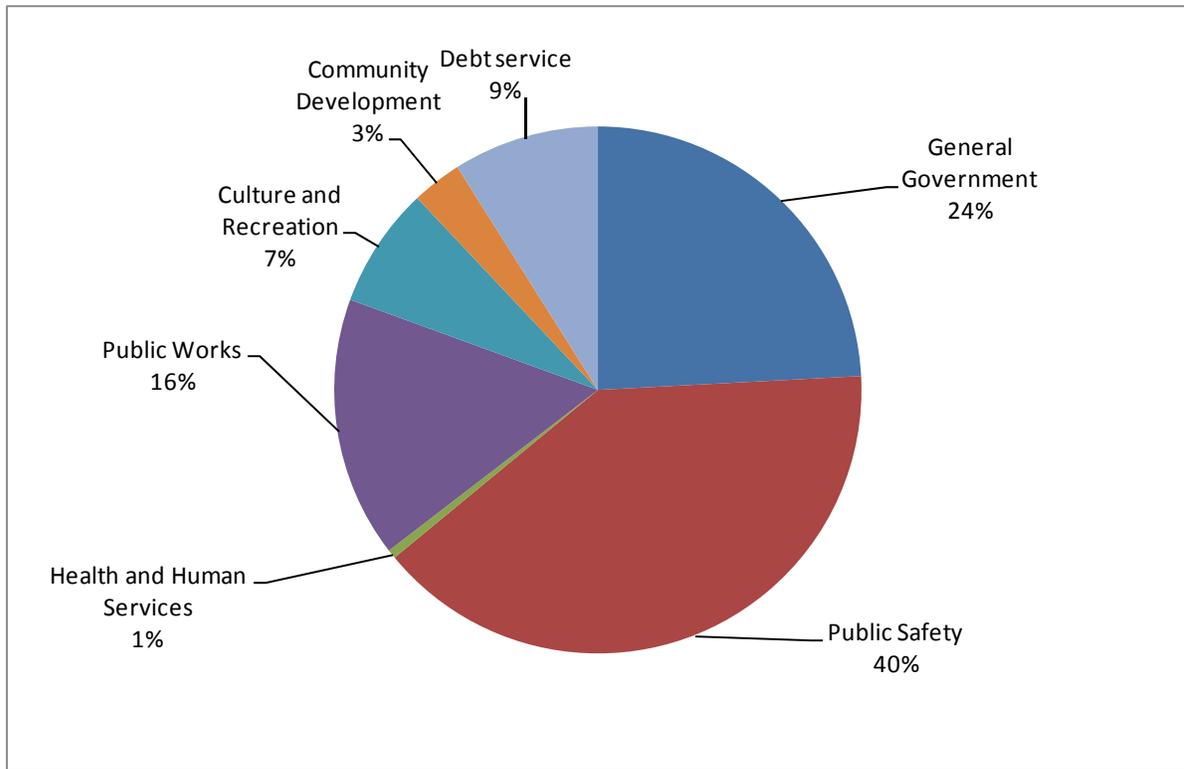
BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
UNAUDITED

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 available 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 \$ 1,529,071. Approximately 72% of this total amount (\$ 1,093,410) constitutes unreserved fund balance which is available for spending at the government's discretion. The remainder of the fund balance (\$ 435,661) is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expenses, long-term receivables and fuel inventory.

The general fund is the primary operating fund of the Borough. During the year, revenues exceeded expenditures and other financing sources and uses (transfers in) in the general fund by \$ 240,241.

The chart below illustrates the breakdown of governmental funds costs:



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.

BOROUGH OF GETTYSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
UNAUDITED

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 were less than budgeted revenues by about \$ 103,000 and general fund expenditures were less than budgeted expenditures by about \$ 209,000. The unfavorable budget variance for revenues occurred due to less than anticipated revenues from fines and the parking garage. Positive budget variances for expenditures were generated by the General Government and Public Safety departments.

Capital Asset Administration

The Borough of Gettysburg's investment in capital assets includes land, buildings and improvements, equipment, streets, storm sewer systems, lighting systems, and other infrastructure. This investment in capital assets as of December 31, 2008 was \$ 8,926,392 for governmental activities and \$ 39,110,899 for business-type activities (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 456,210 and deletions of \$ 86,640 in capital assets of governmental activities and business-type activity additions of \$ 3,068,355 and deletions of \$ 53,658. Government activities added assets that include the purchase of two police cars, new radios for all police cars and various pieces of equipment. Additions to work-in-progress included the Stratton Street bridge and expenditures for the REDDI project. The Authority has accepted \$ 801,027 of capital contributions in the form of the National Park Service Visitor's Center located on Baltimore Pike, The Villas at Gettysburg water lines and other project sites that dedicated both water and sewer infrastructure. Depreciation expense of \$ 550,544 for governmental activities and \$ 1,748,897 for business-type activities was charged.

Comparative Capital Assets at December 31:

	Governmental Activities		Business-type Activities	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	Land and Improvements	\$ 327,794	\$ 354,917	\$ 103,782
Building and Improvements	7,262,234	7,483,512	10,668,022	11,468,947
Machinery and Equipment	392,443	302,651	0	0
Furniture and Fixtures	0	283	0	0
Collections	14,150	14,150	0	0
Construction in Progress	282,066	131,547	2,923,444	781,847
Infrastructure	<u>647,705</u>	<u>820,306</u>	<u>25,415,651</u>	<u>25,436,865</u>
Total Capital Assets	<u>\$ 8,926,392</u>	<u>\$ 9,107,366</u>	<u>\$ 39,110,899</u>	<u>\$ 37,791,441</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 \$ 15,829,567 and general obligation notes of \$ 41,363. The governmental activity amounts are backed by the full faith and credit of the Borough of Gettysburg. Business-type activity amounts are secured by the receipts and revenues of the appropriate account (water or sewer) and guaranteed by the Borough. The following is a comparative statement of outstanding debt:

	Governmental Activities		Business-type Activities	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General Obligation Bond	\$ 1,568,985	\$ 1,406,106	\$ 14,260,582	\$ 14,838,245
General Obligation Note	41,363	610,501	0	0
	<u>\$ 1,610,348</u>	<u>\$ 2,016,607</u>	<u>\$ 14,260,582</u>	<u>\$ 14,838,245</u>
Capital Lease Payable	44,993	0	0	0
Terminated Benefit Payable	37,808	49,307	0	0
Compensated Absences	284,098	303,333	0	0
Total Debt	<u>\$ 1,977,247</u>	<u>\$ 2,369,247</u>	<u>\$ 14,260,582</u>	<u>\$ 14,838,245</u>

During the year \$ 849,784 of bonded debt and \$ 569,138 of General Obligation Notes were retired. A net increase of \$ 14,259 in accrued compensated absences, capital lease payable and terminated benefits payable were recorded.

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 7 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 2009 reflects a 5.5% percent decrease in revenues and a 4.9% decrease in expenses over the 2008 budget.

The Gettysburg Municipal Authority does not expect the budget for 2009 to be substantially different from 2008. 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 2009 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, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,111,728	\$ 5,830,194	\$ 6,941,922
Investments	0	7,753,872	7,753,872
Taxes receivable, net	195,876	0	195,876
Accounts receivable - billed	216,614	504,938	721,552
Accounts receivable - unbilled	0	421,762	421,762
Loan receivable	58,484	0	58,484
Inventories	7,180	64,240	71,420
Prepaid expenses	39,523	32,599	72,122
Total current assets	<u>1,629,405</u>	<u>14,607,605</u>	<u>16,237,010</u>
Noncurrent assets			
Restricted investments	6,662	467,337	473,999
Loan receivable	234,475	0	234,475
Mortgages receivable, net of allowance for uncollectible accounts	96,000	0	96,000
Accrued interest receivable	24,688	5	24,693
Bond issue costs	27,199	4,411	31,610
Capital assets not being depreciated:			
Land	0	103,782	103,782
Construction in progress	282,066	2,923,444	3,205,510
Capital assets net of accumulated depreciation:			
Land improvements	327,794	0	327,794
Buildings and improvements	7,262,234	9,675,045	16,937,279
Machinery, equipment and furniture	406,593	26,408,628	26,815,221
Infrastructure	647,705	0	647,705
Total noncurrent assets	<u>9,315,416</u>	<u>39,582,652</u>	<u>48,898,068</u>
Total assets	<u>\$ 10,944,821</u>	<u>\$ 54,190,257</u>	<u>\$ 65,135,078</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 232,930	\$ 234,771	\$ 467,701
Accrued wages and withholdings	62,979	23,888	86,867
Accrued interest	22,432	2,535	24,967
Unearned revenues	84,622	0	84,622
Consumer deposits	0	63,654	63,654
Long-term liabilities: Due within one year			
Bonds and notes payable	322,661	781,997	1,104,658
Capital lease payable	17,228	0	17,228
Compensated absences	30,135	0	30,135
Termination benefit payable	14,471	0	14,471
Total current liabilities	<u>787,458</u>	<u>1,106,845</u>	<u>1,894,303</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	1,287,687	13,478,585	14,766,272
Capital lease payable	27,765	0	27,765
Compensated absences	253,963	0	253,963
Termination benefit payable	23,337	0	23,337
Total noncurrent liabilities	<u>1,592,752</u>	<u>13,478,585</u>	<u>15,071,337</u>
Total liabilities	<u>2,380,210</u>	<u>14,585,430</u>	<u>16,965,640</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,271,051	31,094,420	38,365,471
Restricted	6,662	467,342	474,004
Unrestricted	1,286,898	8,043,065	9,329,963
Total net assets	<u>8,564,611</u>	<u>39,604,827</u>	<u>48,169,438</u>
Total liabilities net assets	<u>\$ 10,944,821</u>	<u>\$ 54,190,257</u>	<u>\$ 65,135,078</u>

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

BOROUGH OF GETTYSBURG

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,172,685	\$ 209,942	\$ 16,722	\$ 45,383	(\$ 900,638)	\$ 0	(\$ 900,638)
Public safety	1,618,971	162,547	169,082	0	(1,287,342)	0	(1,287,342)
Health and human services	23,285	0	0	0	(23,285)	0	(23,285)
Public works	1,014,571	959,952	19,150	177,630	142,161	0	142,161
Culture and recreation	344,663	48,360	6,058	25,448	(264,797)	0	(264,797)
Community development	342,095	0	291,309	47,072	(3,714)	0	(3,714)
Interest and amortization	80,896	0	0	0	(80,896)	0	(80,896)
Total governmental activities	<u>4,597,166</u>	<u>1,380,801</u>	<u>502,321</u>	<u>295,533</u>	<u>(2,418,511)</u>	<u>0</u>	<u>(2,418,511)</u>
Business-type activities							
Water	1,958,186	2,710,517	0	683,170	0	1,435,501	1,435,501
Sewer	3,003,481	2,432,557	0	117,857	0	(453,067)	(453,067)
Total business-type activities	<u>4,961,667</u>	<u>5,143,074</u>	<u>0</u>	<u>801,027</u>	<u>0</u>	<u>982,434</u>	<u>982,434</u>
Total primary government	<u>\$ 9,558,833</u>	<u>\$ 6,523,875</u>	<u>\$ 502,321</u>	<u>\$ 1,096,560</u>	<u>(\$ 2,418,511)</u>	<u>\$ 982,434</u>	<u>(\$ 1,436,077)</u>
General revenues and transfers:							
Taxes:							
Property taxes					\$ 1,701,418	\$ 0	\$ 1,701,418
Earned income tax					304,071	0	304,071
Real estate transfer tax					95,170	0	95,170
Local services tax					179,809	0	179,809
Admission tax					134,004	0	134,004
Occupational and per capita taxes					27,208	0	27,208
Hotel taxes					30,000	0	30,000
Other taxes					1,223	0	1,223
Unrestricted investment earnings					20,569	288,142	308,711
Miscellaneous income					1,594	1,145	2,739
Gain (loss) on sale of assets					0	2,315	2,315
Transfers					54,952	(54,952)	0
Total general revenues and transfers					<u>2,550,018</u>	<u>236,650</u>	<u>2,786,668</u>
Change in net assets					131,507	1,219,084	1,350,591
Net assets - beginning, as restated					8,433,104	38,385,743	46,818,847
Net assets - ending					<u>\$ 8,564,611</u>	<u>\$ 39,604,827</u>	<u>\$ 48,169,438</u>

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

BOROUGH OF GETTYSBURG

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 791,121	\$ 320,607	\$ 1,111,728
Investments	0	6,662	6,662
Accounts and grants receivable	163,401	53,213	216,614
Taxes receivable, net	195,876	0	195,876
Due from other funds	34,007	157,398	191,405
Loans receivable	50,000	242,959	292,959
Mortgages receivable, net of allowance	0	96,000	96,000
Accrued interest receivable, net of allowance	0	24,688	24,688
Inventories	7,180	0	7,180
Prepaid expenses	39,523	0	39,523
Total assets	<u>\$ 1,281,108</u>	<u>\$ 901,527</u>	<u>\$ 2,182,635</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 190,205	\$ 42,725	\$ 232,930
Due to other funds	137,000	54,405	191,405
Deferred revenue	63,300	102,950	166,250
Accrued wages, benefits and withholdings	62,979	0	62,979
Total liabilities	<u>453,484</u>	<u>200,080</u>	<u>653,564</u>
Fund balances			
Reserved for:			
Inventories	7,180	0	7,180
Prepaid expenses	39,523	0	39,523
Long term loan receivables	50,000	338,959	388,959
Unreserved - undesignated:			
General fund	713,615	0	713,615
Special revenue funds	0	118,788	118,788
Capital reserve fund	0	102,116	102,116
Capital projects fund	0	141,584	141,584
Unreserved - designated for self insurance	17,306	0	17,306
Total fund balances	<u>827,624</u>	<u>701,447</u>	<u>1,529,071</u>
Total liabilities and fund balances	<u>\$ 1,281,108</u>	<u>\$ 901,527</u>	<u>\$ 2,182,635</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, 2008**

Total fund balance - governmental funds \$ 1,529,071

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. 8,926,392

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. 27,199

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. 81,628

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	(1,610,348)	
Capital lease	(44,993)	
Accrued interest	(22,432)	
Compensated absences	(284,098)	
Termination benefits	(37,808)	
		(1,999,679)

Total net assets - governmental activities \$ 8,564,611

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, 2008**

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,549,487	\$ 0	\$ 2,549,487
Licenses and permits	77,063	0	77,063
Fines and forfeits	303,463	0	303,463
Investment earnings	16,352	3,135	19,487
Rents	31,464	0	31,464
Intergovernmental	380,716	343,861	724,577
Charges for services	956,640	0	956,640
Donations	73,411	0	73,411
Miscellaneous	8,714	0	8,714
Total revenues	<u>4,397,310</u>	<u>346,996</u>	<u>4,744,306</u>
EXPENDITURES			
General government	1,030,689	0	1,030,689
Public safety	1,700,610	0	1,700,610
Health and human services	23,285	0	23,285
Public works	682,878	184,382	867,260
Culture and recreation	316,613	0	316,613
Community development	130,491	260,942	391,433
Debt service	381,908	104,333	486,241
Total expenditures	<u>4,266,474</u>	<u>549,657</u>	<u>4,816,131</u>
Excess (deficiency) of revenues over expenditures	<u>130,836</u>	<u>(202,661)</u>	<u>(71,825)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	54,453	0	54,453
Proceeds from refinance of debt	0	435,000	435,000
Refinance debt payment	0	(435,000)	(435,000)
Transfers in	54,952	0	54,952
Total other financing sources and uses	<u>109,405</u>	<u>0</u>	<u>109,405</u>
Net change in fund balances	240,241	(202,661)	37,580
Fund balances - beginning, as restated	<u>587,383</u>	<u>904,108</u>	<u>1,491,491</u>
Fund balances - ending	<u>\$ 827,624</u>	<u>\$ 701,447</u>	<u>\$ 1,529,071</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, 2008

Net change in fund balances - total governmental funds \$ 37,580

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	(550,544)		
Capital outlays, net of retirements	<u>369,570</u>		
		(180,974)

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:

(106,725)

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.

364,145

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	(3,264)		
Compensated absences	22,100		
Termination benefits	11,499		
Vision benefits	<u>(2,865)</u>		
			27,470

Change in net assets - governmental activities \$ 131,507

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

BOROUGH OF GETTYSBURG

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,217,161	\$ 2,613,033	\$ 5,830,194
Investments	1,514,180	6,239,692	7,753,872
Accounts receivable (net of allowance for doubtful accounts of \$2,289 water and \$2,541 sewer)	226,150	261,405	487,555
Interest receivable	17,383	0	17,383
Due from other funds	0	54,844	0 *
Unbilled revenue	191,357	230,405	421,762
Inventories	62,381	1,859	64,240
Prepaid expenses	15,393	17,206	32,599
Total current assets	<u>5,244,005</u>	<u>9,418,444</u>	<u>14,607,605</u>
Noncurrent assets			
Restricted investments	467,337	0	467,337
Interest receivable - restricted investments	5	0	5
Bond issue costs (net of accumulated amortization of \$19,136 water and \$36,546 sewer)	4,411	0	4,411
Capital assets:			
Land	64,660	39,122	103,782
Buildings and infrastructure	7,589,834	13,719,335	21,309,169
Wells	1,424,962	0	1,424,962
Lift stations	0	775,711	775,711
Equipment and lines	13,646,035	24,971,701	38,617,736
Less accumulated depreciation	(9,150,316)	(16,893,589)	(26,043,905)
Construction in progress	731,717	2,191,727	2,923,444
Total capital assets	<u>14,306,892</u>	<u>24,804,007</u>	<u>39,110,899</u>
Total non current assets	<u>14,778,645</u>	<u>24,804,007</u>	<u>39,582,652</u>
Total assets	<u>\$ 20,022,650</u>	<u>\$ 34,222,451</u>	<u>\$ 54,190,257</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 67,650	\$ 167,121	\$ 234,771
Accrued interest	2,535	0	2,535
Accrued payroll and related liabilities	9,578	14,310	23,888
Consumer deposits	25,232	38,422	63,654
Due to other funds	54,844	0	0 *
Current portion of bonds payable	466,095	315,902	781,997
Total current liabilities	<u>625,934</u>	<u>535,755</u>	<u>1,106,845</u>
Noncurrent liabilities			
Bonds payable	4,155,464	9,323,121	13,478,585
Total non-current liabilities	<u>4,155,464</u>	<u>9,323,121</u>	<u>13,478,585</u>
Total liabilities	<u>4,781,398</u>	<u>9,858,876</u>	<u>14,585,430</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,689,744	21,404,676	31,094,420
Restricted	467,342	0	467,342
Unrestricted	5,084,166	2,958,899	8,043,065
Total net assets	<u>15,241,252</u>	<u>24,363,575</u>	<u>39,604,827</u>
Total liabilities and net assets	<u>\$ 20,022,650</u>	<u>\$ 34,222,451</u>	<u>\$ 54,190,257</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, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Service fees	\$ 1,703,536	\$ 1,944,986	\$ 3,648,522
Connection and reserve capacity fees	16,679	4,192	20,871
Miscellaneous income	0	1,145	1,145
Penalties	21,317	26,072	47,389
Hunterstown fees	0	197,448	197,448
Total operating revenues	<u>1,741,532</u>	<u>2,173,843</u>	<u>3,915,375</u>
OPERATING EXPENSES			
Collection system	0	164,598	164,598
Purification system	537,401	0	537,401
Pumping station	0	58,122	58,122
Distribution system	226,006	0	226,006
Disposal system	0	762,768	762,768
General operating	266,871	276,810	543,681
Professional fees	69,930	64,719	134,649
Depreciation and amortization	665,915	1,033,618	1,699,533
Hunterstown depreciation	0	82,250	82,250
Hunterstown expenses	0	152,820	152,820
Total operating expenses	<u>1,766,123</u>	<u>2,595,705</u>	<u>4,361,828</u>
Operating income (loss)	<u>(24,591)</u>	<u>(421,862)</u>	<u>(446,453)</u>
NONOPERATING REVENUES (EXPENSES)			
Tapping fees	522,026	259,859	781,885
Resolution #6 - water supply fees	400,500	0	400,500
Interest income	126,817	161,325	288,142
Rental income	46,459	0	46,459
Gain on sale of capital assets	2,284	2,284	4,568
Arbitrage payment	0	(8,891)	(8,891)
Realized and unrealized gains (losses) on investments	(2,253)	0	(2,253)
Interest expense	(188,618)	(397,310)	(585,928)
Trustee fees	(3,445)	(1,575)	(5,020)
Total nonoperating revenues (expenses)	<u>903,770</u>	<u>15,692</u>	<u>919,462</u>
Income (loss) before contributions and transfers	879,179	(406,170)	473,009
Capital contributions	683,170	78,557	761,727
Hunterstown capital contributions	0	39,300	39,300
Transfers in	0	3,663	3,663
Transfers out	(30,386)	(28,229)	(58,615)
Change in net assets	1,531,963	(312,879)	1,219,084
Total net assets - beginning	<u>13,709,289</u>	<u>24,676,454</u>	<u>38,385,743</u>
Total net assets - ending	<u>\$ 15,241,252</u>	<u>\$ 24,363,575</u>	<u>\$ 39,604,827</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, 2008

	Water Fund	Sewer Fund	Total Proprietary Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,789,161	\$ 2,060,643	\$ 3,849,804
Payments to suppliers	(586,392)	(809,177)	(1,395,569)
Payments to and on behalf of employees	(574,668)	(721,598)	(1,296,266)
Net cash provided (used) by operating activities	628,101	529,868	1,157,969
Cash flows from capital and related financing activities:			
Purchase of capital assets	(456,469)	(1,800,301)	(2,256,770)
Proceeds from sale of capital assets	2,284	2,284	4,568
Proceeds from tap fees/resolution #6 - water supply fees	921,442	282,517	1,203,959
Proceeds from borrowing - from construction account	0	1,775,695	1,775,695
Principal paid on capital debt	(420,000)	(305,000)	(725,000)
Interest and fiscal charges paid on capital debt	(184,783)	(283,046)	(467,829)
Net cash provided (used) by capital and related financing activities	(137,526)	(327,851)	(465,377)
Cash flows from non-capital financing activities:			
Sewer fund payment on behalf of water fund	15,185	(15,185)	0
Transfer between funds	(30,386)	(24,566)	(54,952)
Rental income and agent fees	46,459	0	46,459
Net cash provided (used) by non-capital financing activities	31,258	(39,751)	(8,493)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	532,707	805	533,512
Purchase of investments	(587,243)	(805)	(588,048)
Interest and dividends received	129,775	152,434	282,209
Net cash provided (used) by investing activities	75,239	152,434	227,673
Net increase in cash and cash equivalents	597,072	314,700	911,772
Cash and cash equivalents - beginning of the year	2,620,089	2,298,333	4,918,422
Cash and cash equivalents - end of the year	<u>\$ 3,217,161</u>	<u>\$ 2,613,033</u>	<u>\$ 5,830,194</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	(\$ 24,591)	(\$ 421,862)	(\$ 446,453)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	665,915	1,115,868	1,781,783
Fiscal agent fees	(3,445)	(1,575)	(5,020)
Capitalized wages	(10,558)	0	(10,558)
Changes in assets and liabilities			
Accounts and other receivable	20,555	(112,748)	(92,193)
Inventories	(8,897)	489	(8,408)
Prepaid expenses	(8,529)	(9,491)	(18,020)
Accounts and other payable	(31,030)	(43,225)	(74,255)
Accrued payroll and other expenses	1,607	2,864	4,471
Deferred revenue and deposits	27,074	(452)	26,622
Net cash provided (used) by operating activities	<u>\$ 628,101</u>	<u>\$ 529,868</u>	<u>\$ 1,157,969</u>
Other noncash activity:			
Non-cash investing, capital and non-capital financing activities			
During the year, the Authority received donated assets as follows:	<u>\$ 683,170</u>	<u>\$ 117,857</u>	<u>\$ 801,027</u>

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

BOROUGH OF GETTYSBURG

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2008

	Pension Trust Funds	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$ 99,552	\$ 0
Investments	3,984,283	8,576
Total assets	<u>\$ 4,083,835</u>	<u>\$ 8,576</u>
NET ASSETS		
Held in trust for:		
Employees' pension benefits	\$ 4,083,835	\$ 0
Other purposes	<u>0</u>	<u>8,576</u>
Total net assets	<u>\$ 4,083,835</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, 2008

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions		
Employer	\$ 99,250	\$ 0
Employer - state funded	156,130	0
Total contributions	<u>255,380</u>	<u>0</u>
Investment earnings		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	(1,670,364)	0
Interest, dividends and other	169,155	318
Total investment income	<u>(1,501,209)</u>	<u>318</u>
Less investment expenses:		
Fiduciary fees	<u>(27,317)</u>	<u>0</u>
Net investment income	<u>(1,528,526)</u>	<u>318</u>
Total additions	<u>(1,273,146)</u>	<u>318</u>
Deductions		
Benefit payments	227,035	0
Administrative expense	11,720	0
Other services	0	318
Total deductions	<u>238,755</u>	<u>318</u>
Change in net assets held in trust for:		
Employees' pension benefits	(1,511,901)	0
Other purposes	0	0
Net assets - beginning	<u>5,595,736</u>	<u>8,576</u>
Net assets - ending	<u>\$ 4,083,835</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.

The Borough reports the following non-major governmental funds:

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).

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 inventoriable items when purchased, which are insignificant at year end.

Inventory in the proprietary funds is valued at the lower of cost or market, using the first-in, first-out method. 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, 2008, 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, 2008.

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 9 for details of the Borough's police and non-uniform defined benefit pension plans, and Note 10 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, 2008, \$ 13,447,941 of the Borough's (and Authority's) bank balance of \$ 14,520,036 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>13,447,941</u>
	<u>\$</u>	<u>13,447,941</u>

Included in the Governmental Activities investments on the statement of net assets is a certificate of deposit at Adams County National Bank of \$ 6,662, 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 \$ 1,514,180, with a maturity of less than one year, and money market funds totaling \$ 6,239,692. All are considered deposits for purpose of this disclosure.

Investments

As of December 31, 2008, 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	\$ 466,323	AAA
GNMA I Pool	May 2009	<u>1,014</u>	N/A
		<u>\$ 467,337</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:

	Value
Money Market Funds	\$ 99,552
Mutual Funds	<u>3,984,283</u>
	<u>\$ 4,083,835</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 43% 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, 2008 is \$ 120,810,074.

Taxes receivable in the fund financial statements consists of the following as of December 31, 2008:

Real Estate and Real Estate transfer	\$ 70,657
Per Capita	9,644
Earned Income	82,128
Occupational	14,629
Local Services Tax	18,741
Admission	12,739
Allowance for uncollectible accounts	<u>(12,662)</u>
Total taxes receivable	195,876
Taxes collected within sixty days, recorded as revenues in governmentl funds	 <u>(132,576)</u>
Taxes estimated to be collected after sixty days, recorded as deferred revenue in governmental funds	 <u>\$ 63,300</u>

Note 4. Interfund Receivables and Payables and Transfers

Due from/to other funds consist of the following as of December 31, 2008:

<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>	
General Fund	\$ 0	\$ 12,082	\$ 21,925	\$ 0	\$ 34,007
Capital Projects Fund	15,000	0	0	20,398	35,398
Capital Reserve Fund	122,000	0	0	0	122,000
Total	<u>\$ 137,000</u>	<u>\$ 12,082</u>	<u>\$ 21,925</u>	<u>\$ 20,398</u>	<u>\$ 191,405</u>

At December 31, 2008, 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 Projects Fund \$ 15,000 for the curbing project at the recreational park. The Small Communities Fund owed the General Fund \$ 12,082 for costs associated with a sidewalk project. The Capital Projects Fund owed the General Fund \$ 21,925 for Biser fitness trail expenses.

Interfund operating transfers were as follows in 2008:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Fund	\$ 26,723
General Fund	Sewer Fund	28,229
Sewer Fund	Water Fund	3,663

In 2008, the Water and Sewer Funds transferred \$ 26,723 and \$ 28,229, respectively, to the General Fund for administrative costs and \$ 3,663 from the Water Fund to the Sewer Fund to reimburse the Sewer Fund for costs paid on behalf of the Water Fund.

Note 5. Capital Assets

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Cost:				
Land improvements	\$ 397,715	\$ 0	\$ 0	\$ 397,715
Infrastructure	4,533,772	15,465	0	4,549,237
Buildings and improvements	9,141,912	12,073	0	9,153,985
Machinery and equipment	1,612,499	191,513	0	1,804,012
Furniture and fixtures	84,900	0	0	84,900
Collections	14,150	0	0	14,150
Construction in progress	131,547	237,159	(86,640)	282,066
Total cost	<u>15,916,495</u>	<u>456,210</u>	<u>(86,640)</u>	<u>16,286,065</u>
Less accumulated depreciation:				
Land improvements	(42,798)	(27,123)	0	(69,921)
Infrastructure	(3,713,466)	(188,066)	0	(3,901,532)
Buildings and improvements	(1,658,400)	(233,351)	0	(1,891,751)
Machinery and equipment	(1,309,848)	(101,721)	0	(1,411,569)
Furniture and fixtures	(84,617)	(283)	0	(84,900)
Total accumulated depreciation	<u>(6,809,129)</u>	<u>(550,544)</u>	<u>0</u>	<u>(7,359,673)</u>
Capital assets, net	<u>\$ 9,107,366</u>	<u>(\$ 94,334)</u>	<u>(\$ 86,640)</u>	<u>\$ 8,926,392</u>
Business-Type Activities:				
Cost:				
Land	\$ 103,782	\$ 0	\$ 0	\$ 103,782
Building and plant	21,209,496	99,673	0	21,309,169
Wells	1,424,962	0	0	1,424,962
Lift stations	775,711	0	0	775,711
Utility and general equipment	37,844,309	827,085	(53,658)	38,617,736
Construction in progress	781,847	2,141,597	0	2,923,444
Total cost	<u>62,140,107</u>	<u>3,068,355</u>	<u>(53,658)</u>	<u>65,154,804</u>
Less accumulated depreciation:				
Building and plant	(10,821,124)	(813,000)	0	(11,634,124)
Wells	(804,045)	(57,101)	0	(861,146)
Lift stations	(316,053)	(30,497)	0	(346,550)
Utility and general equipment	(12,407,444)	(848,299)	53,658	(13,202,085)
Total accumulated depreciation	<u>(24,348,666)</u>	<u>(1,748,897)</u>	<u>53,658</u>	<u>(26,043,905)</u>
Capital assets, net	<u>\$ 37,791,441</u>	<u>\$ 1,319,458</u>	<u>\$ 0</u>	<u>\$ 39,110,899</u>

Note 5. Capital Assets (Continued)

Accumulated costs attributable to projects included in "Construction-in-Progress" at December 31, 2008 are as follows:

	Governmental Activities	Business-Type Activities
Stratton Street Bridge	\$ 181,184	\$ 0
Wye and Hudson Alley	5,510	0
Smith and Brickyard Alley	3,456	0
Shealer Alley	742	0
West Middle Street Bricks	10,837	0
REDDI Project	80,337	0
York Water Pipeline	0	67,738
Well #9 Rehabilitation	0	121,727
Water Treatment System	0	42,924
West Confederate system	0	126,063
Radio telemetry	0	13,263
Future water	0	52,530
Water Meters	0	307,472
Route 30 Extension	0	1,033,042
Wastewater Plant Upgrade	0	849,916
Act 537 Plan	0	308,769
	<u>\$ 282,066</u>	<u>\$ 2,923,444</u>

Depreciation expense for the year ended December 31, 2008 was charged as follows:

	Governmental Activities	Business-Type Activities
General Government	\$ 143,293	\$ 0
Public Safety	30,762	0
Highways	231,671	0
Parking	107,768	0
Culture and Recreation	37,050	0
Water	0	651,135
Sewer	0	1,097,762
	<u>\$ 550,544</u>	<u>\$ 1,748,897</u>

Note 6. Mortgages and Notes Receivable

The following is a summary of changes in mortgages receivable for the year ended December 31, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Accrued Interest	Current Portion	Long-term Portion
Mortgages receivable							
(A) Fahnestock	\$ 96,000	\$ 0	\$ 0	\$ 96,000	\$ 24,688	\$ 0	\$ 96,000
(B) Scattered Sites 3rd Mortgage	59,718	0	0	59,718	5,623	0	59,718
(C) Scattered Sites 4th Mortgage	150,000	0	0	150,000	13,500	0	150,000
(D) Scattered Sites 5th Mortgage	40,000	0	0	40,000	3,600	0	40,000
Subtotal - bonds and notes	<u>345,718</u>	<u>0</u>	<u>0</u>	<u>345,718</u>	<u>47,411</u>	<u>0</u>	<u>345,718</u>
Allowance for uncollectible accounts	(249,718)	0	0	(249,718)	(22,723)	0	(249,718)
Net mortgages receivable	<u>\$ 96,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 96,000</u>	<u>\$ 24,688</u>	<u>\$ 0</u>	<u>\$ 96,000</u>

- (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, 2008 totaled \$ 24,000 with interest through December 31, 1999 totaling \$ 10,500 being forgiven.
- (D) Scattered Sites 5th Mortgage - On January 6, 1993 Gettysburg Scattered Sites Associates entered into a mortgage with the Borough. The principal amount of \$ 40,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2008 totaled \$ 3,600 after the accrued interest was rolled into principal during 1999.

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

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

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

Note 6. Mortgages and Notes Receivable (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Notes Receivable						
(A) Kennies Market	\$ 300,000	\$ 0	(\$ 57,041)	\$ 242,959	\$ 58,484	\$ 184,475
(B) Gettysburg Economic Development Corporation	50,000	0	0	50,000	0	50,000
Total Notes Receivable	\$ 350,000	\$ 0	(\$ 57,041)	\$ 292,959	\$ 58,484	\$ 234,475

(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 through January 1, 2013.

(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. Long-term Liabilities

The changes in long-term liabilities during the year ended December 31, 2008 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities:						
Bonds and notes payable						
(A) 2004 GO Bond	\$ 1,420,000	\$ 0	(\$ 275,000)	\$ 1,145,000	\$ 270,000	\$ 875,000
(B) 2004 GO Note	81,266	0	(39,903)	41,363	41,363	0
(C) 2006 GO Note	529,235	0	(529,235)	0	0	0
(D) 2008 GO Bond	0	435,000	0	435,000	14,177	420,823
Bond Discount	(13,894)	0	2,879	(11,015)	(2,879)	(8,136)
Subtotal - bonds and notes	2,016,607	435,000	(841,259)	1,610,348	322,661	1,287,687
Capital lease payable	0	54,453	(9,460)	44,993	17,228	27,765
Compensated absences/vision benefit	303,333	43,592	(62,827)	284,098	30,135	253,963
Termination benefit payable	49,307	0	(11,499)	37,808	14,471	23,337
Total long-term liabilities	\$ 2,369,247	\$ 533,045	(\$ 925,045)	\$ 1,977,247	\$ 384,495	\$ 1,592,752
Business-Type Activities:						
Bonds and notes payable						
(E) 2002 Water revenue bonds	\$ 505,000	\$ 0	(\$ 245,000)	\$ 260,000	\$ 260,000	\$ 0
Unamortized bond discount	(4,985)	0	3,263	(1,722)	(1,722)	0
	500,015	0	(241,737)	258,278	258,278	0
(F) 2004 A GO Bonds - Sewer	1,820,000	0	(15,000)	1,805,000	20,000	1,785,000
(G) 2007 GO Bonds - Sewer	8,285,000	0	(290,000)	7,995,000	185,000	7,810,000
Other bond related costs	(293,347)	0	132,370	(160,977)	110,902	(271,879)
	9,811,653	0	(172,630)	9,639,023	315,902	9,323,121
(H) 2004 B GO Bonds - Water	4,620,000	0	(175,000)	4,445,000	180,000	4,265,000
Other bond related costs	(93,423)	0	11,704	(81,719)	27,817	(109,536)
	4,526,577	0	(163,296)	4,363,281	207,817	4,155,464
Total long-term liabilities	\$ 14,838,245	\$ 0	(\$ 577,663)	\$ 14,260,582	\$ 781,997	\$ 13,478,585

Note 7. Long-term Liabilities (Continued)

Bond, Notes, and Loans Payable

- (A) 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%.
- (B) 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%.
- (C) 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. 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 (D) below for refinancing.
- (D) General Obligation Bond – Series of 2008 – On January 31, 2008, the Borough issued General Obligation Bonds in the principal amount of \$ 435,000 to currently refund the General Obligation Note – 2006. Interest only shall be paid on February 1, 2009, thereafter semiannual installments of \$ 29,945 are due February 1 and August 1 through August 1, 2019; the interest rate is fixed at 7.25%.
- (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) 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%.
- (G) 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%.
- (H) General Obligation Bond – Series of 2004B – On May 15, 2004, the Borough issued General Obligation Bonds in the principal amount of \$ 5,250,000 to advance refund the Guaranteed Water Revenue Bonds – Series of 1999 of The Gettysburg Municipal Authority. Annual installments varying from \$ 145,000 to \$ 575,000 are due through October 1, 2018; fixed interest rates vary from 2.40% to 4.10%.

Note 7. Long-term Liabilities (Continued)

Bond, Notes, and Loans Payable (continued)

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments required at December 31, 2008.

	2004 GO Bond		2004 GO Note		2008 GO Bond		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 270,000	\$ 32,466	\$ 41,363	\$ 1,251	\$ 14,176	\$ 31,538	\$ 325,539	\$ 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	0	0	0	0	37,039	22,852	37,039	22,852
2014-2018	0	0	0	0	230,471	68,984	230,471	68,984
2019	0	0	0	0	56,785	3,106	56,785	3,106
	<u>\$ 1,145,000</u>	<u>\$ 86,182</u>	<u>\$ 41,363</u>	<u>\$ 1,251</u>	<u>\$ 435,000</u>	<u>\$ 209,624</u>	<u>\$ 1,621,363</u>	<u>\$ 297,057</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
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	0	0	135,000	4,860	490,000	109,906	470,000	315,962	1,095,000	430,728
2014-2018	0	0	0	0	2,380,000	243,333	3,330,000	1,232,814	5,710,000	1,476,147
2019-2023	0	0	0	0	0	0	4,010,000	509,138	4,010,000	509,138
	<u>\$ 260,000</u>	<u>\$ 10,140</u>	<u>\$ 1,805,000</u>	<u>\$ 188,696</u>	<u>\$ 4,445,000</u>	<u>\$ 937,739</u>	<u>\$ 7,995,000</u>	<u>\$ 3,330,962</u>	<u>\$ 14,505,000</u>	<u>\$ 4,467,537</u>

Capital Lease Payable

The Borough has entered into a capital lease for the purchase of two police cars. At December 31, 2008, the leased assets had a cost basis of \$ 54,453 net of accumulated amortization of \$ 4,975 and is included in capital assets.

The future minimum lease payments under capital lease as of December 31, 2008 are as follows:

2009	\$ 19,596
2010	19,596
2011	9,798
	<u>48,990</u>
Amount representing interest	<u>(3,997)</u>
	<u>\$ 44,993</u>

Note 7. Long-term Liabilities (Continued)

Termination Benefit Payable

The Borough offered termination benefits to two employees to cover health care costs for these individuals. The following details the future estimated payments, which are based on expected increases in health care costs, for the fiscal years ended December 31:

2009	\$ 14,850
2010	3,928
2011	3,968
2012	4,007
2013	4,047
2014-2015	<u>8,217</u>
	<u>\$ 39,017</u>

The estimated liability is discounted at a rate of 1.0% and is \$ 39,017 at December 31, 2008.

Note 8. 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 for three leases the Authority has for 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:

2009	\$ 20,400
2010	20,400
2011	20,400
2012	20,400
2013	20,400
2014-2015	<u>40,800</u>
	<u>\$ 142,800</u>

Lease Revenue

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 \$ 24,359 in 2008 and \$ 23,649 in 2007. Beginning in year two, and each year thereafter, the annual rental payment increases by three percent over the previous year's rent.

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 \$ 22,100 in 2008 and \$ 18,700 in 2007. The lease amount will increase at the beginning of each 5 year term, but will remain constant for the five years that make up the term.

Note 8. Operating Leases (Continued)

In addition to the previously mentioned leases, the Authority also leases space to T-Mobile for a communications tower. The lease was signed in December 2008, for a five year term, automatically renewing for four additional five year terms unless T-Mobile notifies the Authority of its intention not to renew prior to commencement of the succeeding renewal term. Beginning in year two, and each year thereafter, the annual rental payment increases by three percent over the previous year's rent.

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

2009	\$ 66,489
2010	67,872
2011	69,500
2012	73,211
2013	<u>74,722</u>
	<u>\$ 351,794</u>

Note 9. 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. Plan Descriptions and Contributions

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).

Contributions – 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.

Note 9. Employee Retirement Systems (Continued)

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).

Contributions – 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.

Membership of the plans consisted of the following at January 1, 2007, the date of the latest actuarial valuation:

	Police	Non-Uniformed
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>

C. 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, 2008:

	Police	Non-Uniformed
Annual required contribution	\$ 118,582	\$ 136,798
Interest on net pension obligation	0	0
Adjustment to annual required contribution	0	0
Annual pension cost	118,582	136,798
Contributions made	118,582	136,798
Increase in net pension obligation	0	0
Net pension obligation beginning of year	0	0
Net pension obligation end of year	<u>\$ 0</u>	<u>\$ 0</u>

Three-Year Trend Information

Year Ended December 31,	Police Pension Plan			Non-Uniformed Pension Plan		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 89,675	100%	\$ 0	\$ 135,097	100%	\$ 0
2007	106,244	100%	0	135,636	100%	0
2008	118,582	100%	0	136,798	100%	0

Note 9. Employee Retirement Systems (Continued)

D. Funded Status and Funding Progress

The funded status of each plan as of January 1, 2007, the most recent actuarial valuation date, is as follows:

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

The information presented was determined as part of the actuarial valuations at the dates indicated.

	Police Pension Plan	Non-Uniformed Pension Plan
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

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

In the January 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions for both the police and non-uniformed pension plans included (a) 7.5% investment rate of return (net administrative expenses) and (b) projected salary increases of 5.0% per year. Both (a) and (b) included an inflation component of 3.0% for the police plan and 0.0% for the non-uniformed plan. The assumptions did not include postretirement benefit increases, which are funded by state appropriation when granted.

Note 9. Employee Retirement Systems (Continued)

F. Financial Statements

The following are financial statements as of December 31, 2008 for the individual pension plans maintained by the Borough:

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

	Police	Non Uniformed	Total
ASSETS			
Cash and cash equivalents	\$ 59,603	\$ 39,949	\$ 99,552
Investments	<u>2,786,124</u>	<u>1,198,159</u>	<u>3,984,283</u>
Total assets	<u>\$ 2,845,727</u>	<u>\$ 1,238,108</u>	<u>\$ 4,083,835</u>
NET ASSETS			
Held in trust for:			
Employees' pension benefits	\$ <u>2,845,727</u>	\$ <u>1,238,108</u>	\$ <u>4,083,835</u>
Total net assets	<u>\$ 2,845,727</u>	<u>\$ 1,238,108</u>	<u>\$ 4,083,835</u>

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

	Police	Non Uniformed	Total
ADDITIONS			
Contributions			
Employer	\$ 0	\$ 99,250	\$ 99,250
Employer - state funded	<u>118,582</u>	<u>37,548</u>	<u>156,130</u>
Total contributions	<u>118,582</u>	<u>136,798</u>	<u>255,380</u>
Investment income			
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	(1,224,498)	(445,866)	(1,670,364)
Interest, dividends, and other	<u>121,519</u>	<u>47,636</u>	<u>169,155</u>
Total investment income	(1,102,979)	(398,230)	(1,501,209)
Less investment expenses:			
Fiduciary fees	(19,680)	(7,637)	(27,317)
Total net investment income	(1,122,659)	(405,867)	(1,528,526)
Total additions	(1,004,077)	(269,069)	(1,273,146)
DEDUCTIONS			
Benefit payments	196,807	30,228	227,035
Administrative expense	<u>5,192</u>	<u>6,528</u>	<u>11,720</u>
Total deductions	<u>201,999</u>	<u>36,756</u>	<u>238,755</u>
Change in net assets	(1,206,076)	(305,825)	(1,511,901)
NET ASSETS			
Beginning	<u>4,051,803</u>	<u>1,543,933</u>	<u>5,595,736</u>
Ending	<u>\$ 2,845,727</u>	<u>\$ 1,238,108</u>	<u>\$ 4,083,835</u>

Note 10. Authority Pension Plan

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

The single-employer defined pension benefit trust fund, administered by PNC Advisors, is not included in these financial statements 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, 2008 the normal service cost, based on 6.538% of payroll, and the amortized prior service cost amounted to a required minimum contribution of \$ 74,680. A total of \$ 74,680 was contributed to the plan for 2008, 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>

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

Plan Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
2006	\$ 83,220	\$ 83,220	100%
2007	71,759	71,759	100%
2008	74,680	74,680	100%

Note 11. 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).

Note 11. Risk Management (Continued)

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 \$ 460,757.

Note 12. 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 \$ 41,685,000 as of December 31, 2008. The liability and offsetting asset are properly excluded from the financial statements.

The Authority has 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, of which \$ 308,769 has been paid through 2008. On December 17, 2007, the Authority approved D&M Contracting for the Route 30 project for \$ 821,656, and there were change orders in 2008 that increased the total contract to \$ 838,881. Of the total contract, \$ 744,968 has been paid as of December 31, 2008.

Note 13. Restatement of Net Assets and Fund Balance

During the year ended December 31, 2008, the following changes were made to correct errors in the 2007 net assets and fund balances, and change thereof:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>
Net Assets and Fund Balance as of December 31, 2007 originally reported	\$ 8,445,157	\$ 557,383	\$ 534,686
(A) Add: Recognition of revenue for 2007	37,254	30,000	7,254
(B) Less: Recognition of expense in 2007	(49,307)	<u>0</u>	<u>0</u>
Net Assets and Fund Balance as of December 31, 2007 - restated	<u>\$ 8,433,104</u>	<u>\$ 587,383</u>	<u>\$ 541,940</u>
2007 change in net assets/fund balance - originally reported	\$ 418,555	\$ 226,441	(\$ 184,619)
Restatements as detailed above	(12,053)	<u>30,000</u>	<u>7,254</u>
2007 change in net assets/fund balance - restated	<u>\$ 406,502</u>	<u>\$ 256,441</u>	<u>(\$ 177,365)</u>

(A) Items were grant expenditures in 2007 but no corresponding grant revenues were recorded.

(B) Termination benefit agreements that were not recorded in 2007.

BOROUGH OF GETTYSBURG

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
Year Ended December 31, 2008**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Actuarial Liability AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Borough of Gettysburg Police Pension Plan						
01/01/03	\$ 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%)
01/01/08	-	-	-	-	-	-

Borough of Gettysburg Non-Uniformed Pension Plan

01/01/03	\$ 727,685	\$ 1,102,272	\$ 374,587	66.2%	\$ 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%
01/01/08	-	-	-	-	-	-

Schedule of Employer Contributions

Year Ended December 31,	Police Pension Plan		Non-Uniformed Pension Plan	
	Annual Required Contribution	Percentage of APC Contributed	Annual Required Contribution	Percentage of APC Contributed
2003	\$ 0	100%	\$ 106,244	100%
2004	15,918	100%	118,582	100%
2005	53,058	100%	141,064	100%
2006	89,675	100%	135,097	100%
2007	106,244	100%	135,636	100%
2008	118,582	100%	136,798	100%

BOROUGH OF GETTYSBURG

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the year ended December 31, 2008

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 2,559,244	\$ 2,549,487	(\$ 9,757)
Licenses and permits	65,400	77,063	11,663
Fines and forfeits	388,000	303,463	(84,537)
Interest earnings	6,000	16,352	10,352
Rents	12,000	31,464	19,464
Intergovernmental	272,550	380,716	108,166
Charges for services	1,026,100	956,640	(69,460)
Donations	0	73,411	73,411
Miscellaneous	171,240	8,714	(162,526)
Total revenues	<u>4,500,534</u>	<u>4,397,310</u>	<u>(103,224)</u>
EXPENDITURES			
General government	1,130,038	1,030,689	99,349
Public safety	1,863,202	1,700,610	162,592
Health and welfare	22,650	23,285	(635)
Highways	739,417	682,878	56,539
Culture and recreation	310,943	316,613	(5,670)
Community development	25,000	130,491	(105,491)
Debt service	384,691	381,908	2,783
Total expenditures	<u>4,475,941</u>	<u>4,266,474</u>	<u>209,467</u>
Excess (deficiency) of revenues over expenditures	<u>24,593</u>	<u>130,836</u>	<u>106,243</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	0	54,453	54,453
Transfers in	0	54,952	54,952
Total other financing sources and uses	<u>0</u>	<u>109,405</u>	<u>109,405</u>
Net change in fund balances	<u>\$ 24,593</u>	<u>\$ 240,241</u>	<u>\$ 215,648</u>

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF GETTYSBURG

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2008**

	Highway Aid Fund	Company K Fund	Capital Projects Fund	Capital Reserve Fund	Small Communities Program Fund	Total Other Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 110,162	\$ 0	\$ 197,276	514	\$ 12,655	\$ 320,607
Investments	0	6,662	0	0	0	6,662
Accounts and grants receivable	0	0	25,689	0	27,524	53,213
Due from other funds	0	0	35,398	122,000	0	157,398
Loans Receivable	0	0	242,959	0	0	242,959
Mortgages receivable	0	0	0	0	96,000	96,000
Accrued intrest receivable	0	0	0	0	24,688	24,688
Total assets	<u>110,162</u>	<u>6,662</u>	<u>501,322</u>	<u>122,514</u>	<u>160,867</u>	<u>901,527</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	6,650	0	21,477	0	14,598	42,725
Due to other funds	0	0	21,925	20,398	12,082	54,405
Deferred revenue	0	0	73,377	0	29,573	102,950
Total liabilities	<u>6,650</u>	<u>0</u>	<u>116,779</u>	<u>20,398</u>	<u>56,253</u>	<u>200,080</u>
 Fund balances						
Unreserved - undesignated	103,512	6,662	141,584	102,116	8,614	362,488
Reserved for long term loan receivables	0	0	242,959	0	96,000	338,959
Total fund balances	<u>103,512</u>	<u>6,662</u>	<u>384,543</u>	<u>102,116</u>	<u>104,614</u>	<u>701,447</u>
Total liabilities and fund balances	<u>\$ 110,162</u>	<u>\$ 6,662</u>	<u>\$ 501,322</u>	<u>\$ 122,514</u>	<u>\$ 160,867</u>	<u>\$ 901,527</u>

BOROUGH OF GETTYSBURG

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDNS
For the Year Ended December 31, 2008**

	Highway Aid Fund	Company K Fund	Capital Projects Fund	Capital Reserve Fund	Small Communities Program Fund	Total Other Governmental Funds
REVENUES						
Investment earnings	\$ 1,611	\$ 238	\$ 1,242	\$ 0	\$ 44	\$ 3,135
Intergovernmental	<u>137,226</u>	<u>0</u>	<u>62,190</u>	<u>0</u>	<u>144,445</u>	<u>343,861</u>
Total revenues	<u>138,837</u>	<u>238</u>	<u>63,432</u>	<u>0</u>	<u>144,489</u>	<u>346,996</u>
EXPENDITURES						
Public Works	184,382	0	0	0	0	184,382
Community development	0	0	116,496	0	144,446	260,942
Debt Service	<u>0</u>	<u>0</u>	<u>104,333</u>	<u>0</u>	<u>0</u>	<u>104,333</u>
Total expenditures	<u>184,382</u>	<u>0</u>	<u>220,829</u>	<u>0</u>	<u>144,446</u>	<u>549,657</u>
Excess (deficiency) of revenues over expenditures	<u>(45,545)</u>	<u>238</u>	<u>(157,397)</u>	<u>0</u>	<u>43</u>	<u>(202,661)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from refinance of debt	0	0	435,000	0	0	435,000
Refinance debt payment	<u>0</u>	<u>0</u>	<u>(435,000)</u>	<u>0</u>	<u>0</u>	<u>(435,000)</u>
Total other financing sources and uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>(45,545)</u>	<u>238</u>	<u>(157,397)</u>	<u>0</u>	<u>43</u>	<u>(202,661)</u>
Fund balances - beginning (as restated)	<u>149,057</u>	<u>6,424</u>	<u>541,940</u>	<u>102,116</u>	<u>104,571</u>	<u>904,108</u>
Fund balances - ending	<u>\$ 103,512</u>	<u>\$ 6,662</u>	<u>\$ 384,543</u>	<u>\$ 102,116</u>	<u>\$ 104,614</u>	<u>\$ 701,447</u>