

Audited  
Financial  
Statements

December 31,  
2017



Borough of  
Gettysburg

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Smith Elliott Kearns & Company, LLC  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Borough Council  
Borough of Gettysburg  
Gettysburg, Pennsylvania

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Gettysburg as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough of Gettysburg's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Gettysburg as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the schedules of changes in net pension liability – police plan and non-uniform plan, schedule of contributions – pension plans, and the budgetary comparison schedule - general fund on pages 50 - 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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 governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Smith & Elliott Pearn & Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania  
August 20, 2018

**BOROUGH OF GETTYSBURG**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2017**

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This section of the Borough of Gettysburg's (Borough) annual financial statements represents a narrative overview and analysis of the financial activities of the Borough of Gettysburg for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the preceding auditor's report and the accompanying financial statements and notes that follow in order to obtain a thorough understanding of the Borough's financial condition as of December 31, 2017.

***FINANCIAL HIGHLIGHTS***

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- The Borough's net position of governmental activities were \$ 10,073,495 as of December 31, 2017, a decrease of \$ 123,052 from the prior year.
- At December 31, 2017, the governmental funds reported a combined fund balances of \$ 4,804,322, of which \$ 186,148 is designated nonspendable because funds were used to purchase inventory that was still held at the close of the year and to prepay various expenses, \$ 2,897,541 is restricted to a particular use, \$ 316,862 is committed and \$ 1,403,771 is unassigned and is available for spending at the Borough of Gettysburg's discretion.
- The General Fund fund balance for the year 2017 was \$ 1,601,478. This represents an increase in the amount of \$ 139,707 from the previous year.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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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 11 and 12 of this report.

- The Statement of Net Position presents information on all of the Borough of Gettysburg's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the them reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

***OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)***

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- 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. These financial statements do not present any business-type activities. The government-wide financial statements present information of the component unit which is the water and sewer transactions of Gettysburg Municipal Authority.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over monies that have been segregated for specific activities or purposes. The Borough of Gettysburg uses fund accounting to ensure 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 component units.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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. By doing so, one may better understand the long-term impact of the government's short-term financing decisions.
- 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 which can be found on pages 11-12. 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 basic governmental fund financial statements can be found on pages 13-16.
- The Borough of Gettysburg maintains nine 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 Fund and Capital Projects Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. A schedule in the Other Supplemental Section of the financial statements (beginning on page 54) details the funds that make up the other governmental funds.
- The Borough of Gettysburg adopts an annual appropriated budget for all of the governmental funds. A budget comparison statement has been provided on page 53 for the General fund to demonstrate compliance with the budget.

**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's programs. The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

***OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)***

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**Component Unit.** A component unit is a legally separate organization that a primary government must include as part of its financial reporting entity for fair presentation in conformity with Generally Accepted Accounting Practices (GAAP). It is important to underscore that components units, by definition, must be legally separate entities.

There are three specific tests for determining whether a particular legally separate entity is a component unit of a primary government's financial reporting entity. Those tests involve 1) appointment of the unit's governing board 2) fiscal dependence on the primary government and 3) the potential that exclusion would result in misleading financial reporting.

Gettysburg Municipal Authority (GMA) financial information is presented as a discretely presented component unit in the financial statements that follow. Two important criteria used to come to this conclusion is 1) the Borough of Gettysburg council appoints the governing board of GMA and 2) the Borough guarantees a portion of the Authority's debt. The notes to the financial statements address this issue and provide additional information in Note 1. "Summary of Significant Accounting Policies". Separate financial statements, which include a Management Discussion and Analysis of the Authority, are available at the Authority's administrative office located at 59 East High Street, Gettysburg, PA 17325.

**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 19 - 49 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning changes in net pension liability and schedule of contributions for the Borough's pension plans and budgetary comparison schedules. Required supplementary information can be found on pages 50 - 53 of this report.

***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

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As stated earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough of Gettysburg, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 10,073,495 at the close of the most recent fiscal year.

By far the largest portion of the Borough's net position 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. The Borough's capital assets increased by \$ 706,514 net of current depreciation expense due to continued investment in infrastructure such as roadways, bridges and storm sewers. Current assets decreased by \$ 912,814 due to the expenditures for capital asset construction and the repayment of debt.

**BOROUGH OF GETTYSBURG**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2017**

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**Borough of Gettysburg's Net Position**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current assets	\$ 6,244,004	\$ 7,156,818
Capital assets and other assets	<u>12,601,491</u>	<u>11,116,507</u>
Total assets	18,845,495	18,273,325
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>56,609</u>	<u>632,906</u>
<b>LIABILITIES</b>		
Current liabilities	1,443,174	892,588
Noncurrent liabilities	<u>6,526,828</u>	<u>7,684,323</u>
Total liabilities	7,970,002	8,576,911
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>858,607</u>	<u>132,773</u>
<b>Net position</b>		
Net investment in capital assets	6,562,975	7,192,872
Restricted	1,320,212	1,215,796
Unrestricted	<u>2,190,308</u>	<u>1,787,879</u>
Total net position	<u>\$ 10,073,495</u>	<u>\$ 10,196,547</u>



**BOROUGH OF GETTYSBURG**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2017**

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***CHANGES IN NET POSITION***

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

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 1,522,546	\$ 1,485,571
Operating Grants and Contributions	605,461	655,833
Capital Grants and Contributions	862,135	336,026
<b>General Revenues</b>		
Taxes		
Property tax	1,889,041	1,840,733
Fire Protection tax	125,222	125,228
Earned Income tax	526,903	551,719
Real Estate transfer tax	95,448	97,215
Local Services tax	270,834	277,019
Admission tax	175,416	133,124
Occupational and Per Capita	32,097	34,243
Other taxes	2,200	1,100
Unrestricted investment earnings	15,374	8,775
Gain on sale of capital assets	-	3,027
Miscellaneous income	1,804	31,929
	<u>6,124,481</u>	<u>5,581,542</u>
<b>Expenses</b>		
General Government	885,396	1,131,965
Public Safety	2,087,189	2,068,839
Health and Human Services	1,000	1,000
Public Works	2,902,674	1,810,968
Culture and Recreation	126,108	109,154
Community Development	65,285	39,414
Interest and Amortization	179,881	102,775
Total Expenses	<u>6,247,533</u>	<u>5,264,115</u>
 Increase (Decrease) in Net Position	 \$ <u>(123,052)</u>	 \$ <u>317,427</u>

**BOROUGH OF GETTYSBURG**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2017**

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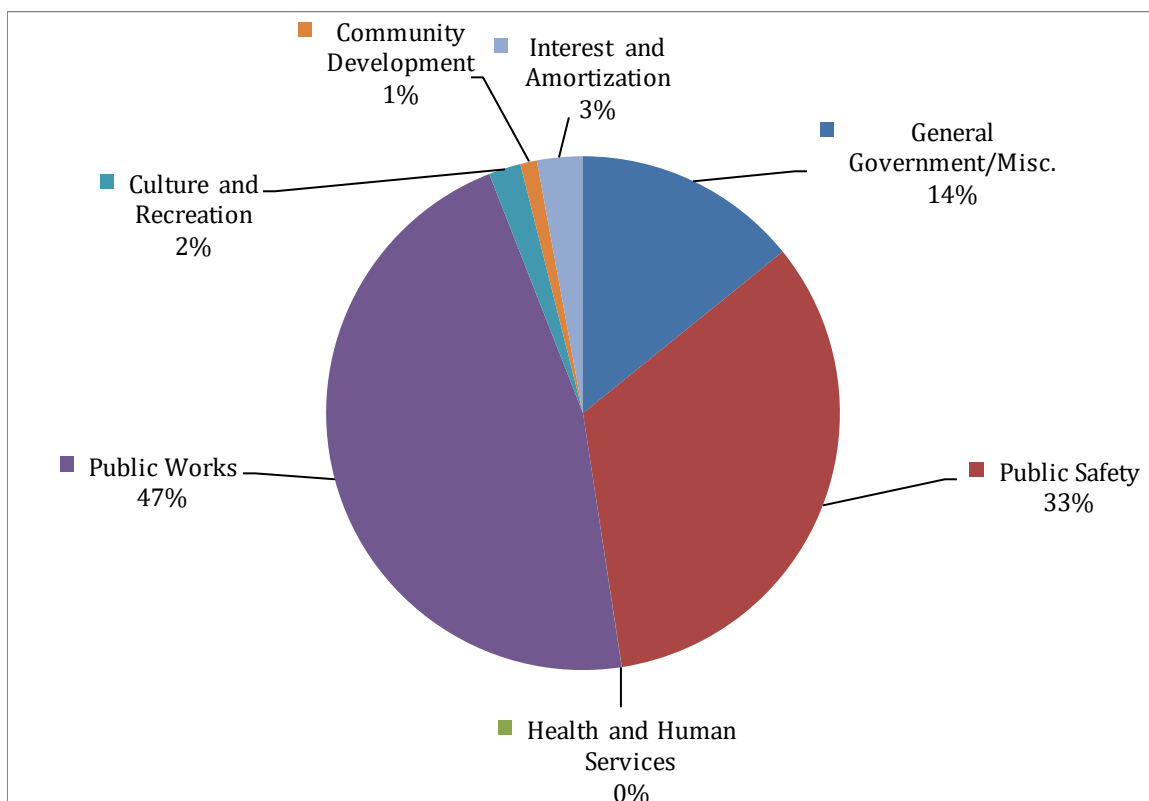
***FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS***

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**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. Unassigned 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 \$ 4,804,322. Approximately 29% of this total amount (\$ 1,403,771) constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of the fund balance (\$ 3,400,551) is shown as nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been set aside for prepaid expenses, donations received for specific purposes, fuel inventory, capital projects, or debt service.

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/out) by \$ 139,707.

The chart below illustrates the breakdown of governmental funds costs:



**BOROUGH OF GETTYSBURG**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2017**

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***BUDGETARY HIGHLIGHTS***

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The original budget for the Borough of Gettysburg was not changed during the year for any of the governmental funds.

During the year, actual general fund revenues were more than budgeted revenues by \$ 186,211 that occurred primarily from tax collections, increased parking revenue, reimbursement for services, and unanticipated donations. This served to offset actual expenditures exceeding budgeted expenditures in the amount of \$ 52,704 creating a surplus of \$ 133,507 (before other financing sources and uses). Included in Other Financing Sources (Uses), are proceeds from the sale of assets of \$ 6,200, which were not budgeted. The net increase in fund balance after Other Financing Sources (Uses) was \$ 139,707 resulting in the level of unassigned fund balance at approximately 35% of budgeted expenses.

***CAPITAL ASSET ADMINISTRATION***

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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, 2017 was \$ 11,777,305 for governmental activities (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 1,397,493 in capital assets of governmental activities. Government activities added assets that include the completion of the ADA ramps, and the purchase of land under the Borough's parking garage. The Borough of Gettysburg issued 4 million dollars of new money debt in 2016 when it refunded its existing bond and embarked upon a three-year capital plan to address necessary repairs and replacement of some aging roads and storm sewers.

**Comparative Capital Assets at December 31:**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Construction in Progress	\$ 411,455	\$ 413,152
Collections	14,150	14,150
Land	794,789	-
Land Improvements	589,954	667,584
Infrastructure	4,653,184	4,327,214
Building and Improvements	4,624,359	4,827,059
Machinery and Equipment	689,414	821,632
Total Capital Assets	<u>\$ 11,777,305</u>	<u>\$ 11,070,791</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 (Unaudited)**  
**December 31, 2017**

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***DEBT ADMINISTRATION***

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The Borough of Gettysburg had total outstanding bonded debt of \$ 6,769,536. The governmental activity amounts are backed by the full faith and credit of the Borough of Gettysburg. The following is a comparative statement of outstanding debt:

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
General obligation bonds and loans payable	<u>\$ 6,769,536</u>	<u>\$ 7,252,253</u>
Capital lease payable	\$ 78,732	\$ 117,063
Compensated absences	<u>310,081</u>	<u>294,827</u>
Total long-term liabilities	<u><u>\$ 7,158,349</u></u>	<u><u>\$ 7,664,143</u></u>

During the year, the Borough issued no new debt. A net increase of \$15,254 in accrued compensated absences and termination benefits payable were recorded.

Additional information on the Borough of Gettysburg's long-term debt can be found in Note 7 in the Notes to Financial Statements.

***REQUEST FOR INFORMATION***

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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 Charles Gable, Borough Manager, 59 East High Street, Gettysburg, PA 17325.

**BOROUGH OF GETTYSBURG**  
**Statement of Net Position**  
**December 31, 2017**

	<b>Governmental Activities</b>	<b>Component Unit Authority</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,815,692	\$ 6,035,182
Investments	252,176	1,028,284
Taxes receivable, net	387,516	-
Accounts receivable - billed	602,472	696,805
Accounts receivable - unbilled	-	626,327
Accrued interest receivable	-	1,763
Inventories	10,615	57,365
Prepaid expenses	175,533	53,369
Total current assets	<u>6,244,004</u>	<u>8,499,095</u>
<b>Noncurrent assets</b>		
Accounts receivable	11,190	160,023
Restricted investments	7,021	-
Prepaid bond insurance	15,040	34,678
Net pension asset	790,935	-
Capital assets not being depreciated:		
Collections	14,150	-
Construction in progress	411,455	551,629
Land	794,789	-
Capital assets net of accumulated depreciation:		
Land improvements	589,954	392,360
Buildings and improvements	4,624,359	18,273,808
Machinery, equipment and furniture	689,414	31,259,744
Infrastructure	4,653,184	-
Total noncurrent assets	<u>12,601,491</u>	<u>50,672,242</u>
Total assets	<u>18,845,495</u>	<u>59,171,337</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on bond refunding	56,609	331,041
Deferred outflows related to pension liability	-	291,172
Total deferred outflows of resources	<u>56,609</u>	<u>622,213</u>
Total assets and deferred outflows of resources	<u>\$ 18,902,104</u>	<u>\$ 59,793,550</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 706,488	\$ 119,928
Accrued wages and withholdings	72,931	26,220
Accrued interest	21,229	43,627
Consumer deposits	-	23,414
Unearned revenue	11,005	-
Long-term liabilities: Due within one year		
Bonds and notes payable	493,859	1,051,487
Capital lease payable	40,108	-
Compensated absences	97,554	-
Total current liabilities	<u>1,443,174</u>	<u>1,264,676</u>
<b>Noncurrent liabilities</b>		
Long-term liabilities: Due in more than one year		
Bonds and notes payable	6,275,677	16,006,172
Capital lease payable	38,624	-
Compensated absences	212,527	-
Net pension obligation	-	482,431
Total noncurrent liabilities	<u>6,526,828</u>	<u>16,488,603</u>
Total liabilities	<u>7,970,002</u>	<u>17,753,279</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension asset	858,607	128,325
<b>NET POSITION</b>		
Net investment in capital assets	5,768,186	33,934,347
Restricted	1,320,212	-
Unrestricted	2,985,097	7,977,599
Total net position	<u>10,073,495</u>	<u>41,911,946</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 18,902,104</u>	<u>\$ 59,793,550</u>

**BOROUGH OF GETTYSBURG**  
**Statement of Activities**  
**Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Unit Authority
<b>Primary government</b>						
Governmental activities						
General government	\$ 885,396	\$ 96,404	\$ 49,472	\$ -	\$ (739,520)	
Public safety	2,087,189	163,442	328,734	1,555	(1,593,458)	
Health and human services	1,000	-	-	-	(1,000)	
Public works	2,902,674	1,262,700	227,255	196,361	(1,216,358)	
Culture and recreation	126,108	-	-	10,000	(116,108)	
Community development	65,285	-	-	654,219	588,934	
Interest	179,881	-	-	-	(179,881)	
Total governmental activities	6,247,533	1,522,546	605,461	862,135	(3,257,391)	
<b>Component Unit</b>						
Municipal Authority - Sewer and Water	\$ 5,950,116	\$ 6,104,697	\$ -	\$ -		\$ 154,581
<b>General revenues and transfers:</b>						
Taxes:						
Property taxes, levied for general purposes					\$ 1,889,041	\$ -
Property taxes, levied for specific purposes					125,222	-
Earned income tax					526,903	-
Real estate transfer tax					95,448	-
Local services tax					270,834	-
Admission tax					175,416	-
Occupational and per capita taxes					32,097	-
Other taxes					2,200	-
Unrestricted investment earnings					15,374	20,551
Gain on sale of capital assets					-	4,772
Miscellaneous income					1,804	-
Total general revenues and transfers					3,134,339	25,323
Change in net position					(123,052)	179,904
Net position - beginning					10,196,547	41,732,042
Net position - ending					\$ 10,073,495	\$ 41,911,946

**BOROUGH OF GETTYSBURG**  
**Balance Sheet - Governmental Funds**  
**December 31, 2017**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,443,633	\$ 2,234,144	\$ 1,137,915	\$ 4,815,692
Investments	-	-	259,197	259,197
Accounts and grants receivable	62,847	528,425	-	591,272
Taxes receivable, net	379,069	-	8,447	387,516
Due from other funds	-	-	48,882	48,882
Inventories	10,615	-	-	10,615
Prepaid expenses	175,533	-	-	175,533
Total assets	<u>\$ 2,071,697</u>	<u>\$ 2,762,569</u>	<u>\$ 1,454,441</u>	<u>\$ 6,288,707</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 202,566	\$ 501,363	\$ 2,559	\$ 706,488
Unearned parking revenue	11,005	-	-	11,005
Due to other funds	48,882	-	-	48,882
Accrued wages, benefits and withholdings	49,615	-	-	49,615
Total liabilities	<u>312,068</u>	<u>501,363</u>	<u>2,559</u>	<u>815,990</u>
<b>Deferred inflows of resources</b>				
Unavailable grant revenue	-	503,425	-	503,425
Unavailable tax revenue	158,151	-	6,819	164,970
Total deferred inflows of resources	<u>158,151</u>	<u>503,425</u>	<u>6,819</u>	<u>668,395</u>
<b>Fund balances</b>				
Nonspendable	186,148	-	-	186,148
Restricted	11,559	1,757,781	1,128,201	2,897,541
Committed	-	-	316,862	316,862
Unassigned	1,403,771	-	-	1,403,771
Total fund balances	<u>1,601,478</u>	<u>1,757,781</u>	<u>1,445,063</u>	<u>4,804,322</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,071,697</u>	<u>\$ 2,762,569</u>	<u>\$ 1,454,441</u>	<u>\$ 6,288,707</u>

**BOROUGH OF GETTYSBURG****Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
December 31, 2017**

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**Total fund balance - governmental funds** \$ 4,804,322

Amounts reported for governmental activities in the Statement of Net Position 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 Position.

Cost of assets	\$ 23,520,993	
Accumulated depreciation	<u>(11,743,688)</u>	11,777,305

Prepaid bond insurance is expensed in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset. 15,040

Taxes 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. 668,395

Certain other receivables will be collected in the future, but are not available to pay current year expenditures, and therefore, are not recorded in the fund financial statements. 22,390

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

Bonds and notes payable, net	(6,769,536)	
Deferred charge on bond refunding	56,609	
Accrued interest	(21,229)	
Compensated absences and accrued vacation	(333,397)	
Capital leases	(78,732)	
Net pension asset	790,935	
Deferred inflows related to pension asset	<u>(858,607)</u>	
		<u>(7,213,957)</u>

**Total net position - governmental activities** \$ 10,073,495



**BOROUGH OF GETTYSBURG**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental**  
**Funds**  
**Year Ended December 31, 2017**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 2,974,825	\$ -	\$ 123,604	\$ 3,098,429
Licenses and permits	128,381	-	31,815	160,196
Fines and forfeits	223,623	-	-	223,623
Investment earnings	1,450	10,879	3,045	15,374
Intergovernmental	392,154	196,361	340,197	928,712
Charges for services	1,120,546	-	-	1,120,546
Donations	33,168	10,000	-	43,168
Miscellaneous	1,916	-	15,360	17,276
Total revenues	<u>4,876,063</u>	<u>217,240</u>	<u>514,021</u>	<u>5,607,324</u>
<b>EXPENDITURES</b>				
General government	804,653	-	-	804,653
Public safety	1,862,488	-	228,135	2,090,623
Health and human services	1,000	-	-	1,000
Public works	1,287,629	2,296,095	42,683	3,626,407
Culture and recreation	89,603	9,902	-	99,505
Community development	30,000	-	154,699	184,699
Debt service	42,655	-	635,727	678,382
Total expenditures	<u>4,118,028</u>	<u>2,305,997</u>	<u>1,061,244</u>	<u>7,485,269</u>
Excess (deficiency) of revenues over expenditures	<u>758,035</u>	<u>(2,088,757)</u>	<u>(547,223)</u>	<u>(1,877,945)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	6,200	-	-	6,200
Transfers in (out)	<u>(624,528)</u>	<u>-</u>	<u>624,528</u>	<u>-</u>
Total other financing sources and uses	<u>(618,328)</u>	<u>-</u>	<u>624,528</u>	<u>6,200</u>
Net change in fund balances	139,707	(2,088,757)	77,305	(1,871,745)
Fund balances - beginning	<u>1,461,771</u>	<u>3,846,538</u>	<u>1,367,758</u>	<u>6,676,067</u>
Fund balances - ending	<u>\$ 1,601,478</u>	<u>\$ 1,757,781</u>	<u>\$ 1,445,063</u>	<u>\$ 4,804,322</u>

**BOROUGH OF GETTYSBURG****Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds to the Statement of Activities  
Year Ended December 31, 2017**

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**Net change in fund balances - total governmental funds****\$ (1,871,745)**

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 and retirements in the period.

Depreciation expense	(690,979)	
Capital outlays	<u>1,397,493</u>	706,514

Because some taxes and grant revenue 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 and grant revenue is:

522,157

Certain other receivables are recorded for government-wide purposes due to their long term nature. Amounts received from these sources are recorded as revenues in the current year in the fund financial statements, but reduce the receivable for the government-wide statements.

(11,200)

Governmental funds report repayment of note, 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 amount of repayments.

513,300

Governmental funds report prepaid bond insurance 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 prepaid bond insurance and bond discounts.

(3,219)

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. This is the difference between the amount (incurred) and the amount paid for:

Accrued interest expense	(11,580)	
Compensated absences and accrued vacation	(21,211)	
Vision benefits	1,767	
Net pension asset and related deferred outflows and inflows	<u>52,165</u>	21,141

**Change in net position - governmental activities****\$ (123,052)**

**BOROUGH OF GETTYSBURG**  
**Statement of Fiduciary Net Position**  
**December 31, 2017**

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	<b>Private Purpose Trust Fund</b>
<hr/>	
<b>ASSETS</b>	
Investments	\$ 8,576
Total assets	<u>\$ 8,576</u>
<hr/>	
<b>NET ASSETS</b>	
Held in trust for:	
Charitable purposes	<u>\$ 8,576</u>
Total net position	<u>\$ 8,576</u>

**BOROUGH OF GETTYSBURG**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2017**

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	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Interest, dividends and other	\$ 17
Total additions	17
<b>Deductions</b>	
Administrative expenses	17
Total deductions	17
Change in net position	-
Net position - beginning	8,576
Net position - ending	\$ 8,576

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***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, 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 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) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and d) 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.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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The following component unit meets the criteria for discrete presentation 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 the Borough of Gettysburg entirely and neighboring townships, Cumberland and Straban. The Borough has also issued general obligation bonds on behalf of the Authority and guaranteed certain other bond issues. The debt service for these bond issues is paid entirely by the Authority. See Note 7 for additional information.

Separate financial statements of the Authority are available at the Authority’s Administrative office located at 601 E. Middle Street, Gettysburg, Pennsylvania 17325.

***Joint Ventures***

**Gettysburg Area Recreational Authority**

On January 28, 2014, the Borough entered into a cooperative agreement with the Township of Cumberland to create the Gettysburg Area Recreation Authority (“GARA”) for the purpose of providing and managing recreation programs to the citizens of the Borough and the Township. For the year ended December 31, 2017, the total per capita charge paid by the Borough to GARA was \$ 66,164.

The Borough entered into a lease with GARA for 52 acres of land, as well as the Charlie Sterner Recreation Building, storage buildings, sports fields, recreation equipment, and improvements, trails, pavilions, playgrounds and amphitheater located on the premises, for a ten-year term beginning on January 1, 2014 with automatic renewal. Amounts paid by GARA as required under the Lease Agreement, such as payment for utilities and services, are considered as payment of rent.

***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 position, revenue, and expenditures/expenses. The various funds of the primary government are segregated into the categories of governmental 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 unassigned fund balances are considered as resources available for use.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting (Continued)***

**Governmental Funds (Continued)**

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

The Borough reports the following non-major governmental funds:

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

***Special Revenue Funds*** - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The Borough has the following Special Revenue Funds:

- **Highway Aid Fund** - is used to account for the proceeds and disposition of state liquid fuels entitlements that are legally restricted to expenditures for specific purposes, primarily building and maintaining local roads and bridges.
- **Company K Fund** - is used to account for the proceeds and disposition of funds donated to the Borough that are restricted for the perpetual care and maintenance of the Company K Memorial Monument.
- **Fire Tax Fund** - is used to account for real estate taxes assessed for providing fire protection services within the Borough.
- **Small Communities Program Fund** - is used to account for the proceeds and disposition of various federal and state grants that are restricted by grant agreements to expenditures for community development projects.
- **Revolving Loan Fund** - is used to track funds available to provide low interest rate loans to local businesses to help build up the local community and support growth in the area.

***Debt Service Fund*** - is used to hold funds necessary to make required annual debt payments of the Borough.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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, agency funds, or pension trust funds. Fiduciary Funds are not included in the government-wide financial statements.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Fiduciary Funds (Continued)**

The Borough 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.

***Basis of Presentation***

**Government-wide Financial Statements** – The statements of net position and 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 the discretely presented component unit.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each 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 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 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.

Fiduciary funds are reported using the economic resources measurement focus.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Accounting***

**Accrual**

Government-wide 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 position (total assets plus deferred outflows of resources less deferred inflows of resources and 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 position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

**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 generally considers tax and other 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 unearned revenue by the recipient. If time requirements for eligibility are not met a deferred inflow of resources would be recorded.

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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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.

***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.

***Inventories***

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

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

***Capital Assets***

General capital assets are those assets that 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.

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 acquisition 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.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Capital Assets (Continued)***

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20
Infrastructure	20
Buildings and improvements	20 - 40
Machinery and equipment	5 - 15
Furnishings and fixtures	5

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

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Borough has several items that qualify for reporting in this category, including various items related to the pension plans and a deferred charge on bond refunding which results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the old or new debt.

In addition to liabilities, the statement of net position and Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has several items which qualify for reporting in this category. Unavailable revenue from taxes and grants are considered a deferred inflow of resources on the Balance Sheet - Governmental Funds, and various items related to the pension plans are shown as deferred inflow on the Statement of Net Position.

***Net Position***

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets:** This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, accounts payable or other borrowings attributable to the acquisition, construction or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Net Position (Continued)***

Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

**Restricted:** This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of December 31, 2017 restricted net position consisted of:

Restricted for:

Housing and redevelopment	\$ 325,746
Future capital improvements	523,932
Highway department	398,466
Company K monument	7,021
Community development	1,343
Fire department	50,559
Police department	11,559
USS Gettysburg	1,586
	<u>\$ 1,320,212</u>

**Unrestricted:** This component of net position is the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Net Position Flow Assumption**

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance – Governmental Funds***

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and the long-term portion of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Balance – Governmental Funds (Continued)***

**Restricted:** This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

**Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Borough's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Borough Council. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

**Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than in the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Borough Council, or a subordinate high-level body, such as the finance committee, borough manager, or finance director that is authorized to assign amounts to be used for specific purposes. The assignment of fund balance cannot result in a negative unassigned fund balance.

**Unassigned:** This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

***Fund Balance Flow Assumptions***

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Based on the Borough's fund balance policy, funds are considered spent in the following order: committed, assigned and unassigned.

***Minimum Fund Balance Policy***

The Borough has established in its fund balance policy to maintain a minimum fund balance in the general fund at December 31 of eighteen percent (18%) of budgeted general fund revenues for that fiscal year, with the target being no less than twenty-five percent (25%) of budgeted general fund revenues. In any year in which the December 31 fund balance falls below 18%, the fund balance shall be budgeted to replenish the target no later than the second budget adopted by the Borough Council following the shortfall through any combination of expenditure cuts or decreases and/or through tax increases or any other revenue increases.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Minimum Fund Balance Policy (Continued)***

**Debt Service Fund Balance Policy**

The Borough has established a policy to set aside fund balance in the debt service fund at December 31 that is equivalent to a minimum of 50% of the budgeted debt payments for that fiscal year.

***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.

***Budgets and Budgetary Accounting***

Annual budgets are adopted for the General Fund, Fire Tax Fund, Small Communities Program Fund, Company K Memorial Fund, Capital Projects Fund, Debt Service Fund, Capital Reserve Fund, Highway Aid Fund, Revolving Loan Fund, and the Eichelberger-Stahle Charitable Trust Fund. 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, 2017.

***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 columns in the statement of net assets. Bond premium and discounts are deferred and amortized to interest expense over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred charges on bond refunding are shown as deferred outflows of resources. Bond issuance costs related to insurance premiums are reported as assets and amortized to expense over the term of the related debt. Other bond issuance costs are expensed as incurred.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Long-Term Obligations (Continued)***

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 (if resulting from a disparity in interest rates) or as debt service expenditures (if resulting from underwriter's fees). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***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.

The Borough has established two defined benefit pension plans for the benefit of substantially all full-time employees, the police plan and non-uniformed plan. 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 the plan. See Note 8 for additional information on these pension plans.

***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. Personal time must be used during the calendar year for all employees and cannot be carried over. Five days of vacation may be carried over from one year to the next. This liability is not significant and is not included in these statements. 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 unused accumulated vision benefits in accordance with personnel policies.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Compensated Absences/Vision Benefits (Continued)***

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

***Discretely Presented Municipal Authority***

The Authority was created by the Borough of Gettysburg (the Borough) on June 18, 1948, under the provisions of the Municipality Authorities Act of 1945, to provide water and sewer services to the residents of the Borough.

**Accounts Receivable and Concentration of Credit Risk**

The Authority provides water and sewer service to customers within the Gettysburg area. Receivables are recorded at face amount. An allowance for doubtful account has been recorded based on management's estimates based on historical collections and the ability to file liens against property.

**Long-Term Accounts Receivable**

In a prior year, the Authority had capital contribution revenue of \$ 550,000 related to an agreement entered into with a contractor. The agreement stated that once certain improvements were made to Well #10, the contractor would then pay the Authority \$ 50,000 in 2013 and \$ 100,000 a year for the next five years, beginning in 2014. The portion of the receivable that will not be received within the next year is recorded as long-term accounts receivable.

**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.

**Capital Assets**

Capital assets consist of property and equipment and are stated at cost or, if contributed, at the acquisition value at time of contribution. Depreciation is charged as an expense against operations. The Authority maintains a capitalization threshold of \$1,000. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and plant	25-40 years
Office equipment	10 years
Transportation equipment	6 years
Mains and lift stations	25-50 years
Wells and springs	25 years
Meters	15 years
Pumping and treatment	10-25 years
General property and equipment	10-15 years



**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Compensated Absences/Vision Benefits**

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 past their anniversary date.

**NOTE 2 CASH AND INVESTMENTS**

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***Borough***

The Commonwealth of Pennsylvania's "Borough Code" and Act 10 of 2016 define allowable investments for Borough funds as follows:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government or its agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or Unites States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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***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, 2017, \$ 4,724,069 of the Borough's bank balance of \$ 5,224,069 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department but not in the Borough's name	<u>4,724,069</u>
	<u>\$ 4,724,069</u>

***Discretely Presented Municipal Authority***

The Authority is authorized to invest funds as detailed above for the Borough.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial credit risk. As of December 31, 2017, \$ 6,496,340 of the Authority's bank balance of \$ 6,996,340 is exposed to custodial credit risk.

Included in this amount is \$ 1,028,284 of certificates of deposit, which are classified as investments on the statement of net position. Deposits of \$ 6,496,340 were uninsured and collateralized with securities held by the pledging bank's trust department, but not in the Authority's name.

**Investments**

As of December 31, 2017, the Authority had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>S&amp;P Global Ratings</u>
Treasury obligations fund	\$ 215,486	< 1 year	AAAm

Investments in the Treasury Obligations Fund are cash equivalents for financial reporting purposes.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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***Discretely Presented Municipal Authority (Continued)***

**Investments (Continued)**

***Interest Rate Risk***

Investments in the Treasury Obligations Fund are accessible on a daily basis by the Authority. The weighted average maturity for the underlying investments of the money market fund is 16 days.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a written policy for interest rate risk.

***Credit Risk***

Credit risk is the risk that an issuer of debt securities or other counterparty to an investment will not fulfill its obligations. The Authority does not have a written policy for credit risk. The Authority's investments that have a credit quality rating are included in the table on the previous page.

**NOTE 3 TAXES RECEIVABLE AND DEFERRED INFLOWS**

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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 an evaluation of historical collections. The total assessed valuation as of December 31, 2017 is \$ 503,282,700.

Taxes receivable in the balance sheet - governmental funds consists of the following as of December 31, 2017:

Real Estate and Real Estate transfer	\$	164,747
Fire Tax		8,447
Per Capita		12,788
Earned Income		130,330
Occupational		30,266
Local Services Tax		52,094
Admission		19,551
Allowance for uncollectible accounts		<u>(30,707)</u>
Total taxes receivable		387,516
Taxes collected within sixty days, recorded as revenues in governmental funds		<u>(222,546)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows in governmental funds	\$	<u>164,970</u>

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 4 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

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***Borough***

Due from/to other funds consist of the following as of December 31, 2017:

<b>Due From</b>		<b>Due To</b>		
	<b>Capital Reserve Fund</b>		<b>Fire Tax Fund</b>	<b>Total</b>
General fund	\$ 31,815	\$ 17,067	\$	48,882

The General Fund owed the Capital Reserve Fund \$ 31,815 for receipts of degradation fees not transferred before year-end.

The General Fund owed the Fire Tax Fund \$ 17,067 for fire tax receipts collected on behalf of the Fire Tax Fund.

Interfund transfers were as follows in 2017:

<b>Transfer From</b>	<b>Transfer To</b>	<b>Amount</b>
General Fund	Debt Service Fund	\$ 624,528

The General Fund transferred money to Debt Service Fund to pay debt service payments.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 5 CAPITAL ASSETS**

***Borough***

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2017:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Cost:				
Capital assets not being depreciated:				
Construction in progress	\$ 413,152	\$ 122,551	\$ 124,248	\$ 411,455
Collections	14,150	-	-	14,150
Land	-	769,565	-	769,565
Capital assets being depreciated:				
Land improvements	1,104,710	-	-	1,104,710
Infrastructure	10,021,727	629,625	-	10,651,352
Buildings and improvements	8,075,526	-	-	8,075,526
Machinery and equipment	2,536,994	-	100,927	2,436,067
Furniture and fixtures	58,168	-	-	58,168
Total cost	<u>22,224,427</u>	<u>1,521,741</u>	<u>225,175</u>	<u>23,520,993</u>
Less accumulated depreciation:				
Land and land improvements	(437,126)	(52,406)	-	(489,532)
Infrastructure	(5,694,513)	(303,655)	-	(5,998,168)
Buildings and improvements	(3,248,467)	(202,700)	-	(3,451,167)
Machinery and equipment	(1,715,362)	(132,218)	(100,927)	(1,746,653)
Furniture and fixtures	(58,168)	-	-	(58,168)
Total accumulated depreciation	<u>(11,153,636)</u>	<u>(690,979)</u>	<u>(100,927)</u>	<u>(11,743,688)</u>
<b>Capital assets, net</b>	<u><b>\$ 11,070,791</b></u>	<u><b>\$ 830,762</b></u>	<u><b>\$ 124,248</b></u>	<u><b>\$ 11,777,305</b></u>

Depreciation expense for the year ended December 31, 2017 was charged as follows:

General Government	\$ 86,345
Public Safety	36,613
Highways	432,859
Parking	108,559
Culture and Recreation	26,603
	<u>\$ 690,979</u>

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

***Discretely Presented Municipal Authority***

Capital asset activity for the Authority consists of the following as of and for the year ended December 31, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Capital assets not being depreciated:				
Land	\$ 392,360	\$ -	\$ -	\$ 392,360
Construction in progress	488,638	103,151	(40,160)	551,629
Capital assets being depreciated:				
Building and plant	38,819,860	10,225	-	38,830,085
Wells	3,308,306	32,300	-	3,340,606
Lift stations	775,711	-	-	775,711
Utility and general equipment	49,424,593	578,165	(364,128)	49,638,630
Total cost	93,209,468	723,841	(404,288)	93,529,021
Less accumulated depreciation:				
Building and plant	(19,456,068)	(1,100,209)	-	(20,556,277)
Wells	(1,578,159)	(111,965)	-	(1,690,124)
Lift stations	(583,216)	(26,167)	-	(609,383)
Utility and general equipment	(19,500,584)	(1,059,240)	364,128	(20,195,696)
Total accumulated depreciation	(41,118,027)	(2,297,581)	364,128	(43,051,480)
<b>Capital assets, net</b>	<b>\$ 52,091,441</b>	<b>\$ (1,573,740)</b>	<b>\$ (40,160)</b>	<b>\$ 50,477,541</b>

**NOTE 6 MORTGAGES AND NOTES RECEIVABLE**

The following is a summary of changes in mortgages receivable for the year ended December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Accrued Interest	Current Portion	Long-term Portion
Mortgages receivable							
(A) Pathstone Corporation 3rd Mortgage	\$ 59,718	\$ -	\$ -	\$ 59,718	\$ 10,998	\$ -	\$ 59,718
(B) Pathstone Corporation 4th Mortgage	150,000	-	-	150,000	27,000	-	150,000
(C) Pathstone Corporation 5th Mortgage	40,000	-	-	40,000	7,200	-	40,000
Subtotal - mortgages	249,718	-	-	249,718	45,198	-	249,718
Allowance for uncollectible accounts	(249,718)	-	-	(249,718)	(45,198)	-	(249,718)
<b>Net mortgages receivable</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(A) **Pathstone Corporation 3rd Mortgage** - On January 6, 1993, Pathstone Corporation, formerly 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. Accrued interest as of December 31, 2017 totaled \$ 10,998.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 6 MORTGAGES AND NOTES RECEIVABLE (CONTINUED)**

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(B) **Pathstone Corporation 4th Mortgage** - On January 6, 1993, Pathstone Corporation, formerly 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, 2017 of \$ 27,000, excludes interest through December 31, 1999 of \$ 10,500, which was forgiven in prior years.

(C) **Pathstone Corporation 5th Mortgage** - On January 6, 1993, Pathstone Corporation, formerly 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, 2017 totaled \$ 7,190, excluding the accrued interest that was rolled into principal during 1999.

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.

**NOTE 7 LONG-TERM LIABILITIES**

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***Borough***

The changes in long-term liabilities during the year ended December 31, 2017 were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
Bonds and notes payable						
(A) 2009 PIB Loan	\$ 118,762	\$ -	\$ (33,248)	\$ 85,514	\$ 33,791	\$ 51,723
(B) 2015 PIB Loan	374,053	-	(36,721)	337,332	37,320	300,012
(C) 2016 GO Bond	6,660,000	-	(405,000)	6,255,000	415,000	5,840,000
Bond (Discount)/Premium	99,438	-	(7,748)	91,690	7,748	83,942
Subtotal - bonds and notes	<u>7,252,253</u>	<u>-</u>	<u>(482,717)</u>	<u>6,769,536</u>	<u>493,859</u>	<u>6,275,677</u>
Capital lease payable	117,063	-	(38,331)	78,732	40,108	38,624
Compensated absences/vision benefit	<u>294,827</u>	<u>58,919</u>	<u>(43,665)</u>	<u>310,081</u>	<u>97,554</u>	<u>212,527</u>
<b>Total long-term liabilities</b>	<u><b>\$ 7,664,143</b></u>	<u><b>\$ 58,919</b></u>	<u><b>\$ (564,713)</b></u>	<u><b>\$ 7,158,349</b></u>	<u><b>\$ 631,521</b></u>	<u><b>\$ 6,526,828</b></u>

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

***Bond, Notes, and Loans Payable***

- (A) **Pennsylvania Infrastructure Bank Loan of 2009** - On December 30, 2009, the Borough signed a note in the principal amount of \$ 300,000 to fund various infrastructure improvements within the Borough. Semiannual installments of \$ 16,312 are due February 8<sup>th</sup> and August 8<sup>th</sup> through February 8, 2020 with an interest rate of 1.625%.

The Borough has a signed agreement with the Steinwehr Avenue, Heart of Gettysburg Battlefield Neighborhood Improvement District ("District") (an unrelated third party) in which the Borough is to be reimbursed for 30% of the loan obligation by the District. The total amount to be reimbursed by the District is \$ 104,405. Per the agreement, the District is to make biannual payments to the Borough of \$ 5,600 beginning in 2010 through 2019. As of December 31, 2017, the total amount remaining to be reimbursed by the District was \$ 22,390. This is recorded as a receivable in the statement of net position with \$ 11,200 included as current accounts receivable and \$ 11,190 as noncurrent accounts receivable.

***Subsequent Events***

On May 25, 2018 the Borough paid off the remaining principal balance of the 2009 PIB Loan.

- (B) **Pennsylvania Infrastructure Bank Loan of 2015** - the Borough obtained a note in the principal amount of \$392,192 to fund replacing metal storm water pipes and resurfacing East Middle Street. This note was drawn down in February 2016. Semiannual installments of \$ 21,325 are due February 1<sup>st</sup> and August 1<sup>st</sup> with a fixed interest rate of 1.625%.

- (C) **General Obligation Bonds - Series of 2016** - On June 27, 2016, the Borough issued \$ 8,305,000 of General Obligation Bonds. The purpose of the issuance is to (1) refund the General Obligation Bonds - Series of 2010 and (2) provide financing to acquire various capital assets and construct various capital projects. The portion of the bonds used to refund the 2010 bonds was \$ 4,305,000 (\$ 2,965,000 Borough, \$ 1,340,000 Authority). The portion of the issuance that is to be used to acquire or construct capital items was \$ 4,000,000. Part of the issuance refunded the Authority's portion of the 2010 bonds and thus a portion of this issuance will be repaid by the Authority. For the Borough's portion, annual principal installments varying from \$ 405,000 to \$ 980,000 are due through November 15, 2029. The interest rate varies from 2.00% to 3.00%.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2017.

	2009 PIB Loan		2015 PIB Loan		2016 GO Bond (Borough Portion)		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 33,791	\$ 1,253	\$ 37,320	\$ 5,027	\$ 415,000	\$ 144,933	\$ 486,111	\$ 151,213
2019	34,342	702	37,929	4,414	425,000	132,483	497,271	137,599
2020	17,381	141	38,548	3,790	460,000	119,733	515,929	123,664
2021	-	-	39,177	3,156	490,000	105,933	529,177	109,089
2022	-	-	39,816	2,511	505,000	91,233	544,816	93,744
2023-2027	-	-	144,542	3,561	2,765,000	299,763	2,909,542	303,324
2028-2030	-	-	-	-	1,195,000	38,703	1,195,000	38,703
	<u>\$ 85,514</u>	<u>\$ 2,096</u>	<u>\$ 337,332</u>	<u>\$ 22,459</u>	<u>\$ 6,255,000</u>	<u>\$ 932,781</u>	<u>\$ 6,677,846</u>	<u>\$ 957,336</u>



**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

***Interest Expense***

For the year ended December 31, 2017, the Borough incurred interest expense of \$ 179,881.

***Discretely Presented Municipal Authority***

The changes in long-term liabilities during the year ended December 31, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Bonds and notes payable						
(A) 2012 GO Bonds - Sewer	5,810,000	-	(785,000)	5,025,000	805,000	4,220,000
Other bond related costs	83,861	-	(11,630)	72,231	7,595	64,636
	<u>5,893,861</u>	<u>-</u>	<u>(796,630)</u>	<u>5,097,231</u>	<u>812,595</u>	<u>4,284,636</u>
(B) 2015 Sewer revenue bonds	5,330,000	-	(10,000)	5,320,000	5,000	5,315,000
Other bond related costs	22,086	-	(1,238)	20,848	1,238	19,610
	<u>5,352,086</u>	<u>-</u>	<u>(11,238)</u>	<u>5,340,848</u>	<u>6,238</u>	<u>5,334,610</u>
(C) 2016 Sewer revenue bonds	6,520,000	-	(45,000)	6,475,000	45,000	6,430,000
Other bond related costs	(50,974)	-	3,950	(47,024)	(3,950)	(43,074)
	<u>6,469,026</u>	<u>-</u>	<u>(41,050)</u>	<u>6,427,976</u>	<u>41,050</u>	<u>6,386,926</u>
(D) 2016 GO Bonds - Water	775,000	-	(575,000)	200,000	200,000	-
Other bond related costs	(16,818)	-	8,422	(8,396)	(8,396)	-
	<u>758,182</u>	<u>-</u>	<u>(566,578)</u>	<u>191,604</u>	<u>191,604</u>	<u>-</u>
<b>Total long-term liabilities</b>	<b>\$ 18,473,155</b>	<b>\$ -</b>	<b>\$ (1,415,496)</b>	<b>\$ 17,057,659</b>	<b>\$ 1,051,487</b>	<b>\$ 16,006,172</b>

The Borough of Gettysburg has issued several general obligation bond issues on behalf of the Authority. Pursuant to subsidy agreements between the Authority and the Borough, the Authority has agreed to pay the principal and interest on these bonds from the revenues of the water and sewer system. The bonds are further secured by the receipts and revenues of the water and sewer system and guaranteed by the Borough through the pledge of its full faith, credit and taxing power.

The general obligation bonds listed below represent the bonds issued by the Borough on behalf of the Authority. All proceeds are utilized by the Authority and the related debt service is paid by the Authority.

Therefore, this debt is only shown within the discretely presented component unit column on the government-wide statements.

- (A) **General Obligation Bonds Sewer – Series of 2012** – In May 2012, the Authority issued General Obligation Bonds in the principal amount of \$ 8,135,000 to advance the General Obligation Bonds – Series of 2007. The bonds are ultimately payable from the revenues of the Authority. Annual principal installments range from \$ 60,000 to \$ 865,000 through August 15, 2023 with interest ranging from 0.50% to 2.50%.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

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***Discretely Presented Municipal Authority (Continued)***

- (B) **Sewer Revenue Bonds – Series of 2015** – In May 2015, the Authority issued Revenue Bonds in the principal amount of \$ 5,355,000 to fund capital improvements to its public sanitary sewer system and to pay the costs of issuing and insuring the bonds. The Borough guaranteed the payment of the bonds by pledging its full faith, credit, and taxing power. The bonds are payable in annual principal installments ranging from \$ 5,000 to \$ 1,315,000 through November 15, 2034, and interest ranging from 2.00% to 4.00%.
- (C) **Sewer Revenue Bonds – Series of 2016** – In June 2016, the Authority issued Revenue Bonds in the principal amount of \$ 6,540,000 to refund the 2010 Sewer Revenue Bonds. The Borough guaranteed the payment of the bonds by pledging its full faith, credit, and taxing power. The bonds are payable from revenues of the Authority. Principal installments range from \$20,000 to \$1,080,000 through November 15, 2029. The interest rate ranges from 2.00% to 2.50%.
- (D) **General Obligation Bonds Water – Series of 2016** – In June 2016, the Borough issued General Obligation Bonds to presently refund the 2010 General Obligation Bonds. The Authority portion of this issuance in the amount of \$1,340,000 is payable from the revenues of the Authority. Annual installments range from \$565,000 to \$200,000 through November 15, 2018, interest ranging from 2.00% to 3.00%.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments required at December 31, 2017.

	<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 1,055,000	\$ 456,238
2019	875,000	433,140
2020	895,000	415,638
2021	910,000	397,740
2022	930,000	379,472
2023-2027	4,960,000	1,575,805
2028-2032	5,810,000	926,582
2033-2037	1,585,000	66,122
	<u>\$ 17,020,000</u>	<u>\$ 4,650,737</u>

***Interest Expense***

For the year ended December 31, 2017 the Authority incurred interest expense of \$ 530,535.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

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***Capital Leases***

The Borough is financing the purchase of two police cars and a backhoe loader through capital leases with vendors. At December 31, 2017, the leased assets have a gross capitalized value of \$ 157,525 and accumulated depreciation of \$ 38,532, leaving a net book value of \$ 118,993 that is included in capital assets. Amortization expense of \$ 22,274 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at December 31, 2017, is as follows:

2018	\$ 42,655
2019	19,678
2020	<u>19,679</u>
	82,012
Amount representing interest	<u>(3,280)</u>
	<u><u>\$ 78,732</u></u>

**NOTE 8 PENSION PLANS**

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***General Information About the Pension Plans***

**Plan Description**

The Borough of Gettysburg contributes to two agent multiple-employer defined benefit pension plans: The Police Pension Plan and Non-Uniformed Pension Plan. The plans are administered by the Municipal Retirement Trust ("MRT"). MRT is a multiple employer trust that pools the investments of all participants. Separate accounts are maintained for each employer and this is considered an agent-multiple employer plan.

The plans are governed by Borough Council. The Borough Council has delegated the authority to manage Plan assets to MRT.

The Borough issues stand-alone financial reports for the police and non-uniformed pension plans. These may be obtained by writing to the Borough of Gettysburg, 59 East High Street, Gettysburg, PA 17325.

***Police Pension Plan Description***

The Plan 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.

**NOTE 8 PENSION PLANS (CONTINUED)**

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***General Information About the Pension Plans (Continued)***

***Non-Uniformed Pension Plan Description***

The Plan 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.

**Benefits Provided**

***Police Pension Plan Benefits***

**Retirement benefit** – 50% of final 36-month average compensation plus 2% of the retirement benefit otherwise payable for each year of service over 25 years. The maximum increment is \$100 per month.

**Survivor benefit** – if member is retired or eligible for retirement, the benefit is 50% of pension. If an active member is killed in service, a monthly pension of 100% of the member's monthly salary at the time of death.

**Disability benefit service related** – 50% of the member's monthly salary at the date of disability less Social Security disability benefit for the same injury.

***Non-Uniform Pension Plan Benefits***

**Retirement benefit** – 1.25% of average monthly compensation over the highest 5 consecutive plan years multiplied by years of credited service.

**Survivor benefit** – Before retirement: The survivor portion of the immediate benefit which is the actuarial equivalent of the vested portion of the 50% joint and survivor deferred to the participant's normal retirement age. After retirement: Benefits, if any, are provided by optional benefit form elected at retirement.

**Disability benefit service & Non-service related** – A monthly benefit equal to the accrued benefit at disablement reduced for early commencement.

**Contribution Requirements for Both Plans**

***Act 205***

Act 205 of 1984, the Municipal Pension Plan Fund Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation ("MMO") to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 8 PENSION PLANS (CONTINUED)**

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***General Information About the Pension Plans (Continued)***

**Contribution Requirements for Both Plans (Continued)**

The Commonwealth of Pennsylvania allocated General Municipal Pension System State Aid to individual municipalities under Act 205 of the Pennsylvania legislature. The monies received must be contributed to the pension plans within a certain period of time. Any funding requirements in excess of state aid must be paid by the municipality in accordance with Act 205. The annual required contributions and contributions made were as follows:

	<b>Police</b>	<b>Non-Uniform</b>
Annual required contribution	\$ 105,830	\$ 140,573
Contributions made - employer	(14,065)	(62,573)
Contributions made - state	<u>(91,765)</u>	<u>(78,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

**Plan Membership**

	<b>Police</b>	<b>Non-Uniform</b>
Active plan members	9	19
Inactive plan members or beneficiaries currently receiving benefits	10	19
Inactive plan members entitled to but not yet receiving benefits	<u>3</u>	<u>10</u>
Total	<u>22</u>	<u>48</u>

***Net Pension Liability***

**Actuarial Methods and Assumptions**

An actuarial valuation of the total pension liability is performed biennially. The total pension liabilities as of and December 31, 2017 were determined as part of actuarial valuations at January 1, 2017. Update procedures were used to roll forward the liabilities to the plan's fiscal year ending December 31, 2017. The reports were based upon the Plans' actuarial assumptions, asset valuation methods, and cost methods as described below:

	<b>Police Pension Plan</b>	<b>Non-Uniformed Pension Plan</b>
Inflation	2.25%	2.25%
Salary increases	4.50%	4.25%
Investment Rate of Return *	7.25%	7.25%

\* Net of pension plan investment expense including inflation

Mortality rates were based on the Blue Collar RP-2000 Mortality Table with full generational projections for future improvements using Scale AA for the police pension plan and RP-2000 Mortality Table with full generational projections for future improvement using Scale AA for the Non-Uniform pension plan.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 8 PENSION PLANS (CONTINUED)**

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***Net Pension Liability (Continued)***

**Long Term Expected Rate of Return**

The long term expected rate of return on the Plans' investments was determined using an asset allocation study conducted by the Plans' investment management consultant in December 2017 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return (excluding investment expense) for each major asset class included in the Plans' target asset allocation as of December 31, 2017 are listed in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity		
Large Cap - Core	13.80%	7.75%
Large Cap - Value	12.60%	7.75%
Large Cap - Growth	12.60%	8.05%
Medium Cap - Value	2.25%	8.35%
Medium Cap - Growth	2.25%	9.05%
Small Cap - Value	2.25%	9.15%
Small Cap - Growth	2.25%	9.95%
International Equity	12.00%	7.95%
Fixed Income	35.00%	2.75%
Alternative/Real Estate	5.00%	5.05%
Cash	0.00%	0.45%
	<u>100.00%</u>	<u>5.65%</u>
Inflation expectation excluded above		<u>2.25%</u>
Long term expected rate of return (including inflation)		<u>7.90%</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% for both plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

***Changes in the Net Pension Liability***

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a-b)</b>
<b>POLICE PENSION PLAN</b>			
<b>Balances at December 31, 2016</b>	\$ 4,924,798	\$ 4,749,737	\$ 175,061
<b>Changes for the year:</b>			
Service cost	117,374	-	117,374
Interest	306,543	-	306,543
Differences between expected and actual experience	(684,337)	-	(684,337)
Change in assumptions	-	-	-
Contributions - employer	-	105,830	(105,830)
Contributions - employee	-	-	-
Net investment income (loss)	-	613,098	(613,098)
Benefit payments, including refunds of employee contributions	(259,322)	(259,322)	-
Administrative expenses	-	(42,187)	42,187
Other charges	-	-	-
<b>Net changes</b>	<u>(519,742)</u>	<u>417,419</u>	<u>(937,161)</u>
<b>Balances at December 31, 2017</b>	<u>\$ 4,405,056</u>	<u>\$ 5,167,156</u>	<u>\$ (762,100)</u>
<b>NON-UNIFORM PENSION PLAN</b>			
<b>Balances at December 31, 2016</b>	\$ 3,245,730	\$ 2,867,127	\$ 378,603
<b>Changes for the year:</b>			
Service cost	69,575	-	69,575
Interest	220,493	-	220,493
Differences between expected and actual experience	(214,271)	-	(214,271)
Change in assumptions	-	-	-
Contributions - employer	-	140,573	(140,573)
Contributions - employee	-	-	-
Net investment income (loss)	-	373,527	(373,527)
Benefit payments, including refunds of employee contributions	(119,498)	(119,498)	-
Administrative expenses	-	(30,865)	30,865
Other charges	-	-	-
<b>Net changes</b>	<u>(43,701)</u>	<u>363,737</u>	<u>(407,438)</u>
<b>Balances at December 31, 2017</b>	<u>\$ 3,202,029</u>	<u>\$ 3,230,864</u>	<u>\$ (28,835)</u>
<b>COMBINED PLANS</b>			
<b>Balances at December 31, 2017</b>	<u>\$ 7,607,085</u>	<u>\$ 8,398,020</u>	<u>\$ (790,935)</u>

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.25% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
<b>Police pension plan</b>			
Total pension liability	\$ (234,281)	\$ (762,100)	\$ (1,205,327)
<b>Non-Uniform pension plan</b>			
Total pension liability	295,411	(28,835)	(308,051)
Total Net Pension Liability	<u>\$ 61,130</u>	<u>\$ (790,935)</u>	<u>\$ (1,513,378)</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plans' fiduciary net position is available in the separately issued plan financial reports.

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended December 31, 2017, the Borough recognized pension expense of \$ 194,241. At December 31, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Police Pension Plan</b>		<b>Non-Uniform Pension Plan</b>		<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 706,361	\$ -	\$ 144,745	\$ -	\$ 851,106
Net difference between project and actual earnings on pension plan investments	-	346	-	7,155	-	7,501
Total	<u>\$ -</u>	<u>\$ 706,707</u>	<u>\$ -</u>	<u>\$ 151,900</u>	<u>\$ -</u>	<u>\$ 858,607</u>



**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 8 PENSION PLANS (CONTINUED)**

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***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

Amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Police Pension Plan</b>	<b>Non-Uniform Pension Plan</b>	<b>Total</b>
Year ended December 31:			
2018	\$ (67,355)	\$ (8,344)	\$ (75,699)
2019	(67,356)	(27,335)	(94,691)
2020	(142,336)	(70,381)	(212,717)
2021	(166,300)	(45,840)	(212,140)
2022	(100,753)	-	(100,753)
Thereafter	(162,607)	-	(162,607)
	<u>\$ (706,707)</u>	<u>\$ (151,900)</u>	<u>\$ (858,607)</u>

**NOTE 9 RISK MANAGEMENT**

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***Borough***

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 State Association of Boroughs (PSAB).

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

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***Borough***

The Borough is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the Borough. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the Borough.

The Borough is involved with various lawsuits in the normal course of operations. Management believes that losses resulting from these matters, if any, would be substantially covered under the Borough's professional liability insurance policy and would not have a material effect on the financial position of the Borough.

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 11 TRANSACTIONS BETWEEN THE PRIMARY GOVERNMENT AND COMPONENT UNIT**

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See Note 7 for an explanation of the general obligation bonds issued by the Borough on behalf of the Authority.

**NOTE 12 GOVERNMENTAL FUNDS – FUND BALANCE**

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The following table provides details of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	\$ 175,533	\$ -	\$ -	\$ 175,533
Inventory	10,615	-	-	10,615
Total nonspendable	<u>186,148</u>	<u>-</u>	<u>-</u>	<u>186,148</u>
Restricted for:				
USS Gettysburg	-	-	1,586	1,586
Housing and redevelopment	-	-	325,746	325,746
Future capital expenditures	-	180,452	343,480	523,932
Unspent bond proceeds	-	1,577,329	-	1,577,329
Company K maintenance	-	-	7,021	7,021
Highway Department	-	-	398,466	398,466
Community Development	-	-	1,343	1,343
Police Department	11,559	-	-	11,559
Fire Department	-	-	50,559	50,559
Total restricted	<u>11,559</u>	<u>1,757,781</u>	<u>1,128,201</u>	<u>2,897,541</u>
Committed for:				
Debt service payments	<u>-</u>	<u>-</u>	<u>316,862</u>	<u>316,862</u>
Unassigned	<u>1,403,771</u>	<u>-</u>	<u>-</u>	<u>1,403,771</u>
Total fund balances	<u>\$ 1,601,478</u>	<u>\$ 1,757,781</u>	<u>\$ 1,445,063</u>	<u>\$ 4,804,322</u>

**BOROUGH OF GETTYSBURG**  
**Notes to Financial Statements**  
**December 31, 2017**

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**NOTE 14 RENTAL INCOME**

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The Borough has a long-term lease with a cell phone company for the use of utility poles for the company to install, operate, and maintain antennas and other equipment.

The future amounts to be received under the current noncancelable terms of the lease for the next five years are as follows:

<b>Year</b>	<b>Amount</b>
2018	\$ 3,000
2019	3,000
2020	3,000
2021	3,000
2022	<u>3,000</u>
	<u>\$ 15,000</u>

**NOTE 15 COMMITMENTS**

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***Subsequent Events***

Subsequent to year-end, the Borough entered into the following project commitments:

<b>Project</b>	<b>Total Estimated Costs</b>
Stratton street storm sewer improvements	\$ 693,000
CDBG curb ramp replacements	<u>95,147</u>
	<u>\$ 788,147</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF GETTYSBURG**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability – Police Plan**  
**Last 10 Fiscal Years \***

<b>Police Pension Plan</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total pension liability</b>			
Service Cost	\$ 118,195	\$ 123,514	\$ 117,374
Interest	326,156	341,605	306,543
Changes of benefit terms	-	-	-
Differences between expected and actual experiences	(180,363)	-	(684,337)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(215,937)	(257,206)	(259,322)
<b>Net change in total pension liability</b>	<b>48,051</b>	<b>207,913</b>	<b>(519,742)</b>
<b>Total pension liability - beginning</b>	<b>4,668,834</b>	<b>4,716,885</b>	<b>4,924,798</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 4,716,885</b>	<b>\$ 4,924,798</b>	<b>\$ 4,405,056</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 197,349	\$ 117,676	\$ 105,830
Contributions - employee	-	-	-
Net investment income	(31,878)	213,509	613,098
Benefit payments, including refunds of employee contributions	(215,937)	(257,206)	(259,322)
Administrative expense	(42,350)	(42,488)	(42,187)
<b>Net change in plan fiduciary net position</b>	<b>(92,816)</b>	<b>31,491</b>	<b>417,419</b>
<b>Plan fiduciary net position - beginning</b>	<b>4,811,062</b>	<b>4,718,246</b>	<b>4,749,737</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,718,246</b>	<b>\$ 4,749,737</b>	<b>\$ 5,167,156</b>
<b>Borough's net position liability - ending (a-b)</b>	<b>\$ (1,361)</b>	<b>\$ 175,061</b>	<b>\$ (762,100)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>100.0%</b>	<b>96.4%</b>	<b>117.3%</b>
<b>Covered payroll</b>	<b>\$ 853,776</b>	<b>\$ 760,000</b>	<b>\$ 676,810</b>
<b>Borough's net pension liability as a percentage of covered payroll</b>	<b>(0.2)%</b>	<b>23.0%</b>	<b>(112.6)%</b>

\* This schedule will be expanded to show multi-year trends as information becomes available in the future.

**BOROUGH OF GETTYSBURG**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability – Non-Uniform Plan**  
**Last 10 Fiscal Years \***

<b>Non-Uniform Pension Plan</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total pension liability</b>			
Service Cost	\$ 67,564	\$ 70,435	\$ 69,575
Interest	211,228	223,438	220,493
Changes of benefit terms	-	-	-
Differences between expected and actual experiences	145,596	-	(214,271)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(107,282)	(119,215)	(119,498)
<b>Net change in total pension liability</b>	<b>317,106</b>	<b>174,658</b>	<b>(43,701)</b>
<b>Total pension liability - beginning</b>	<b>2,753,966</b>	<b>3,071,072</b>	<b>3,245,730</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 3,071,072</b>	<b>\$ 3,245,730</b>	<b>\$ 3,202,029</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 154,815	\$ 145,566	\$ 140,573
Contributions - employee	-	-	-
Net investment income	(18,771)	126,642	373,527
Benefit payments, including refunds of employee contributions	(107,282)	(119,215)	(119,498)
Administrative expenses	(29,667)	(24,489)	(30,865)
<b>Net change in plan fiduciary net position</b>	<b>(905)</b>	<b>128,504</b>	<b>363,737</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,739,528</b>	<b>2,738,623</b>	<b>2,867,127</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,738,623</b>	<b>\$ 2,867,127</b>	<b>\$ 3,230,864</b>
<b>Borough's net position liability (asset) - ending (a-b)</b>	<b>\$ 332,449</b>	<b>\$ 378,603</b>	<b>\$ (28,835)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>89.2%</b>	<b>88.3%</b>	<b>100.9%</b>
<b>Covered payroll</b>	<b>\$ 899,614</b>	<b>\$ 900,000</b>	<b>\$ 832,974</b>
<b>Borough's net pension liability as a percentage of covered payroll</b>	<b>37.0%</b>	<b>42.1%</b>	<b>-3.5%</b>

\* This schedule will be expanded to show multi-year trends as information becomes available in the future.

**BOROUGH OF GETTYSBURG**  
**Required Supplementary Information**  
**Schedule of Contributions – Pension Plans**  
**Last 10 Fiscal Years \***

For the Calendar Year Ended December 31	Actuarially Determined Contribution (a)	Contributions Recognized in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered- Payroll (c)	Contributions as a Percentage of Covered Payroll [b/c]
<b>Borough of Gettysburg Police Pension Plan</b>					
2017	\$ 105,830	\$ 105,830	\$ -	\$ 676,810	15.64%
2016	\$ 117,676	\$ 117,676	\$ -	\$ 760,000	15.48%
2015	\$ 197,349	\$ 197,349	\$ -	\$ 853,776	23.11%
2014	\$ 151,760	\$ 151,760	\$ -	\$ 746,554	20.33%
<b>Borough of Gettysburg Non-Uniformed Pension Plan</b>					
2017	\$ 140,573	\$ 140,573	\$ -	\$ 832,974	16.88%
2016	\$ 145,566	\$ 145,566	\$ -	\$ 900,000	16.17%
2015	\$ 154,815	\$ 154,815	\$ -	\$ 899,614	17.21%
2014	\$ 103,089	\$ 103,089	\$ -	\$ 744,694	13.84%

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	
Police	N/A
Non-Uniform	3 years - 2017
	4 years - 2015 & 2016;
	7 years - 2014
Asset valuation method	Market Value - 2015,
	2016, & 2017;
	Asset Smoothing - 2014
Salary increases	
Police	4.50%
Non-Uniform	4.25%
Investment rate of return net of pension plan expenses including inflation	7.25%
Mortality	
Police	Blue Collar RP-2000
Non-Uniform	RP-2000
Retirement age	
Police	52
Non-Uniform	65
Cost of living adjustments	
Police	CPI
Non-Uniform	None

\* This schedule will be expanded to show multi-year trends as information becomes available in the future.

**BOROUGH OF GETTYSBURG**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended December 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 2,872,150	\$ 2,872,150	\$ 2,974,825	\$ 102,675
Licenses and permits	100,865	100,865	128,381	27,516
Fines and forfeits	209,308	209,308	223,623	14,315
Interest earnings	1,300	1,300	1,450	150
Rents	15,000	15,000	-	(15,000)
Intergovernmental	390,500	390,500	392,154	1,654
Charges for services	1,090,479	1,090,479	1,120,546	30,067
Donations	5,100	5,100	33,168	28,068
Miscellaneous	5,150	5,150	1,916	(3,234)
Total revenues	<u>4,689,852</u>	<u>4,689,852</u>	<u>4,876,063</u>	<u>186,211</u>
<b>EXPENDITURES</b>				
General government	816,427	816,427	804,653	11,774
Public safety	1,756,074	1,756,074	1,862,488	(106,414)
Health and welfare	1,000	1,000	1,000	-
Public works	1,369,256	1,369,256	1,287,629	81,627
Culture and recreation	92,567	92,567	89,603	2,964
Community development	30,000	30,000	30,000	-
Debt service	-	-	42,655	(42,655)
Total expenditures	<u>4,065,324</u>	<u>4,065,324</u>	<u>4,118,028</u>	<u>(52,704)</u>
Excess (deficiency) of revenues over expenditures	<u>624,528</u>	<u>624,528</u>	<u>758,035</u>	<u>133,507</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	6,200	(6,200)
Transfers in (out)	<u>(624,528)</u>	<u>(624,528)</u>	<u>(624,528)</u>	<u>-</u>
Total other financing sources and uses	<u>(624,528)</u>	<u>(624,528)</u>	<u>(618,328)</u>	<u>(6,200)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,707</u>	<u>\$ 139,707</u>



## **OTHER SUPPLEMENTARY INFORMATION**

**BOROUGH OF GETTYSBURG**  
**Combining Balance Sheet - Other Governmental Funds (Nonmajor)**  
**December 31, 2017**

	Highway Aid Fund	Capital Reserve Fund	Company K Fund	Fire Tax Fund	Debt Service Fund	Small Communities Program Fund	Revolving Loan Fund	Total Other Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 401,025	\$ 313,251	\$ -	\$ 31,864	\$ 316,862	\$ 1,343	\$ 73,570	\$ 1,137,915
Investments	-	-	7,021	-	-	-	252,176	259,197
Taxes receivable, net	-	-	-	8,447	-	-	-	8,447
Due from other funds	-	31,815	-	17,067	-	-	-	48,882
Total assets	<u>401,025</u>	<u>345,066</u>	<u>7,021</u>	<u>57,378</u>	<u>316,862</u>	<u>1,343</u>	<u>325,746</u>	<u>1,454,441</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	<u>2,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,559</u>
Total liabilities	<u>2,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,559</u>
<b>Deferred inflows of resources</b>								
Unavailable tax revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,819</u>
<b>Fund balances</b>								
Restricted	398,466	345,066	7,021	50,559	-	1,343	325,746	1,128,201
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,862</u>	<u>-</u>	<u>-</u>	<u>316,862</u>
Total fund balances	<u>398,466</u>	<u>345,066</u>	<u>7,021</u>	<u>50,559</u>	<u>316,862</u>	<u>1,343</u>	<u>325,746</u>	<u>1,445,063</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 401,025</u>	<u>\$ 345,066</u>	<u>\$ 7,021</u>	<u>\$ 57,378</u>	<u>\$ 316,862</u>	<u>\$ 1,343</u>	<u>\$ 325,746</u>	<u>\$ 1,454,441</u>

**BOROUGH OF GETTYSBURG****Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds****(Nonmajor)****Year Ended December 31, 2017**

	Highway Aid Fund	Capital Reserve Fund	Company K Fund	Fire Tax Fund	Debt Service Fund	Small Communities Program Fund	Revolving Loan Fund	Total Other Governmental Funds
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ 123,604	\$ -	\$ -	\$ -	\$ 123,604
Licenses and permits	-	31,815	-	-	-	-	-	31,815
Investment earnings	389	176	5	-	-	6	2,469	3,045
Intergovernmental	189,403	-	-	-	-	150,794	-	340,197
Miscellaneous	-	-	-	-	15,360	-	-	15,360
Total revenues	<u>189,792</u>	<u>31,991</u>	<u>5</u>	<u>123,604</u>	<u>15,360</u>	<u>150,800</u>	<u>2,469</u>	<u>514,021</u>
<b>EXPENDITURES</b>								
Public works	42,683	-	-	-	-	-	-	42,683
Public safety	-	-	-	228,135	-	-	-	228,135
Community development	-	-	-	-	-	154,699	-	154,699
Debt service	-	-	-	-	635,727	-	-	635,727
Total expenditures	<u>42,683</u>	<u>-</u>	<u>-</u>	<u>228,135</u>	<u>635,727</u>	<u>154,699</u>	<u>-</u>	<u>1,061,244</u>
Excess (deficiency) of revenues over expenditures / net change in fund balances	<u>147,109</u>	<u>31,991</u>	<u>5</u>	<u>(104,531)</u>	<u>(620,367)</u>	<u>(3,899)</u>	<u>2,469</u>	<u>(547,223)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624,528</u>	<u>-</u>	<u>-</u>	<u>624,528</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624,528</u>	<u>-</u>	<u>-</u>	<u>624,528</u>
Net change in fund balances	147,109	31,991	5	(104,531)	4,161	(3,899)	2,469	77,305
Fund balances - beginning	<u>251,357</u>	<u>313,075</u>	<u>7,016</u>	<u>155,090</u>	<u>312,701</u>	<u>5,242</u>	<u>323,277</u>	<u>1,367,758</u>
Fund balances - ending	<u>\$ 398,466</u>	<u>\$ 345,066</u>	<u>\$ 7,021</u>	<u>\$ 50,559</u>	<u>\$ 316,862</u>	<u>\$ 1,343</u>	<u>\$ 325,746</u>	<u>\$ 1,445,063</u>