

Audited
Financial
Statements

December 31
2013



Borough of
Gettysburg

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 10
BASIC FINANCIAL STATEMENTS	
Government -wide Financial Statements:	
Statement of net position	11
Statement of activities	12
Fund Financial Statements:	
Governmental Funds	
Balance sheet	13
Reconciliation of the governmental funds - balance sheet to the statement of net position	14
Statement of revenues, expenditures and changes in fund balance	15
Reconciliation of the governmental funds - statement of revenues, expenditures, and changes in fund balance to the statement of activities	16
Fiduciary Funds	
Statement of fiduciary net position	17
Statement of changes in fiduciary net position	18
Notes to Financial Statements	19 - 44
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of pension plan funding progress	45
Budgetary comparison schedule - general fund	46
OTHER SUPPLEMENTARY INFORMATION	
Combining balance sheet – other governmental funds (nonmajor)	47
Combining statement of revenues, expenditures and changes in fund balances – other governmental funds (nonmajor)	48



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, 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 of 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, 2013, 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.



Borough Council
Borough of Gettysburg

Other Matters

Required Supplementary Information

Accounting principles general accepted in the United States of America that require the management's discussion and analysis on pages 3 through 10, the schedule of pension plan funding progress on page 45, and the budgetary comparison schedule - general fund on page 46 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 statement is the responsibility of management and was derived from and relates 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.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 5, 2014

BOROUGH OF GETTYSBURG

Management's Discussion and Analysis (Unaudited)

December 31, 2013

As management of the Borough of Gettysburg, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Borough of Gettysburg for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The net position of the Borough of Gettysburg exceeded liabilities at December 31, 2013 by \$ 11,667,494. Of this amount \$ 1,293,550 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position decreased by \$ 126,940.
- At December 31, 2013, the governmental funds reported combined fund balances of \$ 2,121,226 of which \$ 171,842 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, \$ 882,720 is restricted to a particular use and \$ 968,188 is unassigned and is available for spending at the Borough of Gettysburg's discretion. The fund balance also includes an assigned amount of \$ 98,476 which represents the deficit portion of the adopted 2014 budget. A portion of the current year's reserves must be set aside to balance the budget in the year 2014.
- Governmental fund balances decreased \$ 314,738 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Borough of Gettysburg's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 11 and 12 of this report.

- The Statement of Net Position presents information on all of the Borough of Gettysburg's assets and liabilities, with the difference between the two 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.

BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- Government-wide financial statements distinguish functions of the Borough of Gettysburg that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The Borough of Gettysburg's governmental activities include Public Safety, Health and Human Services, Community Development, Public Works, General Government, Culture and Recreation and Debt Service. The Borough of Gettysburg does not present any business-like 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 resources that have been segregated for specific activities or objectives. The Borough of Gettysburg, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the Borough of Gettysburg can be divided into three categories: governmental funds, fiduciary funds and component units.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources available at the end of the fiscal year. This information is useful in evaluating the Borough of Gettysburg's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.
- The Borough of Gettysburg maintains six individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund and Capital Reserve Fund all 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 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.
- The basic governmental fund financial statements can be found on pages 13-16 of the report.

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.

BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 has issued debt on behalf of the Authority and other debt issues of the Authority are guaranteed by the Authority. 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 601 East Middle Street, Gettysburg, PA 17325.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Borough of Gettysburg's programs. The basic fiduciary fund financial statements can be found on pages 17 - 18 of this report.

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 - 44 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated earlier, 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 exceeded liabilities and deferred inflows of resources by \$ 11,667,494 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.

BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2013

Borough of Gettysburg's Net Position

	Governmental Activities	
	2013	2012
Current assets	\$ 2,617,434	\$ 3,068,466
Capital assets and other assets	<u>13,618,474</u>	<u>13,853,615</u>
TOTAL ASSETS	16,235,908	16,922,081
Current liabilities	730,762	884,884
Noncurrent liabilities	<u>3,837,652</u>	<u>4,242,764</u>
TOTAL LIABILITIES	4,568,414	5,127,648
Net position:		
Net investment in capital assets	9,671,990	9,841,694
Restricted	701,954	1,049,992
Unrestricted	<u>1,293,550</u>	<u>902,747</u>
TOTAL NET POSITION	<u>\$ 11,667,494</u>	<u>\$ 11,794,433</u>

BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2013

CHANGES IN NET POSITION

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

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,418,884	\$ 1,363,911
Operating Grants and Contributions	588,092	367,499
Capital Grants and Contributions	161,734	882,808
General Revenues:		
Taxes:		
Property	1,767,625	1,798,906
Earned income tax	415,451	462,441
Real Estate Transfer	106,296	72,986
Local services tax	246,980	256,461
Admission	171,869	130,648
Occupational and Per Capita	31,825	32,333
Unrestricted investment earnings	2,680	3,947
	<u>4,911,436</u>	<u>5,371,940</u>
Expenses:		
General Government	1,177,639	1,154,285
Public Safety	2,357,153	2,397,220
Health and Human Services	19,911	25,063
Public Works	1,074,391	1,143,124
Culture and Recreation	164,986	168,654
Community Development	94,172	194,188
Interest and Amortization	150,124	170,889
Total Expenses	<u>5,038,376</u>	<u>5,253,423</u>
Increase (Decrease) in Net Position	(126,940)	118,517
Net Position - Beginning	<u>11,794,434</u>	<u>11,675,917</u>
Net Position - Ending	<u>\$ 11,667,494</u>	<u>\$ 11,794,434</u>

BOROUGH OF GETTYSBURG

Management's Discussion and Analysis (Unaudited)

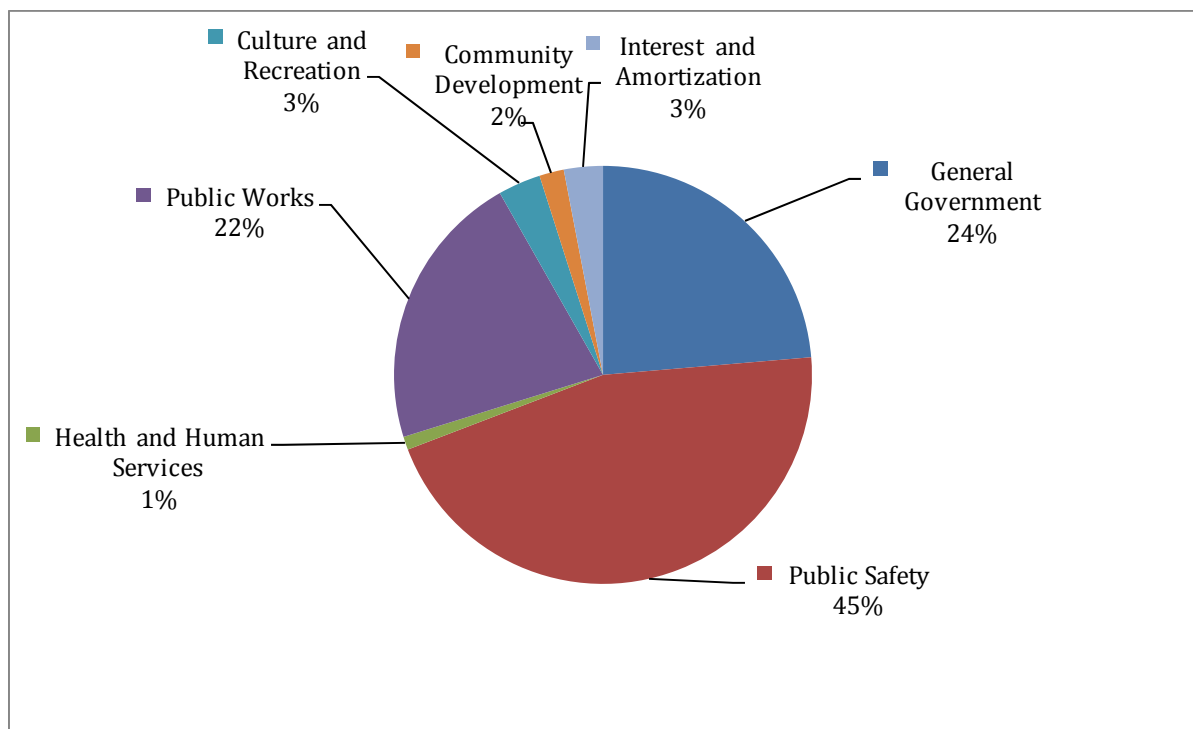
December 31, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds - As noted earlier, the Borough of Gettysburg uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the Borough of Gettysburg's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing financing requirements. 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 \$ 2,121,226. Approximately 46% of this total amount (\$ 968,188) constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of the fund balance (\$ 981,196) is shown as nonspendable, restricted and 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 and a budget deficit next year.

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) in the general fund by \$ 525.

The chart below illustrates the breakdown of governmental funds costs:



BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2013

BUDGETARY HIGHLIGHTS

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 \$ 170,399 and actual general fund expenditures were greater than budgeted expenditures by \$ 73,204. The unfavorable budget variances for expenditures were generated by the General Government, Culture and Recreation, and Community Development Departments.

CAPITAL ASSET ADMINISTRATION

The Borough of Gettysburg's investment in capital assets includes land, buildings and improvements, equipment, streets, storm sewer systems, lighting systems, and other infrastructure. This investment in capital assets as of December 31, 2013 was \$ 13,516,764 for governmental activities (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 457,393 and retirements of \$ 319,079 in capital assets of governmental activities. Government activities added assets that include the completion of the ADA ramps on West Middle Street and Chambersburg Street, resurfacing of various alleys and several street microsurfacing projects throughout the Borough that will extend the life of aging streets.

Comparative Capital Assets at December 31:

	Governmental Activities	
	2013	2012
Land and Improvements	\$ 850,460	\$ 912,933
Building and Improvements	8,096,016	8,381,000
Machinery and Equipment	598,574	731,214
Collections	14,150	14,150
Construction in Progress	58,002	-
Infrastructure	<u>3,899,562</u>	<u>3,766,198</u>
Total Capital Assets	<u>\$ 13,516,764</u>	<u>\$ 13,805,495</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, 2013

DEBT ADMINISTRATION

The Borough of Gettysburg had total outstanding bonded debt of \$ 4,025,540. 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 long-term liabilities:

	Governmental Activities	
	2013	2012
General Obligation Bonds and Loans Payable	<u>\$ 4,025,540</u>	<u>\$ 4,397,338</u>
Termination Benefit Payable	\$ 10,317	\$ 11,569
Compensated Absences	<u>220,867</u>	<u>251,042</u>
Total Long-Term Liabilities	<u>\$ 4,256,724</u>	<u>\$ 4,659,949</u>

During the year \$ 340,634 of bonded debt and \$ 31,164 of a Pennsylvania Infrastructure Bank Loan were retired. A net decrease of \$ 31,427 in accrued compensated absences, and termination benefits payable were recorded.

The Borough of Gettysburg received a rating of A+, and stable outlook from Standard & Poors for the series 2010 general obligation bond issue. The rating reflects Standard & Poors assessment of the Borough's:

- Stable local economy, anchored by higher education and a tourism component;
- Adequate wealth and income indicators;
- Financial position that has strengthened considerably recently, characterized now by very strong reserves; and
- Moderately low debt profile.

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

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, 2013

	Governmental Activities	Component Unit Authority
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,980,701	\$ 3,592,980
Investments	-	1,613,767
Taxes receivable, net	244,147	-
Accounts receivable - billed	220,744	643,616
Accounts receivable - unbilled	-	527,447
Accrued interest receivable	-	642
Inventories	8,893	52,456
Prepaid expenses	162,949	83,218
Total current assets	<u>2,617,434</u>	<u>6,514,126</u>
Noncurrent assets		
Accounts receivable	55,990	560,023
Restricted investments	6,936	2
Prepaid bond insurance	38,784	58,656
Capital assets not being depreciated:		
Collections	14,150	-
Construction in progress	58,002	953,576
Capital assets net of accumulated depreciation:		
Land and land improvements	850,460	392,360
Buildings and improvements	8,096,016	22,858,257
Machinery, equipment and furniture	598,574	28,637,880
Infrastructure	3,899,562	-
Total noncurrent assets	<u>13,618,474</u>	<u>53,460,754</u>
Total assets	<u>16,235,908</u>	<u>59,974,880</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on bond refunding	-	367,553
Total assets and deferred outflows of resources	<u>\$ 16,235,908</u>	<u>\$ 60,342,433</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 197,554	\$ 142,080
Accrued wages and withholdings	89,407	52,683
Accrued interest	24,729	31,955
Consumer deposits	-	46,036
Long-term liabilities: Due within one year		
Bonds and notes payable	380,031	1,343,808
Compensated absences	33,934	-
Termination benefit payable	5,107	-
Total current liabilities	<u>730,762</u>	<u>1,616,562</u>
Noncurrent liabilities		
Long-term liabilities: Due in more than one year		
Bonds and notes payable	3,645,509	15,425,514
Compensated absences	186,933	-
Termination benefit payable	5,210	-
Total noncurrent liabilities	<u>3,837,652</u>	<u>15,425,514</u>
Total liabilities	<u>4,568,414</u>	<u>17,042,076</u>
NET POSITION		
Net investment in capital assets	9,671,990	36,397,729
Restricted	701,954	-
Unrestricted	1,293,550	6,902,628
Total net position	<u>11,667,494</u>	<u>43,300,357</u>
Total liabilities and net position	<u>\$ 16,235,908</u>	<u>\$ 60,342,433</u>

BOROUGH OF GETTYSBURG
Statement of Activities
Year Ended December 31, 2013

					Net (Expense) Revenue and Changes in Net Position	
					Primary Government	
		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit Authority
Primary government						
Governmental activities						
General government	\$ 1,177,639	\$ 178,315	\$ 108,386	\$ -	\$ (890,938)	
Public safety	2,357,153	159,042	363,388	-	(1,834,723)	
Health and human services	19,911	-	-	-	(19,911)	
Public works	1,074,391	1,051,318	53,160	155,005	185,092	
Culture and recreation	164,986	30,209	12,223	-	(122,554)	
Community development	94,172	-	50,935	6,729	(36,508)	
Interest	150,124	-	-	-	(150,124)	
Total governmental activities	5,038,376	1,418,884	588,092	161,734	(2,869,666)	
Component Unit						
Municipal Authority - Sewer and Water	\$ 6,410,287	\$ 5,230,557	\$ -	\$ 550,000		\$ (629,730)
General revenues and transfers:						
Taxes:						
Property taxes					\$ 1,767,625	\$ -
Earned income tax					415,451	-
Real estate transfer tax					106,296	-
Local services tax					246,980	-
Admission tax					171,869	-
Occupational and per capita taxes					31,825	-
Unrestricted investment earnings					2,680	7,190
Gain on sale of capital assets					-	12,000
Total general revenues and transfers					2,742,726	19,190
Change in net position					(126,940)	(610,540)
Net position - beginning					11,794,434	43,910,897
Net position - ending					\$ 11,667,494	\$ 43,300,357

BOROUGH OF GETTYSBURG
Balance Sheet - Governmental Funds
December 31, 2013

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,037,503	\$ 449,329	\$ 377,352	\$ 116,517	\$ 1,980,701
Investments	-	-	-	6,936	6,936
Accounts and grants receivable	62,875	31,029	-	3,481	97,385
Taxes receivable, net	244,147	-	-	-	244,147
Due from other funds	54,188	3,369	29,503	-	87,060
Inventories	8,893	-	-	-	8,893
Prepaid expenses	162,949	-	-	-	162,949
Total assets	<u>\$ 1,570,555</u>	<u>\$ 483,727</u>	<u>\$ 406,855</u>	<u>\$ 126,934</u>	<u>\$ 2,588,071</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 120,315	\$ 74,393	\$ -	\$ 2,846	\$ 197,554
Due to other funds	29,503	11,430	-	46,127	87,060
Accrued wages, benefits and withholdings	89,407	-	-	-	89,407
Total liabilities	<u>239,225</u>	<u>85,823</u>	<u>-</u>	<u>48,973</u>	<u>374,021</u>
Deferred inflows of resources					
Unavailable tax revenue	92,824	-	-	-	92,824
Total deferred inflows of resources	<u>92,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,824</u>
Fund balances					
Nonspendable	171,842	-	-	-	171,842
Restricted	-	397,904	406,855	77,961	882,720
Assigned	98,476	-	-	-	98,476
Unassigned	968,188	-	-	-	968,188
Total fund balances	<u>\$ 1,238,506</u>	<u>\$ 397,904</u>	<u>\$ 406,855</u>	<u>\$ 77,961</u>	<u>\$ 2,121,226</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,570,555</u>	<u>\$ 483,727</u>	<u>\$ 406,855</u>	<u>\$ 126,934</u>	<u>\$ 2,588,071</u>

BOROUGH OF GETTYSBURG

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2013

Total fund balance - governmental funds \$ 2,121,226

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	\$ 23,603,550	
Accumulated depreciation	<u>(10,086,786)</u>	13,516,764

Prepaid bond insurance is not available to pay current period expenditures and therefore is not reported in the fund balance sheet, but is reported in the government activities of the Statement of Net Position.

38,784

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.

92,824

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.

179,349

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	(4,025,540)	
Accrued interest	(24,729)	
Compensated absences	(220,867)	
Termination benefits	<u>(10,317)</u>	
		<u>(4,281,453)</u>

Total net position - governmental activities \$ 11,667,494

BOROUGH OF GETTYSBURG**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**
Year Ended December 31, 2013

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,767,875	\$ -	\$ -	\$ -	\$ 2,767,875
Licenses and permits	64,297	-	-	-	64,297
Fines and forfeits	207,240	-	9,003	-	216,243
Investment earnings	1,634	561	359	126	2,680
Rents	12,000	-	-	-	12,000
Intergovernmental	417,326	31,029	-	192,840	641,195
Charges for services	1,106,837	-	-	-	1,106,837
Donations	16,885	-	-	-	16,885
Miscellaneous	10,293	-	-	-	10,293
Total revenues	<u>4,604,387</u>	<u>31,590</u>	<u>9,362</u>	<u>192,966</u>	<u>4,838,305</u>
EXPENDITURES					
General government	983,871	2,140	-	-	986,011
Public safety	2,047,637	-	10,398	-	2,058,035
Health and human services	19,911	-	-	-	19,911
Public works	907,088	269,155	-	132,581	1,308,824
Culture and recreation	125,704	-	-	-	125,704
Community development	32,598	47,100	-	52,763	132,461
Debt service	487,053	-	-	35,044	522,097
Total expenditures	<u>4,603,862</u>	<u>318,395</u>	<u>10,398</u>	<u>220,388</u>	<u>5,153,043</u>
Excess (deficiency) of revenues over expenditures	<u>525</u>	<u>(286,805)</u>	<u>(1,036)</u>	<u>(27,422)</u>	<u>(314,738)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	525	(186,805)	(101,036)	(27,422)	(314,738)
Fund balances - beginning	<u>1,237,981</u>	<u>584,709</u>	<u>507,891</u>	<u>105,383</u>	<u>2,435,964</u>
Fund balances - ending	<u>\$ 1,238,506</u>	<u>\$ 397,904</u>	<u>\$ 406,855</u>	<u>\$ 77,961</u>	<u>\$ 2,121,226</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, 2013

Net change in fund balances - total governmental funds **\$ (314,738)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

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

Depreciation expense	(746,032)	
Capital outlays, net of retirements	<u>457,301</u>	
		(288,731)

Because some taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the governmental funds. The difference in tax revenue is: (27,829)

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. 100,959

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the difference between proceeds and repayments. 373,212

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. (3,856)

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	2,617	
Compensated absences	25,875	
Termination benefits	1,252	
Vision benefits	<u>4,299</u>	
		<u>34,043</u>

Change in net position - governmental activities **\$ (126,940)**

BOROUGH OF GETTYSBURG
Statement of Fiduciary Net Position
December 31, 2013

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

BOROUGH OF GETTYSBURG
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2013

	Pension Trust Funds	Private Purpose Trust Funds
Investment earnings		
Net appreciation (depreciation) in fair value of investments		
and gain (loss) on sale of investments	\$ 729,337	\$ -
Interest, dividends and other	<u>122,929</u>	<u>21</u>
Total investment income	852,266	21
 Less investment expenses:		
Fiduciary fees	<u>(30,764)</u>	<u>-</u>
Net investment earnings	<u>821,502</u>	<u>21</u>
Total additions	<u>821,502</u>	<u>21</u>
 Deductions		
Benefit payments	263,791	-
Transfer of assets to MRT	6,903,477	-
Administrative expenses	<u>19,964</u>	<u>21</u>
Total deductions	<u>7,187,232</u>	<u>21</u>
 Change in net assets held in trust for:		
Employees' pension benefits	<u>(6,365,730)</u>	<u>-</u>
 Net position - beginning	<u>6,365,730</u>	<u>8,576</u>
Net position - ending	<u><u>\$ -</u></u>	<u><u>\$ 8,576</u></u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies

Nature of Operations

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

The financial statements of the Borough of Gettysburg, 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, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

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.

The Authority and the Borough are currently negotiating a new service agreement that will detail duties to be handled by the Authority and the Borough. Separate financial statements of the Authority are available at the Authority’s Administrative office located at 601 E. Middle Street, Gettysburg, Pennsylvania 17325.

Fund Accounting

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net 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.

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

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

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

The Borough reports the following non-major governmental funds:

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:

- **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.
- **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.

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 or agency funds. Fiduciary Funds are not included in the government-wide financial statements.

The Borough maintained pension trust funds for the police and non-uniformed personnel. During the year ended December 31, 2013, the Borough moved the pension investments to the Pennsylvania State Association of Borough's Municipal Retirement Trust, an agent-multiple employer pension plan, and is no longer holding the investments in a fiduciary capacity. Therefore, the pension trust funds were removed from these financial statements during the year.

The Borough also maintains a private purpose trust fund - the Eichelberger-Stahle Trust Fund, which accounts for a charity fund in which yearly proceeds are to be distributed to the deserving poor of the Borough.

Note 1 Summary of Significant Accounting Policies (Continued)

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)

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 considers tax revenue to be available if collected within 60 days of the end of the fiscal period. In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB standards, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as unearned revenue by the recipient. If time eligibility requirements 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)

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 estimated fair value on the date donated. Capital assets with a value of \$ 1,000 or more are capitalized by the Borough. Infrastructure acquired after January 1, 2003 (in accordance with GASB provisions) is capitalized and depreciated over its estimated useful life. When an asset is disposed of, cost and related accumulated depreciation is removed, and any gain or loss arising from its disposal is credited or charged to operations.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Land improvements	20
Infrastructure	20
Buildings 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 or balance sheet 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.

In addition to liabilities, the statement of net position 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 one item which qualifies for reporting in this category. Unavailable revenue from taxes is considered a deferred inflow of resources on the Governmental Funds – Balance Sheet.

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. 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.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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, 2013 restricted net position consisted of:

Restricted for:	
Housing and redevelopment	\$ 322,349
Future capital improvements	299,189
Highway department	64,162
Public safety	626
Company K monument	6,936
Community development	6,863
USS Gettysburg	1,829
	<u>\$ 701,954</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.

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.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Balance – Governmental Funds (Continued)

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. The Borough does not have a spending order policy when fund balance resources are available for a specific purpose in multiple classifications. Therefore, the default spending order is to use restricted resources first and then apply unrestricted resources in the following order: committed, assigned and unassigned.

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.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

Annual budgets are adopted for the General Fund, Capital Projects Fund, Highway Aid Fund, Capital Reserve Fund, and the Small Communities Program 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, 2013.

During 2013, the Borough overspent the budgeted expenditures in the General Fund. This is not expected to result in any negative implications for the Borough.

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 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 over the term of the related debt. Other bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts 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.

Note 1 Summary of Significant Accounting Policies (Continued)

Pension Plans (Continued)

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. The financial statements related to its pension plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. See note 9 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.

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 earned.

Discretely Presented Municipal Authority

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.

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.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Discretely Presented Municipal Authority (Continued)

Capital Assets

Capital assets consist of property and equipment and are stated at cost or, if contributed, at the estimated fair 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

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

Borough

The Borough is authorized to invest in the following:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government or its agencies.
- Deposits in savings accounts or certificates of deposit insured by the FDIC or NCUSIF 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 shall be pledged by the depository.
- Obligations of the U.S. Government, Commonwealth of Pennsylvania, or any agency, instrumentality, or political subdivision thereof, backed by the full faith and credit of the applicable government.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 2 Cash and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a written policy for custodial credit risk. As of December 31, 2013, \$ 1,738,912 of the Borough's bank balance of \$ 1,995,848 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>1,738,912</u>
	<u><u>\$ 1,738,912</u></u>

Included in the Governmental Activities investments on the statement of net position is a certificate of deposit of \$ 6,936, with a maturity of less than one year. Included in the Fiduciary investments on the statement of fiduciary net position is a certificate of deposit of \$ 8,576, with a maturity of less than one year. Both are considered deposits for purposes of this disclosure.

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, 2013, \$ 4,603,674 of the Authority's bank balance of \$ 5,103,674 is exposed to custodial credit risk. Included in this amount is \$ 1,613,767 of certificates of deposit, which are classified as investments on the statement of net position. Deposits of \$ 4,603,674 were uninsured and collateralized with securities held by the pledging bank's trust department, but not in the Authority's name.

Credit Risk

The Authority does not have a formal policy pertaining to credit risk.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 3 Taxes Receivable and Deferred Inflows

Property taxes are levied on March 1 for the tax year. Taxes are payable at a 2% discount if paid before May 1 and at a 10% penalty if paid after the due date of June 30. Outstanding real estate taxes are turned over to Adams County, which handles collections and placement of liens, if necessary. Taxes are recorded as revenue by the Borough when received from the tax collector, and accruals are recorded at year-end for taxes expected to be received within 60 days of December 31 in accordance with the modified accrual basis of accounting. The Borough has established an allowance for uncollectible taxes based on the evaluation of historical collections. The total assessed valuation as of December 31, 2013 is \$ 519,760,000.

Taxes receivable in the fund financial statements consists of the following as of December 31, 2013:

Real Estate and Real Estate transfer	\$	145,138
Per Capita		9,818
Earned Income		49,604
Occupational		20,917
Local Services Tax		29,657
Admission		7,728
Allowance for uncollectible accounts		<u>(18,715)</u>
Total taxes receivable		244,147
Taxes collected within sixty days, recorded as revenues in governmental funds		<u>(151,323)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows in governmental funds	\$	<u>92,824</u>

Note 4 Interfund Receivables and Payables and Transfers

Borough

Due from/to other funds consist of the following as of December 31, 2013:

Due From	Due To			
	General Fund	Capital Projects Fund	Capital Reserve Fund	Total
General	\$ -	\$ -	\$ 29,503	\$ 29,503
Capital Projects Fund	11,430	-	-	11,430
Highway Aid Fund	25,968	-	-	25,968
Small Communities Program Fund	<u>16,790</u>	<u>3,369</u>	<u>-</u>	<u>20,159</u>
Total	<u>\$ 54,188</u>	<u>\$ 3,369</u>	<u>\$ 29,503</u>	<u>\$ 87,060</u>

The Small Communities Fund owed the Capital Projects Fund \$ 3,369 for expenses related to American Disabilities Act ramp construction paid by the Capital Projects Fund on behalf of the Small Communities Fund.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 4 Interfund Receivables and Payables and Transfers (Continued)

The General Fund owed the Capital Reserve Fund \$ 29,503. This balance represents street excavation degradation fees collected by the General Fund on behalf of the Capital Reserve Fund and expenses paid by the Capital Reserve Fund on behalf of the General Fund related to traffic studies performed during the 150th anniversary of the Battle of Gettysburg events.

The Small Communities Fund owed the General Fund \$ 16,790 for expenses related to American Disabilities Act ramp construction paid by the General Fund on behalf of the Small Communities Fund.

The Highway Aid Fund owed the General Fund \$25,968 for expenses related to street lighting paid by the Highway Aid Fund on behalf of the General Fund.

The Capital Projects Fund owed the General Fund \$11,430 for expenses related to American Disabilities Act ramp construction paid by the General Fund on behalf of the Capital Projects Fund.

Interfund transfers were as follows in 2013:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Reserve	Capital Projects	\$ 100,000

In 2013 the Capital Reserve Fund recorded a transfer of \$ 100,000 to the Capital Projects Fund. This was to reimburse the capital projects fund for expenses incurred to renovate Borough Hall.

Note 5 Capital Assets

Borough

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Cost:				
Land improvements	\$ 1,106,176	\$ -	\$ -	\$ 1,106,176
Infrastructure	8,416,256	367,783	-	8,784,039
Buildings and improvements	11,304,747	4,855	-	11,309,602
Machinery and equipment	2,539,099	26,753	(292,347)	2,273,505
Furniture and fixtures	84,900	-	(26,732)	58,168
Collections	14,150	-	-	14,150
Construction in progress	-	58,002	-	58,002
Total cost	<u>23,465,328</u>	<u>457,393</u>	<u>(319,079)</u>	<u>23,603,642</u>
Less accumulated depreciation:				
Land improvements	(193,243)	(62,473)	-	(255,716)
Infrastructure	(4,650,058)	(234,418)	-	(4,884,476)
Buildings and improvements	(2,923,747)	(289,839)	-	(3,213,586)
Machinery and equipment	(1,807,885)	(159,302)	292,255	(1,674,932)
Furniture and fixtures	(84,900)	-	26,732	(58,168)
Total accumulated depreciation	<u>(9,659,833)</u>	<u>(746,032)</u>	<u>318,987</u>	<u>(10,086,878)</u>
Capital assets, net	<u>\$ 13,805,495</u>	<u>\$ (288,639)</u>	<u>\$ (92)</u>	<u>\$ 13,516,764</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 5 Capital Assets (Continued)

Depreciation expense for the year ended December 31, 2013 was charged as follows:

General Government	\$	193,365
Public Safety		353,048
Highways		119,871
Parking		40,467
Culture and Recreation		39,281
	<u>\$</u>	<u>746,032</u>

Subsequent Event

On November 12, 2013 the Borough entered into an agreement with the Gettysburg Foundation to sell the Gettysburg Railroad Station, 35 Carlisle Street, Gettysburg, PA 17325 for \$500,000. The Gettysburg Railroad Station (the "property") was originally capitalized by the Borough in 1998 and over the years renovated the property to reach a total cost of \$3,238,354 as of December 31, 2013. Accumulated depreciation on the property was \$579,960 resulting in a net book value of \$2,658,394 as of December 31, 2013.

On January 27, 2014 settlement of the property sale was reached and the sales proceeds of \$ 500,000 were deposited into the Borough's general fund checking account. The Borough will recognize the sale of the property in 2014.

Discretely Presented Municipal Authority

Capital asset activity for the Authority consists of the following as of and for the year ended December 31, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land	\$ 392,360	\$ -	\$ -	\$ 392,360
Building and plant	38,739,410	59,435	-	38,798,845
Wells	2,296,255	947,401	-	3,243,656
Lift stations	775,711	-	-	775,711
Utility and general equipment	42,873,443	60,201	-	42,933,644
Construction in progress	1,559,120	352,480	(958,024)	953,576
Total cost	<u>86,636,299</u>	<u>1,419,517</u>	<u>(958,024)</u>	<u>87,097,792</u>
Less accumulated depreciation:				
Building and plant	(14,410,191)	(1,530,397)	-	(15,940,588)
Wells	(1,148,064)	(91,798)	-	(1,239,862)
Lift stations	(468,542)	(30,498)	-	(499,040)
Utility and general equipment	(15,613,886)	(962,343)	-	(16,576,229)
Total accumulated depreciation	<u>(31,640,683)</u>	<u>(2,615,036)</u>	<u>-</u>	<u>(34,255,719)</u>
Capital assets, net	<u>\$ 54,995,616</u>	<u>\$ (1,195,519)</u>	<u>\$ (958,024)</u>	<u>\$ 52,842,073</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 6 Mortgages and Notes Receivable

The following is a summary of changes in mortgages receivable for the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Accrued Interest	Current Portion	Long-term Portion
Mortgages receivable							
(A) Scattered Sites 3rd Mortgage	\$ 59,718	\$ -	\$ -	\$ 59,718	\$ 8,609	\$ -	\$ 59,718
(B) Scattered Sites 4th Mortgage	150,000	-	-	150,000	21,000	-	150,000
(C) Scattered Sites 5th Mortgage	40,000	-	-	40,000	5,600	-	40,000
Subtotal - mortgages	249,718	-	-	249,718	35,209	-	249,718
Allowance for uncollectible accounts	(249,718)	-	-	(249,718)	(35,209)	-	(249,718)
Net mortgages receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

(B) **Scattered Sites 4th Mortgage** - On January 6, 1993 Gettysburg Scattered Sites Associates entered into a mortgage with the Borough. The principal amount of \$ 150,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2013 of \$21,000, excludes interest through December 31, 1999 of \$ 10,500, which was forgiven in prior years.

(C) **Scattered Sites 5th Mortgage** - On January 6, 1993 Gettysburg Scattered Sites Associates entered into a mortgage with the Borough. The principal amount of \$ 40,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2013 totaled \$ 5,600, 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.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 7 Long-term Liabilities

Borough

The changes in long-term liabilities during the year ended December 31, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Bonds and notes payable						
(A) 2008 GO Bond	\$ 324,270	\$ -	\$ (37,047)	\$ 287,223	\$ 39,773	\$ 247,450
(B) 2010 GO Bond	3,850,000	-	(305,000)	3,545,000	310,000	3,235,000
(C) 2009 PIB Loan	246,941	-	(31,164)	215,777	31,672	184,105
Bond Discount	(23,873)	-	1,413	(22,460)	(1,414)	(21,046)
Subtotal - bonds and notes	<u>4,397,338</u>	<u>-</u>	<u>(371,798)</u>	<u>4,025,540</u>	<u>380,031</u>	<u>3,645,509</u>
Compensated absences/vision benefit	251,042	2,978	(33,153)	220,867	33,934	186,933
Termination benefit payable	<u>11,569</u>	<u>-</u>	<u>(1,252)</u>	<u>10,317</u>	<u>5,107</u>	<u>5,210</u>
Total long-term liabilities	<u>\$ 4,659,949</u>	<u>\$ 2,978</u>	<u>\$ (406,203)</u>	<u>\$ 4,256,724</u>	<u>\$ 419,072</u>	<u>\$ 3,837,652</u>

Bond, Notes, and Loans Payable

(A) **General Obligation Bonds – Series of 2008** – On January 31, 2008, the Borough issued General Obligation Bonds in the principal amount of \$ 435,000 to currently refund the General Obligation Note – 2006. Interest only shall be paid on February 1, 2009, thereafter semiannual installments of \$ 29,945 are due February 1 and August 1 through August 1, 2019; the interest rate is fixed at 7.25%.

Subsequent Event:

On January 31, 2014, the Borough used a portion of the proceeds generated by the sale of the train station described in Note 5 to pay off the remaining balance of the General Obligation Bond - Series of 2008.

(B) **General Obligation Bonds – Series of 2010** – On May 15th, 2010, the Borough issued \$ 10,045,000 of General Obligation Bonds, Series of 2010. The purpose of the issuances is to (1) refinance the 2004A and 2004B General Obligation Bonds of the Borough (issued on behalf of the Authority), and (2) finance numerous capital projects of the Borough. The portion of the bonds used to refinance the 2004A and 2004B bonds was \$ 6,185,000. These bonds were issued to finance the Municipal Authority operations and, therefore, this portion will be repaid by the Authority. The portion of the bonds issued by the Borough for future projects was \$ 3,860,000. For the Borough's portion, annual principal installments varying from \$ 5,000 to \$ 495,000 are due through November 14, 2023 and fixed interest rates vary from 2.00% to 3.85%.

(C) **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. This note was drawn down during 2009 and the final draw was received in February 2011. Semiannual installments of \$ 16,312 are due February 8th and August 8th through February 8, 2020 with an interest rate of 1.625%.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 7 Long-term Liabilities (Continued)

Bond, Notes, and Loans Payable (Continued)

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, 2013 the total amount remaining to be reimbursed by the District was \$ 67,190. This is recorded as a receivable in the government wide statements.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2013 and also includes the effects of the subsequent pay off of the 2008 GO Bonds.

	2008 GO Bond		PIB Loan		2010 GO Bond (Borough Portion)		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 287,223	\$ 10,412	\$ 31,672	\$ 3,371	\$ 310,000	\$ 116,063	\$ 628,895	\$ 129,846
2015	-	-	32,189	2,854	315,000	108,313	347,189	111,167
2016	-	-	32,714	2,329	325,000	101,068	357,714	103,397
2017	-	-	33,248	1,795	335,000	91,968	368,248	93,763
2018	-	-	33,791	1,253	345,000	81,583	378,791	82,836
2019-2023	-	-	52,163	843	355,000	70,198	407,163	71,041
2024-2028	-	-	-	-	1,560,000	128,160	1,560,000	128,160
	<u>\$ 287,223</u>	<u>\$ 10,412</u>	<u>\$ 215,777</u>	<u>\$ 12,445</u>	<u>\$ 3,545,000</u>	<u>\$ 697,353</u>	<u>\$ 4,048,000</u>	<u>\$ 720,210</u>

Interest Expense

For the year ended December 31, 2013, the Borough incurred interest expense of \$ 150,124.

Termination Benefit Payable

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

2014	\$ 5,107
2015	5,210
	<u>\$ 10,317</u>

The estimated liability shown above is discounted at a rate of 1.0%.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 7 Long-term Liabilities (Continued)

Discretely Presented Municipal Authority

The changes in long-term liabilities during the year ended December 31, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Bonds and notes payable						
(C) 2010 Sewer revenue bonds	\$ 6,315,000	\$ -	\$ (10,000)	\$ 6,305,000	\$ 10,000	\$ 6,295,000
Unamortized bond discount/loss	(52,051)	-	3,089	(48,962)	(3,089)	(45,873)
	<u>6,262,949</u>	<u>-</u>	<u>(6,911)</u>	<u>6,256,038</u>	<u>6,911</u>	<u>6,249,127</u>
(A) 2010 GO Bonds - Sewer	135,000	-	(135,000)	-	-	-
(D) 2012 GO Bonds - Sewer	8,135,000	-	(60,000)	8,075,000	740,000	7,335,000
Other bond related costs	152,253	-	(34,179)	118,074	68,709	49,365
	<u>8,422,253</u>	<u>-</u>	<u>(229,179)</u>	<u>8,193,074</u>	<u>808,709</u>	<u>7,384,365</u>
(B) 2010 GO Bonds - Water	2,900,000	-	(510,000)	2,390,000	525,000	1,865,000
Other bond related costs	(87,816)	-	18,026	(69,790)	3,188	(72,978)
	<u>2,812,184</u>	<u>-</u>	<u>(491,974)</u>	<u>2,320,210</u>	<u>528,188</u>	<u>1,792,022</u>
Total long-term liabilities	\$ 17,497,386	\$ -	\$ (728,064)	\$ 16,769,322	\$ 1,343,808	\$ 15,425,514

The general obligation bonds listed below are 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 Bond Sewer- Series of 2010** – On May 15, 2010, the Borough issued General Obligation Bonds in the principal amount of \$ 1,815,000 to currently refund the General Obligation Bonds – Series of 2004A and 2004B and fund various capital projects of the Borough. Annual principal installments varying from \$ 135,000 to \$ 570,000 were due through November 15, 2013; fixed interest rates vary from 1.00% to 2.00%. This debt was paid off in 2013.
- (B) **General Obligation Bond Water- Series of 2010** – On May 15, 2010, the Borough issued General Obligation Bonds in the principal amount of \$ 4,370,000 to currently refund the General Obligation Bonds – Series of 2004A and 2004B and fund various capital projects of the Borough. Annual principal installments varying from \$ 200,000 to \$ 570,000 are due through November 15, 2018; fixed interest rates vary from 1.00% to 3.30%.
- (C) **Sewer Revenue Bonds – Series of 2010** – On December 1, 2010, the Authority issued Revenue Bonds in the principal amount of \$ 6,355,000 to fund capital construction improvements to the Authority's public sewer system and to pay the costs and expenses related to the issuance of the Bonds. The Borough has guaranteed the payment of the bonds by pledging its full faith, credit and taxing power. Annual principal installments range from \$ 10,000 to \$ 1,130,000 through November 15, 2029 with interest ranging from 3% to 4%.
- (D) **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, 2013

Note 7 Long-term Liabilities (Continued)

Discretely Presented Municipal Authority

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments required at December 31, 2013.

	2010 GO Bonds Water		2010 Sewer Revenue Bonds		2012 GO Bonds Sewer		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 525,000	\$ 65,354	\$ 10,000	\$ 251,474	\$ 740,000	\$ 167,914	\$ 1,275,000	\$ 484,742
2015	540,000	52,230	10,000	251,076	755,000	153,112	1,305,000	456,418
2016	555,000	39,810	10,000	250,674	770,000	138,012	1,335,000	428,496
2017	570,000	24,270	10,000	250,276	785,000	122,612	1,365,000	397,158
2018	200,000	6,600	10,000	249,974	805,000	106,912	1,015,000	363,486
2019-2023	-	-	105,000	1,243,476	4,220,000	285,102	4,325,000	1,528,578
2024-2028	-	-	5,020,000	844,400	-	-	5,020,000	844,400
2009	-	-	1,130,000	45,200	-	-	1,130,000	45,200
	<u>\$ 2,390,000</u>	<u>\$ 188,264</u>	<u>\$ 6,305,000</u>	<u>\$ 3,386,550</u>	<u>\$ 8,075,000</u>	<u>\$ 973,664</u>	<u>\$ 16,770,000</u>	<u>\$ 4,548,478</u>

Interest Expense

For the year ended December 31, 2013 the Authority incurred interest expense of \$548,979.

Note 8 Operating Leases

Borough

Lease Expense

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

The scheduled non-cancelable lease commitments (assuming renewal) for the next five years are as follows:

2014	\$ 20,400
2015	20,400
2016	20,400
2017	27,000
2018	27,000
	<u>\$ 115,200</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 9 Employee Retirement Systems

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

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 not to exceed 4% per year.

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.

During the year ended December 31, 2013, the Borough delegated the authority of managing plan assets to the Pennsylvania State Association of Borough's Municipal Retirement Trust.

The Municipal Retirement Trust ("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.

As a result of this change from a single employer plan to an agent-multiple employer plan, the Borough is no longer maintaining assets in a fiduciary capacity and therefore, the pension trust fund has been removed from these financial statements.

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.

Contribution Requirements For Both Plans

Act 205

Act 205 of 1984, the Municipal Pension Plan Fund Standard and Recovery Act, established 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 298 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.

Funding Policy

As a condition of participation, full-time employees are not required to contribute to the Plans. Furthermore, the Borough may allocate State Aid from the Commonwealth of Pennsylvania for the Plans. To the extent these fundings are not adequate, the Borough would then be required to contribute.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 9 Employee Retirement Systems (Continued)

(A) Annual Pension Cost and Net Pension Obligation

Three-Year Trend Information						
Police Pension Plan				Non-Uniformed Pension Plan		
Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 154,825	100%	\$ 0	\$ 124,495	100%	\$ 0
2012	\$ 147,041	100%	\$ 0	\$ 117,307	100%	\$ 0
2011	\$ 169,042	100%	\$ 0	\$ 124,109	100%	\$ 0

(B) Funded Status and Funding Progress

The funded status of each plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Police Pension Plan	\$ 3,984,189	\$ 4,204,832	\$ 220,643	94.8%	\$ 769,103	28.7%
Non-Uniformed Pension Plan	2,154,833	2,437,864	283,031	88.4%	881,489	32.1%

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

(C) Actuarial Methods and Assumptions

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

	Police Pension Plan	Non-Uniformed Pension Plan
Valuation Date:	01/01/13	01/01/13
Actuarial Cost Method:	Entry age normal	Entry age normal
Amortization Method	Level Dollar	Level Dollar
Remaining Amortization Period	15 years	10 years
Asset Valuation Method	Smoothed Asset Valuation Method	Smoothed Asset Valuation Method
Actuarial Assumptions:		
Investment rate of return *	7.25%	7.25%
Projected salary increases *	4.5%	4.3%
* Included Inflation at Cost-of-Living Adjustments	2.5%	3.0%

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2013

Note 9. Employee Retirement Systems (Continued)

(D) Financial Statements

The following schedule represents to the Statement of Changes in Fiduciary Net Position of the individual pension plans maintained by the Borough through date of change from single employer plans to agent multiple employer plans as previously discussed.

Statement of Changes in Fiduciary Net Position
Pension Trust Funds

	Police	Non Uniformed	Total
ADDITIONS			
Investment income			
Net appreciation (depreciation) in fair value of investments and gains			
(loss) on sale of investments	\$ 461,974	\$ 267,363	\$ 729,337
Interest, dividends, and other	81,683	41,246	122,929
Total investment income	543,657	308,609	852,266
Less investment expenses:			
Fiduciary fees	(19,802)	(10,962)	(30,764)
Total net investment income	523,855	297,647	821,502
Total additions	523,855	297,647	821,502
DEDUCTIONS			
Benefit payments	180,810	82,981	263,791
Transfer to MRT	4,437,450	2,466,027	6,903,477
Administrative expense	9,164	10,800	19,964
Total deductions	4,627,424	2,559,808	7,187,232
 Change in net position	 (4,103,569)	 (2,262,161)	 (6,365,730)
NET POSITION			
Beginning	4,103,569	2,262,161	6,365,730
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 10 Risk Management

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 Association of Boroughs (PSAB).

Note 10 Risk Management (Continued)

Discretely Presented Municipal Authority

The Authority 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 Authority purchases commercial insurance coverage for these types of losses, including workers' compensation and employee health and accident insurance. Settlement amounts resulting from these risks have not exceeded coverage in the current year or the three prior years.

During 2013, the Authority was a member of the Capital Region Insurance Trust (CRIT). This trust consists of a group of municipalities that have pooled their interests together in order to establish a self-funded insurance plan in order to better control insurance rates. The Authority pays a premium to CRIT that consists of a portion for actual claim expenses, administrative costs, reinsurance costs and a reserve account. At year end, the actual claims of the Authority are reviewed and the reserve account is used to fund any excess claims for the Authority over the premiums paid during the year. If any funds remain in the reserve account, 30% of the total reserve balance could possibly be used to fund claim overages of the other municipalities. After these reconciliations are performed for all municipalities, if there are any remaining claim overages for the trust, the reinsurance policy that is purchased through the Pennsylvania Municipal Health Insurance Cooperative is used to pay the claims. Therefore, the expense of the Authority is limited to the premiums paid during the year. Any potential refund of the reserve account is calculated and received by the Authority several months after year end. Total payments by the Authority to CRIT during the year were \$ 450,831.

Note 11 Commitments and Contingencies

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 cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provisions for any contingent liabilities that may result have been made in the financial statements. 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, 2013

Note 11 Commitments and Contingencies (Continued)

Discretely Presented Municipal Authority

The Authority has entered into an agreement with a contractor related to the Steinwehr Avenue sewer rehabilitation construction project. The total amount of the construction will be \$ 388,718, none of which has been incurred through December 31, 2013, as the project was only in the design phase.

In addition, the Authority has entered into an agreement with a contractor related to the demolition of the old water treatment plant. The total amount of the project will be \$79,670, of which \$32,249 has been incurred as of December 31, 2013.

Note 12 Transactions between the Primary Government and Component Unit

The Authority utilizes the administrative services of the Borough of Gettysburg. The Authority reimburses the Borough for the costs and time associated with the assistance of the Authority. This reimbursement was \$ 31,773 in 2013.

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

Note 13 Governmental Funds – Fund Balance

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

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable					
Prepays	\$ 162,949	\$ -	\$ -	\$ -	\$ 162,949
Inventory	8,893	-	-	-	8,893
Loans receivable - long term portion	-	-	-	-	-
Total nonspendable	<u>171,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,842</u>
Restricted for:					
USS Gettysburg	-	-	1,829	-	1,829
Housing and redevelopment	-	322,349	-	-	322,349
Future capital expenditures	-	75,555	223,634	-	299,189
Bond requirements	-	-	180,766	-	180,766
Public safety	-	-	626	-	626
Company K maintenance	-	-	-	6,936	6,936
Highway Department	-	-	-	64,162	64,162
Community development	-	-	-	6,863	6,863
Total restricted	<u>-</u>	<u>397,904</u>	<u>406,855</u>	<u>77,961</u>	<u>882,720</u>
Assigned for:					
Subsequent year budget deficit	<u>98,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,476</u>
Unassigned	<u>968,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>968,188</u>
Total fund balances	<u>\$ 1,238,506</u>	<u>\$ 397,904</u>	<u>\$ 406,855</u>	<u>\$ 77,961</u>	<u>\$ 2,121,226</u>

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF GETTYSBURG
Required Supplementary Information
Schedule of Pension Plan Funding Progress and Employer Contributions
Year Ended December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Actuarial Liability AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Borough of Gettysburg Police Pension Plan						
01/01/13	\$ 3,984,189	\$ 4,204,832	\$ 220,643	94.8%	\$ 769,103	28.7%
01/01/12	-	-	-	-	-	-
01/01/11	3,926,514	4,003,774	77,260	98.1%	740,093	10.4%
01/01/10	-	-	-	-	-	-
01/01/09	3,414,872	3,776,553	361,681	90.4%	592,136	61.1%
Borough of Gettysburg Non-Uniformed Pension Plan						
01/01/13	\$ 2,154,833	\$ 2,437,864	\$ 283,031	88.4%	\$ 881,489	32.1%
01/01/12	-	-	-	-	-	-
01/01/11	1,891,984	2,065,235	173,251	91.6%	941,363	18.4%
01/01/10	-	-	-	-	-	-
01/01/09	1,485,730	1,790,858	305,128	83.0%	897,677	34.0%

BOROUGH OF GETTYSBURG
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 2,741,000	\$ 2,741,000	\$ 2,767,875	\$ 26,875
Licenses and permits	88,900	88,900	64,297	(24,603)
Fines and forfeits	240,000	240,000	207,240	(32,760)
Interest earnings	1,700	1,700	1,634	(66)
Rents	12,000	12,000	12,000	-
Intergovernmental	344,479	344,479	417,326	72,847
Charges for services	982,700	982,700	1,106,837	124,137
Donations	16,809	16,809	16,885	76
Miscellaneous	6,400	6,400	10,293	3,893
Total revenues	<u>4,433,988</u>	<u>4,433,988</u>	<u>4,604,387</u>	<u>170,399</u>
EXPENDITURES				
General government	855,064	855,064	983,871	(128,807)
Public safety	2,050,083	2,050,083	2,047,637	2,446
Health and welfare	20,200	20,200	19,911	289
Public works	981,939	981,939	907,088	74,851
Culture and recreation	106,318	106,318	125,704	(19,386)
Community development	30,000	30,000	32,598	(2,598)
Debt service	487,054	487,054	487,053	1
Total expenditures	<u>4,530,658</u>	<u>4,530,658</u>	<u>4,603,862</u>	<u>(73,204)</u>
Excess (deficiency) of revenues over expenditures	<u>(96,670)</u>	<u>(96,670)</u>	<u>525</u>	<u>97,195</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Total other financing sources and uses	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Net change in fund balances	(93,670)	(93,670)	525	94,195
Fund balances - beginning	<u>1,237,981</u>	<u>1,237,981</u>	<u>1,237,981</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,144,311</u>	<u>\$ 1,144,311</u>	<u>\$ 1,238,506</u>	<u>\$ 94,195</u>

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF GETTYSBURG
Combining Balance Sheet - Other Governmental Funds (Nonmajor)
December 31, 2013

	Highway Aid Fund	Company K Fund	Small Communities Program Fund	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 90,326	\$ -	\$ 26,191	\$ 116,517
Investments	-	6,936	-	6,936
Accounts and grants receivable	-	-	3,481	3,481
Total assets	<u>90,326</u>	<u>6,936</u>	<u>29,672</u>	<u>126,934</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	196	-	2,650	2,846
Due to other funds	<u>25,968</u>	<u>-</u>	<u>20,159</u>	<u>46,127</u>
Total liabilities	<u>26,164</u>	<u>-</u>	<u>22,809</u>	<u>48,973</u>
Fund balances				
Restricted	<u>64,162</u>	<u>6,936</u>	<u>6,863</u>	<u>77,961</u>
Total fund balances	<u>64,162</u>	<u>6,936</u>	<u>6,863</u>	<u>77,961</u>
Total liabilities and fund balances	<u>\$ 90,326</u>	<u>\$ 6,936</u>	<u>\$ 29,672</u>	<u>\$ 126,934</u>

BOROUGH OF GETTYSBURG**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other
Governmental Funds (Nonmajor)
Year Ended December 31, 2013**

	Highway Aid Fund	Company K Fund	Small Communities Program Fund	Total Other Governmental Funds
REVENUES				
Investment earnings	\$ 74	\$ 42	\$ 10	\$ 126
Intergovernmental	141,905	-	50,935	192,840
Total revenues	141,979	42	50,945	192,966
EXPENDITURES				
Public works	132,581	-	-	132,581
Community development	-	-	52,763	52,763
Debt service	35,044	-	-	35,044
Total expenditures	167,625	-	52,763	220,388
Excess (deficiency) of revenues over expenditures / net change in fund balances	(25,646)	42	(1,818)	(27,422)
Fund balances - beginning	89,808	6,894	8,681	105,383
Fund balances - ending	\$ 64,162	\$ 6,936	\$ 6,863	\$ 77,961