

Audited
Financial
Statements

December 31,
2016



Borough of
Gettysburg

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INDEPENDENT AUDITOR'S REPORT

Borough Council
Borough of Gettysburg
Gettysburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Gettysburg as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough of Gettysburg's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Gettysburg as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the schedules of changes in net pension liability – police plan and non-uniform plan, schedule of contributions – pension plans, and the budgetary comparison schedule - general fund on pages 52 - 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Gettysburg's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Chambersburg, Pennsylvania
September 8, 2017

BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2016

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, 2016. 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, 2016 by \$ 10,196,547. Of this amount, \$ 1,397,379 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased by \$ 317,427.
- At December 31, 2016, the governmental funds reported combined fund balances of \$ 6,676,067 of which \$ 465,858 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, \$ 4,640,887 is restricted to a particular use, \$ 312,701 is committed, \$ 8,500 is assigned, and \$ 1,248,121 is unassigned and is available for spending at the Borough of Gettysburg's discretion. A portion of the current year's reserves must be set aside to balance the budget in the year 2016.
- Governmental fund balances increased \$ 4,645,657 during the year primarily due the issuance of a bond for capital improvements.

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, 2016

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

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 nine individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, 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 (beginning on page 56) 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, 2016

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

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 - 51 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning changes in net pension liability and schedule of contributions for the Borough's pension plans and budgetary comparison schedules. Required supplementary information can be found on pages 52 - 57 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 \$ 10,196,547 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, 2016

Borough of Gettysburg's Net Position

	Governmental Activities	
	2016	2015
ASSETS		
Current assets	\$ 7,156,818	\$ 3,191,820
Capital assets and other assets	<u>11,116,507</u>	<u>10,780,864</u>
Total assets	18,273,325	13,972,684
DEFERRED OUTFLOWS OF RESOURCES	<u>632,906</u>	<u>575,492</u>
LIABILITIES		
Current liabilities	892,588	1,201,376
Noncurrent liabilities	<u>7,684,323</u>	<u>3,311,112</u>
Total liabilities	8,576,911	4,512,488
DEFERRED INFLOWS OF RESOURCES	<u>132,773</u>	<u>156,568</u>
Net position		
Net investment in capital assets	7,192,872	7,653,209
Restricted	1,215,796	868,006
Unrestricted	<u>1,787,879</u>	<u>1,357,905</u>
Total net position	<u>\$ 10,196,547</u>	<u>\$ 9,879,120</u>

BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2016

CHANGES IN NET POSITION

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

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues		
Charges for Services	\$ 1,485,571	\$ 1,392,005
Operating Grants and Contributions	655,833	745,697
Capital Grants and Contributions	336,026	47,406
General Revenues		
Taxes		
Property	1,840,733	1,854,014
Fire Protection Tax	125,228	128,653
Earned Income Tax	551,719	477,839
Real Estate Transfer	97,215	61,695
Local Services Tax	277,019	286,461
Admissions	133,124	140,220
Mechanical Devices	1,100	1,000
Occupational and Per Capita	34,243	27,971
Unrestricted investment earnings	8,775	2,542
Gain/(Loss) on sale of capital assets	3,027	(121,562)
Miscellaneous income	31,929	6,660
	<u>5,581,542</u>	<u>5,050,601</u>
Expenses		
General Government	1,131,965	917,901
Public Safety	2,068,839	2,134,700
Health and Human Services	1,000	1,000
Public Works	1,810,968	1,768,595
Culture and Recreation	109,154	124,840
Community Development	39,414	40,101
Interest and Amortization	102,775	114,181
Total Expenses	<u>5,264,115</u>	<u>5,101,318</u>
Increase (Decrease) in Net Position	<u>\$ 317,427</u>	<u>\$ (50,717)</u>

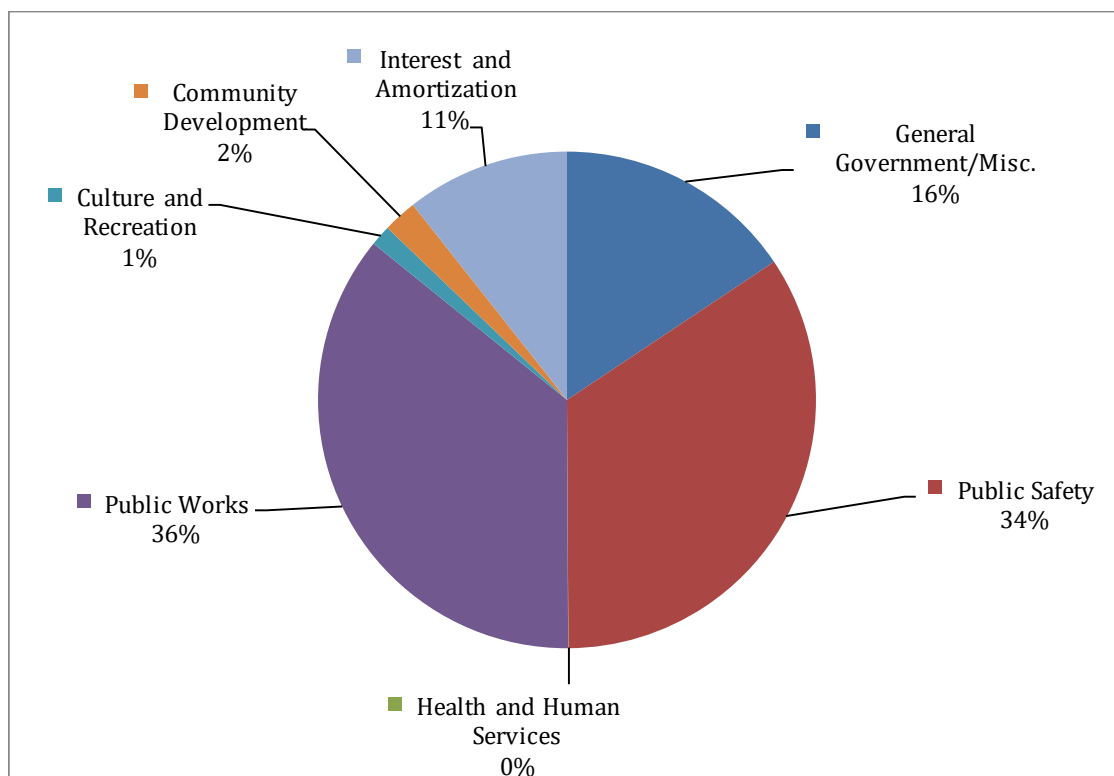
BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds - As noted earlier, the Borough of Gettysburg uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the Borough of Gettysburg's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The Borough of Gettysburg's governmental funds reported combined ending fund balances of \$ 6,676,067. Approximately 19% of this total amount (\$ 1,248,121) constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of the fund balance (\$ 5,427,946) is shown as nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been set aside for prepaid expenses, donations received for specific purposes, fuel inventory, capital projects, or debt service.

The general fund is the primary operating fund of the Borough. During the year, revenues exceeded expenditures and other financing sources and uses (transfers in/out) by \$ 282,278.

The chart below illustrates the breakdown of governmental funds costs:



BOROUGH OF GETTYSBURG
Management's Discussion and Analysis (Unaudited)
December 31, 2016

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 \$ 301,422 that occurred primarily from delinquent tax collections, increased parking revenue, reimbursement for services, and unanticipated grants and donations. This served to offset actual expenditures exceeding budgeted expenditures in the amount of \$ 166,370 creating a surplus of \$ 135,052 (before other financing sources and uses). Included in Other Financing Sources (Uses), are capital lease proceeds of \$ 157,525, which were not budgeted. The net increase in fund balance after Other Financing Sources (Uses) was \$ 228,278. The unassigned fund balance at 26.66% of budgeted expenses.

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, 2016 was \$ 11,070,791 for governmental activities (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 1,042,059 and (net) retirements of \$ 5,473 in capital assets of governmental activities. Government activities added assets that include the completion of the ADA ramps, and the purchase of a new street sweeper. The Borough of Gettysburg issued 4 million dollars of new money debt when it refunded its existing bond and embarked upon a 3-year capital plan to address necessary repairs and replacement of some aging roads and storm sewers. The Borough also was under contract to finally purchase the land under its parking garage that it has been leasing for many years.

Comparative Capital Assets at December 31:

	Governmental Activities	
	2016	2015
Land and Improvements	\$ 667,584	\$ 724,057
Building and Improvements	4,827,059	5,030,371
Machinery and Equipment	821,632	347,931
Collections	14,150	14,150
Construction in Progress	413,152	226,603
Infrastructure	<u>4,327,214</u>	<u>4,361,941</u>
Total Capital Assets	<u>\$ 11,070,791</u>	<u>\$ 10,705,053</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, 2016

DEBT ADMINISTRATION

The Borough of Gettysburg had total outstanding bonded debt of \$ 7,252,253. The governmental activity amounts are backed by the full faith and credit of the Borough of Gettysburg. The following is a comparative statement of outstanding debt:

	Governmental Activities	
	2016	2015
General obligation bonds and loans payable	\$ 7,252,253	\$ 3,051,844
Capital lease payable	\$ 117,063	\$ -
Compensated absences	294,827	303,933
Total long-term liabilities	<u>\$ 7,664,143</u>	<u>\$ 3,355,777</u>

During the year, the Borough issued the 2016 GO Bond in the amount of \$ 6,965,000, which was used to refund the 2010 GO Bond in the amount \$ 2,920,000, and the remaining proceeds are to be used for capital projects. In 2016, \$ 305,000 of bonded debt and \$ 50,853 of Pennsylvania Infrastructure Bank Loan debt were retired. A net decrease of \$ 9,106 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 2016 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, 2016

	Governmental Activities	Component Unit Authority
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,011,433	\$ 5,374,616
Investments	250,000	1,017,488
Taxes receivable, net	351,993	-
Accounts receivable - billed	77,534	750,815
Accounts receivable - unbilled	-	646,479
Accrued interest receivable	-	1,886
Inventories	9,647	52,576
Prepaid expenses	456,211	90,048
Total current assets	<u>7,156,818</u>	<u>7,933,908</u>
Noncurrent assets		
Accounts receivable	22,390	260,023
Restricted investments	7,016	-
Prepaid bond insurance	16,310	37,168
Capital assets not being depreciated:		
Collections	14,150	-
Construction in progress	413,152	488,638
Capital assets net of accumulated depreciation:		
Land and land improvements	667,584	392,360
Buildings and improvements	4,827,059	19,363,792
Machinery, equipment and furniture	821,632	31,846,651
Infrastructure	4,327,214	-
Total noncurrent assets	<u>11,116,507</u>	<u>52,388,632</u>
Total assets	<u>18,273,325</u>	<u>60,322,540</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on bond refunding	66,306	379,061
Deferred outflows related to pension liability	566,600	443,765
Total deferred outflows of resources	<u>632,906</u>	<u>822,826</u>
 Total assets and deferred outflows of resources	 <u>\$ 18,906,231</u>	 <u>\$ 61,145,366</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 284,009	\$ 94,995
Accrued wages and withholdings	65,446	26,034
Accrued interest	9,649	43,767
Consumer deposits	-	64,439
Long-term liabilities: Due within one year		
Bonds and notes payable	482,717	1,473,311
Capital lease payable	38,331	-
Compensated absences	12,436	-
Total current liabilities	<u>892,588</u>	<u>1,702,546</u>
Noncurrent liabilities		
Long-term liabilities: Due in more than one year		
Bonds and notes payable	6,769,536	16,999,844
Capital lease payable	78,732	-
Compensated absences	282,391	-
Net pension obligation	553,664	698,089
Total noncurrent liabilities	<u>7,684,323</u>	<u>17,697,933</u>
Total liabilities	<u>8,576,911</u>	<u>19,400,479</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension liability	132,773	12,845
NET POSITION		
Net investment in capital assets	7,192,872	34,201,774
Restricted	1,215,796	-
Unrestricted	1,787,879	7,530,268
Total net position	<u>10,196,547</u>	<u>41,732,042</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 18,906,231</u>	 <u>\$ 61,145,366</u>

BOROUGH OF GETTYSBURG
Statement of Activities
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Unit Authority
Primary government						
Governmental activities						
General government	\$ 1,131,965	\$ 112,261	\$ 49,866	\$ -	\$ (969,838)	
Public safety	2,068,839	154,205	360,306	2,535	(1,551,793)	
Health and human services	1,000	-	-	-	(1,000)	
Public works	1,810,968	1,219,105	245,661	238,878	(107,324)	
Culture and recreation	109,154	-	-	-	(109,154)	
Community development	39,414	-	-	94,613	55,199	
Interest	102,775	-	-	-	(102,775)	
Total governmental activities	<u>5,264,115</u>	<u>1,485,571</u>	<u>655,833</u>	<u>336,026</u>	<u>(2,786,685)</u>	
Component Unit						
Municipal Authority - Sewer and Water	\$ 6,254,550	\$ 5,899,327	\$ -	\$ -		\$ (355,223)
General revenues and transfers:						
Taxes:						
Property taxes, levied for general purposes					\$ 1,840,733	\$ -
Property taxes, levied for specific purposes					125,228	-
Earned income tax					551,719	-
Real estate transfer tax					97,215	-
Local services tax					277,019	-
Admission tax					133,124	-
Occupational and per capita taxes					34,243	-
Other taxes					1,100	-
Unrestricted investment earnings					8,775	17,130
Gain on sale of capital assets					3,027	-
Miscellaneous income					31,929	-
Total general revenues and transfers					<u>3,104,112</u>	<u>17,130</u>
Change in net position					317,427	(338,093)
Net position - beginning					<u>9,879,120</u>	<u>42,070,135</u>
Net position - ending					<u>\$ 10,196,547</u>	<u>\$ 41,732,042</u>

BOROUGH OF GETTYSBURG
Balance Sheet - Governmental Funds
December 31, 2016

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,353,571	\$ 3,734,836	\$ 143,585	\$ 779,441	\$ 6,011,433
Investments	-	-	-	257,016	257,016
Accounts and grants receivable	42,261	20,197	-	3,876	66,334
Taxes receivable, net	345,275	-	-	6,718	351,993
Due from other funds	-	-	169,490	16,471	185,961
Inventories	9,647	-	-	-	9,647
Prepaid expenses	182,774	273,437	-	-	456,211
Total assets	<u>\$ 1,933,528</u>	<u>\$ 4,028,470</u>	<u>\$ 313,075</u>	<u>\$ 1,063,522</u>	<u>\$ 7,338,595</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 263,584	\$ 16,787	\$ -	\$ 3,638	\$ 284,009
Due to other funds	20,816	165,145	-	-	185,961
Accrued wages, benefits and withholdings	46,320	-	-	-	46,320
Total liabilities	<u>330,720</u>	<u>181,932</u>	<u>-</u>	<u>3,638</u>	<u>516,290</u>
Deferred inflows of resources					
Unavailable tax revenue of resources	141,037	-	-	5,201	146,238
	<u>141,037</u>	<u>-</u>	<u>-</u>	<u>5,201</u>	<u>146,238</u>
Fund balances					
Nonspendable	192,421	273,437	-	-	465,858
Restricted	12,729	3,573,101	313,075	741,982	4,640,887
Committed	-	-	-	312,701	312,701
Assigned	8,500	-	-	-	8,500
Unassigned	1,248,121	-	-	-	1,248,121
Total fund balances	<u>1,461,771</u>	<u>3,846,538</u>	<u>313,075</u>	<u>1,054,683</u>	<u>6,676,067</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,933,528</u>	<u>\$ 4,028,470</u>	<u>\$ 313,075</u>	<u>\$ 1,063,522</u>	<u>\$ 7,338,595</u>

BOROUGH OF GETTYSBURG**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2016**

Total fund balance - governmental funds \$ 6,676,067

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	\$ 22,224,427	
Accumulated depreciation	<u>(11,153,636)</u>	11,070,791

Prepaid bond insurance is expensed in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset. 16,310

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. 146,238

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. 33,590

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	(7,252,253)	
Deferred charge on bond refunding	66,306	
Accrued interest	(9,649)	
Compensated absences and accrued vacation	(313,953)	
Capital leases	(117,063)	
Net pension liability	(553,664)	
Deferred outflows related to pension liability	566,600	
Deferred inflows related to pension liability	<u>(132,773)</u>	
		<u>(7,746,449)</u>

Total net position - governmental activities \$ 10,196,547

BOROUGH OF GETTYSBURG
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental
Funds
Year Ended December 31, 2016

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,991,217	\$ -	\$ -	\$ 124,857	\$ 3,116,074
Licenses and permits	114,205	-	4,525	-	118,730
Fines and forfeits	204,735	-	-	-	204,735
Investment earnings	1,333	6,509	302	631	8,775
Intergovernmental	428,939	238,878	-	437,519	1,105,336
Charges for services	1,153,517	-	-	-	1,153,517
Donations	56,852	-	-	-	56,852
Miscellaneous	32,121	-	-	11,200	43,321
Total revenues	<u>4,982,919</u>	<u>245,387</u>	<u>4,827</u>	<u>574,207</u>	<u>5,807,340</u>
EXPENDITURES					
General government	902,665	9,727	-	-	912,392
Public safety	1,954,490	-	-	47,758	2,002,248
Health and human services	1,000	-	-	-	1,000
Public works	1,330,777	674,449	-	92,007	2,097,233
Culture and recreation	78,407	-	-	-	78,407
Community development	30,000	3,682	-	94,614	128,296
Debt service	42,655	69,709	-	508,109	620,473
Total expenditures	<u>4,339,994</u>	<u>757,567</u>	<u>-</u>	<u>742,488</u>	<u>5,840,049</u>
Excess (deficiency) of revenues over expenditures	<u>642,925</u>	<u>(512,180)</u>	<u>4,827</u>	<u>(168,281)</u>	<u>(32,709)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from extended term financing	-	4,410,491	-	2,946,701	7,357,192
Proceeds from capital lease	157,525	-	-	-	157,525
Payment to refund bonds	-	-	-	(2,939,018)	(2,939,018)
Bond premium	-	59,231	-	43,436	102,667
Transfers in (out)	(518,172)	-	-	518,172	-
Total other financing sources and uses	<u>(360,647)</u>	<u>4,469,722</u>	<u>-</u>	<u>569,291</u>	<u>4,678,366</u>
Net change in fund balances	282,278	3,957,542	4,827	401,010	4,645,657
Fund balances - beginning	<u>1,179,493</u>	<u>(111,004)</u>	<u>308,248</u>	<u>653,673</u>	<u>2,030,410</u>
Fund balances - ending	<u>\$ 1,461,771</u>	<u>\$ 3,846,538</u>	<u>\$ 313,075</u>	<u>\$ 1,054,683</u>	<u>\$ 6,676,067</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, 2016

Net change in fund balances - total governmental funds \$ 4,645,657

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

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

Depreciation expense	(670,848)	
Capital outlays	1,042,059	
Retirements	<u>(5,473)</u>	
		365,738

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: (55,693)

Because some grant receipts 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 grant revenue is: (161,932)

Certain other receivables are recorded for government-wide purposes due to their long term nature. Amounts received from these sources are recorded as revenues in the current year in the fund financial statements, but reduce the receivable for the government-wide statements. (11,200)

Governmental funds report repayment of note and bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of repayments. 355,853

Governmental funds report capital lease proceeds and long term debt proceeds as current financial resources. In contracts, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report principal repayments of capital leases as an expenditure. In contract, the Statement of Activities treats such repayments as a reduction in long-term liabilities. (509,255)

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. (3,538)

The issuance of general obligation bonds provides current financial resources to governmental funds, but has no effect on net position. Likewise, the payment to refund bonds uses current financial resources, but also has no effect on net position. Governmental funds report prepaid bond insurance, bond discounts, and other similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

	Series of 2016	
Issuance of general obligation bonds	\$ (6,965,000)	
Payments to refund bond issuance	2,939,018	
Prepaid bond insurance	16,833	
Bond premium	<u>(102,667)</u>	
		(4,111,816)

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	4,093	
Compensated absences and accrued vacation	5,766	
Vision benefits	1,427	
Net pension liability and related deferred outflows and inflows	<u>(207,673)</u>	
		<u>(196,387)</u>

Change in net position - governmental activities \$ 317,427

BOROUGH OF GETTYSBURG
Statement of Fiduciary Net Position
December 31, 2016

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

BOROUGH OF GETTYSBURG
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2016

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2016

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.

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

Joint Ventures

Gettysburg Area Recreational Authority

On January 28, 2014, the Borough entered into a cooperative agreement with the Township of Cumberland to create the Gettysburg Area Recreation Authority (“GARA”) for the purpose of providing and managing recreation programs to the citizens of the Borough and the Township. For the year ended December 31, 2016, the total per capita charge paid by the Borough to GARA was \$ 66,164.

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

Fund Accounting

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

Governmental Funds

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

The Borough reports the following major governmental funds:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Governmental Funds (Continued)

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

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

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:

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. The Borough has no investment trust funds, agency funds, or pension trust funds. Fiduciary Funds are not included in the government-wide financial statements.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds (Continued)

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

Basis of Presentation

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Borough’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses and program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Borough.

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

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

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Accrual

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

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

Modified Accrual

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers tax and other revenue to be available if collected within 60 days of the end of the fiscal period. In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB standards, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as unearned revenue by the recipient. If time requirements for eligibility are not met a deferred inflow of resources would be recorded.

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

Cash and Cash Equivalents

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 inventoriable 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, 2016

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

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

Net Position

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

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

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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

Restricted: This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of December 31, 2016 restricted net position consisted of:

Restricted for:	
Housing and redevelopment	\$ 323,277
Future capital improvements	459,499
Highway department	251,357
Company K monument	7,016
Community development	5,242
Fire department	155,090
Police department	12,729
USS Gettysburg	1,586
	<u>\$ 1,215,796</u>

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

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

Fund Balance – Governmental Funds

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

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

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

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

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

Fund Balance Flow Assumptions

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

Minimum Fund Balance Policy

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minimum Fund Balance Policy (Continued)

Debt Service Fund Balance Policy

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

Interfund Activity

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

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

Budgets and Budgetary Accounting

Annual budgets are adopted for the General Fund, Fire Tax Fund, Small Communities Program Fund, Company K Memorial Fund, Capital Projects Fund, Debt Service Fund, Capital Reserve Fund, Highway Aid Fund, Revolving Loan Fund, and the Eichelberger-Stahle Charitable Trust Fund. The budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end. There were no budget revisions during the year ended December 31, 2016.

Use of Estimates

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

Long-Term Obligations

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses (if resulting from a disparity in interest rates) or as debt service expenditures (if resulting from underwriter's fees). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension Plans

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

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

The Borough has established two defined benefit pension plans for the benefit of substantially all full-time employees, the police plan and non-uniformed plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. See note 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences/Vision Benefits (Continued)

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

Long-Term Accounts Receivable

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

Unbilled Revenue

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

Capital Assets

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

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2016, \$ 5,995,976 of the Borough's bank balance of \$ 6,495,976 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>5,995,976</u>
	<u>\$ 5,995,976</u>

Discretely Presented Municipal Authority

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial credit risk. As of December 31, 2016, \$ 5,763,354 of the Authority's bank balance of \$ 6,263,354 is exposed to custodial credit risk.

Included in this amount is \$ 1,017,488 of certificates of deposit, which are classified as investments on the statement of net position. Deposits of \$ 5,763,354 were uninsured and collateralized with securities held by the pledging bank's trust department, but not in the Authority's name.

Investments

As of December 31, 2016, the Authority had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>S&P Global Ratings</u>
Treasury obligations fund	\$ 214,921	< 1 year	AAAm

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

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Discretely Presented Municipal Authority (Continued)

Investments (Continued)

Interest Rate Risk

Investments in the Treasury Obligations Fund are accessible on a daily basis by the Authority. The weighted average maturity for the underlying investments of the money market fund is 39 days.

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

Credit Risk

The Treasury Obligations Fund is basically a mutual fund that consists of short-term money market instruments that seek to maintain a net asset value of \$ 1 per share.

Credit risk is the risk that an issuer of debt securities or other counterparty to an investment will not fulfill its obligations. The Authority does not have a written policy for credit risk.

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 an evaluation of historical collections. The total assessed valuation as of December 31, 2016 is \$ 505,855,500.

Taxes receivable in the balance sheet - governmental funds consists of the following as of December 31, 2016:

Real Estate and Real Estate transfer	\$ 138,367
Fire Tax	6,718
Per Capita	11,811
Earned Income	118,471
Occupational	27,749
Local Services Tax	52,453
Admission	23,074
Allowance for uncollectible accounts	<u>(26,650)</u>
Total taxes receivable	351,993
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(205,755)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows in governmental funds	<u>\$ 146,238</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Borough

Due from/to other funds consist of the following as of December 31, 2016:

Due From	Capital Reserve Fund	Due To Fire Tax Fund	Total
General	\$ 4,345	\$ 16,471	\$ 20,816
Capital Projects	165,145	-	165,145
	\$ 169,490	\$ 16,471	\$ 185,961

The General Fund owed the Capital Reserve Fund \$ 4,345 for receipts of degradation fees not transferred before year-end.

The General Fund owed the Fire Tax Fund \$ 16,471 for fire tax receipts collected on behalf of the Fire Tax Fund.

The Capital Projects Fund owed the Capital Reserve Fund \$ 165,145 for utility costs fronted for the project to move Steinwehr Avenue poles.

Interfund transfers were as follows in 2016:

Transfer From	Transfer To	Amount
General Fund	Debt Service Fund	\$ 507,873
General Fund	Highway	10,299
		\$ 518,172

The General Fund transferred money to establish a debt service fund with the intention of the Debt Service Fund paying all subsequent debt payments and setting aside a reserve for future debt service.

The General Fund transferred a portion of FEMA proceeds to the Highway fund.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 5 CAPITAL ASSETS

Borough

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Capital assets not being depreciated:				
Construction in progress	\$ 226,603	\$ 413,152	\$ (226,603)	\$ 413,152
Collections	14,150	-	-	14,150
Capital assets being depreciated:				
Land improvements	1,104,710	-	-	1,104,710
Infrastructure	9,766,091	255,636	-	10,021,727
Buildings and improvements	8,075,526	-	-	8,075,526
Machinery and equipment	2,067,097	599,874	(129,977)	2,536,994
Furniture and fixtures	58,168	-	-	58,168
Total cost	<u>21,312,345</u>	<u>1,268,662</u>	<u>(356,580)</u>	<u>22,224,427</u>
Less accumulated depreciation:				
Land improvements	(380,653)	(56,473)	-	(437,126)
Infrastructure	(5,404,150)	(290,363)	-	(5,694,513)
Buildings and improvements	(3,045,155)	(203,312)	-	(3,248,467)
Machinery and equipment	(1,719,166)	(120,700)	124,504	(1,715,362)
Furniture and fixtures	(58,168)	-	-	(58,168)
Total accumulated depreciation	<u>(10,607,292)</u>	<u>(670,848)</u>	<u>124,504</u>	<u>(11,153,636)</u>
Capital assets, net	<u>\$ 10,705,053</u>	<u>\$ 597,814</u>	<u>\$ (232,076)</u>	<u>\$ 11,070,791</u>

Depreciation expense for the year ended December 31, 2016 was charged as follows:

General Government	\$ 88,812
Public Safety	34,040
Highways	407,326
Parking	109,923
Culture and Recreation	30,747
	<u>\$ 670,848</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 5 CAPITAL ASSETS (CONTINUED)

Discretely Presented Municipal Authority

Capital asset activity for the Authority consists of the following as of and for the year ended December 31, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Capital assets not being depreciated:				
Land	\$ 392,360	\$ -	\$ -	\$ 392,360
Construction in progress	5,567,202	612,607	(5,691,171)	488,638
Capital assets being depreciated:				
Building and plant	38,819,860	-	-	38,819,860
Wells	3,308,306	-	-	3,308,306
Lift stations	775,711	-	-	775,711
Utility and general equipment	43,619,145	5,805,448	-	49,424,593
Total cost	<u>92,482,584</u>	<u>6,418,055</u>	<u>(5,691,171)</u>	<u>93,209,468</u>
Less accumulated depreciation:				
Building and plant	(18,356,125)	(1,099,943)	-	(19,456,068)
Wells	(1,465,992)	(112,167)	-	(1,578,159)
Lift stations	(557,647)	(25,569)	-	(583,216)
Utility and general equipment	(18,477,572)	(1,023,012)	-	(19,500,584)
Total accumulated depreciation	<u>(38,857,336)</u>	<u>(2,260,691)</u>	<u>-</u>	<u>(41,118,027)</u>
Capital assets, net	<u>\$ 53,625,248</u>	<u>\$ 4,157,364</u>	<u>\$ (5,691,171)</u>	<u>\$ 52,091,441</u>

NOTE 6 MORTGAGES AND NOTES RECEIVABLE

The following is a summary of changes in mortgages receivable for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Accrued Interest	Current Portion	Long-term Portion
Mortgages receivable							
(A) Pathstone Corporation 3rd Mortgage	\$ 59,718	\$ -	\$ -	\$ 59,718	\$ 10,401	\$ -	\$ 59,718
(B) Pathstone Corporation 4th Mortgage	150,000	-	-	150,000	25,500	-	150,000
(C) Pathstone Corporation 5th Mortgage	40,000	-	-	40,000	6,800	-	40,000
Subtotal - mortgages	<u>249,718</u>	<u>-</u>	<u>-</u>	<u>249,718</u>	<u>42,701</u>	<u>-</u>	<u>249,718</u>
Allowance for uncollectible accounts	<u>(249,718)</u>	<u>-</u>	<u>-</u>	<u>(249,718)</u>	<u>(42,701)</u>	<u>-</u>	<u>(249,718)</u>
Net mortgages receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(A) **Pathstone Corporation 3rd Mortgage** - On January 6, 1993, Pathstone Corporation, formerly Gettysburg Scattered Sites Associates, entered into a mortgage with the Borough. The principal amount of \$ 44,235 was raised to \$ 59,718 on July 28, 1999 and accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2016 totaled \$ 10,401.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 6 MORTGAGES AND NOTES RECEIVABLE (CONTINUED)

(B) **Pathstone Corporation 4th Mortgage** - On January 6, 1993, Pathstone Corporation, formerly Gettysburg Scattered Sites Associates, entered into a mortgage with the Borough. The principal amount of \$ 150,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2016 of \$ 25,500, excludes interest through December 31, 1999 of \$ 10,500, which was forgiven in prior years.

(C) **Pathstone Corporation 5th Mortgage** - On January 6, 1993, Pathstone Corporation, formerly Gettysburg Scattered Sites Associates, entered into a mortgage with the Borough. The principal amount of \$ 40,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2016 totaled \$ 6,800, excluding the accrued interest that was rolled into principal during 1999.

An allowance for uncollectible accounts has been established for the entire amount of the mortgage and interest receivable because it is probable that the Borough will not receive these funds.

NOTE 7 LONG-TERM LIABILITIES

Borough

The changes in long-term liabilities during the year ended December 31, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Bonds and notes payable						
(A) 2010 GO Bond	\$ 2,920,000	\$ -	\$ (2,920,000)	\$ -	\$ -	\$ -
(B) 2009 PIB Loan	151,476	-	(32,714)	118,762	33,248	85,514
(C) 2015 PIB Loan	-	392,192	(18,139)	374,053	36,721	337,332
(D) 2016 GO Bond	-	6,965,000	(305,000)	6,660,000	405,000	6,255,000
Bond (Discount)/Premium	(19,632)	121,474	(2,404)	99,438	7,748	91,690
Subtotal - bonds and notes	<u>3,051,844</u>	<u>7,478,666</u>	<u>(3,278,257)</u>	<u>7,252,253</u>	<u>482,717</u>	<u>6,769,536</u>
Capital lease payable	-	157,525	(40,462)	117,063	38,331	78,732
Compensated absences/vision benefit	<u>303,933</u>	<u>6,022</u>	<u>(15,128)</u>	<u>294,827</u>	<u>12,436</u>	<u>282,391</u>
Total long-term liabilities	<u>\$ 3,355,777</u>	<u>\$ 7,642,213</u>	<u>\$ (3,333,847)</u>	<u>\$ 7,664,143</u>	<u>\$ 533,484</u>	<u>\$ 7,130,659</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Bond, Notes, and Loans Payable

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 issuance 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%. This note was currently refunded in 2016 with the issuance of the Borough’s General Obligation Bonds – Series of 2016.

As a result of the refunding, the Borough will have the following benefits:

(1) Cash Flow gain	\$ 187,081
(2) Economic gain	\$ 177,771

(1) Represents the difference between the cash flows required to service the old debt and the new debt, less bond issue costs.

(2) Represents the difference in present value of the old debt and new debt, less bond issue costs.

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

The Borough has a signed agreement with the Steinwehr Avenue, Heart of Gettysburg Battlefield Neighborhood Improvement District (“District”) (an unrelated third party) in which the Borough is to be reimbursed for 30% of the loan obligation by the District. The total amount to be reimbursed by the District is \$ 104,405. Per the agreement, the District is to make biannual payments to the Borough of \$ 5,600 beginning in 2010 through 2019. As of December 31, 2016, the total amount remaining to be reimbursed by the District was \$ 33,590. This is recorded as a receivable in the statement of net position with \$ 11,200 included as current accounts receivable and \$ 22,390 as noncurrent accounts receivable.

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

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2016.

	2009 PIB Loan		2015 PIB Loan		2016 GO Bond (Borough Portion)		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 33,248	\$ 1,795	\$ 36,721	\$ 8,688	\$ 405,000	\$ 153,033	\$ 474,969	\$ 163,516
2018	33,791	1,253	37,320	5,027	415,000	144,933	486,111	151,213
2019	34,342	702	37,929	4,414	425,000	132,483	497,271	137,599
2020	17,381	141	38,548	3,790	460,000	119,733	515,929	123,664
2021	-	-	39,177	3,156	490,000	105,933	529,177	109,089
2022-2026	-	-	184,358	6,072	2,670,000	353,163	2,854,358	359,235
2027-2029	-	-	-	-	1,795,000	76,535	1,795,000	76,535
	<u>\$ 118,762</u>	<u>\$ 3,891</u>	<u>\$ 374,053</u>	<u>\$ 31,147</u>	<u>\$ 6,660,000</u>	<u>\$ 1,085,813</u>	<u>\$ 7,152,815</u>	<u>\$ 1,120,851</u>

Interest Expense

For the year ended December 31, 2016, the Borough incurred interest expense of \$ 102,775.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Discretely Presented Municipal Authority

The changes in long-term liabilities during the year ended December 31, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Bonds and notes payable						
(A) 2010 Sewer revenue bonds	\$ 6,285,000	\$ -	\$ (6,285,000)	\$ -	\$ -	\$ -
Unamortized bond discount/loss	(42,784)	-	42,784	-	-	-
	<u>6,242,216</u>	<u>-</u>	<u>(6,242,216)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(B) 2010 GO Bonds - Water	1,325,000	-	(1,325,000)	-	-	-
Other bond related costs	(34,421)	-	34,421	-	-	-
	<u>1,290,579</u>	<u>-</u>	<u>(1,290,579)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(C) 2012 GO Bonds - Sewer	6,580,000	-	(770,000)	5,810,000	785,000	5,025,000
Other bond related costs	95,378	-	(11,517)	83,861	51,722	32,139
	<u>6,675,378</u>	<u>-</u>	<u>(781,517)</u>	<u>5,893,861</u>	<u>836,722</u>	<u>5,057,139</u>
(D) 2015 Sewer revenue bonds	5,335,000	-	(5,000)	5,330,000	10,000	5,320,000
Other bond related costs	23,324	-	(1,238)	22,086	1,238	20,848
	<u>5,358,324</u>	<u>-</u>	<u>(6,238)</u>	<u>5,352,086</u>	<u>11,238</u>	<u>5,340,848</u>
(E) 2016 Sewer revenue bonds	-	6,540,000	(20,000)	6,520,000	45,000	6,475,000
Other bond related costs	-	(52,829)	1,855	(50,974)	(3,950)	(47,024)
	<u>-</u>	<u>6,487,171</u>	<u>(18,145)</u>	<u>6,469,026</u>	<u>41,050</u>	<u>6,427,976</u>
(F) 2016 GO Bonds - Water	-	1,340,000	(565,000)	775,000	575,000	200,000
Other bond related costs	-	21,976	(38,794)	(16,818)	9,301	(26,119)
	<u>-</u>	<u>1,361,976</u>	<u>(603,794)</u>	<u>758,182</u>	<u>584,301</u>	<u>173,881</u>
Total long-term liabilities	\$ 19,566,497	\$ 7,849,147	\$ (8,942,489)	\$ 18,473,155	\$ 1,473,311	\$ 16,999,844

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

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

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

- (A) **General Obligation Bond Sewer- Series of 2010** – In May 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 were due through November 15, 2018; fixed interest rates vary from 1.00% to 3.30%. The Borough issued General Obligation Bond – Series of 2016 in the current year to refund this bond.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Discretely Presented Municipal Authority (Continued)

- (B) **Sewer Revenue Bonds – Series of 2010** – In December 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%. If the Authority cannot meet the obligations of this debt, the Borough would take over payments and invoice the Authority for reimbursement.
- (C) **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%.
- (D) **Sewer Revenue Bonds – Series of 2015** – In May 2015, the Authority issued Revenue Bonds in the principal amount of \$ 5,355,000 to fund capital improvements to its public sanitary sewer system and to pay the costs of issuing and insuring the bonds. The Borough guaranteed the payment of the bonds by pledging its full faith, credit, and taxing power. The bonds are payable in annual principal installments ranging from \$ 5,000 to \$ 1,315,000 through November 15, 2034, and interest ranging from 2.00% to 4.00%.
- (E) **Sewer Revenue Bonds – Series of 2016** – In June 2016, the Authority issued Revenue Bonds in the principal amount of \$ 6,540,000 to refund the 2010 Sewer Revenue Bonds. The Borough guaranteed the payment of the bonds by pledging its full faith, credit, and taxing power. The bonds are payable from revenues of the Authority. Principal installments range from \$20,000 to \$1,080,000 through November 15, 2029. The interest rate ranges from 2.00% to 2.50%.
- (F) **General Obligation Bonds Water – Series of 2016** – In June 2016, the Borough issued General Obligation Bonds to presently refund the 2010 General Obligation Bonds. The Authority portion of this issuance in the amount of \$1,340,000 is payable from the revenues of the Authority. Annual installments range from \$565,000 to \$200,000 through November 15, 2018, interest ranging from 2.00% to 3.00%.

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Discretely Presented Municipal Authority (Continued)

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments required at December 31, 2016.

	Total	
	Principal	Interest
2017	\$ 1,415,000	\$ 484,538
2018	1,055,000	456,238
2019	875,000	433,140
2020	895,000	415,638
2021	910,000	397,740
2022-2026	4,855,000	1,683,521
2027-2031	5,580,000	1,091,336
2032-2036	<u>2,850,000</u>	<u>173,124</u>
	<u>\$ 18,435,000</u>	<u>\$ 5,135,275</u>

Interest Expense

For the year ended December 31, 2016 the Authority incurred interest expense of \$567,552.

Capital Leases

The Borough is financing the purchase of two police cars and a backhoe loader through capital leases with vendors. At December 31, 2016, the leased assets have a gross capitalized value of \$ 157,525 and accumulated depreciation of \$ 16,258, leaving a net book value of \$ 141,267 that is included in capital assets. Amortization expense of \$ 16,258 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at December 31, 2016, is as follows:

2017	\$ 42,657
2018	42,655
2019	19,678
2020	<u>19,679</u>
	124,669
Amount representing interest	<u>(7,606)</u>
	<u>\$ 117,063</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 8 OPERATING LEASES

Borough

Lease Expense

The Borough entered into a long-term land lease with PNC Bank, N.A. for land on which the parking garage facility is located. Lease expense during 2016 was \$ 27,000.

Subsequent Event

On January 12, 2017, the Borough purchased the land from PNC Bank at a cost of \$ 750,000.

NOTE 9 PENSION PLANS

General Information About the Pension Plans

Plan Description

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

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

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

Police Pension Plan Description

The Plan covers all full-time members of the police force. The plan provides retirement benefits as well as death benefits. If a participant is eligible for retirement, a death benefit is payable. Employees are entitled to an annual cost-of-living increase.

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.

NOTE 9 PENSION PLANS (CONTINUED)

General Information About the Pension Plans

Benefits Provided

Police Pension Plan Benefits

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

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

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

Non-Uniform Pension Plan Benefits

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

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

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

Contribution Requirements for Both Plans

Act 205

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

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

	Police	Non-Uniform
Annual required contribution	\$ 117,676	\$ 145,566
Contributions made - employer	(12,684)	(66,823)
Contributions made - state	(104,992)	(78,743)
	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 9 PENSION PLANS (CONTINUED)

General Information About the Pension Plans (Continued)

Plan Membership

	Police	Non-Uniform
Active plan members	10	18
Inactive plan members or beneficiaries currently receiving benefits	11	17
Inactive plan members entitled to but not yet receiving benefits	<u>3</u>	<u>10</u>
Total	<u><u>24</u></u>	<u><u>45</u></u>

Net Pension Liability

Actuarial Methods and Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liabilities as of and December 31, 2016 were determined as part of actuarial valuations at January 1, 2015. Update procedures were used to roll forward the liabilities to the plan's fiscal year ending December 31, 2016. The reports were based upon the Plans' actuarial assumptions, asset valuation methods, and cost methods as described below:

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

* Net of pension plan investment expense including inflation

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

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 9 PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

Long Term Expected Rate of Return

The long term expected rate of return on the Plans' investments was determined using an asset allocation study conducted by the Plans' investment management consultant in December 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return (excluding investment expense) for each major asset class included in the Plans' target asset allocation as of December 31, 2016 are listed in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity		
Large Cap - Core	13.80%	7.75%
Large Cap - Value	12.60%	7.65%
Large Cap - Growth	12.60%	8.05%
Medium Cap - Value	2.25%	8.35%
Medium Cap - Growth	2.25%	9.05%
Small Cap - Value	2.25%	9.15%
Small Cap - Growth	2.25%	10.05%
International Equity	12.00%	7.65%
Fixed Income	35.00%	2.75%
Alternative/Real Estate	5.00%	4.85%
Cash	0.00%	0.45%
	<u>100.00%</u>	<u>5.55%</u>
Inflation expectation excluded above		<u>2.25%</u>
Long term expected rate of return (including inflation)		<u>7.80%</u>

Discount Rate

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

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 9 PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
POLICE PENSION PLAN			
Balances at December 31, 2015	\$ 4,716,885	\$ 4,718,246	\$ (1,361)
Changes for the year:			
Service cost	123,514	-	123,514
Interest	341,605	-	341,605
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions - employer	-	117,676	(117,676)
Contributions - employee	-	-	-
Net investment income (loss)	-	213,509	(213,509)
Benefit payments, including refunds of employee contributions	(257,206)	(257,206)	-
Administrative expenses	-	(42,488)	42,488
Other charges	-	-	-
Net changes	<u>207,913</u>	<u>31,491</u>	<u>176,422</u>
Balances at December 31, 2016	<u>\$ 4,924,798</u>	<u>\$ 4,749,737</u>	<u>\$ 175,061</u>
NON-UNIFORM PENSION PLAN			
Balances at December 31, 2015	\$ 3,071,072	\$ 2,738,623	\$ 332,449
Changes for the year:			
Service cost	70,435	-	70,435
Interest	223,438	-	223,438
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions - employer	-	145,566	(145,566)
Contributions - employee	-	-	-
Net investment income (loss)	-	126,642	(126,642)
Benefit payments, including refunds of employee contributions	(119,215)	(119,215)	-
Administrative expenses	-	(24,489)	24,489
Other charges	-	-	-
Net changes	<u>174,658</u>	<u>128,504</u>	<u>46,154</u>
Balances at December 31, 2016	<u>\$ 3,245,730</u>	<u>\$ 2,867,127</u>	<u>\$ 378,603</u>
COMBINED PLANS			
Balances at December 31, 2016	<u>\$ 8,170,528</u>	<u>\$ 7,616,864</u>	<u>\$ 553,664</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 9 PENSION PLANS (CONTINUED)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Police pension plan			
Total pension liability	\$ 737,217	\$ 175,061	\$ (298,025)
Non-Uniform pension plan			
Total pension liability	<u>708,064</u>	<u>378,603</u>	<u>95,291</u>
Total Net Pension Liability	<u>\$ 1,445,281</u>	<u>\$ 553,664</u>	<u>\$ (202,734)</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2016, the Borough recognized pension expense of \$ 470,915. At December 31, 2016, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Police Pension Plan		Non-Uniform Pension Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 132,773	\$ 61,192	\$ -	\$ 61,192	\$ 132,773
Net difference between project and actual earnings on pension plan investments	<u>320,802</u>	<u>-</u>	<u>184,606</u>	<u>-</u>	<u>505,408</u>	<u>-</u>
Total	<u>\$ 320,802</u>	<u>\$ 132,773</u>	<u>\$ 245,798</u>	<u>\$ -</u>	<u>\$ 566,600</u>	<u>\$ 132,773</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 9 PENSION PLANS (CONTINUED)

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

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

	Police Pension Plan	Non-Uniform Pension Plan	Total
Year ended December 31:			
2017	\$ 75,151	\$ 99,115	\$ 174,266
2018	75,151	75,903	151,054
2019	75,150	56,911	132,061
2020	170	13,869	14,039
2021	(23,795)	-	(23,795)
Thereafter	(13,798)	-	(13,798)
	<u>\$ 188,029</u>	<u>\$ 245,798</u>	<u>\$ 433,827</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 State Association of Boroughs (PSAB).

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 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, 2016

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 \$ 18,000 in 2016.

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	\$ 182,774	\$ 273,437	\$ -	\$ -	\$ 456,211
Inventory	9,647	-	-	-	9,647
	<u>192,421</u>	<u>273,437</u>	<u>-</u>	<u>-</u>	<u>465,858</u>
Total nonspendable					
Restricted for:					
USS Gettysburg	-	-	1,586	-	1,586
Housing and redevelopment	-	-	-	323,277	323,277
Future capital expenditures	-	148,010	311,489	-	459,499
Unspent bond proceeds	-	3,425,091	-	-	3,425,091
Company K maintenance	-	-	-	7,016	7,016
Highway Department	-	-	-	251,357	251,357
Community Development	-	-	-	5,242	5,242
Police Department	12,729	-	-	-	12,729
Fire Department	-	-	-	155,090	155,090
Total restricted	<u>12,729</u>	<u>3,573,101</u>	<u>313,075</u>	<u>741,982</u>	<u>4,640,887</u>
Committed for:					
Debt service payments	-	-	-	312,701	312,701
Assigned for:					
Police Department	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,500</u>
Unassigned	<u>1,248,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,248,121</u>
Total fund balances	<u>\$ 1,461,771</u>	<u>\$ 3,846,538</u>	<u>\$ 313,075</u>	<u>\$ 1,054,683</u>	<u>\$ 6,676,067</u>

BOROUGH OF GETTYSBURG
Notes to Financial Statements
December 31, 2016

NOTE 14 COMMITMENTS

Subsequent Events

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

Project	Total Estimated Costs
Street Improvements	\$ 402,169
Street Improvements	178,475
CDBG Curb Replacements	117,200
Inner Loop Phase A	1,704,690
	<u>\$ 2,402,534</u>

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF GETTYSBURG
Required Supplementary Information
Schedule of Changes in Net Pension Liability – Police Plan
Year Ended December 31, 2016

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

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

BOROUGH OF GETTYSBURG
Required Supplementary Information
Schedule of Changes in Net Pension Liability – Non-Uniform Plan
Year Ended December 31, 2016

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

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

BOROUGH OF GETTYSBURG
Required Supplementary Information
Schedule of Contributions – Pension Plans
Year Ended December 31, 2016

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	
Police	N/A
Non-Uniform	4 years - 2015 & 2016; 7 years - 2014
Asset valuation method	Market Value - 2015 & 2016; Asset Smoothing - 2014
Salary increases	
Police	4.50%
Non-Uniform	4.25%
Investment rate of return net of pension plan expenses including inflation	7.25%
Mortality	
Police	Blue Collar RP-2000
Non-Uniform	RP-2000
Retirement age	
Police	50
Non-Uniform	65
Cost of living adjustments	
Police	CPI
Non-Uniform	None

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

BOROUGH OF GETTYSBURG
Required Supplementary Information
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 2,841,391	\$ 2,841,391	\$ 2,991,217	\$ 149,826
Licenses and permits	97,850	97,850	114,205	16,355
Fines and forfeits	207,800	207,800	204,735	(3,065)
Interest earnings	1,500	1,500	1,333	(167)
Rents	15,000	15,000	-	(15,000)
Intergovernmental	399,000	399,000	428,939	29,939
Charges for services	936,300	936,300	1,153,517	217,217
Donations	6,000	6,000	56,852	50,852
Miscellaneous	176,656	176,656	32,121	(144,535)
Total revenues	<u>4,681,497</u>	<u>4,681,497</u>	<u>4,982,919</u>	<u>301,422</u>
EXPENDITURES				
General government	903,065	903,065	902,665	400
Public safety	1,831,429	1,831,429	1,954,490	(123,061)
Health and welfare	1,500	1,500	1,000	500
Public works	1,315,666	1,315,666	1,330,777	(15,111)
Culture and recreation	91,464	91,464	78,407	13,057
Community development	30,500	30,500	30,000	500
Debt service	-	-	42,655	(42,655)
Total expenditures	<u>4,173,624</u>	<u>4,173,624</u>	<u>4,339,994</u>	<u>(166,370)</u>
Excess (deficiency) of revenues over expenditures	<u>507,873</u>	<u>507,873</u>	<u>642,925</u>	<u>135,052</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	157,525	157,525
Transfers in (out)	(507,873)	(507,873)	(518,172)	(10,299)
Total other financing sources and uses	<u>(507,873)</u>	<u>(507,873)</u>	<u>(360,647)</u>	<u>147,226</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,278</u>	<u>\$ 282,278</u>

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF GETTYSBURG
Combining Balance Sheet - Other Governmental Funds (Nonmajor)
December 31, 2016

	Highway Aid Fund	Company K Fund	Fire Tax Fund	Debt Service Fund	Small Communities Program Fund	Revolving Loan Fund	Total Other Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 254,822	\$ -	\$ 137,102	\$ 312,701	\$ 1,539	\$ 73,277	\$ 779,441
Investments	-	7,016	-	-	-	250,000	257,016
Taxes receivable, net	-	-	6,718	-	-	-	6,718
Grants receivable	-	-	-	-	3,876	-	3,876
Due from other funds	-	-	16,471	-	-	-	16,471
Total assets	<u>254,822</u>	<u>7,016</u>	<u>160,291</u>	<u>312,701</u>	<u>5,415</u>	<u>323,277</u>	<u>1,063,522</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	<u>3,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>-</u>	<u>3,638</u>
Total liabilities	<u>3,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>-</u>	<u>3,638</u>
Deferred inflows of resources							
Unavailable tax revenue	<u>-</u>	<u>-</u>	<u>5,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,201</u>
Fund balances							
Restricted	251,357	7,016	155,090	-	5,242	323,277	741,982
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,701</u>	<u>-</u>	<u>-</u>	<u>312,701</u>
Total fund balances	<u>251,357</u>	<u>7,016</u>	<u>155,090</u>	<u>312,701</u>	<u>5,242</u>	<u>323,277</u>	<u>1,054,683</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 254,822</u>	<u>\$ 7,016</u>	<u>\$ 160,291</u>	<u>\$ 312,701</u>	<u>\$ 5,415</u>	<u>\$ 323,277</u>	<u>\$ 1,063,522</u>

BOROUGH OF GETTYSBURG
Combining Statement of Revenues, Expenditures and Changes in Fund
Balances - Other Governmental Funds (Nonmajor)
Year Ended December 31, 2016

	Highway Aid Fund	Company K Fund	Fire Tax Fund	Debt Service Fund	Small Communities Program Fund	Revolving Loan Fund	Total Other Governmental Funds
REVENUES							
Taxes	\$ -	\$ -	\$ 124,857	\$ -	\$ -	\$ -	\$ 124,857
Investment earnings	278	56	-	-	14	283	631
Intergovernmental	180,974	-	-	-	256,545	-	437,519
Miscellaneous	-	-	-	11,200	-	-	11,200
Total revenues	<u>181,252</u>	<u>56</u>	<u>124,857</u>	<u>11,200</u>	<u>256,559</u>	<u>283</u>	<u>574,207</u>
EXPENDITURES							
Public works	92,007	-	-	-	-	-	92,007
Public safety	-	-	47,758	-	-	-	47,758
Community development	-	-	-	-	94,614	-	94,614
Debt service	-	-	-	508,109	-	-	508,109
Total expenditures	<u>92,007</u>	<u>-</u>	<u>47,758</u>	<u>508,109</u>	<u>94,614</u>	<u>-</u>	<u>742,488</u>
Excess (deficiency) of revenues over expenditures / net change in fund balances	<u>89,245</u>	<u>56</u>	<u>77,099</u>	<u>(496,909)</u>	<u>161,945</u>	<u>283</u>	<u>(168,281)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from extended term financing	-	-	-	2,946,701	-	-	2,946,701
Payment to refund bonds	-	-	-	(2,939,018)	-	-	(2,939,018)
Bond premium	-	-	-	43,436	-	-	43,436
Transfers in (out)	10,299	-	-	507,873	-	-	518,172
Total other financing sources and uses	<u>10,299</u>	<u>-</u>	<u>-</u>	<u>558,992</u>	<u>-</u>	<u>-</u>	<u>569,291</u>
Net change in fund balances	<u>99,544</u>	<u>56</u>	<u>77,099</u>	<u>62,083</u>	<u>161,945</u>	<u>283</u>	<u>401,010</u>
Fund balances - beginning	<u>151,813</u>	<u>6,960</u>	<u>77,991</u>	<u>250,618</u>	<u>(156,703)</u>	<u>322,994</u>	<u>653,673</u>
Fund balances - ending	<u>\$ 251,357</u>	<u>\$ 7,016</u>	<u>\$ 155,090</u>	<u>\$ 312,701</u>	<u>\$ 5,242</u>	<u>\$ 323,277</u>	<u>\$ 1,054,683</u>