

Audited
Financial
Statements

December 31,
2016

Gettysburg Municipal Authority

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INDEPENDENT AUDITOR'S REPORT

Authority Members
Gettysburg Municipal Authority
Gettysburg, Pennsylvania

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Gettysburg Municipal Authority, a component unit of the Borough of Gettysburg, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 audits. We conducted our audits 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 business-type activities and the aggregate remaining fund information of the Gettysburg Municipal Authority as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof 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 4 through 7, the Schedule of Changes in the Authority's Net Pension Liability and Related Ratios on page 36, the Schedule of Authority Contributions on page 37, and the Schedule of Investment Returns on page 38 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 Gettysburg Municipal Authority's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Compliance with Trust Indenture

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the terms, covenants, provisions or conditions of sections 4.07 to 6.04, inclusive, of the Trust Indentures dated December 7, 2010, and applicable supplemental indentures with the Trustees, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

Restricted Use Relating to Other Matters - Compliance with Trust Indenture

The communication related to the compliance with the aforementioned Indenture described in the Other Matters - Compliance with Trust Indenture paragraph is intended solely for the information and use of the Authority members and management of the Gettysburg Municipal Authority and the Trustee, and is not intended to be and should not be used by anyone other than these specified parties.

Smith & Elliott Pearn & Company, LLC

Chambersburg, Pennsylvania
June 15, 2017

GETTYSBURG MUNICIPAL AUTHORITY

Management's Discussion and Analysis

For the Years Ended December 31, 2016 and 2015

Our discussion and analysis of the Gettysburg Municipal Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2016. Readers should also review the auditor's report, financial statements and related footnotes to the financial statements to further enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

The interceptor project was completed and fully operational in February 2016. The replacement of commercial meters is in the final stage of completion. The Water Street rehabilitation project was completed in the spring of 2016 and Zerfing Alley rehabilitation was completed in June 2016 and sewer lines were relocated by the Lefever Street tennis courts. A new billing system was purchased and placed in service in May 2016. Electrical panels were updated at the Gettysburg waste water treatment plant and Gettysburg water treatment plant to comply with ARC Flash requirements.

Revenues in the water fund in 2016 increased slightly due to an increase in customer base and tapping fees. Revenues in the sewer fund in 2016 increased due to a 5% rate increase in 2016.

The water fund operating expenses remained relatively stable from 2015. The total sewer fund expenses increased 4% overall from the 2015 level. The major reason for the increase was due to a increase in depreciation expense due to the completion of the Interceptor project.

Change in net position for the sewer fund decreased in comparison to last year as a result of bond issuance costs, increase in interest expense, a decrease in operating income with rate increases offset by increases in depreciation expense in the current year. Change in net position for the water fund increased in comparison to last year due to tapping fees, service fees and health insurance reimbursement but was offset by bond issuance costs in the current year.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position provide information about the activities of the Authority as a whole and present a longer term view of the Authority's finances.

The statements are fund financial statements that focus on individual parts of the Authority's operations in detail. These proprietary fund statements offer short and long term information about the activities the Authority operates like a business. For the Authority, this business like activity is the Water Fund and Sewer Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are an integral part of the basic financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

Fund Financial Statements

Proprietary funds - These funds are used to account for the Authority activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Authority charges customers for services it provides, these services are generally reported in proprietary funds and are business-type activities.

GETTYSBURG MUNICIPAL AUTHORITY
Management's Discussion and Analysis
For the Years Ended December 31, 2016 and 2015

The Authority's fund financial statements provide detailed information about the individual funds of the Authority as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Position regardless of when cash is received or paid.

Fiduciary Fund - This fund is used to account for the pension plan for the Authority employees. The financial statement for the Fiduciary Fund uses the accrual basis of accounting. Revenues and expenses are accounted for in the Statement of Changes in Fiduciary Net Position.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

Our analysis of the Authority as a whole begins with the Statement of Net Position. One of the most important questions regarding the Authority's finances asks "Is the Authority as a whole better off or worse as a result of the year's activities"? The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. You can think of the Authority's net position (the difference between assets, what the Authority owns, and liabilities, what the Authority owes) as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

GETTYSBURG MUNICIPAL AUTHORITY
Management's Discussion and Analysis
For the Years Ended December 31, 2016 and 2015

FINANCIAL ANALYSIS

The following tables' present condensed information on the statements of net position as of December 31, 2014, 2015 and 2016, and the changes in net position for the years then ended:

Table 1

Statements of Net Position as of December 31, 2014 and 2015, 2016

	2014	2015	2016
Current and other assets	\$ 6,972,526	\$ 9,023,775	\$ 8,231,099
Capital assets	50,980,287	53,625,248	52,091,441
Deferred outflows of resources	<u>329,315</u>	<u>440,235</u>	<u>822,826</u>
Total assets and deferred outflows of resources	<u>\$ 58,282,128</u>	<u>\$ 63,089,258</u>	<u>\$ 61,145,366</u>
Current liabilities	\$ 1,576,061	\$ 2,531,000	\$ 1,702,546
Long-term obligations	<u>14,137,184</u>	<u>18,488,123</u>	<u>17,697,933</u>
Total liabilities	<u>\$ 15,713,245</u>	<u>\$ 21,019,123</u>	<u>\$ 19,400,479</u>
Deferred inflows related to pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,845</u>
NET POSITION			
Net investment in capital assets	\$ 35,802,508	\$ 35,173,890	\$ 34,201,774
Unrestricted	<u>6,766,375</u>	<u>6,896,245</u>	<u>7,530,268</u>
Total net position	<u>\$ 42,568,883</u>	<u>\$ 42,070,135</u>	<u>\$ 41,732,042</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 58,282,128</u>	<u>\$ 63,089,258</u>	<u>\$ 61,145,366</u>

Table 2

Changes in Fund Net Position for 2014, 2015 and 2016

	2014	2015	2016
Operating Revenues:			
Charges for services	\$ 5,271,968	\$ 5,448,054	\$ 5,597,123
Tapping and connection fees	42,596	139,628	171,004
Other	<u>190,401</u>	<u>237,374</u>	<u>295,710</u>
Total revenues	<u>\$ 5,504,965</u>	<u>\$ 5,825,056</u>	<u>\$ 6,063,837</u>
Expenses:			
Operating expenses	\$ 5,911,345	\$ 5,524,594	\$ 5,688,643
Other	<u>532,694</u>	<u>643,695</u>	<u>713,287</u>
Total expenses	6,444,039	6,168,289	6,401,930
Capital Contributions	<u>207,600</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ (731,474)</u>	<u>\$ (343,233)</u>	<u>\$ (338,093)</u>

GETTYSBURG MUNICIPAL AUTHORITY
Management's Discussion and Analysis
For the Years Ended December 31, 2016 and 2015

Capital Assets Activity

The Water Fund added capital assets of \$ 73,762 consisting of billing software, Water Street extension, ARC Flash program and meter upgrade. Construction in progress increased \$ 18,825. These additions are comprised of planning of the water tank storage, Route 116 bridge relocation and well automation projects.

The Sewer Fund saw activity which added capital assets in the amount of \$ 5,731,686 in building and equipment, and a decrease of \$ 5,097,389 in construction in progress. The additions to capital assets were the Interceptor project, billing software, ARC Flash program, rehabilitation of Zerfing Alley and relocation of Lefever Street sewer lines. Construction in progress decreased due to placing the Interceptor project in service.

For a detailed breakdown of capital assets see Note 5, Capital Assets.

Debt Administration

As of December 31, 2016 the Authority had outstanding bonds payable of \$ 18,473,155. During the year the Authority decreased the balance by \$ 1,093,342 from principal payments during the year.

For a detailed breakdown of bonds payable see Note 6, Long-Term Debt. The following shows the total bond debt at December 31, 2016, 2015, and 2014:

Table 3

Bonds Payable

	2014	2015	2016
Sewer Fund	\$ 13,690,909	\$ 18,275,918	\$ 17,714,973
Water Fund	<u>1,812,865</u>	<u>1,290,579</u>	<u>758,182</u>
Total Bonds Payable	<u>\$ 15,503,774</u>	<u>\$ 19,566,497</u>	<u>\$ 18,473,155</u>

Next Year's Budget and Economic Impact

The 2017 Water Fund budget operating revenues had a 5% rate increase in 2017. Capital projects are planned for 2017 and will be funded from the cash on hand. The purchase of a service vehicle, dump truck and Old Harrisburg Road project represent the largest capital projects.

The 2017 Sewer Fund operating revenues and expenses budget for 2017 remains stable. The expenses budgeted for 2017 decreased slightly due to a decrease in debt service interest. The remainder of expenses are anticipated to remain at 2016 levels. The purchase of a service vehicle, dump truck and sewer main lining represent the largest capital projects.

Request for Information

The financial reports are available for review Monday through Friday, between the hours of 8:00 AM and 2:00 PM. This financial report is designed to provide our citizens, investors, creditors, taxpayers and ratepayers with an overview of the Authority's finances. If you have questions or need additional financial information, please contact the Finance Director, Gettysburg Municipal Authority, 601 East Middle Street, Gettysburg, Pennsylvania 17325.

GETTYSBURG MUNICIPAL AUTHORITY
Statements of Net Position - Proprietary Funds
December 31, 2016 and 2015

	Water Fund		Sewer Fund		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current assets						
Cash and cash equivalents	\$ 2,986,714	\$ 2,382,195	\$ 2,387,902	\$ 3,769,162	\$ 5,374,616	\$ 6,151,357
Investments - certificates of deposit	1,017,488	1,008,716	-	-	1,017,488	1,008,716
Accounts receivable - net	385,872	322,339	364,943	331,389	750,815	653,728
Interfund balances	(721,988)	(396,069)	721,988	396,069	-	-
Interest receivable	1,886	2,145	-	-	1,886	2,145
Unbilled revenue	243,077	236,807	403,402	395,717	646,479	632,524
Inventory	50,312	46,015	2,264	3,464	52,576	49,479
Prepaid expenses	45,294	43,082	44,754	52,309	90,048	95,391
Total current assets	<u>4,008,655</u>	<u>3,645,230</u>	<u>3,925,253</u>	<u>4,948,110</u>	<u>7,933,908</u>	<u>8,593,340</u>
Noncurrent assets						
Accounts receivable	100,000	200,000	160,023	160,023	260,023	360,023
Bond issue costs - net	-	-	37,168	70,412	37,168	70,412
Capital assets, not being depreciated:						
Land and easements	353,238	353,238	39,122	39,122	392,360	392,360
Construction in progress	465,532	446,707	23,106	5,120,495	488,638	5,567,202
Capital assets, being depreciated:						
Buildings and infrastructure	7,299,123	7,299,123	31,520,737	31,520,737	38,819,860	38,819,860
Wells	3,308,306	3,308,306	-	-	3,308,306	3,308,306
Lift stations	-	-	775,711	775,711	775,711	775,711
Equipment and lines	15,536,559	15,462,797	33,888,034	28,156,348	49,424,593	43,619,145
Less accumulated depreciation	<u>(13,345,601)</u>	<u>(12,626,950)</u>	<u>(27,772,426)</u>	<u>(26,230,386)</u>	<u>(41,118,027)</u>	<u>(38,857,336)</u>
Total capital assets	<u>13,617,157</u>	<u>14,243,221</u>	<u>38,474,284</u>	<u>39,382,027</u>	<u>52,091,441</u>	<u>53,625,248</u>
Total noncurrent assets	<u>13,717,157</u>	<u>14,443,221</u>	<u>38,671,475</u>	<u>39,612,462</u>	<u>52,388,632</u>	<u>54,055,683</u>
Total assets	<u>17,725,812</u>	<u>18,088,451</u>	<u>42,596,728</u>	<u>44,560,572</u>	<u>60,322,540</u>	<u>62,649,023</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	-	-	379,061	291,075	379,061	291,075
Deferred outflows related to pension liability	<u>195,833</u>	<u>66,287</u>	<u>247,932</u>	<u>82,873</u>	<u>443,765</u>	<u>149,160</u>
Total deferred outflows of resources	<u>195,833</u>	<u>66,287</u>	<u>626,993</u>	<u>373,948</u>	<u>822,826</u>	<u>440,235</u>
Total assets and deferred outflows of resources	<u>\$ 17,921,645</u>	<u>\$ 18,154,738</u>	<u>\$ 43,223,721</u>	<u>\$ 44,934,520</u>	<u>\$ 61,145,366</u>	<u>\$ 63,089,258</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 39,196	\$ 30,017	\$ 55,799	\$ 977,063	\$ 94,995	\$ 1,007,080
Accrued interest	-	-	43,767	56,645	43,767	56,645
Accrued payroll and related liabilities	8,660	7,261	17,374	14,986	26,034	22,247
Consumer deposits	31,187	29,795	33,252	19,673	64,439	49,468
Current portion of bonds payable	-	-	52,288	13,149	52,288	13,149
Current portion of due to Borough - bonds payable	<u>584,301</u>	<u>554,914</u>	<u>836,722</u>	<u>827,497</u>	<u>1,421,023</u>	<u>1,382,411</u>
Total current liabilities	<u>663,344</u>	<u>621,987</u>	<u>1,039,202</u>	<u>1,909,013</u>	<u>1,702,546</u>	<u>2,531,000</u>
Noncurrent liabilities						
Bonds payable	-	-	11,768,824	11,587,391	11,768,824	11,587,391
Due to Borough - bonds payable	173,881	735,665	5,057,139	5,847,881	5,231,020	6,583,546
Net pension obligation	<u>308,067</u>	<u>140,957</u>	<u>390,022</u>	<u>176,229</u>	<u>698,089</u>	<u>317,186</u>
Total noncurrent liabilities	<u>481,948</u>	<u>876,622</u>	<u>17,215,985</u>	<u>17,611,501</u>	<u>17,697,933</u>	<u>18,488,123</u>
Total liabilities	<u>1,145,292</u>	<u>1,498,609</u>	<u>18,255,187</u>	<u>19,520,514</u>	<u>19,400,479</u>	<u>21,019,123</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension liability	<u>5,668</u>	<u>-</u>	<u>7,177</u>	<u>-</u>	<u>12,845</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	12,848,378	12,952,642	21,353,396	22,221,248	34,201,774	35,173,890
Unrestricted	<u>3,922,307</u>	<u>3,703,487</u>	<u>3,607,961</u>	<u>3,192,758</u>	<u>7,530,268</u>	<u>6,896,245</u>
Total net position	<u>16,770,685</u>	<u>16,656,129</u>	<u>24,961,357</u>	<u>25,414,006</u>	<u>41,732,042</u>	<u>42,070,135</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,921,645</u>	<u>\$ 18,154,738</u>	<u>\$ 43,223,721</u>	<u>\$ 44,934,520</u>	<u>\$ 61,145,366</u>	<u>\$ 63,089,258</u>

GETTYSBURG MUNICIPAL AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
Years Ended December 31, 2016 and 2015

	Water Fund		Sewer Fund		Total	
	2016	2015	2016	2015	2016	2015
OPERATING REVENUES						
Service fees	\$ 2,038,856	\$ 2,014,567	\$ 3,283,451	\$ 3,162,342	\$ 5,322,307	\$ 5,176,909
Connection fees	8,251	4,066	200	-	8,451	4,066
Penalties	20,069	19,910	31,134	33,429	51,203	53,339
Other operating revenue	20,392	9,145	23,743	12,237	44,135	21,382
Hunterstown fees	-	-	179,478	196,424	179,478	196,424
Total operating revenues	<u>2,087,568</u>	<u>2,047,688</u>	<u>3,518,006</u>	<u>3,404,432</u>	<u>5,605,574</u>	<u>5,452,120</u>
OPERATING EXPENSES						
Purification system	721,692	708,945	-	-	721,692	708,945
Distribution system	350,442	340,975	-	-	350,442	340,975
Collection system	-	-	228,240	265,961	228,240	265,961
Pumping station	-	-	73,035	95,492	73,035	95,492
Disposal system	-	-	985,718	889,722	985,718	889,722
General operating	433,870	428,619	416,351	416,175	850,221	844,794
Professional fees	20,316	26,166	30,502	26,204	50,818	52,370
Depreciation and amortization	722,444	719,616	1,465,689	1,359,728	2,188,133	2,079,344
Hunterstown depreciation	-	-	82,470	82,470	82,470	82,470
Hunterstown expenses	-	-	157,874	164,521	157,874	164,521
Total operating expenses	<u>2,248,764</u>	<u>2,224,321</u>	<u>3,439,879</u>	<u>3,300,273</u>	<u>5,688,643</u>	<u>5,524,594</u>
Operating income (loss)	<u>(161,196)</u>	<u>(176,633)</u>	<u>78,127</u>	<u>104,159</u>	<u>(83,069)</u>	<u>(72,474)</u>
NONOPERATING REVENUES (EXPENSES)						
Tapping fees	122,754	98,081	39,799	37,481	162,553	135,562
Investment income	13,236	11,385	3,894	2,841	17,130	14,226
Rental income	131,200	124,406	-	-	131,200	124,406
Health insurance reimbursement	65,437	47,423	81,943	47,423	147,380	94,846
Gain on sale of capital assets	-	1,948	-	1,948	-	3,896
Refund of previous year tap fee	-	(11,560)	-	-	-	(11,560)
Bond issuance costs	(20,008)	-	(142,064)	(133,721)	(162,072)	(133,721)
Interest expense	<u>(36,867)</u>	<u>(64,478)</u>	<u>(514,348)</u>	<u>(433,936)</u>	<u>(551,215)</u>	<u>(498,414)</u>
Total nonoperating revenues (expenses)	<u>275,752</u>	<u>207,205</u>	<u>(530,776)</u>	<u>(477,964)</u>	<u>(255,024)</u>	<u>(270,759)</u>
Change in net position	<u>114,556</u>	<u>30,572</u>	<u>(452,649)</u>	<u>(373,805)</u>	<u>(338,093)</u>	<u>(343,233)</u>
Total net position - beginning	<u>16,656,129</u>	<u>16,625,557</u>	<u>25,414,006</u>	<u>25,787,811</u>	<u>42,070,135</u>	<u>42,413,368</u>
Total net position - ending	<u>\$ 16,770,685</u>	<u>\$ 16,656,129</u>	<u>\$ 24,961,357</u>	<u>\$ 25,414,006</u>	<u>\$ 41,732,042</u>	<u>\$ 42,070,135</u>

GETTYSBURG MUNICIPAL AUTHORITY

Statements of Cash Flows - Proprietary Funds

Years Ended December 31, 2016 and 2015

	Water Fund		Sewer Fund		Total	
	2016	2015	2016	2015	2016	2015
Cash flows from operating activities:						
Receipts from customers	\$ 2,264,476	\$ 2,188,472	\$ 3,572,289	\$ 3,423,056	\$ 5,836,765	\$ 5,611,528
Payments to suppliers	(239,765)	(433,532)	(999,390)	(934,231)	(1,239,155)	(1,367,763)
Payments to and on behalf of employees	(926,760)	(902,868)	(1,143,579)	(1,125,198)	(2,070,339)	(2,028,066)
Net cash provided (used) by operating activities	<u>1,097,951</u>	<u>852,072</u>	<u>1,429,320</u>	<u>1,363,627</u>	<u>2,527,271</u>	<u>2,215,699</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	(81,990)	(89,811)	(1,546,229)	(3,673,747)	(1,628,219)	(3,763,558)
Proceeds from sale of assets	-	1,948	-	1,948	-	3,896
Proceeds from tap fees	74,072	98,081	39,799	37,481	113,871	135,562
Payment to refund previous year tap fee	-	(11,560)	-	-	-	(11,560)
Proceeds from capital grants/contributions	100,000	100,000	-	-	100,000	100,000
Proceeds from capital debt	1,340,000	-	6,540,000	5,335,000	7,880,000	5,335,000
Principal paid on debt	(1,890,000)	(540,000)	(7,080,000)	(765,000)	(8,970,000)	(1,305,000)
Interest and fiscal charges paid on debt	(40,237)	(52,232)	(767,433)	(617,924)	(807,670)	(670,156)
Net cash provided (used) by capital and related financing activities	<u>(498,155)</u>	<u>(493,574)</u>	<u>(2,813,863)</u>	<u>317,758</u>	<u>(3,312,018)</u>	<u>(175,816)</u>
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	991,228	-	-	-	991,228	-
Purchase of investments	(1,000,000)	(8,716)	-	-	(1,000,000)	(8,716)
Investment income	13,495	11,980	3,283	2,841	16,778	14,821
Net cash provided (used) by investing activities	<u>4,723</u>	<u>3,264</u>	<u>3,283</u>	<u>2,841</u>	<u>8,006</u>	<u>6,105</u>
Net increase (decrease) in cash and cash equivalents	<u>604,519</u>	<u>361,762</u>	<u>(1,381,260)</u>	<u>1,684,226</u>	<u>(776,741)</u>	<u>2,045,988</u>
Cash and cash equivalents - beginning of the year	<u>2,382,195</u>	<u>2,020,433</u>	<u>3,769,162</u>	<u>2,084,936</u>	<u>6,151,357</u>	<u>4,105,369</u>
Cash and cash equivalents - end of the year	<u>\$ 2,986,714</u>	<u>\$ 2,382,195</u>	<u>\$ 2,387,902</u>	<u>\$ 3,769,162</u>	<u>\$ 5,374,616</u>	<u>\$ 6,151,357</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities						
Operating income (loss)	\$ (161,196)	\$ (176,633)	\$ 78,127	\$ 104,159	\$ (83,069)	\$ (72,474)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization expense	722,444	719,616	1,548,159	1,442,198	2,270,603	2,161,814
Fiscal agent fees	-	-	611	-	611	-
Nonoperating income (rental income)	131,200	124,406	-	-	131,200	124,406
Health insurance surplus	62,609	47,423	81,943	47,423	144,552	94,846
(Increase) decrease in:						
Accounts and other receivables	(21,121)	(47,362)	(367,158)	(202,379)	(388,279)	(249,741)
Inventories	(4,297)	1,105	1,200	(780)	(3,097)	325
Prepaid expenses	(2,212)	(4,583)	7,555	(974)	5,343	(5,557)
Increase (decrease) in:						
Accounts payable	(1,418)	9,976	7,005	(14,431)	5,587	(4,455)
Accrued payroll and other expenses	1,399	(17,041)	15,967	(18,832)	17,366	(35,873)
Net pension liability and related items	43,232	5,559	55,911	6,952	99,143	12,511
Deferred revenue and deposits	327,311	189,606	-	291	327,311	189,897
Net cash provided (used) by operating activities	<u>\$ 1,097,951</u>	<u>\$ 852,072</u>	<u>\$ 1,429,320</u>	<u>\$ 1,363,627</u>	<u>\$ 2,527,271</u>	<u>\$ 2,215,699</u>

GETTYSBURG MUNICIPAL AUTHORITY
Statement of Fiduciary Net Position
December 31, 2016 and 2015

	Pension Trust Fund	
	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,461	\$ 12,875
Mutual funds	2,233,578	2,031,715
Equities	20,640	18,304
Interest receivable	1,013	1,391
Total assets	<u>\$ 2,271,692</u>	<u>\$ 2,064,285</u>
NET POSITION		
Held in trust for employee benefits and other purposes	<u>2,271,692</u>	<u>2,064,285</u>
Total net position	<u>\$ 2,271,692</u>	<u>\$ 2,064,285</u>

GETTYSBURG MUNICIPAL AUTHORITY
Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2016 and 2015

	Pension Trust Funds	
	2016	2015
ADDITIONS		
Employer contributions	\$ 131,442	\$ 146,154
Investment earnings		
Interest	75,491	93,107
Net increase (decrease) in fair value of investments	53,188	(95,648)
Total net investment earnings	128,679	(2,541)
Total additions	260,121	143,613
DEDUCTIONS		
Benefits	35,932	34,671
Administrative	16,782	16,145
Total deductions	52,714	50,816
Change in net position	207,407	92,797
Total net position - beginning	2,064,285	1,971,488
Total net position - ending	<u>\$ 2,271,692</u>	<u>\$ 2,064,285</u>

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1 DESCRIPTION OF ENTITY

Description of Operations

The Gettysburg Municipal Authority (the Authority) operates under a board-manager form of government and provides water and sewer services to the general public of the Borough of Gettysburg and surrounding areas.

Reporting Entity

The Authority was created by the Borough of Gettysburg (the Borough) on June 18, 1948, under the provisions of the Municipality Authorities Act of 1945, to provide water and sewer services to the residents of the Borough. Under criteria promulgated by the Governmental Accounting Standards Board (GASB), management has determined the Authority is a component unit of the Borough reporting entity. The basis for this determination is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations include the selection of governing authority, the ability to significantly influence operations and accountability for fiscal matters.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

Water and Sewer Funds

The water and sewer funds of the Authority are considered proprietary fund types, specifically enterprise funds. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, deferred outflow of resources, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; and (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority's water and sewer funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations are included on the statements of net position. Net position (i.e., total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) are segregated into net investment in capital assets; restricted; and unrestricted components.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued)

Pension Plan

The Authority has a separate pension plan for its employees. The plan is recorded as a Fiduciary Fund which focuses on net position and changes in net position.

The financial statements related to the pension plan are prepared using the accrual basis of accounting. Employer contributions to the 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 plan provisions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid unrestricted assets with an original maturity of three months or less when purchased to be cash equivalents.

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 accounts has been recorded using management's estimates which are based on historical collections and the ability to file liens against property.

Unbilled Revenue

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

Inventory

Inventory is valued at the lower of cost, using the first-in, first-out method, or market. The cost of inventory is recorded as an expense when consumed rather than when purchased.

Investments

The Authority reports all investments in accordance with pronouncements of the GASB, which require fair value standards for certain investments held by governmental entities and external investment pools, except for certificates of deposit, which are reported at face amount (which approximates fair value).

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issue Costs, Bond Discount, and Deferred Charges on Refundings

Insurance costs associated with the issuance of new bonds are recorded as assets and amortized over the lives of the various bonds. Other bond issue costs are expensed as incurred. Gains or losses (difference between reacquisition price and carrying value of old debt) occurring from refundings of debt are recognized as deferred inflows or outflows and amortized to interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter. Bond discounts/premiums are netted against the bonds payable on the statement of net position.

Compensated Absences

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 and carryover any unused vacation leave.

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 plants	25 - 40 years
Office equipment	10 years
Transportation equipment	6 years
Mains and collecting 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

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates in preparing the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a 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 Authority has several items that qualify for reporting in this category, including the deferred charge on bond refunding and those related to the Authority's pension plan. These amounts will be amortized over future periods. A deferred charge on bond refunding 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 financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and also will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category, which is related to the Authority's pension plan.

Net Position

Net position is comprised of the various net earnings from operating income and expenses, nonoperating revenues and expenses, and capital contributions and grants. Net position is classified in the following components:

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 that are 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 the debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also 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.

Unrestricted - This component of net position is the net amount 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.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) 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 government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Classification of Revenues

The Authority has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services of the Authority.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the Authority receives value without directly giving equal value in return), such as gifts and contributions, grants, and investment income. Tap fees are also considered nonoperating because they are not assessed to cover current operating costs, but to fund future expansion of the sewer and water systems.

NOTE 3 CASH AND INVESTMENTS

Section 7.1 of the Pennsylvania Municipal Authorities Act and Act 10 of 2016 define allowable investments for authorities, which are summarized as follows:

1. United States treasury bills.
2. Short-term obligations of the United States Government or its agencies or instrumentalities.
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) 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, if approved collateral therefore is pledged by the depository.
4. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
5. Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 if the only investments of that company are in authorized investments for authority funds listed in paragraphs (1) through (4).

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

6. Obligations, participations, or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
7. Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
9. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Pension fund allowable investment types are dictated by Pennsylvania probate, estate and fiduciary code.

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:

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

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

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.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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.

Pension Trust Fund

Policy

The Authority does not have a formal policy regarding pension investments.

Interest Rate Risk

As of December 31, 2016, the Authority had the following investments and maturities within its pension accounts:

	Market Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6 - 10	More Than 10
Fixed income mutual funds	\$ 714,416	\$ -	\$ 266,142	\$ 168,780	\$ 279,494
Other Investments:					
Government money market fund	16,461				
Equity mutual funds	1,519,162				
Equities	20,640				
Total Investments	<u>\$ 2,270,679</u>				

Investments in the government money market fund are accessible on a daily basis by the Authority. The weighted average maturity for the underlying investments of the money market fund is 40 days.

Investments in the government money market fund are considered cash equivalents for financial reporting purposes.

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.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Pension Trust Fund (Continued)

Credit Risk

As of December 31, 2016, the Authority's pension investments in cash equivalents were rated AAA by Moody's. Additionally, the Authority's pension investments in Fixed Income Mutual Funds as of December 31, 2016 were rated as follows:

Rating	Fair Value	%
AAA	\$ 390,575	53%
AA	35,273	5%
A	97,859	14%
BBB	150,333	21%
BB	18,832	3%
B	5,681	1%
Below B	3,381	1%
Not Rated	<u>12,482</u>	<u>2%</u>
	<u>\$ 714,416</u>	<u>100%</u>

The Authority's investment in the government money market fund are basically mutual funds that consist of short-term money market instruments that seek to maintain a constant net asset value of \$ 1 per share. As of December 31, 2016, the Authority had \$ 16,461 invested in the government money market fund.

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.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of such securities will be adversely affected by changes in exchange rates.

The pension trust fund is exposed to foreign currency risk through \$ 99,824 investments in an international equity mutual fund as of December 31, 2016.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Pension Trust Fund (Continued)

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the statement of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Valuation – Mutual Funds and Equities

Equities and mutual funds listed on the national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Valuation - Treasury Obligations Fund and Government Money Market Fund

The fair value is determined using the amortized cost method, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. Such investments are generally classified within Level 2 of the valuation hierarchy.

December 31, 2016				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Sewer Fund:				
Treasury Obligations Fund	\$ 214,921	\$ -	\$ 214,921	\$ -
Pension Trust Fund:				
Mutual Funds by type:				
Fixed income	714,416	714,416	-	-
Equity	1,519,162	1,519,162	-	-
Total mutual funds	2,233,578	2,233,578	-	-
Equities	20,640	20,640		
Government money market fund	16,461	-	16,461	-
Total investments by fair value category	\$ 2,485,600	\$ 2,254,218	\$ 231,382	\$ -

December 31, 2015				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension Trust Fund:				
Mutual Funds by type:				
Fixed income	\$ 701,378	\$ 701,378	\$ -	\$ -
Equity	1,330,337	1,330,337	-	-
Total mutual funds	2,031,715	2,031,715	-	-
Equities	18,304	18,304		
Liquidity fund	12,875	-	12,875	-
Total investments by fair value category	\$ 2,062,894	\$ 2,050,019	\$ 12,875	\$ -

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The accounts receivable at December 31 are shown net of an allowance for doubtful accounts as follows:

	2016	2015
Water	\$ 15,213	\$ 17,534
Sewer	<u>23,653</u>	<u>37,718</u>
Total	<u>\$ 38,866</u>	<u>\$ 55,252</u>

NOTE 5 CAPITAL ASSETS

The following details capital asset activity for the years ended December 31, 2016 and 2015.

	2016			
	Beginning Balance	Additions	Retirements	Ending Balance
Water				
Cost:				
Land and easements	\$ 353,238	\$ -	\$ -	\$ 353,238
Buildings and infrastructure	7,299,123	-	-	7,299,123
Wells	3,308,306	-	-	3,308,306
Equipment and lines	15,462,797	73,762	-	15,536,559
Construction in progress	<u>446,707</u>	<u>55,830</u>	<u>(37,005)</u>	<u>465,532</u>
Total cost	<u>26,870,171</u>	<u>129,592</u>	<u>(37,005)</u>	<u>26,962,758</u>
Less accumulated depreciation:				
Buildings and infrastructure	(3,597,623)	(276,941)	-	(3,874,564)
Wells	(1,465,992)	(112,167)	-	(1,578,159)
Equipment and lines	<u>(7,563,335)</u>	<u>(329,543)</u>	<u>-</u>	<u>(7,892,878)</u>
Total accumulated depreciation	<u>(12,626,950)</u>	<u>(718,651)</u>	<u>-</u>	<u>(13,345,601)</u>
Capital assets, net	<u>\$ 14,243,221</u>	<u>\$ (589,059)</u>	<u>\$ (37,005)</u>	<u>\$ 13,617,157</u>
	Beginning Balance	Additions	Retirements	Ending Balance
Sewer				
Cost:				
Land and easements	\$ 39,122	\$ -	\$ -	\$ 39,122
Buildings and infrastructure	31,520,737	-	-	31,520,737
Lift stations	775,711	-	-	775,711
Equipment and lines	28,156,348	5,731,686	-	33,888,034
Construction in progress	<u>5,120,495</u>	<u>556,777</u>	<u>(5,654,166)</u>	<u>23,106</u>
Total cost	<u>65,612,413</u>	<u>6,288,463</u>	<u>(5,654,166)</u>	<u>66,246,710</u>
Less accumulated depreciation:				
Buildings and infrastructure	(14,758,502)	(823,002)	-	(15,581,504)
Lift stations	(557,647)	(25,569)	-	(583,216)
Equipment and lines	<u>(10,914,237)</u>	<u>(693,469)</u>	<u>-</u>	<u>(11,607,706)</u>
Total accumulated depreciation	<u>(26,230,386)</u>	<u>(1,542,040)</u>	<u>-</u>	<u>(27,772,426)</u>
Capital assets, net	<u>\$ 39,382,027</u>	<u>\$ 4,746,423</u>	<u>\$ (5,654,166)</u>	<u>\$ 38,474,284</u>

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 5 CAPITAL ASSETS (CONTINUED)

	2015			
	Beginning Balance	Additions	Retirements	Ending Balance
Water				
Cost:				
Land and easements	\$ 353,238	\$ -	\$ -	\$ 353,238
Buildings and infrastructure	7,299,123	-	-	7,299,123
Wells	3,255,234	53,072	-	3,308,306
Equipment and lines	15,424,203	38,594	-	15,462,797
Construction in progress	448,562	89,811	(91,666)	446,707 (1)
Total cost	<u>26,780,360</u>	<u>181,477</u>	<u>(91,666)</u>	<u>26,870,171</u>
Less accumulated depreciation:				
Buildings and infrastructure	(3,320,682)	(276,941)	-	(3,597,623)
Wells	(1,354,527)	(111,465)	-	(1,465,992)
Equipment and lines	(7,237,593)	(325,742)	-	(7,563,335)
Total accumulated depreciation	<u>(11,912,802)</u>	<u>(714,148)</u>	<u>-</u>	<u>(12,626,950)</u>
Capital assets, net	<u>\$ 14,867,558</u>	<u>\$ (532,671)</u>	<u>\$ (91,666)</u>	<u>\$ 14,243,221</u>
	Beginning Balance	Additions	Retirements	Ending Balance
Sewer				
Cost:				
Land	\$ 39,122	\$ -	\$ -	\$ 39,122
Buildings and infrastructure	31,506,153	14,584	-	31,520,737
Lift stations	775,711	-	-	775,711
Equipment and lines	28,128,040	28,308	-	28,156,348
Construction in progress	456,159	4,664,336	-	5,120,495 (1)
Total cost	<u>60,905,185</u>	<u>4,707,228</u>	<u>-</u>	<u>65,612,413</u>
Less accumulated depreciation:				
Buildings and infrastructure	(13,936,039)	(822,463)	-	(14,758,502)
Lift stations	(529,501)	(28,146)	-	(557,647)
Equipment and lines	(10,326,916)	(587,321)	-	(10,914,237)
Total accumulated depreciation	<u>(24,792,456)</u>	<u>(1,437,930)</u>	<u>-</u>	<u>(26,230,386)</u>
Capital assets, net	<u>\$ 36,112,729</u>	<u>\$ 3,269,298</u>	<u>\$ -</u>	<u>\$ 39,382,027</u>

(1) Construction in progress consists of the following projects as of December 31, 2016 and 2015:

	2016	2015
Water		
York Water Pipeline	\$ 168,087	\$ 168,087
Water meters	2,180	4,149
Future water sources	245,203	245,203
GIS mapping	17,919	17,800
Water tank storage	16,972	4,752
116 Bridge relocation	5,586	-
Well automation	9,585	6,716
	<u>\$ 465,532</u>	<u>\$ 446,707</u>
Sewer		
Long Lane sewer design	\$ 13,014	\$ -
Interceptor	10,092	5,120,495
	<u>\$ 23,106</u>	<u>\$ 5,120,495</u>

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 6 LONG-TERM DEBT

The following details activity for the Authority's long-term debt for the years ended December 31, 2016 and 2015:

2016						
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Bonds						
(A) 2010 Sewer revenue bonds	\$ 6,285,000	\$ -	\$ (6,285,000)	\$ -	\$ -	\$ -
Unamortized bond discount/premium	(42,784)	-	42,784	-	-	-
	<u>6,242,216</u>	<u>-</u>	<u>(6,242,216)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(B) 2015 Sewer revenue bonds	5,335,000	-	(5,000)	5,330,000	10,000	5,320,000
Unamortized bond discount/premium	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>
(C) 2016 Sewer revenue bonds	-	6,540,000	(20,000)	6,520,000	45,000	6,475,000
Unamortized bond discount/premium	-	(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>
Total bonds payable	<u>11,600,540</u>	<u>6,487,171</u>	<u>(6,266,599)</u>	<u>11,821,112</u>	<u>52,288</u>	<u>11,768,824</u>
Due to Borough						
(D) 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>
(E) 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>
(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 due to Borough	<u>7,965,957</u>	<u>1,361,976</u>	<u>(2,675,890)</u>	<u>6,652,043</u>	<u>1,421,023</u>	<u>5,231,020</u>
Total debt	<u>\$ 19,566,497</u>	<u>\$ 7,849,147</u>	<u>\$ (8,942,489)</u>	<u>\$ 18,473,155</u>	<u>\$ 1,473,311</u>	<u>\$ 16,999,844</u>
2015						
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Bonds						
(A) 2010 Sewer revenue bonds	\$ 6,295,000	\$ -	\$ (10,000)	\$ 6,285,000	\$ 10,000	\$ 6,275,000
Unamortized bond discount/premium	(45,873)	-	3,089	(42,784)	(3,089)	(39,695)
	<u>6,249,127</u>	<u>-</u>	<u>(6,911)</u>	<u>6,242,216</u>	<u>6,911</u>	<u>6,235,305</u>
(B) 2015 Sewer revenue bonds	-	5,335,000	-	5,335,000	5,000	5,330,000
Unamortized bond discount/premium	-	24,047	(723)	23,324	1,238	22,086
	<u>-</u>	<u>5,359,047</u>	<u>(723)</u>	<u>5,358,324</u>	<u>6,238</u>	<u>5,352,086</u>
Due to Borough						
(D) 2010 GO Bonds - Water	1,865,000	-	(540,000)	1,325,000	555,000	770,000
Other bond related costs	(52,135)	-	17,714	(34,421)	(86)	(34,335)
	<u>1,812,865</u>	<u>-</u>	<u>(522,286)</u>	<u>1,290,579</u>	<u>554,914</u>	<u>735,665</u>
(E) 2012 GO Bonds - Sewer	7,335,000	-	(755,000)	6,580,000	770,000	5,810,000
Other bond related costs	106,782	-	(11,404)	95,378	57,497	37,881
	<u>7,441,782</u>	<u>-</u>	<u>(766,404)</u>	<u>6,675,378</u>	<u>827,497</u>	<u>5,847,881</u>
Total due to Borough	<u>9,254,647</u>	<u>-</u>	<u>(1,288,690)</u>	<u>7,965,957</u>	<u>1,382,411</u>	<u>6,583,546</u>
Total debt	<u>\$ 15,503,774</u>	<u>\$ 5,359,047</u>	<u>\$ (1,296,324)</u>	<u>\$ 19,566,497</u>	<u>\$ 1,395,560</u>	<u>\$ 18,170,937</u>

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

Bonds

In December 2010 Sewer Revenue Bonds were issued by the Authority. The proceeds of the bonds were used to construct capital improvements to the Authority's public sewer system and to pay the costs and expenses related to the issuance of the Bonds. The Borough guaranteed the payment of the bonds by pledging its full faith, credit and taxing power.

- (A) \$ 6,355,000 Sewer Revenue Bonds – Series of 2010 payable in annual principal installments ranging from \$ 10,000 to \$ 1,130,000 through November 15, 2029, interest ranging from 3.00% to 4.00%. The note was currently refunded in 2016 with the issuance of Sewer Revenue Bonds - Series of 2016.

In May 2015 Sewer Revenue Bonds were issued by the Authority. The proceeds of the bonds are to be used to construct 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.

- (B) \$ 5,355,000 Sewer Revenue Bonds – Series of 2015 payable in annual principal installments ranging from \$ 5,000 to \$ 1,315,000 through November 15, 2034, interest ranging from 2.00% to 4.00%.

In June 2016 Sewer Revenue Bonds were issued by the Authority. The proceeds were used to presently refund the 2010 Sewer Revenue Bonds. The bonds are payable from the revenues of the Authority. The Borough guaranteed the payment of the bonds by pledging its full faith, credit and taxing power.

- (C) \$ 6,540,000 Sewer Revenue Bonds – Series of 2016 payable in principal installments ranging from \$ 20,000 to \$ 1,080,000 through November 15, 2029, interest ranging from 2.00% to 2.50%.

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

(1)	Cash flow gain	\$ 928,360
(2)	Economic gain	\$ 807,711

- (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.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

Due to Borough

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. Included in these liabilities are the related discount/premium, accrued interest, deferred charge on refunding, and unamortized bond insurance, due to the fact the debt is in the name of the Borough. These liabilities, shown as "Due to Borough" on the statement of net position, are detailed below.

In May 2010 General Obligation Bonds were issued by the Borough of Gettysburg. A portion of the proceeds were used to currently refund the 2004A and 2004B GO Bonds. The bonds are ultimately payable from the revenues of the Authority.

- (D) \$ 4,370,000 General Obligation Bonds Water – Series of 2010 payable in annual principal installments ranging from \$ 200,000 to \$ 570,000 through November 15, 2018, interest ranging from 1.00% to 3.30%. The note was currently refunded in 2016 with the issuance of General Obligation Bonds - Series of 2016.

In May 2012 General Obligation Bonds were issued by the Borough of Gettysburg. The proceeds were used to advance refund the 2007 GO Bonds. The bonds are ultimately payable from the revenues of the Authority.

- (E) \$ 8,135,000 General Obligation Bonds Sewer – Series of 2012 payable in annual principal installments ranging from \$ 60,000 to \$ 865,000 through August 15, 2023, interest ranging from 0.50% to 2.50%.

In June 2016 General Obligation Bonds were issued by the Borough of Gettysburg. The proceeds were used to presently refund the 2010 GO Bonds. The bonds are ultimately payable from the revenues of the Authority.

- (F) \$ 1,340,000 General Obligation Bonds Water – Series 2016 payable in annual installments ranging from \$565,000 to \$200,000 through November 15, 2018, interest ranging from 2.00% to 3.00%.

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

- | | |
|--------------------|----------|
| (1) Cash flow gain | \$ 4,115 |
| (2) Economic gain | \$ 6,038 |

(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.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

Future debt service requirements as of December 31, 2016 are as follows:

	2012 GO Bonds Sewer		2015 Sewer Revenue Bonds		2016 Sewer Revenue Bonds		2016 GO Bonds Water		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 785,000	\$ 122,612	\$ 10,000	\$ 197,058	\$ 45,000	\$ 147,368	\$ 575,000	\$ 17,500	\$ 1,415,000	\$ 484,538
2018	805,000	106,912	5,000	196,858	45,000	146,468	200,000	6,000	1,055,000	456,238
2019	815,000	90,814	5,000	196,758	55,000	145,568	-	-	875,000	433,140
2020	835,000	74,512	5,000	196,658	55,000	144,468	-	-	895,000	415,638
2021	855,000	57,814	5,000	196,558	50,000	143,368	-	-	910,000	397,740
2022-2026	1,715,000	61,962	35,000	979,156	3,105,000	642,403	-	-	4,855,000	1,683,521
2027-2031	-	-	2,415,000	935,762	3,165,000	155,574	-	-	5,580,000	1,091,336
2031-2034	-	-	2,850,000	173,124	-	-	-	-	2,850,000	173,124
	<u>\$ 5,810,000</u>	<u>\$ 514,626</u>	<u>\$ 5,330,000</u>	<u>\$ 3,071,932</u>	<u>\$ 6,520,000</u>	<u>\$ 1,525,217</u>	<u>\$ 775,000</u>	<u>\$ 23,500</u>	<u>\$ 18,435,000</u>	<u>\$ 5,135,275</u>

Bond issue costs (insurance) on Authority debt are shown net of accumulated amortization as follows:

	2016		2015	
	Water	Sewer	Water	Sewer
Bond issue costs (insurance)	\$ -	\$ 39,443	\$ -	\$ 89,723
Accumulated amortization	-	(2,275)	-	(19,311)
	<u>\$ -</u>	<u>\$ 37,168</u>	<u>\$ -</u>	<u>\$ 70,412</u>

Total interest costs for 2016 and 2015 amounted to \$ 567,552 and \$606,947, respectively. For 2016 and 2015, interest of \$ 16,337 and \$108,533, respectively, was capitalized (sewer fund) and recorded as a capital asset and the remaining balance of \$ 551,215 and \$ 498,414, respectively, was expensed.

NOTE 7 INTERFUND ACTIVITY

Due To/Due From

At December 31, 2016 and 2015, the water fund owed the sewer fund \$ 721,988 and \$ 396,069, respectively, for expenses paid by the sewer fund on behalf of the water fund.

NOTE 8 RENTAL INCOME

The Authority has several leases with cell phone companies to lease space on water towers to the companies for the placement of cell phone antennas. Rental income from these leases was \$ 129,190 and \$122,491 for the years ended December 31, 2016 and 2015, respectively.

In addition to the previously mentioned leases, the Authority also received \$ 2,010 and \$ 1,915 in 2016 and 2015, respectively, from Gettysburg Tours Inc. for several parking spots.

Minimum rental income under long-term leases for the next five years is as follows:

2017	\$ 127,824
2018	130,891
2019	134,050
2020	137,304
2021	140,906
	<u>\$ 670,976</u>

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 9 LONG-TERM ACCOUNTS RECEIVABLE

During 2013, the Water Fund 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. Based on the fact that the Authority does not have to perform any additional services, the entire amount of the agreement (\$ 550,000) was recognized as revenue in 2013. The portion of the receivable that will not be received within the next year will be recorded as a long-term accounts receivable. Consequently, \$ 100,000 is current accounts receivable and \$ 100,000 is long term accounts receivable at December 31, 2016. At December 31, 2015, \$ 100,000 was current accounts receivable and \$ 200,000 was long term accounts receivable. In addition, the Sewer Fund has a long-term receivable of \$ 160,023 at December 31, 2016 and 2015 related to Act 537 Facility Planning Assistance.

NOTE 10 PENSION PLAN

Summary of Significant Accounting Policies

Plan Description

The Authority sponsors a single-employer defined benefit pension plan for its employees, which is funded solely by the employer.

Plan Membership

At January 1, 2017, pension plan membership consisted of the following:

Active Plan Members	17
Retirees and beneficiaries currently receiving benefits	3
Fully vested former members	<u>4</u>
Total	<u>24</u>

Benefits Provided

All full-time employees who have completed three years of service at any January 1st are eligible to participate in the plan. Participants are eligible for retirement benefits at age 62. Accrued benefits are 100% vested after ten full years of service. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are established and may be amended by the Authority and approved through the union agreement. The pension amount will be 38% of the participant's final annual compensation with the amount being reduced by 1/26th for each year of service at age 62 less than 26 years. The Authority's policy is to fund normal service cost currently.

Financial Reports

The Gettysburg Municipal Authority does not issue stand-alone financial reports for its pension plans, as all necessary information is disclosed herein.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 10 PENSION PLAN (CONTINUED)

Contributions

Act 205 of the Commonwealth requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation also required by Act 205. Employees are not required to contribute under Act 205. For the year ended December 31, 2016, the Authority's contribution was \$ 131,442 and the average contribution rate was 13.62 percent of annual payroll. For the year ended December 31, 2015 the Authority's contribution was \$ 146,154 and the average contribution rate was 14.50 percent of annual payroll.

Investments

Method Used to Value Investments

Investments are reported at fair value. Fair value is determined by quoted market prices. Short term investments in cash equivalents are reported at cost, which approximates fair value.

Investment Policy

The investment objective is to achieve the long-term investment objectives and produce a total return commensurate with the portfolio's risk, client constraints, governing instruments and funding policy. In addition, the objective is to comply with all applicable trust, fiduciary and due diligence requirements that experienced investment professionals would reasonably be expected to follow, and comply with all applicable federal, state and local laws, rules, and regulations.

Rate of Return

For the years ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.08% and (0.95%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually received.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 and 2015, the Authority reported a liability of \$ 698,089 and \$ 317,186 in the Statement of Net Position. The net pension liability was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was based upon the actuarial valuation of January 1, 2015. For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of \$ 230,585 and \$ 158,665, respectively.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 10 PENSION PLAN (CONTINUED)

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

The following is the changes in the total pension liability, the plan fiduciary net position, and the net position liability as of December 31, 2016 and 2015:

	Increase (Decrease)			Plan Fiduciary Net Position as a % of Total Pension Liability
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)	
Balances as of December 31, 2015	\$ 2,381,470	\$ 2,064,284	\$ 317,186	86.68%
Changes for the year:				
Service cost	58,261		58,261	
Interest	153,530		153,530	
Changes in benefits	-		-	
Changes of assumptions	427,866		427,866	
Differences in expected and actual experience	(15,414)		(15,414)	
Contributions - employer		131,442	(131,442)	
Contributions - employee		-	-	
Net investment income		128,680	(128,680)	
Transfers		-	-	
Benefit payments, including refunds of member contributions	(35,932)	(35,932)	-	
Administrative expenses		(16,782)	16,782	
Other	-	-	-	
Net Changes	588,311	207,408	380,903	
Balances as of December 31, 2016	\$ 2,969,781	\$ 2,271,692	\$ 698,089	76.49%

	Increase (Decrease)			Plan Fiduciary Net Position as a % of Total Pension Liability
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)	
Balances as of December 31, 2014	\$ 2,127,003	\$ 1,971,488	\$ 155,515	92.69%
Changes for the year:				
Service cost	66,623		66,623	
Interest	138,255		138,255	
Changes in benefits	-		-	
Changes of assumptions	-		-	
Differences in expected and actual experience	84,260		84,260	
Contributions - employer		146,154	(146,154)	
Contributions - employee		-	-	
Net investment income		(2,542)	2,542	
Transfers		-	-	
Benefit payments, including refunds of member contributions	(34,671)	(34,671)	-	
Administrative expenses		(16,145)	16,145	
Other	-	-	-	
Net Changes	254,467	92,796	161,671	
Balances as of December 31, 2015	\$ 2,381,470	\$ 2,064,284	\$ 317,186	86.68%

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 10 PENSION PLAN (CONTINUED)

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

At December 31, 2016, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,845
Difference in assumption change	356,555	
Net difference between projected and actual earnings on pension plan investments	87,211	-
	<u>\$ 443,766</u>	<u>\$ 12,845</u>

At December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,130	\$ -
Net difference between projected and actual earnings on pension plan investments	107,030	-
	<u>\$ 149,160</u>	<u>\$ -</u>

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

Year ended December 31:

2017	\$ (97,233)
2018	(97,233)
2019	(97,235)
2020	(70,478)
2021	(68,742)
	<u>\$ (430,921)</u>

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 10 PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

Valuation Date:	1/1/2017
Actuarial Cost Method:	Entry age normal
Actuarial Asset Valuation Method:	Market value
Amortization Method:	Level Dollar Closed
Amortization Period:	Amortization periods in Act 205
Actuarial Assumptions:	
• Investment rate of return:	6.50%
• Projected salary increases:	3.50%
• Includes inflation at:	N/A
Post-retirement benefit increases:	None

Mortality rates were based on the sex distinct RP-2014 employed, healthy annuitant and disabled retiree mortality tables projected with scale MP-2016. This is a change from the last valuation, which were based on the UP-1984 unisex mortality table.

The actuarial assumptions used in the January 1, 2017 valuation were based on an actual experience study for the period January 1, 2016 through December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Authority. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	65%	8%
International Equity	65%	8%
Fixed Income	35%	4%
Real Estate	0%	7%
Cash	0%	.05%

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was 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.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 10 PENSION PLAN (CONTINUED)

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

The following presents the net pension liability of the Authority, calculated using the discount rate of 6.50%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50 percent) and 1 percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Authority's net pension liability	<u>\$ 1,069,656</u>	<u>\$ 698,089</u>	<u>\$ 381,078</u>

NOTE 11 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance coverage for these types of losses, including workers' compensation and accident insurance. Settlement amounts resulting from these risks have not exceeded coverage in the current year or the three prior years.

The Authority is part of the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). This trust consists of a group of municipalities that have pooled their interests together in order to establish a self-funded insurance plan in order to better control insurance rates. The Authority pays a premium to PMHIC that consists of a portion for actual claim expenses, administrative costs, reinsurance costs and a reserve account. At year end, the actual claims of the Authority are reviewed and the reserve account is used to fund any excess claims for the Authority over the premiums paid during the year. If any funds remain in the reserve account, 15% of the total reserve balance could possibly be used to fund claim overages of the trust. A reinsurance policy is used to pay any additional excess claims. Therefore, the expense recognized by the Authority is limited to the premiums incurred during the year. Any potential refund of the reserve account is calculated and received by the Authority several months after year end. Total payments by the Authority to PMHIC for 2016 and 2015 were \$ 637,169 and \$ 596,233, respectively. The Authority also received refunds from Pennsylvania Municipal Health in the amount of \$ 147,380 and \$ 94,846 during 2016 and 2015, respectively.

NOTE 12 RELATED PARTY TRANSACTIONS

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 and 2015.

GETTYSBURG MUNICIPAL AUTHORITY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Authority entered into an agreement during the year with a contractor related to the following project.

	Original Contract Price	Total Costs incurred as of 12/31/16	Total Outstanding Commitment
Long Lane sanitary sewer replacement	<u>\$ 151,530</u>	<u>\$ -</u>	<u>\$ 151,530</u>

REQUIRED SUPPLEMENTARY INFORMATION

GETTYSBURG MUNICIPAL AUTHORITY
Schedule of Changes in the Authority's Net Position Liability and Related Ratios
(Unaudited)

	2016	2015	2014
Total pension liability			
Service cost	\$ 58,261	\$ 66,623	\$ 47,674
Interest	153,530	138,255	129,126
Differences in expected and actual experience	(15,414)	84,260	(1,592)
Changes in assumptions	427,866	-	-
Benefit payments, including refunds of member contributions	<u>(35,932)</u>	<u>(34,671)</u>	<u>(34,761)</u>
Net change in total pension liability	588,311	254,467	140,447
Total pension liability - beginning	<u>2,381,470</u>	<u>2,127,003</u>	<u>1,986,556</u>
Total pension liability - ending	<u>2,969,781</u>	<u>2,381,470</u>	<u>2,127,003</u>
Plan fiduciary net position			
Contributions - employer	131,442	146,154	145,425
Contributions - employee	-	-	-
Net investment income	128,680	(2,542)	109,317
Benefit payments, including refunds of member contributions	(35,932)	(34,671)	(34,671)
Administrative expenses	(16,782)	(16,145)	(14,628)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	<u>207,408</u>	<u>92,796</u>	<u>205,443</u>
Plan fiduciary net position - beginning	<u>2,064,284</u>	<u>1,971,488</u>	<u>1,766,045</u>
Plan fiduciary net position - ending	<u>\$ 2,271,692</u>	<u>\$ 2,064,284</u>	<u>\$ 1,971,488</u>
Authority's net pension liability	\$ 698,089	\$ 317,186	\$ 155,515
Plan fiduciary net position as a percentage of the total pension liability	76.49%	86.68%	92.69%
Covered-employee payroll	\$ 964,800	\$ 1,007,800	\$ 925,038
Net pension liability as a percentage of covered-employee payroll	72.36%	31.47%	16.81%

Changes Since Last Valuation

The mortality assumption was changed from the 1984 unisex pension mortality table (UP-1984) to the RP-2014 mortality tables with projection scale MP-2016 to incorporate the latest mortality studies conducted by the Society of Actuaries.

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

GETTYSBURG MUNICIPAL AUTHORITY
Schedule of Authority Contributions
Last 10 Fiscal Years (Unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 131,442	\$ 146,154	\$ 145,425	\$ 145,733	\$ 137,430	\$ 126,134	\$ 114,727	\$ 74,680	\$ 71,759	\$ 83,000
Contributions in relation to the actuarially determined contribution	<u>131,442</u>	<u>146,154</u>	<u>145,425</u>	<u>145,733</u>	<u>137,430</u>	<u>240,861</u>	<u>-</u>	<u>74,680</u>	<u>71,759</u>	<u>83,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (114,727)</u>	<u>\$ 114,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 964,800	\$ 1,007,800	\$ 925,038	\$ 962,847	\$ 929,486	\$ 888,118	\$ 808,493	\$ 703,354	\$ 684,611	\$ 653,154
Contributions as a percentage of covered-employee payroll	13.62%	14.50%	15.72%	15.14%	14.79%	14.20%	14.19%	10.62%	10.48%	12.71%

Notes to Schedule

Valuation date:

Actuarially determined contribution rate are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Amortization period	Based upon amortization periods in Act 205
Asset valuation method	Market value
Inflation	Based on long-term historical average rates
Salary increases	3.50%
Investment rate of return	6.50%
Retirement age	62
Mortality	Based on UP-1984 mortality table

GETTYSBURG MUNICIPAL AUTHORITY
Schedule of Investment Returns
(Unaudited)

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense for the Pension Plan	6.08%	(0.95%)	5.20%

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

OTHER SUPPLEMENTARY INFORMATION

GETTYSBURG MUNICIPAL AUTHORITY
Other Supplementary Information - Budgetary Comparison Schedule
Year Ended December 31, 2016

	Water Fund			Sewer Fund		
	Original/Final Budget	Actual	Variance	Original/Final Budget	Actual	Variance
Operating Revenues						
Service fees	\$ 1,994,320	\$ 2,038,856	\$ 44,536	\$ 3,348,575	\$ 3,283,451	\$ (65,124)
Connection and fees	2,500	8,251	5,751	-	200	200
Penalties	20,000	20,069	69	31,000	31,134	134
Other operating revenues	1,000	20,392	19,392	-	23,743	23,743
Hunterstown revenues	-	-	-	193,000	179,478	(13,522)
Total operating revenues	<u>2,017,820</u>	<u>2,087,568</u>	<u>69,748</u>	<u>3,572,575</u>	<u>3,518,006</u>	<u>(54,569)</u>
Operating Expenses						
Purification system	729,190	721,692	7,498	-	-	-
Distribution system	356,635	350,442	6,193	-	-	-
Collection system	-	-	-	265,401	228,240	37,161
Pumping station	-	-	-	96,888	73,035	23,853
Disposal system	-	-	-	908,538	985,718	(77,180)
General operating	446,336	433,870	12,466	432,581	416,351	16,230
Professional fees	38,650	20,316	18,334	35,515	30,502	5,013
Hunterstown expenses	-	-	-	160,348	157,874	2,474
Total operating expenses	<u>1,570,811</u>	<u>1,526,320</u>	<u>44,491</u>	<u>1,899,271</u>	<u>1,891,720</u>	<u>7,551</u>
Operating income	447,009	561,248	114,239	1,673,304	1,626,286	(47,018)
Nonoperating revenue (expenses)						
Tapping fees	30,460	122,754	92,294	38,640	39,799	1,159
Interest income	14,000	13,236	(764)	3,000	3,894	894
Rental income	122,200	131,200	9,000	-	-	-
Health insurance surplus	-	65,437	65,437	-	81,943	81,943
Principal payments	(555,000)	(565,000)	(10,000)	(785,000)	(795,000)	(10,000)
Bond issuance cost	-	(20,008)	(20,008)	-	(142,064)	(142,064)
Interest expense	(39,810)	(36,867)	2,943	(608,988)	(514,348)	94,640
Total nonoperating revenue (expenses)	<u>(428,150)</u>	<u>(289,248)</u>	<u>138,902</u>	<u>(1,352,348)</u>	<u>(1,325,776)</u>	<u>26,572</u>
Income before contributions	<u>18,859</u>	<u>272,000</u>	<u>253,141</u>	<u>320,956</u>	<u>300,510</u>	<u>(20,446)</u>
Capital contributions/grants	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position - Budgetary Basis	<u>\$ 118,859</u>	<u>\$ 272,000</u>	<u>\$ 153,141</u>	<u>\$ 320,956</u>	<u>\$ 300,510</u>	<u>\$ (20,446)</u>
Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position						
Depreciation and amortization		\$ (722,444)			\$ (1,465,689)	
Hunterstown depreciation		-			(82,470)	
Principal payments on debt		565,000			795,000	
Change in net position - GAAP Basis		<u>\$ 114,556</u>			<u>\$ (452,649)</u>	

Note: The Budget prepared by the Authority is prepared on the modified cash basis and does not include depreciation expense; however, it does include principal payments on long term debt. These items are shown above to reconcile to the Statement of Revenues, Expenses and Changes in Fund Net Position.